



Shared Internal Audit Service

Annual Report

2021/22

Annual Report Contents

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Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2021/22.

I recently enjoyed the festivities and celebrations of the Platinum Jubilee weekend, and while investing a little time on my wellbeing and some of the more joyous aspects of life, I was struck by the thought that SIAS was entering its second decade at the heart of internal audit in Hertfordshire. While a long way from emulating the Queen's longevity and achievements, SIAS has certainly experienced its fair share of successes and challenges.

Reading my introduction to last year's Annual Report, I was struck with an acute sense of déjà vu that my paragraphs on the Covid-19 pandemic could so easily be replicated, certainly in the early to mid-part of the year anyway. My wife was stranded abroad for six weeks as the Omicron variant struck, travel restrictions were hastily imposed, and eventually ended up enduring a stay in a quarantine hotel. My young son and I got a whole heap of quality time together! It was most certainly another year defined by the pandemic and our local government partners ongoing response to it, along with mounting challenges posed by multiple strategic migration crises.

In many ways though, we did get back some semblance of normalcy, as children returned to school, fans returned to sports venues, and shops and restaurants reopened. From an internal audit perspective, it meant continuing to improve on remote auditing and evolving flexible and hybrid working practices, managing a team that was often not meeting face to face and maintaining sound relationships with our partners and their teams from afar. I still did not get to enjoy the in-person company and camaraderie of the team and other colleagues as much as I had hoped but look forward to this in the coming year.

Professionally, we opened ourselves up to scrutiny as part of our five yearly external quality assessment in terms of the Public Sector Internal Audit Standards (PSIAS). We not only sort the required opinion on our conformance with the PSIAS but bravely grasped the opportunity to have a 'proper look under the hood' of our service. It is not often that the auditors are thoroughly audited, but I am extremely proud of the team that the assessors concluded that we "are a well-regarded internal audit partnership, delivering professional and quality services to its partner organisations". We developed a comprehensive action plan to address issues identified and have made significant progress in implementing and embedding recommendations that will ensure that we are suitably equipped to meet the challenges of the future.

SIAS also said a sad farewell to team members departing during the year, some as part of an organisational change process, and others to well-earned retirement, or career opportunities elsewhere. All are thanked for their achievements and contribution to the service and will be greatly missed. Departures offer the opportunity for new beginnings, and we welcomed two new trainee auditors, who have settled wonderfully well into the service. Congratulations are also extended to team members for their deserved promotions.

For further highlights and reflections, I invite you to delve into the Annual Report itself. As ever, I enjoy the engagement, dialogue and feedback the report fosters.

Chris Wood - Head of Assurance

June 2022



Levels of delivery

2021/22 presented a number of challenges to SIAS in relation to delivering audit plans, with our Partners continuing to progress their response and recovery activities in relation to COVID-19, the emergence of new external pressures arising from political conflict and the EU Transition and the Service undertaking an organisational change process to adapt to the changing commissions from our Partners.

Despite such challenges, SIAS managed to meet the 95% target for delivering days commissioned by clients, with a final outturn of 95%. Whilst our delivery of audit reviews to draft report stage by the close of the year fell 1% short of the target of 95%, we believe the end of year outcomes pay testament to the hard work and resilience of the SIAS Team.

With our key objective being to complete enough work to allow an annual assurance opinion to be provided for each SIAS Partner, we are pleased to report that this was achieved.

