



North Hertfordshire District Council
Finance, Audit and Risk Committee

2019/20 Internal Audit Plan Report

21 March 2019

Recommendation

Members are recommended to approve the
proposed North Herts District Council
Internal Audit Plan for 2019/20

Contents

1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.4 Planning Context
- 2.7 Internal Audit Plan 2019/20

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

- A Proposed North Herts District Council Audit Plan 2019/20
- B Proposed North Herts District Council Audit Plan 2019/20 – Reserve List
- C Audit Start Dates Agreed with Management

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed North Herts District Council (the Council) 2018/19 Internal Audit Plan.

Background

- 1.2 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 Head of Internal Audit annual report.
- 1.3 The Shared Internal Audit Service's (SIAS) Audit Charter which was presented to the June 2018 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 2019 FAR Committee meeting for Member approval.
- 1.4 The PSIAS require that the audit plan incorporates or is linked to a strategic or high-level statement which:
 - Outlines how the service will be developed in accordance with the internal audit charter
 - Details how the internal audit plan will be delivered
 - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how SIAS complies with this requirement.

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, 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.

Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS applies a methodology at all its partners which contains the following elements:

Local and National Horizon Scanning

SIAS reviews, on an ongoing basis:

- Key committee reports at each client and identifies emerging risks and issues;
- The professional and national press for risks and issues emerging at national level.

Consideration of risk management arrangements

SIAS assesses the risk maturity of the Council and based on this assessment, determines the extent to which information contained within the Council's risk register informs the identification of potential audit areas.

Confirmation of the council's objectives and priorities

SIAS 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.

2.3 The approach to audit planning for 2019/20 has been characterised by:

- a) 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 four steps to assist in the later prioritisation of projects:

Risk Assessment

Managers and SIAS agree the level of risk associated with an identified auditable area

Other sources of Assurance

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

Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2019/20 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.
- d) The views of the Chair of the Audit Committee are sought to confirm that their requirements are adequately addressed.

This approach ensures that our work gives assurance on what is important, focussing on those areas of highest risk, and supports the Council in achieving its objectives.

The Planning Context

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

- 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 on their local economies 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.
- 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 business rates, public health and housing mean the overall financial environment remains relatively unstable.

2.5 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.

2.6 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 audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate
- Retain flexibility in the audit plan and ensure it remains current and relevant as the financial year progresses

Internal Audit Plan 2019/20

2.7 The draft plan for 2019/20 is included at Appendix A and B and contains a high-level proposed outline scope for each audit; Appendix C details the agreed start months. The number of days purchased in 2019/20 has reduced by 20 days, which for North Herts District Council

equates to a reduction from 360 days (in 2018/19) to 340 days (in 2019/20).

- 2.8 The table below shows the estimated allocation of the total annual number of purchased audit days for the year and the allocated budgets for 2018/19, as reported to FAR on 21 March 2018, for comparison and to demonstrate where the audit days saving has been achieved.

	2019/20 Days	%	2018/19 Days	%
Key Financial Systems	67	20	84	23
Corporate Audits (Council Wide)	65	19	129	36
Operational Audits	90	26		
Procurement / Contracts	15	4	30	8
IT Audits	37	11	24	7
Corporate Governance / Counter Fraud	2	1	12	3
Joint Reviews and Shared Learning	5	2	5	1
Strategic Support*	41	12	43	12
Contingency and other	3	1	13	4
Carry forward work from 18/19	15	4	20	6
Total allocated days	340	100%	360	100%

* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2020/21.

- 2.9 A list of reserve audits that will be considered as a substitute for an agreed planned review that is cancelled in-year is presented at Appendix B.
- 2.10 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for approval through the usual plan update reporting cycle.
- 2.11 Members will note the inclusion of a provision for the completion of projects that relate to 2018/19. 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 draws on their time, e.g. year end closure procedures.
- 2.12 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance 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.

