



North Hertfordshire District Council
Finance, Audit and Risk Committee

2020/21 Internal Audit Plan Report

16 March 2020

Recommendation

Members are recommended to approve the
proposed North Herts District Council
Internal Audit Plan for 2020/21

Contents

1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.4 Planning Context
- 2.7 Internal Audit Plan 2020/21

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

- A Proposed North Herts District Council Audit Plan 2020/21
- B Proposed North Herts District Council Audit Plan 2020/21– Reserve List
- C Audit Start Dates Agreed with Management

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed North Herts District Council (the Council) 2020/21 Internal Audit Plan.

Background

- 1.2 The Council's Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Assurance annual report.
- 1.3 The Shared Internal Audit Service's (SIAS) Audit Charter which was presented to the June 2019 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the June 2020 FAR Committee meeting for Member approval.
- 1.4 The PSIAS require that the audit plan incorporates or is linked to a strategic or high-level statement which:
 - Outlines how the service will be developed in accordance with the internal audit charter
 - Details how the internal audit plan will be delivered
 - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how SIAS complies with this requirement.

2. Audit Planning Process

Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
 - a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.

- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including governance work.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS applies a methodology at all its partners which contains the following elements:

Local and National Horizon Scanning

SIAS reviews, on an ongoing basis:

- a) Key committee reports at each client and identifies emerging risks and issues.
- b) The professional and national press, as well as thought leadership for risks and issues emerging at national level.

Consideration of risk management arrangements

SIAS assesses the risk maturity of the Council and based on this assessment, determines the extent to which information contained within the Council's risk register informs the identification of potential audit areas.

Confirmation of the council's objectives and priorities

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide

assurance on areas directly linked to the achievement of the Council's objectives and priorities.

2.3 The approach to audit planning for 2020/21 has been characterised by:

- a) Detailed discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk Assessment

Managers and SIAS agree the level of risk associated with an identified auditable area

Other sources of Assurance

Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

Significance

Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2020/21 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.

This approach ensures that our work gives assurance on what is important, focussing on those areas of highest risk, and supports the Council in achieving its objectives.

The Planning Context

2.4 The context within which local authorities provide their services remains challenging:

- Latest forecasts show a cloudy outlook for the UK economy, reflecting increasing national and international uncertainties. Local authorities will need to be attuned to the impact on their local economies and any direct investments of their own.

- Demand continues to rise, driven by complex needs, an ageing population and challenges in the healthcare system. With reduced financial support, local authorities will have to continue to become more innovative and commercial.
 - Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.
 - Major national programmes in areas like business rates, public health and housing mean the overall financial environment remains relatively unstable.
- 2.5 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.6 The challenge of giving value in this context, means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
 - Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
 - Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.
 - Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2020/21

- 2.7 The draft plan for 2020/21 is included at Appendix A and B and contains a high-level proposed outline scope for each audit; Appendix C details the agreed start months. The number of days purchased in 2020/21 has reduced by 20 days, which for North Herts District Council equates to a reduction from 340 days (in 2019/20) to 320 days (in 2020/21).

2.8 The table below shows the estimated allocation of the total annual number of purchased audit days for the year and the allocated budgets for 2018/19, as reported to FAR on 21 March 2018, for comparison and to demonstrate where the audit days saving has been achieved.

	2020/21 Days	%	2019/20 Days	%
Key Financial Systems	63	20	67	20
Corporate Audits (Council Wide)	30	9	65	19
Operational Audits	113	35	90	26
Procurement / Contracts	12	4	15	4
IT Audits	27	8	37	11
Corporate Governance / Risk Management	12	4	2	1
Joint Reviews and Shared Learning	5	1.5	5	2
Strategic Support*	41	13	41	12
Contingency and other	2	0.5	3	1
Carry forward work	15	5	15	4
Total allocated days	320	100%	340	100%

* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2021/22.