Figure 1: Percentage of audits days delivered

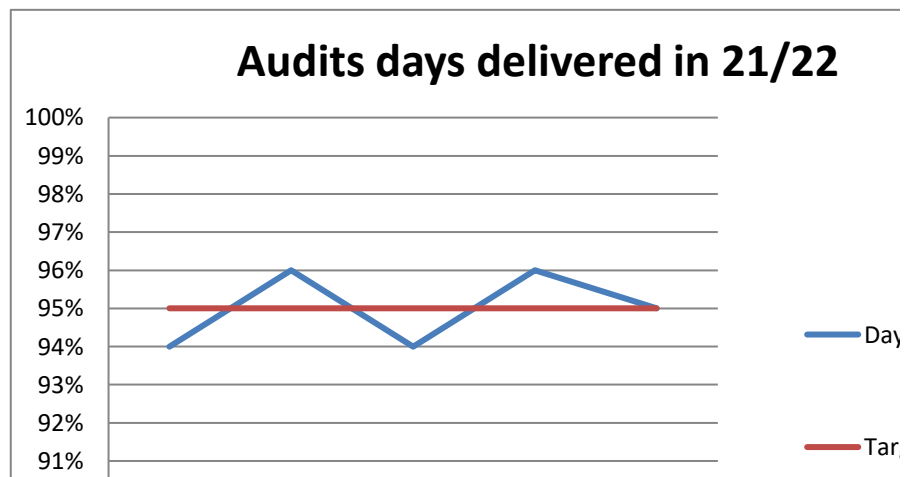
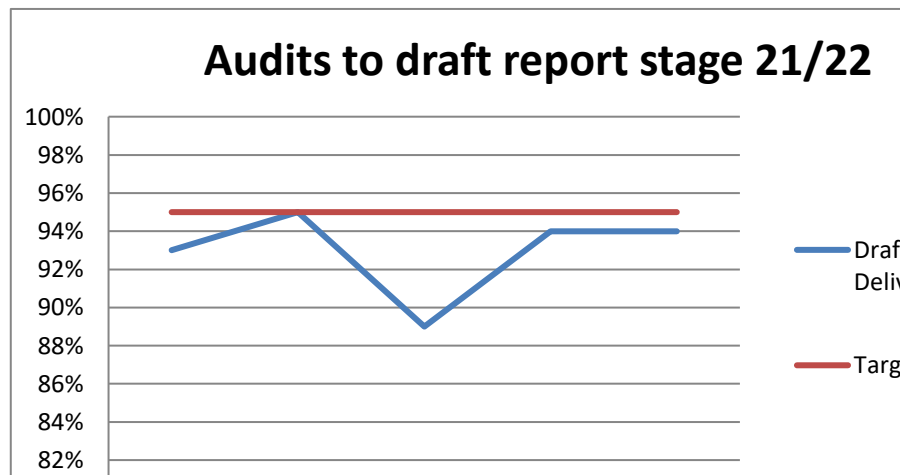


Figure 2: Percentage of audits to draft stage



Despite the challenges of 2021/22, we delivered our billable days target and achieved within 1% of our 95% project target...

Shared learning - the power of partnership

Shared learning happens through the dialogue we have with others. It has long been part of the vision of our Board that the service acts to facilitate the sharing of learning across its partners. A shared learning culture, both formal and informal, is embedded through our team, our sister services within Assurance and across our partners and opportunities abound to promote issues big and small.

Shared learning happens through the dialogue we have with others...

We continued to use our networks with bodies such as the Chartered Institute of Internal Auditors (CIIA) Local Authority Chief Auditors Network (LACAN) and Home Counties Chief Internal Auditors Group (HCCIAG) to ensure that we remained in touch with the challenges facing the audit profession and those being faced by the organisations that they provide assurance to. This ensured that we could build robust audit plans for 2022/23 and share emerging risks and opportunities.

We also scoped for a future SIAS joint audit (covering all Partners) on Environmental Enforcement, which has been approved by the SIAS Board. This is seen as an opportunity for all Partners to benchmark their approach to the balance between preventative, educational and enforcement activities and how these have supported the achievement of strategic aims.

During 2021/22, our staff, partners and Audit Committee members have continued to support our cycle of continuous development with helpful challenges and comments, these being particularly critical in a time that presents an opportunity to re-look at all aspects of the delivery of the Service post pandemic.



Managing the challenges of auditing in a changing environment

We worked with Partners to ensure our audit work during the year considered the impact of the pandemic on key objectives, and internal control and governance frameworks.

As we entered 2021/22, the Covid-19 pandemic brought opportunities for our Partners (and indeed SIAS) to review their working arrangements, with many adopting a hybrid working approach. The above required changes in the way we conducted audits, with consideration given to the use of data analysis, process mapping and continuous assurance activities to support our more traditional systems and compliance-based audits.

In respect of our audit plans, we worked with our partners to ensure our audit work during the year considered the impact of the pandemic on key objectives, and internal control and governance frameworks. We also provided assurance to several of our partners on the appropriate use of grant funding that they received in relation to COVID-19 response and recovery activities, providing the required certifications for key returns.

