



INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

8 MARCH 2023

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 17 February 2023
- Approve 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 17 February 2023.
 - b) In-Year Audit Plan review and proposed Plan amendments.
 - c) An update on performance indicators as at 17 February 2023.

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 fourth 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 17 February 2023, 73% of the 2022/23 Internal Audit Plan days had been delivered.
- 2.2 There have been six final audit reports issued since the December 2022 Audit Committee. One was a carry forward audit from the 2021/22 Internal Audit Plan and five are 2022/23 internal audits:

Audit Title	Assurance Opinion	Recommendations
Compliance Contract	Reasonable	2 Medium, 1 Low
Revenues Discounts and Exemptions	Reasonable	1 Medium, 2 Low
King George V Playing Fields	Unqualified	None
Workman's Hall	Unqualified	None
Future Ways of Working (2021/22)	Reasonable	4 Medium, 3 Low
Business Continuity Planning	Limited	1 High, 2 Medium

- 2.3 With the exception of the unqualified certificates for the King George V Playing Fields and Workman's Hall accounts, all final audit reports listed above have been circulated to FAR Committee members.
- 2.4 SIAS aim to deliver all audits prioritised as 'High' in the 2022/23 Internal Audit Plan and aim to 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 assurance 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 Members will be aware that three high priority recommendations were made in the 'Resilience in the Revenues and Benefits Systems and Technical Team' internal audit report issued in April 2022. These have implementation dates in March 2023, and an update will be published at the next FAR Committee meeting.
- 2.8 As reported to the previous FAR Committee meeting, a further high priority recommendation was raised in the 'Careline Operations' internal audit report issued in November 2022. This related to not complying with governance arrangements as per contract requirements. This had an implementation date of December 2022. The service has provided an update on Pentana that the action has been completed. Council officers met with Hertfordshire County Council representatives on 15 December 2022 and agreed to instigate the meetings specified in the contract and to maintain trackers for the areas covered.
- 2.9 The Business Continuity Planning final audit report issued in February 2023 contains one new high priority recommendation relating to IT disaster recovery procedures and outdated policies. Related actions have implementation dates in April 2023, and an update will be published at the next FAR Committee meeting.

Proposed Amendments

2.10 The following Plan amendments have been agreed with management within this reporting period:

Audit	Previous Billable Days	Revised Billable Days
Strategic Planning (deferred to the 2023/24 Internal Audit Plan)	10	0
Community Lottery (replacement audit for the above)	0	10

Performance Management: Reporting of Audit Plan Delivery Progress

2.11 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	Estimated profile to 17 February 2023
Draft / Final Report Issued	16	57%	(19/28)
In Fieldwork / Quality Review	8	29%	(6/28)
Terms of Reference Issued / In Planning	3	11%	(2/28)
Not Yet Started / Allocated	1	3%	(1/28)

2.12 Annual performance indicators and associated targets were approved by the SIAS Board in March 2022. As at 17 February 2023, 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 17 February 2023	Actual to 17 February 2023
1. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (excludes contingency)	95%	80% (210.5 / 263 days)	73% (191 / 263 days)
2. Project Delivery – the number of projects delivered to draft report	95%	68% (19 / 28 projects)	57% (16 / 28 projects)

stage against projects in the approved Annual Internal Audit Plan			
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	75% for those returned (4 returned from 11 issued)

2.13 Based on the position reported to the December 2022 FAR Committee meeting, it is important to note that significant progress on delivery of Planned Days and Project Delivery has been made in the intervening period. A number of draft and final reports have been issued, and fieldwork has commenced on another significant portion of internal audit projects.

2.14 In respect of delivery of Planned Days, performance is still behind the profiled target as it was anticipated that fieldwork would have been completed on the Safeguarding and Leisure Services audits originally scheduled for quarter one and two respectively, or further advanced on several of the internal audits scheduled for commencement in quarter three.

2.12 In terms of delivery of Planned Projects and based on original scheduling at the start of the financial year, it was anticipated that the Safeguarding and Leisure Services audits and at least one further audit would be at draft report stage.

2.13 The client satisfaction survey returned since the December FAR Committee, scored satisfactorily and improved the client satisfaction percentage above, albeit based on a small number returned.

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.

Service Update and Current Plan Delivery Position

2.15 As reported above and at the last FAR Committee meeting, SIAS are currently behind profile for both billable days and projects delivered to draft report status. In respect of the above, 2022/23 has been a significantly challenging year for SIAS in relation to recruitment and retention, with as many as 6 FTE vacancies (36% of the establishment) during earlier periods of the financial year. Whilst this has now reduced to 4.5 FTE (25% of the establishment), the specialist nature of Internal Audit means that SIAS are competing with the private sector to recruit to our higher-level roles, and this has proved

challenging given the pay constraints Local Authorities operate under. In respect of the remaining vacancies, a further recruitment campaign is currently in progress. The internal audit market remains challenging across all sectors, and SIAS's experience has been replicated elsewhere. Our recruitment of trainee auditors has been successful, however our 'grow your own' strategy is a medium to long term solution and does not resolve immediate capacity challenges.