3. Performance Management

Update Reporting

- 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. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2019/20 and any proposed changes will be reported to this Committee four times in the 2019/20 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 meeting on the 7 September 2011 and are reviewed annually by the Board. Details of the targets set for 2019/20 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
<p>1. Planned Days percentage of actual billable days against planned chargeable days completed.</p>	95%
<p>2. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects Note: To be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the</p>	95%

audit plan.	
3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
4. Number of High Priority Audit Recommendations agreed	95%
5. External Auditor Satisfaction	External Auditors are able to rely upon the range and quality of SIAS' work Not applicable at NHDC as External Audit does not currently place reliance on the work of SIAS
6. Annual Plan	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year
7. Head of Assurance's Annual Report	Presented to the first meeting of each Audit Committee in the new financial year.

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

Audit	Proposed Scope, Audit Sponsor and Origin		Proposed Quarter	Proposed Days
KEY FINANCIAL SYSTEMS	Integra 2	Audit Sponsor	Service Director (Resources)	
		Origin	Cyclical / Annual Audit	
		Proposed Scope	Detailed scope to be agreed with management when the audit commences. A high-level scope could include: a) System Access b) Reconciliations c) Supplier set up and amendment d) Authorisations e) Reporting	
	Treasury Management Strategy	Audit Sponsor	Service Director (Resources)	
		Origin	Cyclical / Annual Audit	
		Proposed Scope	a) Treasury Management Strategy b) Investments c) Limits with Counterparties d) Reporting	
Expenses	Audit Sponsor	Service Director (Resources)		
	Origin	Management request		
	Proposed Scope	To provide assurance that there are robust policies and procedures in place to manage expenses, expense claims are supported by evidence and subject to suitable authorisation and that expenses are paid in line with agreed rates.		
Budgetary Control	Audit Sponsor	Service Director (Resources)		
	Origin	Horizon Scanning		
	Proposed Scope	To provide assurance that sufficient governance exists to support budget managers in effectively monitoring their budgets, this includes variance reporting and challenging and evidence that monitoring has taken place.		
Revenues	Audit Sponsor	Service Director (Customers)		
	Origin	Cyclical / Annual Audit		
	Proposed Scope	Covering both Council Tax and Business Rates, assurance to be provided over: a) Discount, Exemptions and Reliefs (mandatory and discretionary) b) System Access to Northgate c) Recovery and Collection of Arrears (including use of enforcement agents)		
Benefits	Audit Sponsor	Service Director (Customers)		
	Origin	Cyclical / Annual Audit		

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

Audit	Proposed Scope, Audit Sponsor and Origin	Proposed Quarter	Proposed Days
	<p>Proposed Scope</p> <p>a) Response to Universal Credit, including the processing of HB stop notices b) Overpayments, Recovery and Write Offs</p>		

Audit	Proposed Scope, Audit Sponsor and Origin	Proposed Quarter	Proposed Days		
CORPORATE AUDITS	Data Quality of Performance Information	Audit Sponsor	Service Director (Resources)	Q2	15
		Origin	Horizon Scanning		
		Proposed Scope	To provide assurance that the arrangements in place to monitor and report performance information are robust, performance data is reliable and has integrity and third party data has been subject to sufficient quality checks. In addition, assessing the use of non-reported performance information and the value of collecting such data.		
	Workforce Planning and Development	Audit Sponsor	Service Director (Resources)	Q1	20
		Origin	Corporate Risk (CR07)		
		Proposed Scope	To provide assurance that strategies and plans are in place to ensure the best staff are recruited and retained, succession plans are in place (particularly in hard to fill services). In addition, to assess the arrangements in place to monitor the capacity and capability of the workforce.		
	Corporate Resilience	Audit Sponsor	Senior Management Team	Q2	15
		Origin	Horizon Scanning		
		Proposed Scope	To provided assurance over the Council's business continuity plans in response to unknown / unspecified risks (e.g. Brexit). The review to include assignment of roles and responsibilities, training and testing of resilience plans.		
	Corporate Change Management	Audit Sponsor	Senior Management Team	Q4	15
		Origin	Horizon Scanning		
		Proposed Scope	To provide assurance over the arrangements in place to support corporate change, including methodology used, governance framework to oversee change and communication throughout the change process.		

