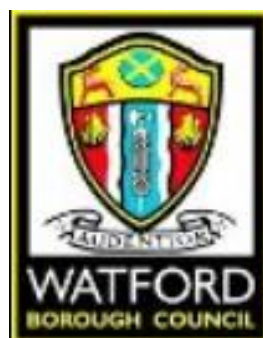




**Shared Internal Audit Service**  
**Annual Report**  
**2013/14**

## Annual Report Contents

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Hertfordshire County Council

## Introduction



*Helen Maneuf  
Head of Assurance for the  
Shared Internal Audit  
Service*

Welcome to the third SIAS annual report which highlights the work of the partnership during its third year of activity.

During the year we hit our stride as a team that can be trusted to deliver. For the first time we achieved both our key performance targets. That we were able to do so speaks volumes about the energy, imagination and commitment of the team. Learning, adapting and striving to improve our service underpin everything we do. Coupled with the continued support of the SIAS Board for the team's mission, this has made for a powerful success story.

We now deliver a core assurance service which provides for resilience, efficiency, access to specialisms, high standards of customer service and career development opportunities for our employees, in line with the original vision of the partners.

Our Annual Report begins by highlighting key areas of success in the year before describing the performance of the partnership during 2013/14. We then look ahead to the future and the developments we plan so that we continue to deliver the partners' vision.

The Shared Internal Audit Service is, again, very grateful for the enthusiastic and active support it has received from all stakeholders during the period. This has helped the service make significant steps forward and demonstrate the benefits of real collaboration and partnership working.



**Helen Maneuf**

**Head of Assurance for the Shared Internal Audit Service**

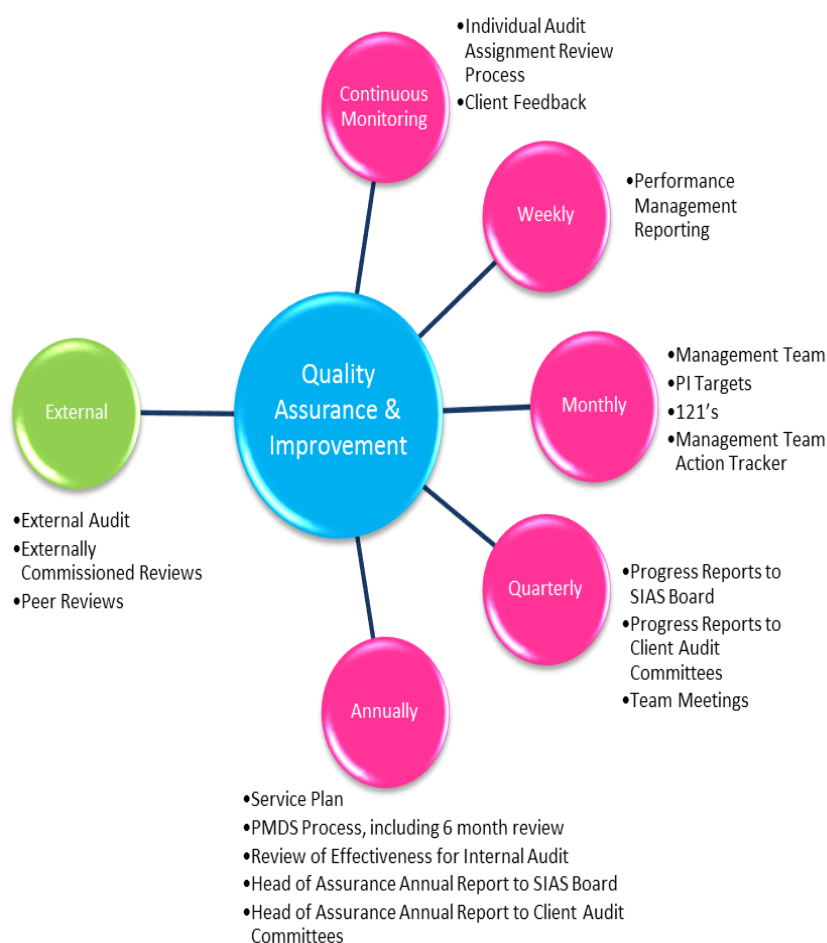
**May 2014**



## A focus on assurance, risk and quality

April 2013 saw the introduction of the Public Sector Internal Audit Standards (PSIAS) which aim to further professionalise the discipline of Internal Audit. Responding to the new requirements saw SIAS develop its thinking on its Quality Assurance and Improvement Programme or QAIP, which ensures that the service has the process it requires to deliver robust assurance work.

