



# INTERNAL AUDIT PLAN 2021/22

## NORTH HERTS DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE  
MARCH 2021

### **RECOMMENDATION**

Members are recommended to approve the proposed North Herts District Council Internal Audit Plan for 2021/22

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# 1. Introduction and Background

- 1.1 Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.  
(Chartered Institute of Internal Auditors – Internal audit definition and purpose)
- 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 2020 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 2021 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:



2.3 The approach to audit planning for 2021/22 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*

Senior Managers and SIAS agree the level of risk associated with an identified auditable area and prioritise this (high, medium and low). **All auditable areas prioritised as 'high' have been included in the draft annual audit plan.**

### *Other sources of Assurance*

Senior 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*

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

### *Timings*

Senior 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 2021/22 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:

- The impact of Covid-19 may not fully be known and will continue to have significant impact on the Council's operations in future years. Whilst the longer-term impacts of the pandemic remain speculative, the current challenges and risks relate to economic impacts, growth, public health and equality for local authorities.
- From 1 January 2021, the UK entered into new trading arrangements with the EU ending 11 months of transition arrangements. The result of the changes to trading with EU based companies will have an impact on Council services with additional risks needing to be considered that include compliance with customs rules, , continuity of supply / services and workforce pressures related to the right to work in the UK.
- 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, this is particularly key given the current challenges and risks of COVID-19 and the impact this has had on audit activity.

**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 2021/22 has reduced by 50 days, which for North Herts District Council equates to a reduction from 320 days to 270 days.
- 2.8 The table opposite shows the estimated allocation of the total annual number of purchased audit days for the year and the allocated budgets for 2020/21 for comparison and to demonstrate where the audit days saving has been achieved.
- 2.9 In reviewing the table opposite, Members will note the number of days (and percentage of total days) for the audit of Key Financial Systems has been reduced and this is to avoid duplication with External Audit and focus on areas of key risk to the Council. Additionally, Members should be assured that the percentage of audit days for planned projects remains consistent year to year with 63% (171 days) dedicated to non-financial audit activity (2020/21 was 60% or 194 days). Members will note the reduction in days for Operational audits, this is facilitating an increase in the number of Council wide audit days included in the plan.

	<b>2021/22 Days</b>	<b>%</b>	<b>2020/21 Days</b>	<b>%</b>
Key Financial Systems	44	16	63	20
Corporate Audits (Council Wide)	75	28	30	9
Operational Audits	51	19	113	35
Procurement / Contracts	15	6	12	4
IT Audits	30	10	27	8
Corporate Governance / Risk Management	0	0	12	4
Joint Reviews and Shared Learning	5	2	5	1.5
Strategic Support*	40	15	41	13
Contingency and other	0	0	2	0.5
Carry forward work	10	4	15	5
<b>Total allocated days</b>	<b>270</b>	<b>100%</b>	<b>320</b>	<b>100%</b>

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

- 2.10 In order to retain flexibility in the audit plan and to ensure SIAS has the ability to respond to any changes in environment at the Council, further planning discussions will be held with Senior Managers prior to the September 2021 FAR Committee. These discussions will allow SIAS and Senior Managers to undertake a further risk assessment on the planned projects during the final two quarters of the year as well as discussing any changes in risk exposure, emerging or new areas of risk or project work and any amendments to governance arrangements. The results of these discussions will be brought to the FAR Committee in September to approve any changes. As a result, no contingency has been included in this year's annual audit plan.
- 2.11 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.
- 2.12 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.
- 2.13 Members will note the inclusion of a provision for the completion of projects that relate to 2020/21. 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.
- 2.14 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. Progress against the agreed plan for 2021/22 and any proposed changes will be reported to this Committee four times in the 2021/22 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 and are reviewed annually by the Board. Details of the targets set for 2021/22 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. <b>Planned Days</b> (percentage of actual billable days against planned days)	95%
2. <b>Planned Projects</b> (percentage of projects completed to draft report against planned projects)	95%
3. <b>Client Satisfaction</b> (percentage of satisfaction questionnaires returned at satisfactory level)	100%
4. <b>Agreed High Priority Audit Recommendations</b>	95%
5. <b>Annual Plan</b>	Presented to the March (or equivalent) meeting of each Audit Committee.
6. <b>Head of Assurance's Annual Report</b>	Presented to the first meeting of each Audit Committee in the new financial year.

