



# INTERNAL AUDIT PROGRESS REPORT

## NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

14 JUNE 2022

### RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 30 May 2022
- Note the plan amendments to the 2022/23 Annual Audit Plan
- Approve the 'medium' priority audit projects for Q3 2022/23

## Contents

- 1 Introduction and Background
  - 1.1 Purpose
  - 1.2 Background
  
- 2 Audit Plan Update
  - 2.1 Delivery of Audit Plan and Key Findings
  - 2.6 High Priority Recommendations
  - 2.8 Proposed Amendments
  - 2.9 Performance Management

## Appendices

- A Progress against the 2022/23 Audit Plan
  
- B 2022/23 Audit Plan Start Dates Agreed with Management
  
- C Assurance and Finding Definitions 2022/23

# 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 2022/23 as at 30 May 2022.
  - b) In-Year Audit Plan review and proposed plan amendments
  - c) An update on performance indicators as at 30 May 2022.

## Background

- 1.2 The 2022/23 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 16 March 2022.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first report giving an update on the delivery of the 2022/23 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 30 May 2022, 6% of the 2022/23 Audit Plan days had been delivered.
- 2.2 There have been five final audit reports that have been issued as part of the approved 2022/23 Internal Audit Plan, all being carry forward audits from the 2021/22 Internal Audit Plan. The outcomes of these have been reported in the SIAS Annual Assurance Statement and Annual Report 2021/22, also on the agenda for this Committee, but for completeness are as follows:

<b>Audit Title</b>	<b>Assurance Opinion</b>	<b>Recommendations</b>
Community Capital Grants Applications	Reasonable	1 Medium, 1 Low
Resilience in Revs and Bens Systems and Technical Team	Limited	3 High

Non-UK Purchases	Substantial	None
HMRC Tax Guidance	N/A - Consultancy	None
Financial Resilience of Suppliers Follow-up	Substantial	None

2.3 The status of remaining 2021/22 audits carried forward for completion as part of the 2022/23 Internal Audit Plan is as follows:

<b>Audit Title</b>	<b>Status</b>
Grants Administration	Draft Report Issued
Shaping our Future	Draft Report Issued – being presented to Shaping our Future Steering Group on 11 July 2022 for management responses
Health and Safety of Lone Workers - EH and Housing	In Quality Review
Future Ways of Working	In Planning – resource allocated for commencement in mid-July 2022

2.4 SIAS will deliver all audits prioritised as ‘High’ in the 2022/23 Audit Plan and will deliver at least eight projects prioritised as ‘Medium’. In addition, all IT audits will be completed. The outcomes of these projects will support the Chief Audit Executive in forming their overall opinion.

2.5 The medium priority projects that will be undertaken (see Appendix B on page 10) are to be approved by the FAR Committee in the meeting prior to the quarter commencing, i.e., Q1 and Q2 were approved in March 2022, with the FAR Committee requested to approve two further audits for completion in Q3 from those highlighted in light blue at Appendix B on page 10.

#### High Priority Recommendations

2.6 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.

- 2.7 There are no outstanding high priority recommendations, although Members will be aware that three new high priority recommendations were made in the 'Resilience in the Revenues and Benefits Systems and Technical Team' audit report issued in April 2022. These have implementation dates in March 2023.

#### Proposed Amendments

- 2.8 No plan amendments have been agreed with management within this reporting period, although the FAR Committee is being requested to approve two further audits for completion in Q3 (see paragraph 2.5).

#### Performance Management: Reporting of Audit Plan Delivery Progress

- 2.9 To help the Committee assess the current progress of the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix B. 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 (24 minimum)	Profile to 30 May 2022
Draft / Final Report Issued	0	0%	(0/24)
In Fieldwork / Quality Review	1	4%	(1/24)
Terms of Reference Issued / In Planning	3	13%	(3/24)
Not Yet Started	0	83%	(20/24)

- 2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2022. As at 30 May 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 30 May 2022	Actual to 30 May 2022
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	8% (22 / 270 days)	6% (17 / 270 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	0% (0 / 24 projects)	0% (0 / 24 projects)

<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	0% for those returned (1 returned from 4 issued)
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	Three high priority recommendations have been made in 2022/23

- 2.11 In respect of delivery of Planned Days, performance is slightly behind the profiled target as it was anticipated that fieldwork would have been able to commence on the Future Ways of Working audit carried forward from 2021/22. This is now scheduled for commencement in mid-July 2022.
- 2.12 The one client satisfaction survey that has been returned was not scored at satisfactory overall. Several areas were identified as having potential for improvement despite scoring as 'very good' for the value added to the operational area by the audit. This feedback has been shared with the SIAS team to facilitate future improvements.
- 2.13 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2022/23 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 2022/23 AUDIT PLAN AS AT 30 MAY 2022**