In relation to audit delivery, we continued to embrace the use of mobile technology to adapt to hybrid working, both within SIAS and across our Partners.

Whilst 2021/22 proved to be a challenging year, we achieved our key goal of completing a programme of work for all our partners to support an annual opinion

on the robustness of internal control arrangements. This is a fantastic achievement for the Service, given that some other Local Authority Internal Audit Services continued to have difficulties in delivering their full work programmes during 2021/22.

Developing our people and processes

SIAS is committed to providing an exemplar service to its partners and clients that successfully blends cost effectiveness, resilience and quality.

During 2021/22, our required Public Sector Internal Audit Standards (PSIAS) External Quality Assessment was undertaken. As part of this, we took the opportunity to ask the assessors to go beyond the required remit of compliance with the PSIAS and seek to suggest other opportunities and good practice that would assist Service Development. The assessors duly provided several useful areas for consideration and many we have taken forward within our action plan in response to the assessment. We have also ensured that any specific recommendations to support conformance with requirements of the PSIAS have been completed, allowing us to self-assess as “generally conforms”, the highest rating under the PSIAS.

At the core of our service are our team members, and we continue to develop a core learning and coaching offering for all members of staff, with this being rolled out during 2022/23.

At the core of our service are our team members, and we continue to develop a core learning and coaching offering for all members of staff, with this being rolled out during 2022/23. We have also continued to support staff in their personal development, whether this is through the sponsoring of professional training, enrolment on apprenticeships or in one case a secondment.

Despite the challenges of holding a recruitment drive during the pandemic, we were pleased to appoint two new trainees to the team and provide internal promotions to three of our internal staff members. Following the completion of an organisational change process during 2021/22, we are fully committed to a ‘grow your own strategy’, seeking to develop our staff to allow them to progress within the team and the audit profession.

We continue to review how we obtain and disseminate learning from our quality review processes is used to support the development of our staff, seeking feedback from team members to support this process.

A continued hot topic for the audit profession is data analytics, with organisations seeing increasing digitalisation of their operations. We have trialled data analytics within several of our audits during 2021/22, and this has provided us with the opportunity to undertake whole population testing and provide improved assurance on the management of risk and controls.



First class customer service

To monitor our effectiveness and improve our service, at the end of each assignment we request the completion of a short satisfaction survey. We have been given and have acted upon invaluable improvement ideas, and we are proud of the fact that in 2021/22 we have received 95% satisfactory or higher feedback rating from our customers.

Some of the comments that accompany the formal scoring document are shown below:

- “The service was very thorough and good. The auditor was friendly and competent and understanding of wanting to not take up too much of the teams time, whilst ensuring she had all she needed to complete the audit.”
- “Good, focused audit, that took a strategic view.”
- “Excellent service, audit was very well planned and very constructive.”
- “I am happy as ever with the service from SIAS - they are helpful and approachable and carry out a professional service.”
- “Auditor was very approachable and was willing to work within timescales that worked for our service. Recommendations have been noted and will strive to implement them as best possible and as soon as practical.”
- “The auditor managed to get to grips with everything really quickly regarding Modernisation Programme governance and processes. He was professional, patient and explained what he needed clearly. I found him easy to work with, he would ask open questions and would listen to responses. In return he helped me understand and see what it is we need to improve, with respectful debates where we may not have fully agreed.”
- “Working with SIAS has once again been a very useful exercise as it helped the team to tighten up on processes and provided a lessons-learnt exercise to improve further.”
- “The audit was undertaken in a professional manner and time taken to understand the processes and issues. This has resulted in useful recommendations for future developments.”
- “Under the circumstances and due to covid restrictions the audit was carried out virtually. Although collating the information initially took additional office time, the whole process was managed effectively, and we were extremely happy with the process and outcome.”