- 2.9 A list of reserve audits that will be considered as a substitute for an agreed planned review that is cancelled in-year is presented at Appendix B.
- 2.10 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan update reporting cycle.
- 2.11 Members will note the inclusion of a provision for the completion of projects that relate to 2019/20. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time, e.g. year end closure procedures.
- 2.12 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely

affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

3. Performance Management

Update Reporting

- 3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2020/21 and any proposed changes will be reported to this Committee four times in the 2020/21 civic year.
- 3.2 SIAS will report on the implementation of agreed high priority recommendations as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2011 and are reviewed annually by the Board. Details of the targets set for 2020/21 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. Planned Days percentage of actual billable days against planned chargeable days completed.	95%
2. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects Note: To be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.	95%

3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
4. Number of High Priority Audit Recommendations agreed	95%
5. Annual Plan	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year
6. Head of Assurance's Annual Report	Presented to the first meeting of each Audit Committee in the new financial year.

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
Financial System Audits				
Integra (Financial System)	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas: a) System Access; b) Authorisations; c) Reconciliations; d) Supplier Accounts; e) Reporting.	Audit Sponsor: Service Director (Resources) Key Contact: Controls, Risk and Performance Manager	15	3
Treasury Management	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas: a) Treasury Management Strategy; b) Investments and Borrowing; c) Counterparties; d) Reporting.	Audit Sponsor: Service Director (Resources) Key Contact: Corporate Support Accountant	8	3
Payroll	Given the change in contractual arrangements, the audit will seek to provide assurance over the following risk areas: a) Contract Management and Realisation of Benefits; b) System access; c) Starters, Leavers and Amendments; d) Expenses, Overtime and Additional Payments; e) Pay Run and Third-Party Payments	Audit Sponsor: Service Director (Resources) Key Contact: Corporate HR Manager	15	3
Revenues	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas: a) Discounts, Exemptions and Reliefs (mandatory and discretionary); b) Systems Access; c) Recovery and Collection of Arrears.	Audit Sponsor: Service Director (Customers) Key Contact: Revenues Manager	15	3
Benefits	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas:	Audit Sponsor: Service Director	10	3

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
	<ul style="list-style-type: none"> a) Overpayments, Recovery and Write-Offs; b) Responses to Fraud Investigations (lessons learned from proven fraud cases). 	(Customers) Key Contacts: Benefits Manager		
Cross-Council Audits				
Performance Indicators	A Council-wide audit that will seek to provide assurance that the following risk areas are sufficiently controlled: <ul style="list-style-type: none"> a) Use of performance indicators across the Council; b) Reporting of performance indicators including both positive and negative performance; c) Deriving value from performance indicators. 	Audit Sponsor: Service Director (Resources) Key Contact: Controls, Risk and Performance Manager	15	1
Community Engagement	A key objective in the Council Plan is to increase engagement with residents, community groups and businesses. We are therefore proposing to conduct a Council-wide review covering the following scope areas: <ul style="list-style-type: none"> a) Identification of Engagement Priorities; b) Effectiveness of Delivery of Engagement Activities; c) The Measurement of Benefits and Impact of Activities. <p>The review may also include a small benchmarking exercise with similar nearby authorities.</p>	Audit Sponsor: Chief Executive and Deputy Chief Executive Key Contact: Policy and Community Engagement Manger	15	1
Operational Audits				
Climate Change and Sustainability	The audit will provide assurance on the Council's climate change credentials. This may include: <ul style="list-style-type: none"> a) Climate change strategy and policy; b) Accuracy of reporting data against targets, stated aims and objectives; c) Energy management. 	Audit Sponsor: Service Director (Legal and Community) Key Contact:	7	4

