



Shared Internal Audit Service

Annual Report

2020/21

Annual Report Contents

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Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2020/21.

I was reading my introduction to last year's Annual Report as part of ordering my thoughts on the journey travelled this past 12 months and struck with an acute sense of déjà vu that my paragraphs on the Covid-19 pandemic could so easily be replicated. They remain as true today as when they were written as we emerged from the first pandemic lockdown seemingly a lifetime ago.

Our reserves of resilience, patience and courage have been sorely tested by the marathon experience and challenges to our wellbeing during the intervening year. I remain hopeful and optimistic though as we emerge from the most recent period of lockdown, isolation and restricted movement, buoyed by the spirit and boundless energy of friends and colleagues who have achieved so much so quickly transforming services and throwing themselves into the fray. I was amazed by the 'festival atmosphere' at the vaccination centre when I got my first jab, thrilled to again indulge my love of food and laughter in the company of close friends and family, and nearly reduced to tears when my eight year old son hugged me and told me he missed his 'work buddy' as he returned to the classroom.

Professionally, I grappled with the possibility that our internal audit work be suspended, paused or deferred to reduce the pressure on our partners as a result of the considerable impact of the Covid-19 pandemic on the delivery of critical public services and the focus on the Covid-19 response and recovery. This gave rise to the risk that I might have to consider whether I could still issue the annual assurance opinion for each of our partners or whether I would need to consider a limitation of scope. I am rightly proud of the SIAS team, our strong relationships and co-operation with officers at all our partners and the recognition of the importance of good governance, risk management and control in the midst of the pandemic, that allowed SIAS to deliver sufficient assurance from internal audit and other forms of assurance to issue annual assurance opinions in accordance with the professional standards.

I would like to reiterate my words from last year that I am immensely proud that SIAS did not stand on the side lines, but that several members of the team volunteered for redeployment opportunities at some of our partners and got involved with the Covid-19 response. It was fascinating to hear from them about their new experiences, skills developed, and confidence acquired on the frontline. It is equally gratifying to hear the sincere praise for their efforts which has brought credit to themselves and made them great ambassadors for SIAS.

As we move into the new audit year, I look forward to further embedding flexible and hybrid working practices and seeing colleagues and team members again. I will be leading the implementation of actions arising from our recent External Quality Assessment and making sure that we are suitably equipped to meet the challenges of the future. For further highlights and reflections, I invite you to delve into the Annual Report itself. As ever, I enjoy the engagement, dialogue and feedback the report fosters.

Chris Wood - Head of Assurance

June 2021



Levels of delivery

2020/21 brought unprecedented challenges to SIAS in relation to delivering audits plans against a backdrop of our clients focusing resources on COVID-19 response and recovery activities, adapting our audit approach to meet social distancing requirements and the impact of the pandemic on our own staff.

Despite such challenges SIAS managed to exceed the 95% target for delivering days commissioned by clients, with a final outturn of 96%. Whilst our delivery of audit reviews to draft report stage by the close of the year fell 1% short of the target of 95%, we believe the end of year outcomes pay testament to the hard work and resilience of the SIAS Team.

With our key objective being to complete enough work to allow an annual assurance opinion to be provided for each SIAS Partner, we are pleased to report that this was achieved.