Figure 1: SIAS Quality Assurance and Improvement



The PSIAS standards place emphasis on good audit planning to ensure that assurance effort is targeted at the most important areas of activity. In response, we developed new arrangements for discussing and agreeing with managers the areas our audit plans will cover, linking these to the assessment of risk, and, where available, the work of other assurance providers.

We continued to deliver our Control Risk Self-Assessment approach. This technique adds value and contributes to embedding risk management. It achieves this by increasing an operating unit's involvement in designing and maintaining risk management and control systems, as well as identifying risk exposures and determining corrective action.

## Solid Business Performance

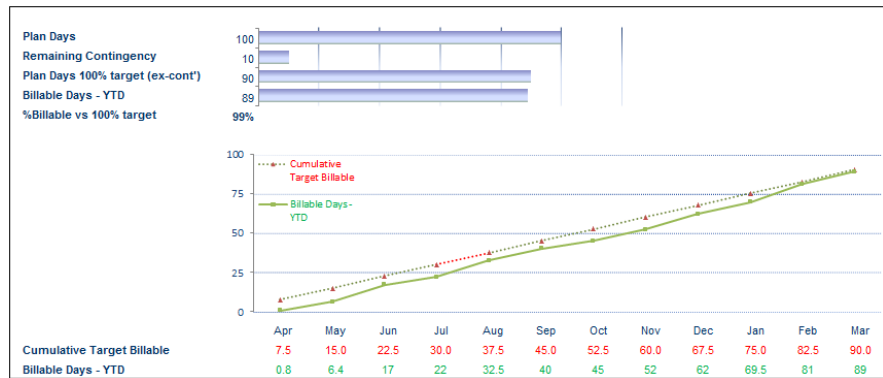


With ever increasing financial pressures facing Local Government, the SIAS business model has contributed combined efficiency savings in order of £350k for its partner organisations. The SIAS risk focused approach has delivered high quality value added assurance work with less resource.

A note on our financial performance can be found in Appendix B.

We have continued our work to ensure our process and procedures are efficient and effective which have helped us significantly in meeting our performance targets.

During the year we introduced new performance reports for clients:



We also improved our in-audit monitoring capability allowing us to track audit progress and take corrective action where necessary; and we developed tools for improving work allocation arrangements:

Client	Audit Name	Preferred Qtr
SBC	Members Locality Budgets	2
SBC	HRA Business Plan	2
SBC	Data Protection & FOI	2
SBC	Asset Management	2
	Change Control	2
	Service Desk Operations	2
SBC	Single Status	2

## Investing in our team

Our SIAS team members have responded to the particular challenges of partnership working with determination and commitment. All of our team have had to adapt to new ways of working since the creation of SIAS. In autumn 2013 the team took part in the Hertfordshire County Council staff survey. Results were positive: since the previous survey the level of engagement in the team had risen by twelve percentage points. The highlights are here:

### Highlights (strengths)

% Positive  
2013

1. I understand how my work contributes to the organisation's goals and objectives	94
14. My manager demonstrates the organisation's Values and Behaviours	94
15. Having clear values and behaviours for the organisation is important	94
48. In my team, we are encouraged to look for ways to save costs and operate more effectively	93

We shall continue to work to improve the engagement and motivation levels within the team over the year ahead by building on the activities described in Table 1.

**Table 1: SIAS Development Activities**

### Investing in our talented staff

Professional Training & Development	<p>Supporting the team in obtaining qualifications from the Chartered Institute of Internal Auditors. In addition, trainees from HCC's CIPFA scheme are now routinely placed in our service.</p> <p>The team participate in Hertfordshire County Council's Performance Management and Development Scheme which underpins the Council's Investors in People accreditation.</p> <p>Team members with full professional qualifications participate in the continuing professional development requirements of their respective institutes.</p>
Technical	<p>Members of our team attended a variety of technical briefings during the year.</p> <p>A technical update is given at every SIAS team meeting. We can source technical training through both our partnership with PwC and our excellent professional networks.</p>

