



# INTERNAL AUDIT PROGRESS REPORT

## NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

14 MARCH 2022

### RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 18 February 2022;
- Note the plan amendments to the 2021/22 Annual Audit Plan

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# 1. Introduction and Background

## Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2021/22 as at 18 February 2022.
  - b) In-Year Audit Plan review and proposed plan amendments
  - c) An update on performance indicators as at 18 February 2022.

## Background

- 1.2 The 2021/22 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 8 March 2021.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the final report giving an update on the delivery of the 2021/22 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported 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.

# 2. Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 18 February 2022, 81% of the 2021/22 Audit Plan days had been delivered.
- 2.2 There have been no final reports that have been issued since the last FAR Committee report on 15 December 2021, although two charity certifications were completed and reported. In addition, there have been three draft reports issued to management since the last FAR Committee.

## High Priority Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

2.4 There are no outstanding high priority recommendations.

Proposed Amendments

2.5 The following plan amendments have been agreed with management within this reporting period:

- a) **Trade Waste Whitespace Integration** – Cancelled – this audit has been removed from the plan as the timeline for implementation has been amended and therefore assurance is not required at this time.
- b) **Covid-19 Recovery Phase 2** – Cancelled – this audit was cancelled as the Omicron variant shifted the Council back to response during the period that this work was due be undertaken. The days (8 days) were re-allocated to the Covid-19 Response audit.
- c) **Integra Automation** – An additional allocation of 9 days has been assigned to this project to provide addition advice relating to the IT implementation activities related to this project.

Performance Management: Reporting of Audit Plan Delivery Progress

2.6 To help the Committee assess the current situation in terms of progress against the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix C. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits (28)	Profile to 14 March 2022
Draft / Final Report Issued	16	62%	(22/26)
In Fieldwork / Quality Review	5	19%	(1/26)
Terms of Reference Issued / In Planning	4	15%	(2/26)
Not Yet Started	1	4%	(1/26)

2.7 Annual performance indicators and associated targets were approved by the SIAS Board in March 2020. As at 18 February 2022, actual performance for North Herts District Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 14 March 2022	Actual to 18 February 2022
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	89% (240 / 270 days)	81% (220 / 270 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft	95%	85%	62% (16 / 26 projects)

report stage against planned completed projects		(22 / 26 projects)	
<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% for those returned (6 returned from 12 issued)
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	No high priority recommendations have currently been made in 2021/22

2.8 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2021/22 Head of Assurance's Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the plan should be prepared for the first meeting of the financial year.
- **6. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

**APPENDIX A – PROGRESS AGAINST THE 2021/22 AUDIT PLAN AS AT 18 FEBRUARY 2022**

**2021/22 SIAS Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
<b>Financial Systems Audits</b>									
Grant Administration						10	SIAS	9	Quality Review
Discretionary Housing Payments	Reasonable	0	0	1	0	8	SIAS	8	Final Report Issued
Resilience in Revs and Bens						8	SIAS	7.5	Draft Report Issued
Integra Automation						17	SIAS	5	In Fieldwork
Non-UK Purchases						6	SIAS	5	Quality Review
Tax						6	SIAS	5	Quality Review
<b>Corporate Audits</b>									
Covid-19 Response						23	SIAS	22.5	Draft Report Issued
Covid-19 Recovery – Phase 1	Reasonable	0	0	1	2	10	SIAS	10	Final Report Issued
Covid-19 Recovery – Phase 2						0		0	Cancelled
Shaping Our Future						10	SIAS	6	In Fieldwork
Climate Emergency						0		0	Cancelled
<b>Operational Audits</b>									
Health and Safety of Lone Workers (EH and Housing)						10	SIAS	0.5	In Planning
Trade Waste – Whitespace Integration						0.5		0.5	Cancelled
Anti-Social Behaviour						0		0	Cancelled
Partnerships						0		0	Cancelled
Community Engagement						3	BDO	3	Draft Report Issued
Financial Resilience of Suppliers Follow Up						2	SIAS	0	In Planning

