



INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

7 SEPTEMBER 2022

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 20 August 2022
- Note the plan amendments to the 2022/23 Annual Internal 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 2022/23 as at 20 August 2022.
 - b) In-Year Audit Plan review and proposed Plan amendments.
 - c) An update on performance indicators as at 20 August 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 second 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 Internal Audit Plan and Key Audit Findings

- 2.1 As at 20 August 2022, 15% of the 2022/23 Internal Audit Plan days had been delivered.
- 2.2 There have been three final audit reports issued since the June 2022 Audit Committee. Two were carry forward audits from the 2021/22 Internal Audit Plan and one is a 2022/23 internal audit:

Audit Title	Assurance Opinion	Recommendations
Grants Administration (2021/22)	Reasonable	None – two advisory actions
Shaping our Future (2021/22)	N/A - Consultancy	Two medium and one low priority

Handling Difficult Customers Policy	Substantial	None
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2.3 The status of the remaining 2021/22 audit carried forward for completion as part of the 2022/23 Internal Audit Plan is as follows:

Audit Title	Status
Health and Safety of Lone Workers - EH and Housing	Draft Report Issued. Awaiting management responses.
Future Ways of Working	In Planning – Request from Council Officers for audit to be started in September 2022. Auditor resource allocated for commencement on 26 September 2022.

2.4 SIAS will deliver all audits prioritised as ‘High’ in the 2022/23 Internal 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) were 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 June FAR Committee approving four further audits for completion in Q3 and Q4.

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 The following Plan amendments, involving a reallocation of billable days within the Plan, have been agreed with management within this reporting period:

Audit	Previous Billable Days	Revised Billable Days
Future Ways of Working	15	9
Compliance Contract	8	11
Leisure Services	8	11
COMF Response (one day reallocated from Miscellaneous Grants)	0	1
Test and Trace Payment Support (two days reallocated from Miscellaneous Grants)	0	2
Miscellaneous Grants	3	0

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	Profile to 20 August 2022
Draft / Final Report Issued	4	15%	(4/27)
In Fieldwork / Quality Review	3	11%	(3/27)
Terms of Reference Issued / In Planning	9	33%	(9/27)
Not Yet Started	11	41%	(11/27)

2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2022. As at 20 August 2022, actual performance for North Herts Council against the targets that can be monitored in year is shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 20 August 2022	Actual to 20 August 2022
1. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (excludes contingency)	95%	23% (60 / 261 days)	16% (41 / 261 days)
2. Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	22% (6 / 27 projects)	15% (4 / 27 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	50% for those returned (2 returned from 7 issued)

2.11 In respect of delivery of Planned Days, performance is slightly behind the profiled target as it was anticipated that:

- a) 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 week commencing 26 September 2022.
- b) Fieldwork would have been able to commence on the Compliance Contract Audit. This is now scheduled for commencement in week commencing 29 August 2022.
- c) Fieldwork would be further advanced, or completed, on the Careline Operations audit.

2.12 In terms of delivery of Planned Projects, it was further anticipated at the start of the quarter that at least two of the three audits listed at paragraph 2.11 would be at draft report stage.

2.13 The client satisfaction survey returned since the June Audit Committee, scored in the highest 'very good / excellent' overall category.

2.14 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2022/23 Chief Audit Executive's Annual Report:

- **4. Internal Audit Annual Plan Report** – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet.
- **5. Chief Audit Executive's Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year.

APPENDIX A – PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN AS AT 20 AUGUST 2022

2022/23 SIAS Internal Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
High Priority Audits (81 days)									
Climate Emergency						12	NYA		
Waste Contract						6	SIAS	1.5	In Fieldwork
Careline Operations						12	BDO	4	In Fieldwork
Procurement						12	NYA		
Risk and Performance Management						12	NYA		
Business Continuity Planning						15	BDO	0.5	In Planning
Centros Financial System						12	NYA		
Medium Priority Audits (72 days) – 8 audits nominated to date; minimum 8 to be delivered									
Handling Difficult Customers Policy	Substantial	0	0	0	0	10	SIAS	10	Final Report Issued
Compliance Contract						11	BDO	1	ToR Issued
Revenues Discounts and Exemptions						8	NYA	0.5	In Planning
Leisure Services						11	BDO	0.5	In Planning
Project Management						8	NYA		
Temporary Accommodation						8	NYA		
Safeguarding						8	NYA		
Parking Strategy						8	NYA		
IT Audits (35 days)									
Cyber Risk						12	BDO	0.5	In Planning
Phishing						12	BDO	1	ToR Issued

