SIAS
Shared Internal Audit Service
Hertfordshire in Partnership

INTERNAL AUDIT PLAN 2023/24

NORTH HERTS COUNCIL
FINANCE, AUDIT AND RISK COMMITTEE
MARCH 2023

RECOMMENDATION
Members are recommended to approve the proposed North Herts Council
Internal Audit Plan for 2023/24

Contents

Appendices

1. Introduction and Background

1.1 The mission of Internal Audit is "to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight". The Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These Standards note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The SIAS Board has approved the SIAS Internal Audit Strategy in December 2021 and this strategy outlines how SIAS will achieve the mission of Internal Audit and ensure ongoing compliance with the PSIAS. The following report follows the key principles within the Strategy related to Audit Planning and Resourcing, with the Strategy document itself being available to Members upon request.

1.2 The PSIAS set out how we must approach audit planning. The specific standards that we must adhere to are as follows:

Standard	Description
2010	A risk-based plan, setting out audit priorities consistent with the goals of the organisation.
2010	Linked to annual opinion need and internal audit Charter
2010.A1	Based on documented risk assessment, updated at least yearly and consulting Senior Management and Members
2010.A2	Reflect expectations of Senior Management, Members and other stakeholders
2020	Communicated to Senior Management for review and to Members for approval
2030	Ensure internal audit's resources are fit and effectively used
2030	Must explain how resource adequacy assessed, and set out results of any limits

1.3 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 Chief Audit Executive's Annual Opinion Report.

1.4 The Shared Internal Audit Service's (SIAS) Audit Charter which was presented to the June 2022 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 2023 FAR Committee meeting for Member approval.

1.5 Section 2 of this report details how SIAS complies with these requirements.
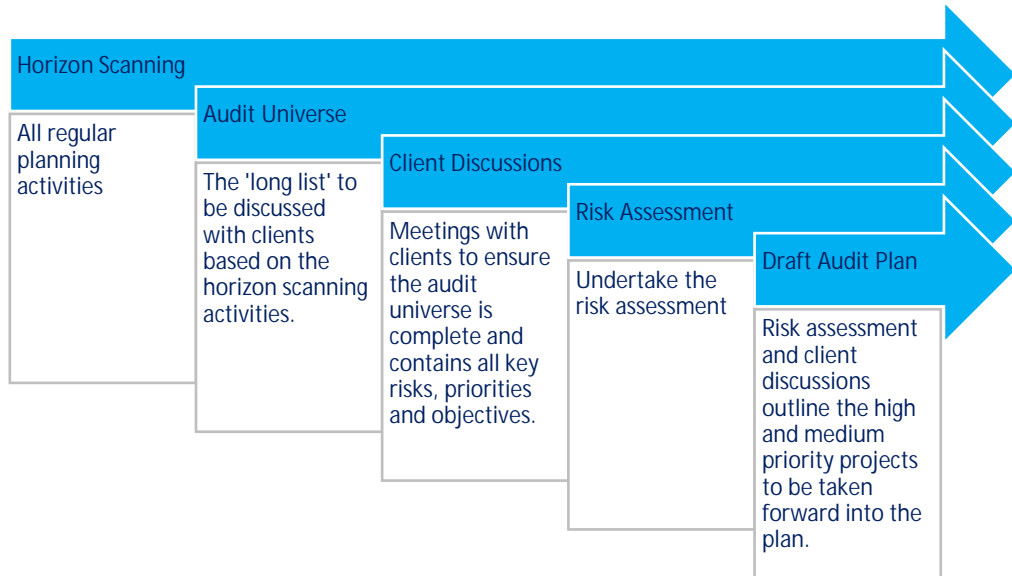
2.   Audit Planning Process

Planning Principles

2.1   SIAS audit planning is underpinned by the following principles:

a)   Focus of assurance effort on the Council's key issues and controls, 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.