Audit	Proposed Scope, Audit Sponsor and Origin	Proposed Quarter	Proposed Days
-------	--	------------------	---------------

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

OPERATIONAL AUDITS	Trade Waste	Audit Sponsor	Service Director (Place)	Q4	15
		Origin	Corporate Risk (CR63)		
		Proposed Scope	To provide assurance over the arrangements for trade waste as part of the Joint Waste Contract. Coverage may include potential business case, viability assessments and risk management.		
	Temporary Accommodation	Audit Sponsor	Service Director (Regulatory Services)	Q2	12
		Origin	Corporate Risk (CR60)		
		Proposed Scope	To provide assurance that sufficient arrangements are in place to monitor use and costs, contractual arrangements with providers and partnership arrangements linked to SARDA (Stevenage Against Domestic Abuse).		
	Time Recording System	Audit Sponsor	Service Director (Legal and Communities)	Q1	12
		Origin	Service Director Request		
		Proposed Scope	To provide assurance that suitable policies are in place to support the use of the time recording system, use of the system across the Council, exception reporting exists and is used and the audit trails available from the system.		
	Members Expenses Benchmarking	Audit Sponsor	Service Director (Legal and Communities)	Q2	8
Origin		Service Director Request			
Proposed Scope		To conduct a benchmarking exercise with similar authorities with respect to the Chairman's allowance and Member's expenses.			
Parking Strategy and Enforcement	Audit Sponsor	Service Director (Regulatory Services)	Q4	15	
	Origin	Service Plan			
	Proposed Scope	To provide assurance that the new parking strategy has been implemented (or is being implemented), operational guidance and action plans exist. In addition, to provide assurance that enforcement activity is taking place as per Council policy, to include use of software, appeals and income.			
Openness Regulations	Audit Sponsor	Service Directors (Resources and Legal and Community)	Q1	12	
	Origin	Reserve List 2018/19			
	Proposed Scope	To provide assurance that the Council is compliant with the Openness Regulations. In addition, to conduct a benchmarking exercise against other similar authorities to highlight best practice.			
Equality and Diversity	Audit Sponsor	Service Director (Legal and Community)	Q2	10	
	Origin	Horizon Scanning			

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

CONTRACT AUDITS		Proposed Scope	To provide assurance that the Council is compliant with equality and diversity guideline, including completion of equality impact assessments. In addition, to assess the training provided to officers and Members.		
	Herts Home Improvement Agency	Audit Sponsor	Service Director (Regulatory Services)	Q3	2
		Origin	Follow Up		
		Proposed Scope	To provide assurance that the sufficient action has been taken to address the issues identified in the 2018/19 joint review of the Herts Home Improvement Agency.		
	Review of FAR	Audit Sponsor	Service Director (Legal and Communities)	Q1	3
		Origin	Annual Audit – CIPFA Best Practice		
		Proposed Scope	To confirm that NHDC complies with the requirement in the CIPFA Audit Committee 'Practical Guidance for Local Authorities and Police' that an audit committee reviews its own remit and effectiveness.		
	King George V Playing Fields	Audit Sponsor	Service Director (Resources)	Q4	1
		Origin	Charities Commission Requirement		
		Proposed Scope	To produce the Independent Examiner's Report for the trust.		

	Audit	Proposed Scope, Audit Sponsor and Origin	Proposed Quarter	Proposed Days	
CONTRACT AUDITS	Financial Resilience of Suppliers	Audit Sponsor	Senior Management Team	Q4	15
		Origin	Horizon Scanning – emerging area of risk		
		Proposed Scope	To provide assurance that effective controls are in place with respect to supplier management, sufficient scenario planning has taken place, business continuity models are in place and tested, effective risk management and that robust due diligence is completed at the contract award.		

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

		Audit	Proposed Scope, Audit Sponsor and Origin	Proposed Quarter	Proposed Days
IT AUDITS	General Data Protection Regulations (GDPR)	Audit Sponsor	Service Director (Customers)	Q2	10
		Origin	Corporate Risk (CR62)		
		Proposed Scope	To provide assurance that arrangements are in place to allow all service areas to comply with GDPR, that these are applied in practice and that sufficient training has been completed by all officers.		
	Cyber Risks	Audit Sponsor	Service Director (Customers)	Q1	15
		Origin	Corporate Risk (CR62)		
		Proposed Scope	To provide assurance that effective controls are in place to mitigate against cyber risks. This may include management of cyber security (risk assessments, policies and procedures), awareness (training, roles and responsibilities, communication and escalation arrangements), network security (patch management, anti-virus, anti-malware, firewall configuration and review of arrangements) and privileged accounts (elevated access rights and removal of rights).		
	Systems Access	Audit Sponsor	Service Director (Customers)	Q3	12
		Origin	Reserve List 2018/19		
		Proposed Scope	To provide assurance that adequate controls exist to allow appropriate access to Council systems, including the reasonableness of password expectations for Council systems.		