- 2.16 As Committee Members will be aware, SIAS operates as a partnership. The resource gap within the partnership was previously reported to members as being 200 days. Whilst this would normally have been allocated to SIAS's external delivery partner (currently BDO), they reached their delivery and resourcing capacity for the financial year. SIAS therefore undertook a procurement process to commission additional external delivery partners for quarter four to assist in completion of the remaining projects. This led to the appointment of Veritau and Mazars, with three audit projects at North Herts Council being allocated across these providers.
- 2.17 It is also important to reiterate that the delivery profile is not straight line, with the profile often impacted not only by delivery capacity, but also by the required timing of some audits, or where council departments at both North Herts and / or other SIAS partners have requested later start dates for audits. This is outside the control of SIAS. When considering the current delivery position, it is important to note that any projects that have had specific key deadlines, such as grant certifications, advice, or support for projects, have been prioritised and agreed deadlines met.
- 2.18 Based on current resource availability (including our external partners), we can provide assurance to the Committee that all audits within the 2022/23 have been allocated for completion before the end of the financial year. However, should additional vacancies occur, SIAS experience significant staff sickness, or there are client engagement issues in relation to the timing or supporting the delivery of audits, there would be a risk to the overall delivery of the 2022/23 audit plan.
- 2.19 The above position is subject to continual monitoring, and we are currently satisfied that all available mitigating actions have been taken forward to manage the above risks, and that any uncompleted projects could be concluded during April 2023 to support the Annual Assurance Opinion if required. However, regular updates will be provided to both the Committee and the Council's Section 151 Officer as the remainder of the financial year progresses.

APPENDIX A – PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN AS AT 17 FEBRUARY 2023

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	BDO	11.5	Draft Report Issued
Waste Contract						6	SIAS	5.5	Draft Report Issued
Careline Operations	Reasonable	0	1	0	0	12	BDO	12	Final Report Issued
Procurement						12	SIAS	7	In Fieldwork
Risk and Performance Management						12	Veritau	5	In Fieldwork
Business Continuity Planning	Limited	0	1	2	0	15	BDO	15	Final Report Issued
Centros Financial System						12	BDO	4	In Fieldwork
Medium Priority Audits (82 days) – 9 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	Reasonable	0	0	2	1	11	BDO	11	Final Report Issued
Revenues Discounts and Exemptions	Reasonable	0	0	1	2	8	SIAS	8	Final Report Issued
Leisure Services						11	BDO	2	ToR Issued
Project Management						8	SIAS	4	In Fieldwork
Temporary Accommodation						8	Veritau	3	In Fieldwork
Safeguarding						8	SIAS	2	ToR Issued
Parking Strategy						8	SIAS	0	Allocated
Community Lottery						10	Mazars	2	ToR Issued
IT Audits (35 days)									
Cyber Risk						15	BDO	13	In Fieldwork

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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				
Phishing						10	BDO	9.5	Draft Report Issued
IT Hardware						10	BDO	5	In Fieldwork
Consultancy and Advisory (5 days)									
Strategic Planning (Local Plan)						0	Mazars	0	Deferred to 2023/24
MSU Impact of Ways of Working						5	BDO	4.5	Draft Report Issued
Shared Learning and Joint Reviews (4 days)									
Shared Learning						2	SIAS	2	Ongoing through year
Joint Reviews						2	BDO	1	In Fieldwork
Grant Claims / Charity Certification (7 days)									
King George V Playing Fields	Unqualified					1	SIAS	1	Final Report Issued
Workman's Hall	Unqualified					1	SIAS	1	Final Report Issued
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
Green Homes Grant (Park Homes) – LAD1B	Unqualified	0	0	0	0	2	SIAS	2	Final Report Issued
Contingency (7 days)									
Contingency						7			
Client Management - Strategic Support (38 days)									
CAE Internal Audit Opinion 2021/22						3	SIAS	3	Complete
Audit Committee						6	SIAS	6	Through Year
Client Meetings						8	SIAS	7	Through Year

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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				
Progress Monitoring						8	SIAS	7	Through Year
SIAS Development						5	SIAS	5	Through Year
2023/24 Audit Planning						8	SIAS	8	Q3/Q4
2021/22 Carry Forward - (11 days)									
Completion of outstanding 2021/22 projects						2		2	Complete
Future Ways of Working	Reasonable	0	0	4	3	9	BDO	9	Final Report Issued
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	Reasonable	0	0	2	0				Final Report Issued
Total - North Herts D.C.		0	5	14	8	270		191	

APPENDIX A – PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN AS AT 17 FEBRUARY 2023

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 INTERNAL AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
H	Careline Operations (Final Report Issued)	Waste Contract (Draft Report Issued)	Climate Emergency (Draft Report Issued)	Procurement (In Fieldwork)
		Business Continuity Planning (Final Report Issued)	Risk and Performance Management (In Fieldwork)	Centros Financial System (In Fieldwork)
M	A minimum of 8 medium priority audits from the following (please see paragraphs 2.4 and 2.5):			
	Safeguarding* (ToR Issued)	Community Lottery (ToR Issued) (Replacement for Strategic Planning (Local Plan))	Prudential Code Compliance	Apprenticeship Levy
	Annual Governance Statement	Green Space Strategy	Licensing Enforcement	Project Management* (In Fieldwork)
	Compliance Contract (Final Report Issued)	Leisure Services (ToR Issued)	Temporary Accommodation* (In Fieldwork)	Payroll – Contract Management
	Handling Difficult Customers Policy (Final Report Issued)	Revenues Discounts / Exemptions (Final Report Issued)	Covid-19 Recovery	HTH Museum and Operations
			Parking Strategy* (Allocated)	
IT		Phishing (Draft Report Issued)	Cyber Risk (In Fieldwork)	IT Hardware (In Fieldwork)
C		Impact of Ways of Working for MSU (Draft Report Issued)	Strategic Planning (Local Plan) (Audit deferred to 23/24)	
G/C		COMF Response (Final Report Issued)	Green Homes Grant (Park Homes) – LAD1B (Final Report Issued)	King George V Playing Fields (Final Report Issued)
		Test and Trace Payment Support (Final Report Issued)		Workman’s Hall (Final Report Issued)

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

○	2021/22 C/F – Future Ways of Working (Final Report Issued)			
○	2021/22 C/F – Health and Safety of Lone Workers - EH and Housing (Final 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

○ - 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.