<u>Approach to Planning</u>

2.2   SIAS has developed an approach to annual planning that ensures ongoing compliance with the requirements of the PSIAS, SIAS applies the following methodology at its partners:

Horizon Scanning				
All regular planning activities	**Audit Universe**			
	The 'long list' to be discussed with clients based on the horizon scanning activities.	**Client Discussions**		
		Meetings with clients to ensure the audit universe is complete and contains all key risks, priorities and objectives.	**Risk Assessment**	
			Undertake the risk assessment	**Draft Audit Plan**
				Risk assessment and client discussions outline the high and medium priority projects to be taken forward into the plan.

<u>Horizon Scanning and Audit Universe</u>

2.3   SIAS conducts horizon scanning to ensure that it is aware of the key issues and risks locally and nationally as well as the corporate and service objectives of the Council. To do this, SIAS undertakes the following activities:

Local and National Horizon Scanning	a) Key committee reports at each client and identifies emerging risks and issues. b) The professional and national press, as well risks and issues emerging at national level.
Consideration of Risk Management Arrangements	• Assesses the risk maturity of the Council. • Determine the extent to which information contained in the Council's risk registers informs the identification of potential audit areas.
Consideration of the Council's objectives and priorities	• Confirms the current objectives and priorities of the Council • This information is used to confirm that identified auditable areas will provide assurance on areas directly linked to the achievement of the Council's objectives and priorities.
Previous Audit Plans	• Review the previous 5 years audit plans and assess the coverage to inform future years. Focus is on limited assurance reports and areas where coverage has been minimal in the previous years.

2.4   Following the horizon scanning work, SIAS creates an Audit Universe based on all auditable areas and entities. The Audit Universe forms the basis of discussions with Senior Managers.

2.5   SIAS undertook 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 steps to assist in the prioritisation of proposed internal audit projects:

Risk Assessment
Senior Managers and SIAS agree the level of risk associated with an identified auditable area and prioritise this accordingly.

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.

Risk Assessment

2.6   The overarching risk that SIAS bases planning against is the risk that audit work completed does not provide sufficient coverage and significance for SIAS to provide a robust annual assurance opinion. Therefore, SIAS risk assesses each auditable area to ensure that their resources are directed appropriately.

2.7   The risk assessment behind the development of the 2023/24 Internal Audit Plan was strongly correlated to the Council's Delivery Plan and associated Council monitoring through risk assessments, KPI's and project progress. The four audits identified as high priority are those linked directly to the Delivery Plan.

2.8   SIAS also include considerations of financial materiality, corporate significance, vulnerability and change and management concerns, as part of the risk assessment, including alternative sources of assurance through the Three Lines (of Defence) model.

Draft Audit Plan

2.9   The results of the risk assessment and discussions with Senior Mangers provides a draft Internal Audit Plan. SIAS has presented this draft plan to the Senior Leadership Team to seek their views on the assessments completed and to provide any further updates or comments. The outcome is now

presented to Members as part of this report for their approval of the Draft Internal Audit Plan 2023/24.

The Planning Context

2.10   The context within which local authorities provide their services remains challenging:

- The longer-term impacts of the pandemic are beginning to emerge and there are ongoing challenges and risks relating to economic growth, public health and equality for local authorities.

- 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, including rising interest rates and inflation, increased salary levels, rising material and construction costs, the potential reduction in business rates and recruitment and retention challenges, on their local economies and services 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.

- Cyber security (ransomware and malware) remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful attacks recently. Continued vigilance and awareness remain key to protecting the information assets of local authorities.

- 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 changes to the retention of business rates, public health and housing mean the overall financial environment remains relatively unstable.

- There have been high profile governance issues, conflicts of interest, probity, and procurement, at both national and local levels creating a culture of mistrust in all tiers of government.

- Local authorities are facing significant challenges in relation to talent management, both in terms of recruitment and retaining staff meaning ability to remain resilient and deliver high quality services may become a concern in short term.