Figure 1: Percentage of audits days delivered

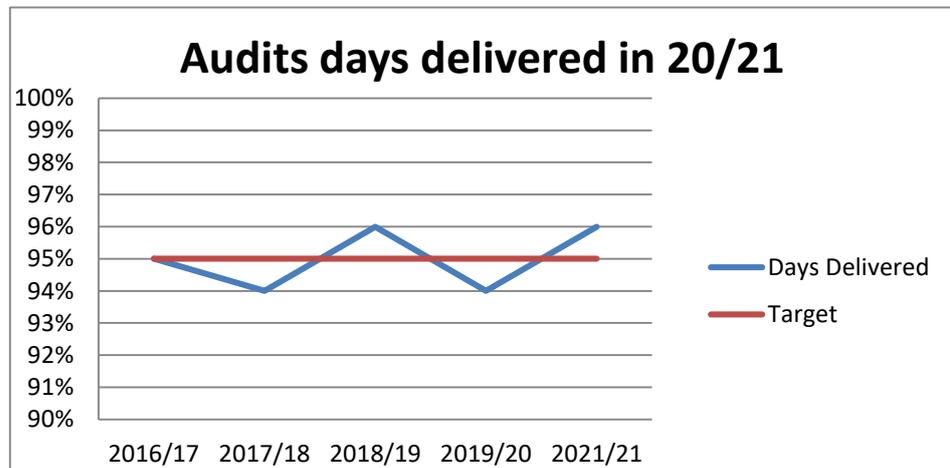
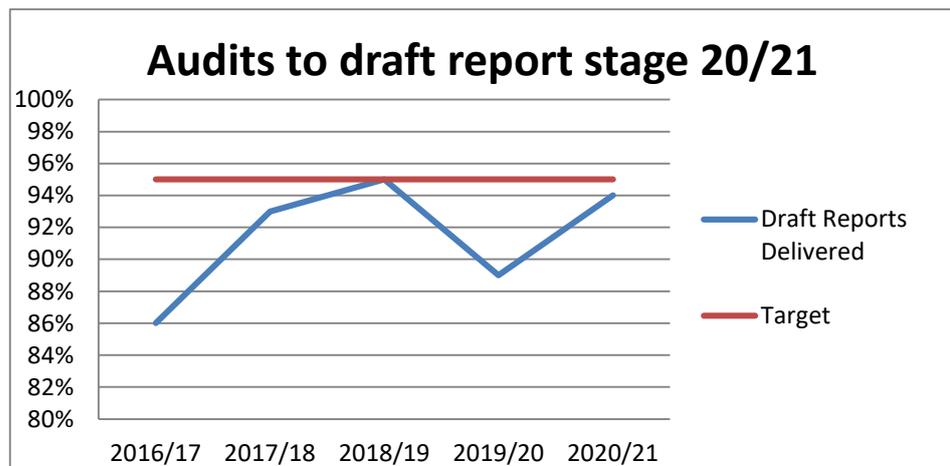


Figure 2: Percentage of audits to draft stage



Achieved its overall targets despite the challenges created by the COVID-19 Pandemic...

Shared learning - the power of partnership

Shared learning happens through the dialogue we have with others. It has long been part of the vision of our Board that the service acts to facilitate the sharing of learning across its partners. A shared learning culture, both formal and informal, is embedded through our team, our sister services within Assurance and across our partners and opportunities abound to promote issues big and small.

During 2020/21, we issued our annual shared learning paper that summarises significant recommendations made from the work we undertook across the partnership during the previous year. Key areas included managing the risks of the financial resilience of suppliers, compliance with GDPR, the importance of maintaining audit trails, good practice in relation to safe recruitment and effective facilities management.

Whilst our annual shared learning workshop was deferred during 2020/21 in light of the COVID-19 pandemic, we nevertheless sought to share good practice to all SIAS Board Members from our wider networks such as 'Audit Together', a strategic alliance of similar internal audit partnerships, our audit delivery partners (BDO) and an array of contacts through bodies such as the Local Authority Chief Auditors Network (LACAN) and Home Counties Chief Internal Auditors Group (HCCIAG) for our partners and other stakeholders.

During 2020/21, our staff, partners and Audit Committee members have continued to support our cycle of continuous development with helpful challenges and comments, these being particularly critical in a time that presents an opportunity to re-look at all aspects of the delivery of the Service post pandemic.

Shared learning happens through the dialogue we have with others...



Managing the challenges of auditing during a pandemic

As we entered 2020/21, the Covid-19 pandemic brought fundamental challenges to our partners, which in turn meant that we needed to carefully consider how we could respond.

Dialogue was held throughout the year with all partners to ensure that we could continue support our partners by releasing staff for re-deployment to support key response activities, provide a reactive service and be in a position to provide an annual assurance opinion to support our partners annual governance statements.

Approximately 75% of our staff performed redeployment activities for our partners...