“the Auditor....was professional, patient and explained what he needed clearly. I found him easy to work with, he would ask open questions and would listen to responses. In return he helped me understand and see what it is we need to improve, with respectful debates where we may not have fully agreed”

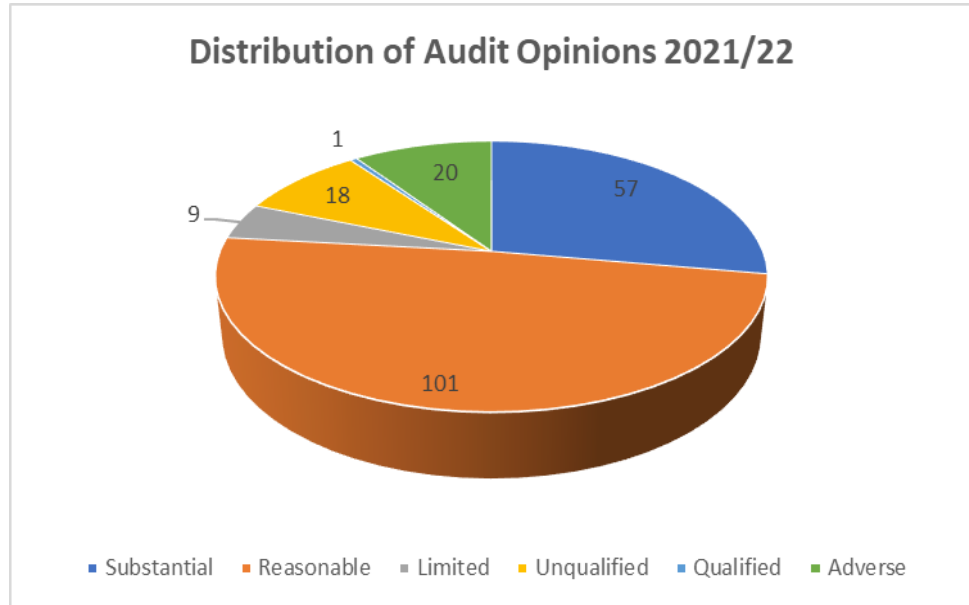


Performance - outcomes

SIAS completed 248 assurance and other projects to draft or final report stage, giving the assurance opinions and recommendations detailed in the charts below.

For those pieces which resulted in a formal assurance opinion, the distribution of opinions is set out in figure 3 below:

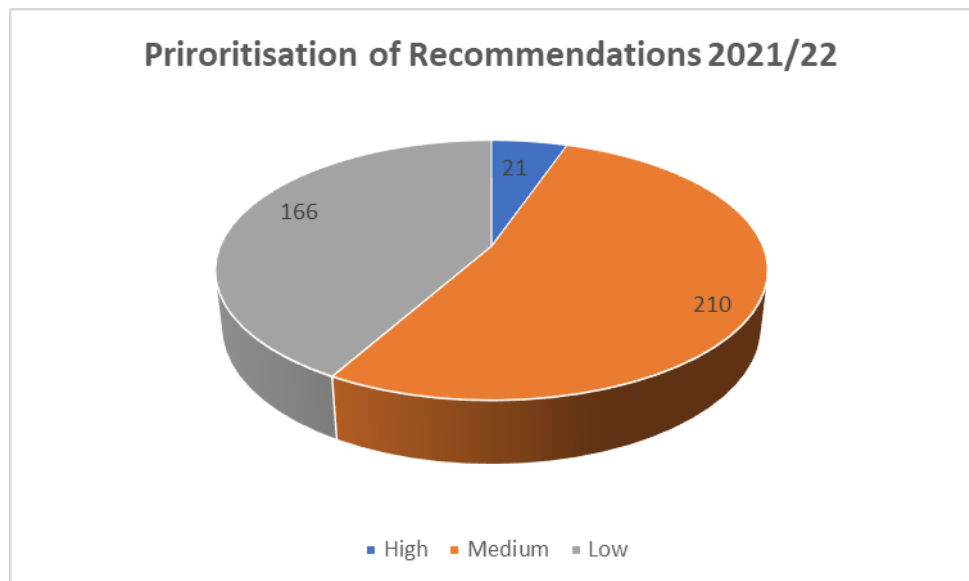
Figure 3: Distribution of Audit Opinions 2021/22



248 assurance and other projects identifying 397 recommendations

For those audits where recommendations were required and were graded, the priority ratings are set out in figure 4 below:

Figure 4: Prioritisation of Recommendations 2021/22



Performance indicators

The overall business performance of SIAS is monitored by the SIAS Board by means of a balanced scorecard which provides a range of measures by which progress can be evaluated.