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Development Management Follow Up	Reasonable	0	0	3	2	5	SIAS	5	Final Report Issued
LA Track and Trace Grant						2	SIAS	0.5	In Planning
Energy Improvement to Park Homes Grant						2	SIAS	0.5	In Planning
Review of FAR	Not Assessed	0	0	0	0	6	SIAS	6	Final Report Issued
King George V Playing Fields	Not Assessed	0	0	0	0	1	SIAS	1	Final Report Issued
Workman’s Hall	Not Assessed	0	0	0	0	1	SIAS	1	Final Report Issued
<b>Contract Audits</b>									
Leisure Contract	Substantial	0	0	0	1	15	SIAS	15	Final Report Issued
<b>Corporate Governance</b>									
Ways of Working						15	SIAS	0	Allocated
<b>IT Audits</b>									
Data Breaches	Substantial	0	0	0	2	10	BDO	10	Final Report Issued
Cloud Computing	Reasonable	0	0	1	1	10	BDO	10	Final Report Issued
Freedom of Information and Subject Access Requests	Substantial	0	0	0	1	10	BDO	10	Final Report Issued
<b>Consultancy and Advisory</b>									
Breathing Space (Debt Recovery)	Not Assessed	0	0	0	0	10	SIAS	10	Final Report Issued
Customer Services Strategy	Not Assessed	0	0	0	0	12	SIAS	12	Final Report Issued
Income Generation (Selling our Services)	Not Assessed	0	0	0	0	10	SIAS	10	Final Report Issued
<b>Shared Learning and Joint Reviews</b>									
Joint Reviews						3	N/A	3	Through Year

**APPENDIX A – PROGRESS AGAINST THE 2021/22 AUDIT PLAN AS AT 18 FEBRUARY 2022**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Shared Learning						2	N/A	2	Through Year
<b>Contingency</b>									
Contingency						0	N/A	0	Through Year
<b>Client Management - Strategic Support</b>									
Head of Internal Audit Opinion 2020/21						3	SIAS	3	Complete
Audit Committee						6	SIAS	6	Through Year
Client Meetings						6	SIAS	6	Through Year
Progress Monitoring						10	SIAS	10	Through Year
SIAS Development						5	SIAS	5	Through Year
2022/23 Audit Planning						10	SIAS	10	Through Year
Completion of outstanding 2020/21 projects						2.5	SIAS	2	In Progress
<b>Total - North Herts D.C.</b>		<b>0</b>	<b>0</b>	<b>6</b>	<b>9</b>	<b>270</b>		<b>220</b>	

**Key**

Not Assessed = No assurance opinion provide as the project was either consultancy based or validation for compliance

C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority

BDO = SIAS Audit Partner

N/a = Not Applicable



## APPENDIX B – 2021/22 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Discretionary Housing Payments <b>Final Report Issued</b>	Resilience in Revenues and Benefits <b>Draft Report Issued</b>	Trade Waste – Whitespace Integration (Added) <b>Cancelled</b>	<del>Investments Tax</del> (Moved from Q3) <b>Quality Review</b>
Income Generation (Selling our Services) <b>Final Report Issued</b>	Freedom of Information and Subject Access Requests <b>Final Report Issued</b>	Non-UK Purchases <b>Quality Review</b>	Workman’s Hall and King George V Playing Fields <b>Final Report Issued</b>
Customer Services Strategy <b>Final Report Issued</b>	COVID-19 Response <b>Draft Report Issued</b>	Grant Administration <b>Quality Review</b>	COVID-19 Recovery <b>Cancelled</b>
Cloud Computing <b>Final Report Issued</b>	Development Management F/U <b>Final Report Issued</b>	Data Breaches <b>Final Report Issued</b>	Health and Safety of Lone Workers (Added) <b>In Planning</b>
COVID-19 Recovery Planning <b>Final Report Issued</b>	Breathing Space (Debt Recovery) <b>Final Report Issued</b>	Shaping Our Future <b>In Fieldwork</b>	Ways of Working (Added) <b>Allocated</b>
Leisure Contract <b>Final Report Issued</b>	LA Track and Trace Grant (Added) <b>In Planning</b>	Community Engagement (Added) <b>Draft Report Issued</b>	Financial Resilience of Suppliers F/U (Moved from Q2) <b>In Planning</b>
Review of the Finance, Audit and Risk Committee <b>Final Report Issued</b>	Energy Improvement in Park Homes Grant (Added) <b>In Planning</b>		Integra Automation (Moved from Q3) <b>In Fieldwork</b>
2020/21 Projects Requiring Completion			

The above table does not show cancelled audits as part of the interim planning cycle (reported to the September FAR Committee).

## APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2021/22

Audit Opinions		
	Assurance Level	Definition
Assurance Opinions	<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
	<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
	<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
	<b>Not Assessed</b>	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	<b>Unqualified</b>	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
	<b>Qualified</b>	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
	<b>Disclaimer Opinion</b>	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
	<b>Adverse Opinion</b>	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Finding Priority Levels		
	Priority Level	Definition
Corporate	<b>Critical</b>	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	<b>High</b>	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.
	<b>Medium</b>	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.
	<b>Low</b>	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.