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
	An audit will also be carried out at other SIAS partners. The number of proposed days includes provision for consolidating the audit reports, thereby providing a wider level of assurance and sharing any learning across Hertfordshire.			
Waste Contract Follow Up	<p>This follow up review will provide a status update on the recommendations made in the Waste Contract audit carried out in 2018/19.</p> <p>In addition, assurance will be provided over the arrangements for Garden Waste income.</p>	<p>Audit Sponsor: Service Director (Place)</p> <p>Key Contact: Shared Waste and Recycling Manager</p>	3	1
Corporate Debt Management Follow Up	This follow up review will provide a status update on the recommendations made in the Corporate Debt Management audit carried out in 2018/19.	<p>Audit Sponsor: Service Director (Resources)</p> <p>Key Contact: Controls, Risk and Performance Manager</p>	2	1
Trade Waste	To provide assurance over the arrangements for trade waste as part of the Joint Waste Contract. Coverage may include potential business case, viability assessments and risk management.	<p>Audit Sponsor: Service Director (Place)</p> <p>Key Contact: Shared Waste and Recycling Manager</p>	10	4
Customer Services – Digitalisation	To provide assurance that the channel shift of digitalisation of the Customer Services team are effective. This may include areas such as the Council website, communication channels and how the Council re-engages with customers.	<p>Audit Sponsor: Service Director (Customers)</p> <p>Key Contact: Customer Services Manager</p>	10	2
Commercial Strategy	To provide assurance that the Commercial Strategy is meeting	Audit Sponsor:	15	2

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
	its aims and objectives, robust actions plans are in place and progress is being made against these, the strategy is in line with the risk appetite of the Council, there are clear monitoring and reporting mechanisms in place for commercial activity in line with the strategy. In addition, the review will seek to provide assurance that the strategy aligns to other key strategies of the Council.	Service Director (Commercial) Key Contact: Commercial Manager		
Anti-Social Behaviour	The Council has undertaken campaigns and activities relating to fly tipping and abandoned vehicles, this review will focus on the success of these activities. In addition, the review will focus on the use of CCTV, case management and enforcement.	Audit Sponsor: Service Director (Legal and Community) Key Contact:	10	2
Parking Strategy and Enforcement	To provide assurance that the new parking strategy has been implemented (or is being implemented), operational guidance and action plans exist. In addition, to provide assurance that enforcement activity is taking place as per Council policy, to include use of software, appeals and income.	Audit Sponsor: Service Director (Regulatory Services) Key Contact: Strategic Infrastructure and Projects Manager	15	4
Medium Term Financial Strategy	To provide assurance that the Medium-Term Financial Strategy is sufficiently long term (e.g. up to 10 years), that it adequately reflects Council priorities, has suitable uncertainty built into assumptions, it reflects the Council's risk appetite and robust governance arrangements exists.	Audit Sponsor: Service Director (Resources) Key Contact: Service Director (Resources)	12	3
Housing Allocations	To provide assurance that sufficient controls are in operation in relation to the following areas: a) Assessment and eligibility; b) Conflicts of interests (both officers and Members)	Audit Sponsor: Service Director (Regulatory Services)	10	2

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
	c) Appeals.	Key Contact: Strategic Housing Manager		
Health and Safety of Out of Hours Workers	With the increasing use of out of hours workers in parking enforcement and Environmental Health, this audit will seek to provide assurance that there are sufficient and robust arrangements in place to manage the risks associated with the health and safety of officers working out of hours.	Audit Sponsor: Service Director (Regulatory Services) Key Contact: Strategic Infrastructure and Projects Manager / Environmental Health Manager	12	2
Review of FAR	To review the effectiveness of the Finance, Audit and Risk Committee and confirm that NHDC complies with the guidance in the CIPFA Audit Committee 'Practical Guidance for Local Authorities and Police'.	Audit Sponsor: Service Director (Resources)	5	1
King George V Playing Fields and Workman's Hall	To produce the Independent Examiner's Reports for the trusts.	Audit Sponsor: Service Director (Resources) Key Contact: Group Accountant	2	4
Contract Audits				
Green Space Providers	To provide assurance that the risks relating to green space providers ongoing service provision are suitably controlled. This may include robust contract management activities, alignment to the Green Space Strategy and performance of current providers.	Audit Sponsor: Service Director (Place) Key Contact: Service Manager Grounds	12	2