**2022/23 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>High Priority Audits (81 days)</b>									
Climate Emergency						12	NYA		
Waste Contract						6	NYA		
Careline Operations						12	BDO	2	ToR Issued
Procurement						12	NYA		
Risk and Performance Management						12	NYA		
Business Continuity Planning						15	NYA		
Centros Financial System						12	NYA		
<b>Medium Priority Audits (70 days) – 4 audits nominated for Q1 and Q2 to date; minimum 8 to be delivered</b>									
Handling Difficult Customers Policy						10	SIAS	5	In Fieldwork
Compliance Contract						8	BDO	0.5	In Planning
Revenues Discounts and Exemptions						8	NYA		
Leisure Services						8	NYA		
<b>IT Audits (35 days)</b>									
Cyber Risk						12	BDO		
Phishing						12	BDO		
IT Hardware						11	BDO		
<b>Consultancy and Advisory (15 days)</b>									
Strategic Planning (Local Plan)						8	NYA		

**APPENDIX A – PROGRESS AGAINST THE 2022/23 AUDIT PLAN AS AT 30 MAY 2022**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
MSU Impact of Ways of Working						7	NYA		
<b>Shared Learning and Joint Reviews (4 days)</b>									
Shared Learning						2	SIAS		
Joint Reviews						2	SIAS		
<b>Grant Claims / Charity Certification (5 days)</b>									
King George V Playing Fields						1	SIAS		
Workman's Hall						1	SIAS		
Miscellaneous Grants						3	SIAS		
<b>Contingency (5 days)</b>									
Contingency						5			
<b>Client Management - Strategic Support (38 days)</b>									
CAE Internal Audit Opinion 2021/22						3	SIAS	3	Complete
Audit Committee						6	SIAS	1.5	Through Year
Client Meetings						8	SIAS	1	Through Year
Progress Monitoring						8	SIAS	1	Through Year
SIAS Development						5	SIAS	1	Through Year
2023/24 Audit Planning						8	SIAS		Through Year
<b>2021/22 Carry Forward (17 days)</b>									
Completion of outstanding 2021/22 projects						2	SIAS	1.5	Partially Completed
Future Ways of Working						15	BDO	0.5	In Planning
<b>Total - North Herts D.C.</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>270</b>		<b>17</b>	



## **APPENDIX A – PROGRESS AGAINST THE 2022/23 AUDIT PLAN AS AT 30 MAY 2022**

### **Key / Notes**

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

Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2022/23 Internal Audit Plan.

**APPENDIX B – 2022/23 AUDIT PLAN START DATES AGREED WITH MANAGEMENT**

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<b>H</b>	<b>Careline Operations</b> (ToR issued; fieldwork scheduled to commence w/c 13 June 2022)	Waste Contract	Climate Emergency	Procurement
		Business Continuity Planning	Risk and Performance Management	Cosmos Financial System
<b>M</b>	<b>A minimum of 8 medium priority audits from the following (please see paragraphs 2.4 and 2.5):</b>			
	Safeguarding	Community Lottery	Prudential Code Compliance	Apprenticeship Levy
	Annual Governance Statement	Green Space Strategy	Licensing Enforcement	Project Management
	<b>Compliance Contract</b> (In Planning; Fieldwork scheduled to commence w/c 20 June 2022)	Leisure Services	Temporary Accommodation	Payroll – Contract Management
	<b>Handling Difficult Customers Policy</b> (In Fieldwork)	Revenues Discounts / Exemptions	Covid-19 Recovery	HTH Museum and Operations
		Parking Strategy		
<b>IT</b>		Phishing	Cyber Risk	IT Hardware
<b>C</b>		Impact of Ways of Working for MSU	Strategic Planning (Local Plan)	
<b>G/C</b>				King George V Playing Fields
				Workman's Hall
<b>O</b>	<b>2021/22 Carry Forward – Future Ways of Working</b> (In Planning; Fieldwork scheduled to commence mid-July 2022)			

## **APPENDIX B – 2022/23 AUDIT PLAN START DATES AGREED WITH MANAGEMENT**

Key:

H – High Priority: 100% of audits will be delivered

M – Medium Priority: Eight of these audits will be delivered, FAR Committee to approve which audits will be delivered from this list.

IT – IT Audits: 100% of IT audits will be delivered

C – Consultancy: Assignments will be delivered as part of the audit plan

G/C – Grant or charity certification to be completed as part of the audit plan

O - Other

## APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2022/23

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.