Approximately 75% of our staff performed redeployment activities for our partners of varying lengths during the first quarter of 2020/21. Within Hertfordshire County Council, two of our team members performed important roles within the Operational Shield project, this being a critical project for supporting vulnerable citizens during the first period of lockdown. We received extremely positive feedback from clients on the work performed by our staff to support these response activities.

In respect of our audit plans, we worked with Clients to ensure that these mirrored the needs of our partners, with a COVID-19 assurance theme added to the plans of three partners to provide assurance over governance, risk management and audit trails for key response and recovery activities. For all partners we ensure that our audit work during the year considered the impact of the pandemic on key objectives, and internal control and governance frameworks.

In relation to audit delivery, we embraced the use of mobile technology to allow our work to continue with the use of Microsoft Teams being a fundamental tool for meetings and audit testing.

As the year progressed it was of critical importance that we were able to provide advice and support to our partners on how to maintain effective internal control and governance where changes were required to key systems and processes during the pandemic.

Whilst 2020/21 proved to be a challenging year, we achieved our key goal of completing a programme of work for all our partners to support an annual opinion on the robustness of internal control arrangements. This is a fantastic achievement for the Service, given that some other Local Authority Internal Audit Services had to pause their work during 2020/21.

Developing our people and processes

SIAS is committed to providing an exemplar service to its partners and clients that successfully blends cost effectiveness, resilience and quality.

At the core of our service are our team members, and we have invested in the delivery of core learning and coaching for all members of staff. This included external refresher training on the principles of risk and internal control, and the provision of opportunities for our Senior Auditors to undertake more supervisory and review activities during the year.

Despite the challenges of holding a recruitment drive during the pandemic, we were pleased to appoint to our vacant Senior Auditor position during the year and the successful applicant is now fully in post.

Invested in the delivery of core learning and coaching for all team members

We have continued to provide our staff with support for professional training, either through apprenticeships or directly through the relevant awarding body. Such opportunities have been made available to several of our team members during the year. We have also improved how learning from our quality review processes is used to support training and development, with an improved focus on feedback to Auditors post audit and clearer links between the review process and an individual's annual Personal Development and training Plan.

A hot topic during 2020/21 has been data analytics, with organisations seeing increasing digitalisation of their operations. Data analytics is now becoming a powerful tool which can be incorporated into the audit process and enhances the ability to carry out whole population testing and continuous auditing. This in turn can enhance the assurance provided on the management of risk and controls. We began work in late 2020/21 to evaluate the value of data analytics to SIAS partners, and on producing a potential strategy for acquiring the required skillsets, thinking and methodologies.

Exploring the use of data analytics to provide more insightful and robust assurance

Technology is a key enabler of modern smart and agile working, as has continued to be demonstrated by the Covid-19 pandemic. The roll-out of Microsoft Teams was fundamental during 2020/21 and has allowed our staff to continue to perform audit work, despite the social distancing requirements that were put in place. We will be looking to permanently embrace many aspects of these new ways of working.

As part of our preparation for our PSIAS external quality assessment, we have taken the opportunity to review and update our Internal Audit Manual. This is a comprehensive set of working documents designed to inform, direct, guide and train internal auditors within the team, and includes things such as our vision, structure charts, policies, audit methodology, quality control arrangements and working paper and report templates.



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 in 2020/21 we have received 95% satisfactory or higher feedback rating from our customers.

Some of the comments that accompany the formal scoring document are shown below:

• “I am happy as ever with the service from SIAS - they are helpful and approachable and carry out a professional service.”

- “The service received was excellent. The context was set very clearly, with structured and clear questions with good explanations for each section. Extremely professional and helpful in terms of explaining what would happen next. The PMO is a relatively new team so the audit was invaluable as a checkpoint to show us how far we had progressed and for us to identify areas where we can improve the service.”
- “The auditors always provide a professional and friendly service. The audits themselves provide the relevant service unit with an important indicator of the effectiveness and performance of service delivery in the assessed areas and helps to flag up areas of concern and improvement to the wider business.”
- “Excellent. The Auditor was great to work with and I think we managed to cover important aspects to inform simple ways to improve performance management.”
- “A valuable and professional audit. I felt the Auditor understood the challenges of internet and email security and added value to this audit.”
- “Service was good. This was the first time performing an internal audit, remotely. The process was efficient and effective and the use of SharePoint to store and exchange data was an excellent idea.”
- “I am happy as ever with the service from SIAS - they are helpful and approachable and carry out a professional service.”
- “Very useful audit. The opportunity to discuss findings and reports issued/ findings associated with other local authority companies was helpful, this highlighted the differences in approach and shaped the recommendations which were immediately implemented.”
- “The whole process was handled extremely well, and I thank the SIAS team for being understanding that the pandemic has put extra work demands on the finance functions within the school “