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2021/22

Audit Title	Proposed Scope / Risk Areas	Reason for Inclusion	Officers	Days	Quarter
<b>Financial System Audits</b>					
Integra Automation	To provide assurance that the introduction of automated processes (e.g. suppliers portal) have met their objectives for development. In addition, to ensure that effective controls are operating in the automated environment.	The Council is continuing to evolve the financial system including advancing automation which may affect the embedded control framework.	<b>Audit Sponsor:</b> Service Director (Resources)	8	3
Non-UK Purchases	To provide assurance that any non-UK purchases have been appropriately processed, including authorisation by the Service Director (Resources) and all custom rules have been complied with.	The Council has prohibited non-UK purchases, except in exceptional circumstances.	<b>Audit Sponsor:</b> Service Director (Resources)	6	3
Investments	To provide assurance that investments in property markets and multi-asset funds are based on risk assessments and controls are in place relating to the decision making, processing and authorisation of investments.	The Council is intending to invest in new markets.	<b>Audit Sponsor:</b> Service Director (Resources)	6	3
Discretionary Housing Payments	To provide assurance over the application and assessment processes and awarding of discretionary housing payments.	The Council has seen an increase in DHP applications as a result of the coronavirus pandemic.	<b>Audit Sponsor:</b> Service Director (Customers)	8	1
Resilience in Revenues and Benefits	To provide assurance that the technical team have sufficient procedure notes and guidance is available to support business continuity and resilience. To review the business continuity and resilience arrangements of the team to provide	Integral part to the Revenues and Benefits service	<b>Audit Sponsor:</b> Service Director (Customers)	8	2

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2021/22

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Audit Title	Proposed Scope / Risk Areas	Reason for Inclusion	Officers	Days	Quarter
	assurance that these are sufficiently robust.				
Business Grant Administration	To provide assurance that the administration and awarding of grants relating to COVID-19 have been processed correctly. In addition, to provide assurance that mechanisms exist to process such grants in the future, should the need arise.	The Council has processed a large volume of grants as a result of the coronavirus pandemic.	<b>Audit Sponsor:</b> Service Director (Customers)	8	3
<b>Corporate Audits</b>					
COVID-19 Response	To provide assurance that the Council has learned lessons from the response to the COVID-19 pandemic and are well setup to respond to any resurgence or new wave. This will include an assessment of H&S arrangements, IT provision, service delivery, etc. To assess the impact on business continuity and emergency planning in the medium to long term.	The Council has included a high risk in the corporate risk register relating to COVID-19.	<b>Audit Sponsor:</b> Service Director (Resources)	15	2
COVID-19 Recovery - Planning	To provide assurance that the Council has appropriate plans in place for recovery from the pandemic. This audit will assess the plans, it will not provide assurance over the implementation and achievement of key objectives of these plans (this is to be completed later in the year). This review will also extend to assessing the	The Council has included a high risk in the corporate risk register relating to COVID-19.	<b>Audit Sponsor:</b> Service Director (Resources)	10	1

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Audit Title	Proposed Scope / Risk Areas	Reason for Inclusion	Officers	Days	Quarter
	governance arrangements in place to oversee the recovery activities.				
COVID-19 Recovery - Implementation	To provide assurance that the Council is on track in relation to implementing the recovery plan set and that actions completed to date have achieved the expected outputs and outcomes. This audit will focus on the action taken to recover from the pandemic both internally with services and also the external recovery of the district.	The Council has included a high risk in the corporate risk register relating to COVID-19.	<b>Audit Sponsor:</b> Service Director (Resources)	10	4
Shaping Our Future	To provide assurance that training and development links to the future needs from the workforce, including considering the outcomes and future needs related to any revised working arrangements post COVID-19.	This is a key project for the Council.	<b>Audit Sponsor:</b> Service Director (Resources)	15	3
Climate Emergency	To provide assurance that any issues or observations raised in the 2020/21 Climate Change and Sustainability audit have been addressed, that action plans are in place to achieve objectives (and that these are monitored and reported) and that the impact of actions taken to date are measurable and reported.	A climate emergency was declared by the Council in May 2019 and to follow up the outcomes of the previous audit in 2020/21.	<b>Audit Sponsor:</b> Service Director (Legal and Community)	10	4