		Audit	Proposed Scope, Audit Sponsor and Origin	Proposed Quarter	Proposed Days
JOINT REVIEWS	SAFS Review	Audit Sponsor	SAFS Board	Q2	2
		Origin	Management request		
		Proposed Scope	To be confirmed.		
	Joint Reviews	Joint review topics to be agreed by the SIAS Board.		TBC	2
Shared Learning	Production of SIAS Quarterly Shared Learning papers.		Through Year	3	

Audit	Proposed Scope, Audit Sponsor and Origin	Proposed	Proposed
--------------	---	-----------------	-----------------

APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

			Quarter	Days
STRATEGIC SUPPORT AND CONTINGENCY	Head of Internal Audit Opinion 2018/19	To prepare and agree the Head of Internal Audit Opinion 2018/19.	Q1	3
	Audit Committee	To provide service linked with the preparation, agreement and presentation of Audit Committee reports.	Through Year	8
	Client Meetings	Meetings with the Council's Audit Champion, S151 Officer and other key officers and attendance at corporate groups.	Through Year	8
	External Audit Liaison	Meetings with the Council's External Auditor, as required.	N/a	1
	Progress Monitoring	Audit Plan monitoring and reporting.	Through Year	10
	SIAS Development	Included to reflect the Council's contribution to developing the partnership.	Through Year	5
	2020/21 Audit Planning	Provision of services to prepare, agree and report the 2020/21 Annual Audit Plan.	Q3 / 4	6
	Contingency	To provide for adequate response to risks or issues emerging in 2019/20	N/a	3
	2018/19 Projects Requiring Completion	Completion of outstanding work from 2018/19.	Q1	15

APPENDIX B – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20 – RESERVE LIST

Audit	Proposed Scope, Audit Sponsor and Origin		
RESERVE LIST	Insurance	Audit Sponsor	Service Director (Resources)
		Proposed Scope	To provide assurance over the insurance arrangements, including cover, premiums and claim handling.
	Payroll Arrangements	Audit Sponsor	Service Director (Resources) and Service Director (Legal and Community)
		Proposed Scope	To provide assurance that the Council decision regarding its payroll provision is sound and evidence exists to support the decision. In addition, to establish that sufficient plans exists to ensure continuity of service in the event of a change of provider.
	IT Asset Management	Audit Sponsor	Service Director (Customers)
		Proposed Scope	To provide assurance that robust inventory records are stored and updated, management provide oversight of inventory, all unused inventory is stored safely and securely and that disposals are in line with corporate policy.
	Development Management	Audit Sponsor	Service Director (Regulatory Services)
		Proposed Scope	To provide assurance over the enforcement arrangements in place.
	Commercial Estates Asset Management	Audit Sponsor	Service Director (Resources)
		Proposed Scope	To provide assurance that the Council is maximising the use of its buildings and that they are being used effectively. In addition, the review will seek to provide assurance over the income collection arrangements and record keeping.

APPENDIX C – AUDIT START DATES AGREED WITH MANAGEMENT

April	May	June	July	August	September
Time Recording System	Workforce Planning and Development	Openness Regulations	Corporate Resilience	General Data Protection Regulations	Temporary Accommodation
Review of FAR	Cyber Risks		Equality and Diversity	Data Quality of Performance Information	SAFS Review
2018/19 Carry Forward Projects					Members Expenses Benchmarking
October	November	December	January	February	March
Integra 2	Budgetary Control		Corporate Change Management	Parking Strategy and Enforcement	
Treasury Management	Revenues		Trade Waste		
Expenses	Benefits		Financial Resilience of Suppliers		
	Systems Access (Passwords)		King George V Playing Fields		

SAFS Review – this has been provisionally planned for quarter 3, with a start month yet to be confirmed.

Herts Home Improvement Agency – this is a joint review with the other partner authorities and a start month has not yet been agreed.