- Many local authorities have declared a Climate & Ecological Emergency in the past couple of years and made commitments to become Net Zero. Whilst the pandemic has distracted some from this priority, it cannot be ignored and is now a greater challenge to maintain focus and deliver the necessary carbon reductions.

2.11 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.

2.12 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.

Internal Audit Plan 2023/24

2.13 The draft plan for 2023/24 is included at Appendix A and contains a high-level proposed outline scope for each audit; Appendix B details the agreed start months. The number of days purchased in 2023/24 is confirmed as 260 days.

2.14 The table shows the estimated allocation of the total annual number of purchased audit days for the year.

	2022/23 Days	%
High Priority Audits**	48	
Medium Priority Audits	79	
IT Audits	32	
Consultancy Assignments	30	
Grants or Charity Certification	8	
Strategic Support*	38	
Contingency	5	
Completion of 2022/23 Projects	20	
Total allocated days	260	100%

* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2023/24
** High priority audits are those directly linked to the Council's Delivery Plan and Corporate Risk Register.

2.15 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. The postponement or cancellation of any high priority audits will require approval from the Chair of the Finance, Audit and Risk Committee. It should be noted that the Internal Audit Plan is intended to be flexible and responsive to changing risks and matters arising during the course of the year.

2.16 Members will note the inclusion of a provision for the completion of projects that relate to 2022/23. 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 demands on their time, e.g. year-end closure procedures.

2.17 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Chief Audit Executive 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.

Resources

2.18   The Standard 2030 requires SIAS to consider our resources, how these will be effectively used and any limitations of the adequacy of resources.

2.19   Achievement of our role and objectives is predicated on the matching of audit needs to available resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in a matrix structure to maximise the value to all our partners and clients. SIAS resources are calculated based on the chargeability of each member of the team and the structure was designed to ensure sufficient chargeability to deliver all plans.

2.20   SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.

2.21   SIAS staff are provided training and development across the year to support service delivery at our partners. In addition, SIAS provides funding for professional qualifications and currently has three team members studying towards their professional qualifications.

2.22   The service will be adequately resourced to deliver the number of planned internal audit days commissioned by North Herts Council. There are currently no limitations on the adequacy of resources in place to deliver the North Herts Council Internal Audit Plan 2023/24.

2.23   During 2023/24, SIAS is undertaking a number of service development activities designed to drive efficiency in our methodology. More details on this are provided to SIAS Board Members through the SIAS Service Plan updates and through the Annual Report provided to this Committee in September 2023.

3. Performance Management

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 2023/24 and any proposed changes will be reported to this Committee four times in the 2023/24 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 2022/23 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target	Reporting Frequency
1. Public Sector Internal Audit Standards – the service conforms with the standards	Yes	Annually
2. 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	Yes	Annually
3. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered	95%	Quarterly
4. Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	Quarterly
5. Client Satisfaction* – percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	TBC*	TBC*
6. Chief Audit Executive's Annual Assurance Opinion and Report – presented at the first Audit Committee meeting of the financial year	Yes	Annually

*The approach for obtaining client feedback is currently being reviewed, therefore this indicator will be added, if it remains relevant, upon completion of this exercise.

APPENDIX A – PROPOSED NORTH HERTS COUNCIL AUDIT PLAN 2022/23

High Priority Audits (48 days)