	<p>We hosted a course focussed on approaches to the audit of major projects.</p>
<b>Relationship Skills</b>	<p>We have identified five core attributes that we believe form the basis of effective internal audit relationships:</p> <ul style="list-style-type: none"><li>○ communication</li><li>○ relationship building</li><li>○ persuasion</li><li>○ negotiation</li><li>○ influencing</li></ul> <p>We held an away day to support our staff in developing these skills and monitor individual performance through feedback questionnaires.</p> <p>In addition, we work closely with Hertfordshire County Council's Learning and Organisational Development team to equip ourselves with the skills needed in the modern audit environment, through initiatives such as coaching and mentoring, 360 degree feedback, and Myers Briggs Type Indicator profiling, as well as by accessing a range of courses delivered by Reed Learning.</p>
<b>Management and Development</b>	<p>Five of the team have participated in 'LEAP', a management development programme. In addition, all Audit Managers have completed a set of recommended management courses.</p> <p>We have built commercial skills within the team in partnership with PwC.</p>



*Bringing partners together to facilitate exchange of ideas*

## A vision for sharing across the partnership

Our partners have always seen the potential for a shared service to be a force for sharing learning and ideas. In line with this we organised a seminar for Audit Committee Members for councils and public bodies in Hertfordshire and beyond.

Speakers covered: the role of Audit Committees in ensuring good governance approaches to development of assurance frameworks, and real life examples of when governance fails. Two group sessions covered audit committee effectiveness and assurance requirements in respect of emerging risks respectively. Feedback on the event was resoundingly positive.

Effective Budgetary Control is high on the watch list of Hertfordshire's Chief Financial Officers who commissioned SIAS to deliver a joint review entitled 'Managing Money' to give those involved in this critical process an opportunity to compare the approach used at their own authority against best practice, and to share intelligence on this topic.

The review culminated in a workshop session attended by authority leads who examined key issues in this area and identified priorities and challenges for the future.

We published a report to share the key conclusions of the workshop session and summarise the thoughts of authority leads, along with supplementary questionnaire results to provide a detailed overview of current practice across participating councils.

**Figure 2: What Finance Teams are Focussing On – as identified in the Managing Money Review**







## First Class Customer Service

In order to monitor our effectiveness and improve our service, at the end of each assignment we request the completion of a short satisfaction survey. We have been given and have acted upon invaluable improvement ideas, and we are proud of the fact that we have received 99% satisfactory or higher feedback rating from our customers.

*'I have found the audit team extremely supportive and have always viewed them as a critical friend.'*

*'The auditor worked very hard to make this a positive and useful experience. She took time to understand our complex area of work.'*

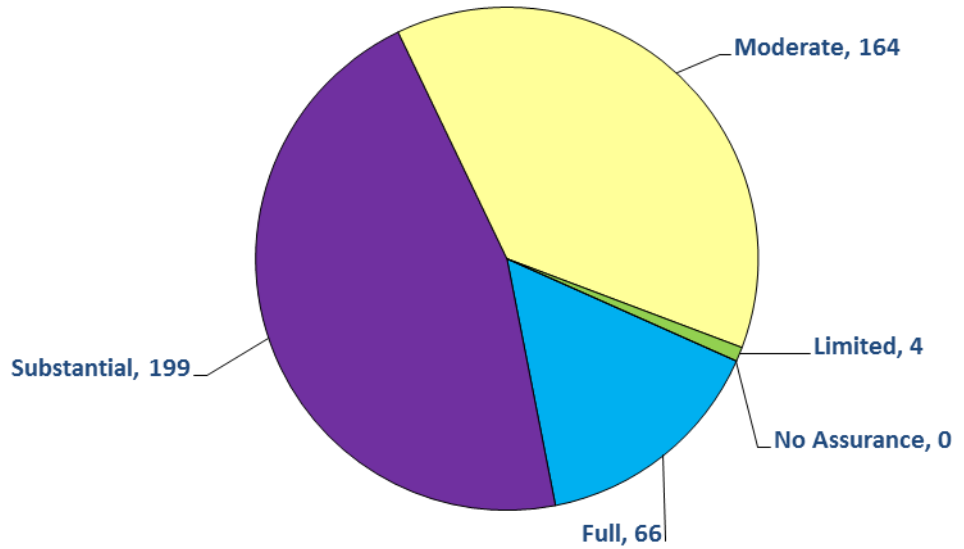
*'Both auditors showed great sensitivity in a potentially "difficult" area. The output was exactly what we were looking for to move forwards'*