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
Risk Management Audits				
Risk Management Framework	To review the effectiveness of the governance arrangements in place to support the risk management framework, the adherence and robustness of the Risk Management Strategy and a review of effectiveness of risk management activities.	Audit Sponsor: Service Director (Resources) Key Contact: Controls, Risk and Performance Manager	12	2
IT Audits				
Disaster Recovery	To provide assurance disaster recovery plans exist, are subject to regular testing and that lessons are learned from the tests undertaken.	Audit Sponsor: Service Director (Customers) Key Contact: ICT Manager	12	1
IT Asset Management	This audit seeks to provide assurance that the Council has maintained a full and complete asset register for IT equipment. The lifecycle of hardware, including servers, tablets and laptops/PC's, has been considered in the IT Strategy and decisions making regarding replacement equipment is future focused.	Audit Sponsor: Service Director (Customers) Key Contact: ICT Manager	15	3

Title	Description	Days
Shared Learning and Joint Reviews		
Joint Reviews	Joint review topics to be agreed by the SIAS Board.	2
Shared Learning	Production of SIAS Quarterly Shared Learning papers.	3
Contingency		2

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Title	Description	Days
Client Management – Strategic Support		
Head of Internal Opinion 2019/20	To prepare and agree the Head of Internal Audit Opinion 2018/19.	3
Audit Committee	To provide service linked with the preparation, agreement and presentation of Audit Committee reports.	8
Client Meetings	Meetings with the Council's Audit Champion, S151 Officer and other key officers and attendance at corporate groups.	8
Liaison with External Audit	Meetings with the Council's External Auditor, as required.	1
Progress Monitoring	Audit Plan monitoring and reporting.	10
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	5
2021/22 Audit Planning	Provision of services to prepare, agree and report the 2020/21 Annual Audit Plan.	6
Completion of outstanding 2019/20 projects	Completion of outstanding work from 2019/20.	15

APPENDIX B – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21 – RESERVE LIST

Audit Title	Proposed Scope / Risk Areas	Officers	Days
Compliance Contract	To assess the adequacy of the service provided through the shared Property Compliance contract and review contingency arrangements in the event of performance risks materialising.	Audit Sponsor: Service Director (Resources)	10
Absence Management	To provide assurance over the arrangements to manage absences across the Council. This may include the following areas: a) Policy; b) Consistency of management; c) Reporting; d) Referrals to Occupational Health.	Audit Sponsor: Chief Executive and Deputy Chief Executive	15
Hitchin Townhall and Museum Operations	To provide assurance over the combined approach for the management of Hitchin Townhall and Museum, assess the achievement of objectives for the facility and ensure the role of the facility is clear.	Audit Sponsor: Service Director (Commercial)	10
Freedom of Information and Subject Access Requests (SARs)	To provide assurance that statutory deadlines are being met, responses are adequate, information is managed appropriately, appeals and that income from SAR's is accurately recorded.	Audit Sponsor: Service Director (Customers)	10

APPENDIX C – AUDIT START DATES AGREED WITH MANAGEMENT

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Waste Contract F/U	Customer Services	Integra	Climate Change and Sustainability
Debt Management F/U	Commercial Strategy	Treasury Management	King George V Playing Fields
Review of FAR	Anti-Social Behaviour	Payroll	Workman's Hall
Disaster Recovery	Housing Allocations	Revenues	Trade Waste
Performance Indicators	Health and Safety LW	Benefits	Parking Strategy and Enforcement
Green Space Providers	Community Engagement	Medium Term Financial Strategy	
2019/20 Projects Requiring Completion	Risk Management Framework	IT Asset Management	