Audit Title	Purpose of the Audit	Quarter	Audit Sponsor
Churchgate - Project Governance Framework (Risk Register and Council Delivery Plan)	To provide assurance over the project governance framework for the Churchgate project, including roles and responsibilities, stakeholder engagement and communication, risk and issue management, monitoring, reporting, controlling and assurance mechanisms.	1	Service Director (Commercial)
Churchgate Landlord Compliance (Linked to above project through Council ownership)	To ensure that the Council is operating in compliance with its landlord duties and responsibilities in terms of relevant statute and regulations.	2	Service Director (Commercial)
Churchgate – Ongoing Project Assurance (Risk Register and Council Delivery Plan)	To provide ongoing project assurance or health checks throughout the lifetime of the project, especially at or ahead of key stages of completion or milestones.	4	Service Director (Commercial)
Council Tax Reduction Scheme (Risk Register and Council Delivery Plan)	To provide assurance on the operation of the Council Tax Reduction Scheme from 1 April 2023, following consultation and Cabinet approval. This will include the new banded scheme for working age applicants and the use of the Council Tax Hardship Grant to fund a discretionary scheme to provide additional transitional support.	4	Service Director (Customers)

APPENDIX A – PROPOSED NORTH HERTS COUNCIL AUDIT PLAN 2022/23

IT Audits (32 days)

Audit Title	Purpose of the Audit	Quarter	Audit Sponsor
Software Licensing	To conduct a high-level software license management review to establish whether the Council is adequately licensed, therefore preventing non-compliance and avoiding unexpected fines. In terms of business management, the audit will also seek to determine how software is being used through the Council and whether licenses can be removed or re-allocated, therefore saving money.	2	Service Director (Customers)
Critical Applications	To provide a focused review on how critical applications (sample to be selected) are managed, including security controls, user access reviews, etc.	3	Service Director (Customers)
IT Disaster Recovery and Business Continuity	To provide assurance around key areas such as governance and ownership, identification, mapping and prioritisation of key assets, applications and capabilities, communications plans, distributed backups, cloud services, testing and training, risk management, people and partner management, core dependencies and segmented architecture. This is important given the ever-changing technology risks organisations face. Work will include a follow-up of a high priority recommendation made in the 2022/23 BCP audit.	4	Service Director (Customers)

Medium Priority Audits (79 days)

Audit	Purpose of the Audit	Quarter	Audit Sponsor
Freedom of Information	To provide assurance based on shared learning outcomes from limited assurance and Information Commissioner reports at other local authorities	1	Service Director (Customers)

	to determine whether the Council adequately manages the identified risks and issues.		
Safer Recruitment	This audit is linked to the 2022/23 Safeguarding audit and seeks to provide assurance that the Council meets legal and regulatory requirements, ensures potential applicants are aware of the Council's commitment to the welfare of vulnerable people, is satisfied that each candidate has demonstrated their suitability for the specific position, as far as possible, at each stage of recruitment and selection, and is satisfied of the candidate's identify, qualifications, registration and right to work status.	2	Service Director (Resources)
Houses in Multiple Occupation (HMO)	To provide assurance that the Council is fulfilling its duties in terms of its HMO policy, including the conduct of periodic inspections of HMOs to ensure that the premises are properly managed and maintained.	2	Service Director (Legal and Communities)
Estates	To provide assurance that rent reviews and lease renewals are conducted in a timely and efficient manner when they fall due, as well as prioritised by significance and value for money to the Council. Work may also cover any historic backlogs and improvement plans where relevant.	3	Service Director (Commercial)
Ombudsman Complaints	To review the level of Ombudsman complaints, and especially those upheld, to identify any emerging patterns and lessons learned. The review will include how the underlying complaints have been managed (completeness and timeliness of the underlying response for example).	3	Service Director (Customers) (with input from other service areas)
Project Management	Following on from the project management framework audit in 2022/23, to provide assurance that a sample of projects are following good practice principles, including ensuring that lessons learned are transferred to future projects.	3	Service Director (Resources) (with input from other service areas)

MSU Transactions	To provide assurance that internal controls are operating effectively within transactions processing carried out by the MSU, for example, allotments, burials, commercial, licensing, land charges and parking. This audit may involve crossover into other services areas.	3	Service Director (Customers)
Agency Staffing	To provide assurance on the monitoring of agency staff spend levels and off-contract spend, agency staff employment rights and recruitment and selection checks and processes (for Q1) and review of new agency staffing procurement arrangements (for Q4).	4	Service Director (Resources)
Emergency Planning	To provide assurance that the Council has plans, policies and procedures to support incident response and preparedness. Coverage may include areas such as existence of plans, roles and responsibilities, liaison with partners and stakeholders, incident response training, exercises, testing and learning, and oversight.	4	Service Director (Resources)