APPENDIX A – PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN AS AT 20 AUGUST 2022

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
IT Hardware						11	BDO	0.5	In Planning
Consultancy and Advisory (15 days)									
Strategic Planning (Local Plan)						8	NYA		
MSU Impact of Ways of Working						7	BDO	0.5	In Planning
Shared Learning and Joint Reviews (4 days)									
Shared Learning						2	SIAS	1	Ongoing through year
Joint Reviews						2	BDO	1	In Fieldwork
Grant Claims / Charity Certification (5 days)									
King George V Playing Fields						1	SIAS		
Workman's Hall						1	SIAS		
COMF Response	Unqualified	0	0	0	0	1	SIAS	1	Final Report Issued
Test and Trace Payment Support	Unqualified	0	0	0	0	2	SIAS	2	Final Report Issued
Miscellaneous Grants						0	SIAS	0	Allocated to specific grants
Contingency (9 days)									
Contingency						9			
Client Management - Strategic Support (38 days)									
CAE Internal Audit Opinion 2021/22						3	SIAS	3	Complete
Audit Committee						6	SIAS	2	Through Year
Client Meetings						8	SIAS	2.5	Through Year
Progress Monitoring						8	SIAS	2.5	Through Year

APPENDIX A – PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN AS AT 20 AUGUST 2022

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
SIAS Development						5	SIAS	2	Through Year
2023/24 Audit Planning						8	SIAS		Through Year
2021/22 Carry Forward - (11 days)									
Completion of outstanding 2021/22 projects						2		2	Complete
Future Ways of Working						9	BDO	2	In Planning
Grants Administration	Reasonable	0	0	0	0				Final Report Issued
Shaping our Future	N/A - Consultancy	0	0	2	1				Final Report Issued
Financial Resilience of Suppliers Follow-up	Substantial	0	0	0	0				Final Report Issued
HMRC Tax Guidance	N/A - Consultancy	0	0	0	0				Final Report Issued
Non-UK Purchases	Substantial	0	0	0	0				Final Report Issued
Resilience in the Revenues and Benefits Systems and Technical Team	Limited	0	3	0	0				Final Report Issued
Community Capital Grants Applications	Reasonable	0	0	1	1				Final Report Issued
Integra Automation	N/A - Consultancy	0	0	0	0				Final Report Issued
Health and Safety of Lone Workers - EH and Housing									Draft Report Issued
Total - North Herts D.C.		0	3	3	2	270		41	

Key / Notes

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

APPENDIX A – PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN AS AT 20 AUGUST 2022

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 INTERNAL AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
H	Careline Operations (In Fieldwork)	Waste Contract (In Fieldwork)	Climate Emergency	Procurement
		Business Continuity Planning (In Planning)	Risk and Performance Management	Cosmos Financial System
M	A minimum of 8 medium priority audits from the following (please see paragraphs 2.4 and 2.5):			
	Safeguarding*	Community Lottery	Prudential Code Compliance	Apprenticeship Levy
	Annual Governance Statement	Green Space Strategy	Licensing Enforcement	Project Management*
	Compliance Contract (ToR Issued; Fieldwork scheduled to commence in w/c 29 August 2022)	Leisure Services (In Planning)	Temporary Accommodation*	Payroll – Contract Management
	Handling Difficult Customers Policy (Final Report Issued)	Revenues Discounts / Exemptions (In Planning)	Covid-19 Recovery	HTH Museum and Operations
		Parking Strategy*		
IT		Phishing (ToR Issued)	Cyber Risk (In Planning)	IT Hardware (In Planning)
C		Impact of Ways of Working for MSU (In Planning; Fieldwork scheduled to commence in w/c 26 September 2022)	Strategic Planning (Local Plan)	
G/C		COMF Response (Final Report Issued)		King George V Playing Fields
		Test and Trace Payment Support (Final Report Issued)		Workman’s Hall

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

○	2021/22 Carry Forward – Future Ways of Working (In Planning: Fieldwork scheduled to commence in w/c 26 September 2022)			
○	2021/22 Carry Forward – Health and Safety of Lone Workers - EH and Housing (Draft Report Issued)			

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

* - Approved at June FAR Committee

Those highlighted in light blue have not been approved for delivery.

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2022/23

Audit Opinions		
	Assurance Level	Definition
Assurance Opinions	Substantial	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.
	Reasonable	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.
	Limited	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.
	No	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.
	Not Assessed	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	Unqualified	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.
	Qualified	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.
	Disclaimer Opinion	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.
	Adverse Opinion	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	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	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.