The overall performance of SIAS against our key performance indicators is reported below.

Table 1: SIAS Business Performance

| Indicator | Target | Actual as at 31 March 2021 | Actual as at 31 March 2022 |
|---|---|----------------------------|----------------------------|
| Progress against plan: actual days delivered as a percentage of planned days. | 95% | 96% | 95% |
| Progress against plan: audits issued in draft by 31 March | 95% | 94% | 94% |
| Client satisfaction | 100% client satisfaction questionnaires returned at 'satisfactory overall' level or above | 95% | 95% |

Financial performance of SIAS

SIAS began operating on a fully traded basis in 2012/13.

Appendix A sets out the summary financial position at 31 March 2022. Prudent financial management has allowed the service to build a reasonable reserve over the last few years, with the intention of smoothing the impact of any unforeseen events on trading performance in future years or investing in projects that support the delivery, growth or development of the service.

The costs of the SIAS organisational change during the year were absorbed by the trading reserve.

Future developments



embed new ways of working... ensuring that we work with other audit teams to share and develop best practice...

From a training, development and professional practice perspective, we will continue to support those members of our service that are striving to attain professional qualifications. For all staff, we are also rolling out a more comprehensive learning and development offering, this focused on a team-based training programme for the 2022/23 financial year to compliment individual training and development plans. The plan will be created based on feedback from the Team, our knowledge of new and emerging risks and the outcomes of our quality assessment reviews on completed audits. The above will also ensure that as a team we continue to network regularly following our move to hybrid working.

During 2022/23, we will be undertaking the re-procurement of our External Partner contract, currently held by BDO. This is a key undertaking for the Service as it is a critical part of ensuring that we have access to additional specialist skills and resilience to deliver our Partner audit plans.

We are also progressing the re-procurement of our existing Audit Management Software, where the current support for the existing in-house system ends in 2023.

From a workforce perspective, we are continuing to progress recruitment activities to fill existing vacant positions, in what is an exceptionally challenging recruitment market.

Finally, during 2022/23 we will continue to work with our colleagues across audit networks to support the development of our knowledge and approach to making the most effective use of data analytics within our assurance activities.

Our board members

The SIAS Board provides strategic direction and oversight for the partnership, bringing a wealth of local government experience and insight to our operation.

In 2021/22, our Board members were as follows:

| Name | Title | Partner |
|------------------|---|---|
| Clare Fletcher | Strategic Director (CFO) | Stevenage Borough Council |
| Matthew Bunyon | Head of Finance and Business Services | Hertsmere Borough Council |
| Steven Pilsworth | Director of Finance | Hertfordshire County Council |
| Ian Couper | Service Director (Resources) | North Hertfordshire District Council |
| Richard Baker | Executive Director (Finance and Transformation) | Welwyn Hatfield Borough Council |
| Steven Linnett | Head of Strategic Finance and Property | East Herts Council |
| Alison Scott | Director of Finance | Watford Borough Council and Three Rivers District Council |
| Chris Wood | Head of Assurance | SIAS |

SIAS cost centre: budget against outturn 2021/22

| | <u>Budget</u> | <u>Outturn</u> |
|-----------------------------|----------------------|-----------------------|
| | <u>£</u> | <u>£</u> |
| Employee Costs | 995,822 | 904,071 |
| Organisational Change Costs | - | 149,523 |
| Partner / Consultancy Costs | 101,040 | 186,510 |
| Transport (Travel) | 3,000 | 754 |
| Supplies | 24,183 | 14,683 |
| Office Accommodation Cost | 17,005 | 17,005 |
| Total expenditure | <u>1,141,071</u> | <u>1,272,546</u> |
| Income | <u>-1,121,411</u> | <u>-1,132,095</u> |
| Net (surplus) / deficit | 19,639 | 140,451 |

Appendix B: Definitions of Assurance Levels and Priority of Recommendations

2021/22 Definitions of Assurance and Recommendation Priority Levels

| Assurance Level | | Definition |
|--------------------|-----------------------|--|
| Substantial | | A sound system of governance, risk management and control exist, 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 are inadequate to effectively manage risks to the achievement of objectives in the area audited. |
| 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 / Advisory | 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. |