Consultancy Assignments (30 days)

Assignment Title	Assignment Purpose	Quarter	Assignment Sponsor
Harkness Court	To establish and review lessons learned from this project and ensure that they are disseminated to other project managers to inform future Council projects.	1	Service Director (Commercial)
Digital Strategy	To provide input to the development of the Council's IT Digital Strategy, i.e., the ways in which technology can be leveraged to transform practices, processes, and procedures.	1	Service Director (Customers)

Strategic Planning (Local Plan)	To critically assess the decision-making process following the outcome of the Local Plan.	4	Service Director (Regulatory Services)

Grant Claims / Charity Certification (8 days)

Grant / Charity Title	Purpose
King George V Playing Fields	To certify the accounts relating to the King George V Playing Fields.
Workman's Hall	To certify the accounts relating to the Workman's Hall.
Miscellaneous Grants	To certify any grant claims required during the year

Contingency (5 days)

Available time for ad hoc work as required.

Strategic Support (38 days)

Title	Purpose
Chief Audit Executive Annual Opinion Report	To prepare the Chief Audit Executive Opinion 2021/22.
Audit Committee	To provide services linked with the preparation, agreement and presentation of Finance, Audit and Risk Committee reports, as well as any training requirements.
Performance Monitoring	Audit plan monitoring against agree KPIs.
Client Liaison	Meetings with the S151 Officer, preparation and attendance at the Risk Group and other groups or meetings as required.
Audit Planning 2023/24	Provision of services to prepare, agree and report the 2023/24 Annual Audit Plan.
SIAS Development	Included to reflect the Council's contribution to developing the partnership.

APPENDIX A – PROPOSED NORTH HERTS COUNCIL AUDIT PLAN 2022/23

2022/23 Carry Forward (20 days)

Available time for completion of 2022/23 projects.

Reserve List

Title	Purpose
Green Space Strategy	To provide assurance that suitable monitoring arrangements exist to assess the alignment of the principles of the strategy to the actions taken and that contractor works align to the contractual agreement and the current strategy.
Parking Strategy	To provide assurance over the implementation of the Parking Strategy including action monitoring and reporting.
Assurance Mapping and Data Analysis	Opportunities for assurance mapping of key processes and procedures and data analysis to confirm operation of key controls.
Governance	To provide high level assurance on an aspect of the Council's governance, risk management and control arrangements that directly supports requirements of the Annual Assurance Opinion and Annual Governance Statement / Code of Corporate Governance.
Asset Data	To provide assurance that asset data is complete, accurate and reliable and controls exist to ensure consistent recording between asset registers held by service areas, e.g., Accounts, Estates and Property Services.

APPENDIX B – AUDIT START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
H	Churchgate - Project Governance Framework	Churchgate Landlord Compliance		Churchgate – Ongoing Project Assurance
				Council Tax Reduction Scheme
M	A minimum of 8 medium priority audits from the following (please see paragraph 2.16):			
	Freedom of Information	Safer Recruitment	Estates	Agency Staffing
		Houses in Multiple Occupation (HMO)	Ombudsman Complaints	Emergency Planning
			Project Management	
			MSU Transactions	
IT		Software Licensing	Critical Applications	IT Disaster Recovery and Business Continuity
C	Harkness Court			Strategic Planning (Local Plan)
	IT Digital Strategy			
G/C				King George V Playing Fields
				Workman's Hall
O	2022/23 Carry Forward			

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

APPENDIX B – AUDIT START DATES AGREED WITH MANAGEMENT

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