## Performance

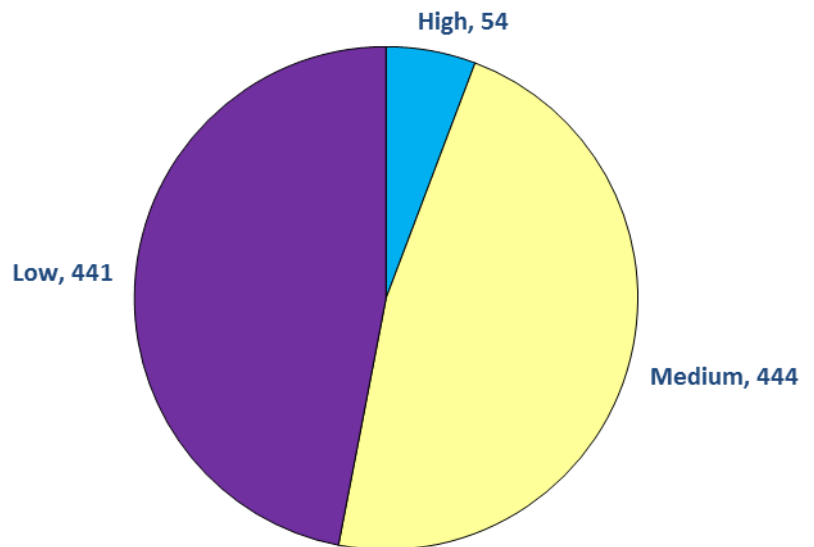
SIAS worked on 433 assurance and other projects during the year, giving assurance opinions and recommendations as demonstrated in the charts below. For those pieces which resulted in a formal opinion the distribution is set out in figures 4 and 5 below:

*433 assurance and other projects identifying 939 recommendations*

**Figure 3: Distribution of Audit Opinions 2013/14**



**Figure 4: Prioritisation of Recommendations 2013/4**



## Business Performance of SIAS

The overall business performance of SIAS is monitored by the SIAS Board by means of a balanced scorecard which provides a range of measures by which progress can be evaluated.

The full balanced scorecard for 2013/14 is provided in Appendix A to this report, and the headlines are summarised in the table below.

**Table 2: SIAS Business Performance**

Indicator	Target	Actual as at 31 March 2013	Actual as at 31 March 2014	Commentary
Progress against plan: actual days delivered as a percentage of planned days.	95%	98%	97%	A one percentage point reduction reflecting in-year sickness absences were delivered Days by 31 March 2013.
Progress against plan: audits issued in draft by 31 March 2012	95%	91%	95%	383 pieces of assurance work were delivered to at least draft stage by 31 March 2014
Client satisfaction	Satisfactory and above	99%	99%	All but one audit met the minimum target; 19% rated as very good; 80% rated as excellent.
Financials: income recovered	N/A	£1,119k	£1,248k	No target was set for this indicator.

## Financial Performance of SIAS

SIAS began operating on a fully traded basis in 2012/13; Appendix B sets out the summary financial position at 31 March 2014. The service showed a small deficit outturn resulting from in year sickness absence.

## Professional Performance

Professional standards are fundamental to the effectiveness and credibility of internal audit, and are therefore taken extremely seriously by the SIAS Board.

In April 2013 the Public Sector Internal Audit Standards (PSIAS) came into effect, replacing previous provisions in relation to the delivery of internal

audit. We reviewed our audit delivery arrangements in the light of these standards and made changes and enhancements in relation to:

- the requirement to develop an audit charter, which was agreed by all partners during June 2013. A plain English 'Easy Charter' was also developed for communicating with those we work with to deliver our audits
- audit planning, where we redesigned our planning templates to ensure demonstrable compliance with PSIAS through the planning process
- documentation of the Quality Assurance and Improvement Programme, as noted above
- the performance appraisal of the Head of Assurance, where we ensured that feedback from all partners was incorporated into the appraisal process
- the Audit Manual, which was updated to reflect the new standards
- training and briefing for the audit team in relation to the standards.

## Future Development

The final section of this Annual Report looks forward to the future. The partnership has signed off this vision for SIAS:

***‘SIAS aims to operate at industry-standard levels of productivity and output and to demonstrate best practice by being at the leading edge of audit service delivery. The service aims to operate as an exemplar shared service and provide a return on investment for the partner councils by identifying opportunities to grow the business’.***

Four priority areas have been identified for development activity in the year ahead:

1. Establish a leading reputation in respect of governance, risk assurance and internal control services – ensuring SIAS delivers a good quality service
2. Be at leading edge of audit service delivery –ensuring SIAS delivers an efficient, resilient, cost-effective service
3. Build a team ready to meet the challenges of the future – ensuring SIAS has the right skills to deliver in the changing public sector environment
4. Be an exemplar shared service with a ‘return on investment’ for partners and first choice public sector internal audit provider in the region with a growing client base.

The detailed development actions which feed into each of these priority areas were agreed by the Board in March 2014 and are monitored regularly by the SIAS Management Team. The table below sets out the main activities.