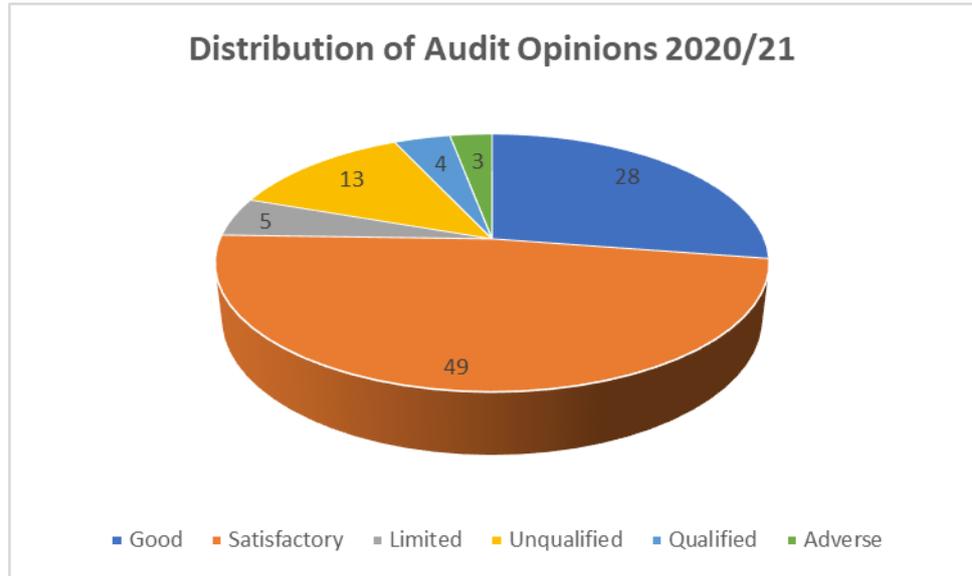
Performance - outcomes

SIAS completed 237 assurance and other projects to final report stage, giving the assurance opinions and recommendations detailed in the charts below.

For those pieces which resulted in a formal assurance opinion, the distribution of opinions is set out in figure 3 below:

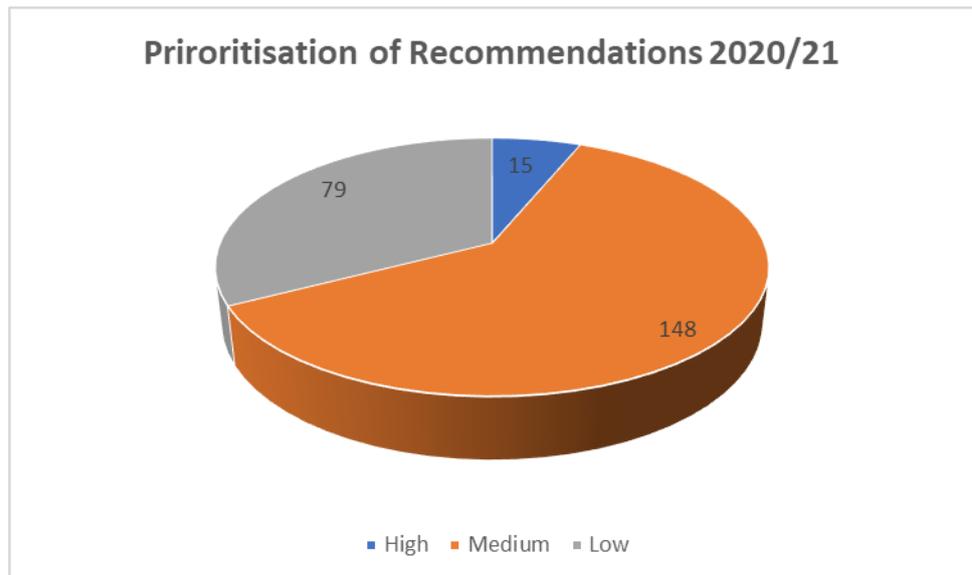
Figure 3: Distribution of Audit Opinions 2020/21