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Audit Title	Proposed Scope / Risk Areas	Reason for Inclusion	Officers	Days	Quarter
Partnerships	To provide assurance that governance arrangements are suitable for the partnership arrangements in place within the Council. In addition, to assess the impact of previous audit reports on partnership arrangements.	Partnership working is key to the Council delivering its objectives. Previous audit work (2018/19 and 2019/20) has identified some weaknesses in existing partnership arrangements.	<b>Audit Sponsor:</b> Managing Director	15	4
<b>Operational Audits</b>					
Breathing Space (Debt Respite Scheme)	To provide assurance that the Parking debts and recovery actions are joined up with the Corporate debt recovery policy and approach.	There is new legislation introduced from May 2021 placing new requirements on creditors. For the Council, this will involve ensuring a joined up approach to debt management across all services.	<b>Audit Sponsor:</b> Service Director (Customers)	10	2
Customer Services Strategy	To provide assurance that the revised customer service strategy is in line with Council objectives and wider strategies that the Council has adopted.	The Council is launching a new Customer Service Strategy during 2021.	<b>Audit Sponsor:</b> Service Director (Customers)	10	1
Income Generation (Selling our Services)	To provide advice and benchmarking data on income generation of Local Authorities. Review to focus on internal culture, mechanisms available to generate income or sell Council services and reviews of fees and charges.	Selling our services is a high priority within the Commercial service plan for 2021/22.	<b>Audit Sponsor:</b> Service Director (Commercial)	10	1

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Audit Title	Proposed Scope / Risk Areas	Reason for Inclusion	Officers	Days	Quarter
Development Management Follow Up	To provide assurance that the recommendations made in the 2019/20 review have been fully implemented.	High priority findings previously raised.	<b>Audit Sponsor:</b> Service Director (Regulatory Services)	2	2
Financial Resilience of Suppliers Follow Up	To provide assurance that the recommendations made in the 2019/20 review have been fully implemented.	High priority finding previously raised.	<b>Audit Sponsor:</b> Service Director (Legal and Community)	2	2
Anti-Social Behaviour	To provide assurance that the campaigns and activities relating to fly tipping and abandoned vehicles has been successful and measurable outcomes achieved. In addition, the review will focus on CCTV usage, case management and enforcement.	This is considered a high risk on the Council's corporate risk register.	<b>Audit Sponsor:</b> Service Director (Legal and Community)	10	4
Review of the Finance, Audit and Risk Committee	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'.	Annual review.	<b>Audit Sponsor:</b> Service Director (Resources)	5	1
Workman's Hall and King George V Playing Fields	To produce the Independent Examiner's Reports for the trusts.	Annual review.	<b>Audit Sponsor:</b> Service Director (Resources)	2	4
<b>Contract Audits</b>					
Leisure Contract	To provide assurance that the decision making, governance and monitoring arrangements in respect to the support provided to SLL are appropriate. In addition, to review the contingency arrangements in place in the event of	Leisure providers are facing significant financial challenges as a result of Covid-19 and the leisure contract is on the Council's	<b>Audit Sponsor:</b> Service Director (Place)	15	1