**Table 3: SIAS Mission Critical Activities**

Priority	Activity
Leading reputation in governance, risk and control	<ul style="list-style-type: none"> <li>• Review the SIAS methodology to ensure it is sufficiently LEAN, easy to use and builds in opportunities to add value / insight and share this across the partnership</li> <li>• Continue to develop joint learning approaches, seeking opportunities to share learning information across the partnership</li> <li>• Offer joint workshop opportunity to Audit Committee members</li> <li>• Reconsider approach to external firm support to SIAS and carry out a procurement exercise in accordance with this</li> </ul>
Leading edge of service delivery	<ul style="list-style-type: none"> <li>• Piloting communication / advance warning to clients of upcoming audits / booking in processes – consistency and standardisation.</li> <li>• Audit work allocation – refine work allocation</li> </ul>

Priority	Activity
	process <ul style="list-style-type: none"><li>Working papers – exploiting the functionality available in Excel and Word to make the working papers as user friendly as possible</li></ul>
Team are ambassadors with the right skills	<ul style="list-style-type: none"><li>Individual and team development plans agreed and maintained</li><li>Team development day</li></ul>
Exemplar shared service	<ul style="list-style-type: none"><li>Continue to explore opportunities to expand the service as these arise</li></ul>

Building on the strong foundations already in place, these activities will take SIAS forward in the year ahead in a way that we believe will be to the benefit of all the partnership stakeholders.

## Our Board Members

The SIAS Board provides strategic direction and oversight for the partnership, bringing a wealth of local government experience and insight to our operation.



**Scott Crudgington, SBC**  
**Director of Resources**



**Sajida Bijle, HBC**  
**Director of Resources**



**Sarah Pickup, Herts CC**  
**Deputy Chief Executive**



**Norma Atlay, NHDC**  
**Director Finance, Policy & Governance**



**Pam Kettle, WHBC**  
**Director of Finance & Operations**



**Adele Taylor, EHDC**  
**Director of Finance & Support Services**



**Jo Wagstaffe, WBC and TRDC**  
**Shared Director of Finance**



**Helen Maneuf, SIAS**  
**Head of Assurance**



### SIAS Rolling Audit Balance Scorecard 2013/14

Progress Against Plan		Audit Progress		Level of Assurance		Recommendations		Client Satisfaction	
<i>Total Plan Days</i>	4077	<i>Allocated</i>	1	<i>Full</i>	66	<i>High</i>	54	<i>Excellent</i>	80%
<i>Billable Days to Date</i>	3969	<i>In Planning</i>	0	<i>Substantial</i>	199	<i>Medium</i>	444	<i>Very Good</i>	19%
<i>Percentage progress*</i>	97%	<i>ToR Issued</i>	1	<i>Moderate</i>	164	<i>Low</i>	441	<i>Satisfactory</i>	1%
<i>*expresses total Billables against total plan days</i>		<i>In Field Work</i>	2	<i>Limited</i>	4			<i>Potential for Improvement</i>	0%
		<i>Drafting Report</i>	1	<i>No Assurance</i>	0			<i>Unsatisfactory</i>	0%
		<i>Quality Review</i>	1	<i>Not Assessed</i>	21				
		<i>Draft Report Issued</i>	29						
		<i>Final Report Issued</i>	336						
		<i>Audit Closed</i>	31						
		<i>Cancelled</i>	24						
		<i>Audit progress to Draft</i>	99%						
<b>Targets</b>		<b>Targets</b>		<b>No Targets</b>		<b>No Targets</b>		<b>Targets</b>	
2013/14	100%	2013/14 - To Draft	95%					Min satisfactory and 39/65	60%

Please note that for the purpose of producing information on performance against in-year targets, figures represent the position at the cut-off point of 31 March 2014. Work to complete the 2013/14 activity was undertaken after year-end.

**SIAS cost centre: revised budget against outturn 2013/14**

	<u>Budget</u>	<u>Outturn</u>
	£	
Salaries & Salary Related	1,119,486	1,070,795
Partner / consultancy costs	127,774	158,428
Transport	13,000	10,097
Supplies	41,112	34,454
Office Accommodation cost	<u>20,036</u>	<u>20,036</u>
 Total expenditure	 1,321,408	 1,293,810
 Income	 <u>(1,311,036)</u>	 <u>(1,284,337)</u>
Net deficit	<b>10,372</b>	<b>9,473</b>

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
High	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
Medium	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
Merits Attention	There is no significant weakness, but the finding merits attention by management.