237 assurance and other projects identifying 329 recommendations



For those audits where recommendations were required and were graded, the priority ratings are set out in figure 4 below:

Figure 4: Prioritisation of Recommendations 2020/21



Performance indicators

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 overall performance of SIAS against our key performance indicators is reported below.

Table 1: SIAS Business Performance

Indicator	Target	Actual as at 31 March 2020	Actual as at 31 March 2021
Progress against plan: actual days delivered as a percentage of planned days.	95%	94%	96%
Progress against plan: audits issued in draft by 31 March	95%	89%	94%
Client satisfaction	100% client satisfaction questionnaires returned at 'satisfactory overall' level or above	100%	95%

Financial performance of SIAS

SIAS began operating on a fully traded basis in 2012/13.

Appendix A sets out the summary financial position at 31 March 2021. The partners determined that the service should aim to build a reasonable surplus and to consider the financial position of the service on a three-year rolling basis.

The intention of this is to smooth the impact of any unforeseen events impacting on trading performance in future years.

Future developments



The intervention of the Covid-19 pandemic has naturally posed some challenges to overcome during 2020/21. A key part of the upcoming year will be to embed new ways of working and return the service to a form of business as usual, while ensuring that we do not lose the many of the benefits that have accrued implemented during the pandemic.

Given the longer-term impacts of the pandemic on Council's, businesses and the general public, it is important that we continue to work with our partners to maintain dynamic audit plans. This will ensure that we can focus on any new or emerging risks that arise during the year.

The Public Sector Internal Audit Standards (PSIAS) require SIAS to have an external quality assessment (EQA) at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The fieldwork for this assessment has been completed in June 2021. It will be important that our service plan focuses on the findings and insights provided from the assessment team to ensure that we can continue to provide an effective audit service for our partners.

From a training, development and professional practice perspective, we will continue to support those members of our service that are striving to attain professional qualifications, supporting this through a more robust in-house training programme. In addition, we will continue to embed our changes to our quality review processes to ensure that these support our staff in continuing to develop their skills and capabilities.

embed new ways of working... ensuring that we do not lose the many of the benefits that have accrued implemented during the pandemic...

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.

In 2020/21, our Board members were as follows:

Name	Title	Partner
Clare Fletcher	Strategic Director (S151)	Stevenage Borough Council
Matthew Bunyon	Head of Finance and Business Services	Hertsmere Borough Council
Steven Pilsworth	Assistant Director Finance	Hertfordshire County Council
Ian Couper	Service Director (Resources)	North Hertfordshire District Council
Richard Baker	Head of Resources	Welwyn Hatfield Borough Council
Steven Linnett	Head of Strategic Finance and Property	East Herts Council
Alison Scott	Director of Finance	Watford Borough Council and Three Rivers District Council
Chris Wood	Head of Assurance	SIAS

SIAS cost centre: budget against outturn 2020/21

	<u>Budget</u>	<u>Outturn</u>
	<u>£</u>	<u>£</u>
Salaries & Salary Related	1,089,856	941,497
Partner / Consultancy Costs	99,000	176,203
Transport	7,500	184
Supplies	17,833	6,182
Office Accommodation Cost	17,005	17,005
Total expenditure	<u>1,231,194</u>	<u>1,141,071</u>
Income	<u>-1,240,418</u>	<u>-1,238,690</u>
Net (surplus) / deficit	(9,224)	(97,619)

Appendix B: Definitions of Assurance Levels and Priority of Recommendations

Assurance Level		Definition
Good		The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory		The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited		The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No		The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.
Priority Level		Definition
Corporate	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.