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Audit Title	Proposed Scope / Risk Areas	Reason for Inclusion	Officers	Days	Quarter
	provider failure or inability to provide services and assess the impact these may have on the strategic objectives of the Council.	corporate risk register as a result.			
<b>IT Audits</b>					
Data Breaches	To provide assurance that data breaches are effectively managed and reported in line with Council policy and legislation.	The Council have recently changed the Data Protection Officer.	<b>Audit Sponsor:</b> Service Director (Customers)	10	3
Freedom of Information and Subject Access Requests	To provide assurance that statutory deadlines are being met, responses are adequate, information is managed appropriately, appeals are handled suitably and within statutory timeframes and that income from SAR's is accurately recorded.	The volume of requests received by the Council has increased, and this area has not been subject to audit since GDPR was introduced.	<b>Audit Sponsor:</b> Service Director (Customers)	10	2
Cloud Computing	To provide assurance that the migration of services to cloud based has delivered its objectives and to appraise the design and operational effectiveness of the systems and processes in relation to setting a cloud strategy. In addition, monitoring software as a service (SaaS) providers and the cloud service itself, to ensure satisfactory encryption exists. The review will also consider the back-up arrangements for cloud data.	The Council is increasingly utilising cloud-based services and has a programme of migration in 2021/22.	<b>Audit Sponsor:</b> Service Director (Customers)	10	1

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Audit Title	Proposed Scope / Risk Areas	Reason for Inclusion	Officers	Days	Quarter

Title	Description	Days
<b>Shared Learning and Joint Reviews</b>		
Joint Reviews	Joint review topics to be agreed by the SIAS Board.	2
Shared Learning	Production of SIAS Quarterly Shared Learning papers.	3
<b>Contingency</b>		0
<b>Client Management – Strategic Support</b>		
Head of Internal Opinion 2020/21	To prepare and agree the Head of Internal Audit Opinion 2020/21.	3
Audit Committee	To provide service linked with the preparation, agreement and presentation of Audit Committee reports.	6
Client Meetings	Meetings with the Council's S151 Officer and other key officers and attendance at corporate groups.	6
Progress Monitoring	Audit Plan monitoring and reporting.	10
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	5
2022/23 Audit Planning	Provision of services to prepare, agree and report the 2022/23 Annual Audit Plan.	10
Completion of outstanding 2020/21 projects	Completion of outstanding work from 2020/21.	10

## APPENDIX B – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2021/22 – RESERVE LIST

Provided below is a list of reserve audits that may be introduced, if required, into the plan during 2021/22:

Audit Title	Proposed Scope / Risk Areas	Officers	Days
Parking Strategy	To provide assurance that the new parking strategy has been implemented (or is being implemented), operational guidance and action plans exist.	<b>Audit Sponsor:</b> Service Director (Regulatory Services)	10
Council Plan and Budgeting	To provide assurance that the Council plan is based on sound financial and budgetary projections. To review the outcome of the planned workshop activities and assess if these have achieved their objectives and are applied in practice.	<b>Audit Sponsor:</b> Service Director (Resources) and Managing Director	12
Corporate Governance – Ethics	To provide assurance that appropriate and sufficient protocol, documents and guidance are in place to provide adequate direction for all officers and members to behave in an ethical manner. These tools have been suitably communicated and applied in practice across the authority.	<b>Audit Sponsor:</b> Managing Director	15
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.	<b>Audit Sponsor:</b> 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	<b>Audit Sponsor:</b> Service Director (Resources)	15

## **APPENDIX C – AUDIT START DATES AGREED WITH MANAGEMENT**

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Quarter 1	Quarter 2	Quarter 3	Quarter 4
Discretionary Housing Payments	Resilience in Revenues and Benefits	Grant Administration	Climate Emergency
COVID-19 Recovery Planning	Freedom of Information and Subject Access Requests	Integra Automation	Workman’s Hall and King George V Playing Fields
Customer Services Strategy	COVID-19 Response	Non-UK Purchases	COVID-19 Recovery
Cloud Computing	Development Management F/U	Investments	Anti-Social Behaviour
Income Generation (Selling our Services)	Financial Resilience of Suppliers F/U	Data Breaches	Partnerships
Leisure Contract	Breathing Space	Shaping Our Future	
Review of the Finance, Audit and Risk Committee			
2020/21 Projects Requiring Completion			
		<b>AUDITS TO BE CONFIRMED FOR QUARTER 3 AND 4 IN SEPTEMBER 2021</b>	