



SIAS

Shared Internal Audit Service
Hertfordshire in Partnership

Shared Internal Audit Service

Annual Report

2022/23

Annual Report Contents

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Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2022/23.

Reading my introduction to last year's Annual Report, I shared my enjoyment of the Queen's Platinum Jubilee and the reflection that SIAS had entered its second decade at the heart of internal audit in Hertfordshire. Within the last 12 months, we have not only had the State Funeral of Queen Elizabeth II paying tribute to her remarkable reign and life of service, but also the Coronation of King Charles III with its sense of both continuity and an eye on the future. My choice of words is deliberate as I hope they reflect the aspirations of SIAS too!

I was out on one of my long walks recently (there is a link to internal audit and SIAS I promise) and I quite unexpectedly happened upon a friend at a stile on the edge of Wallington. We happily exchanged pleasantries, made enquiries of family, and quickly found ourselves dissecting the world of work. As internal auditors, we often ask the question 'What keeps you up at night?' as a way of burrowing into the risks and challenges we are exploring, so there was a certain novelty having this question posed to me. I had to answer that it was the recruitment and retention of experienced and management level staff, personal and team capacity and sustainability of cover arrangements for vacancies. Never has there been such a challenging recruitment market or such recruitment fatigue, or at least not in my professional life anyway. I expressed gratitude that I was surrounded by wise counsel and good people prepared to go the extra mile. In case you wondered what keeps child carers up at night, it is Ofsted inspections and the local primary school suddenly offering wraparound care in direct competition.

Speaking of good questions, my son came home from school after a lesson on inspirational heroes and asked me 'Who inspires you?' I won't share the answer with my personal hat on (picture a surf hat), but with my professional hat on (perhaps a trilby?), it is the people in networks and relationships who provide comfort, reassurance, support, wisdom, guidance, humour, and camaraderie. To all those who ring out of the blue to ask how I am, respond quickly to a request for help and a steer, debate the issues long into the evening, provide a welcome interlude despite their own busy schedules, offer a safe space to vent, share a laugh and a natter, and are prepared to talk about the cricket, I say a big thank you! You are my inspirational heroes, and that is what helps me navigate challenging times.

SIAS said a sad farewell to team members departing during the year, whether 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 welcome new team members, 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 2023



Levels of delivery

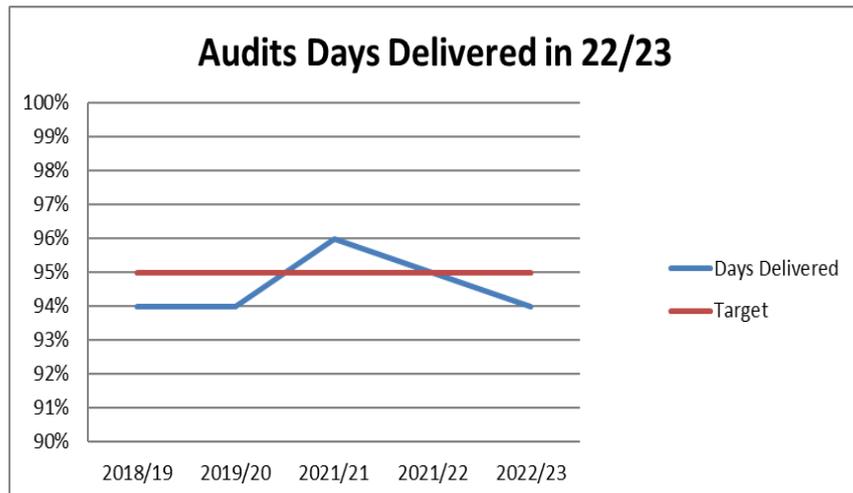
2022/23 presented significant challenges to SIAS in relation to recruitment and retention, these being pressures felt nationally within both local government and the private sector. The availability of experienced Internal auditors is recognised as a particularly challenging area given that it is a niche profession.

In response to the above challenges, SIAS commissioned resource from two additional external partners (Mazars and Veritau) in quarter 4 to support the capacity offered by our co-sourced delivery partner BDO. This allowed SIAS to achieve 94% of planned days and 90% of planned projects to draft report stage, both with targets of 95%.

As the above resource was secured for quarter 4, this resulted in SIAS falling short of the projects PI, however we ensured that at least 95% of projects had reached at least draft report stage by the end of April 2023.

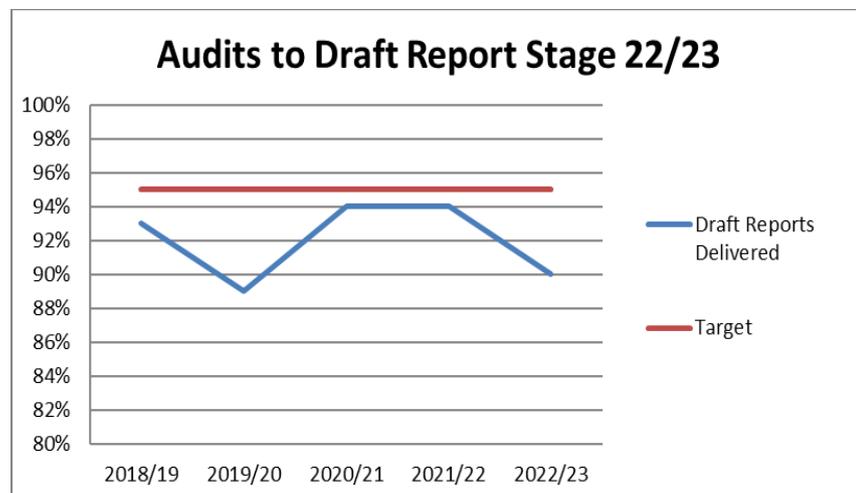
With our key objective being to complete enough work to allow an annual assurance opinion to be provided for each SIAS Partner, we are pleased to report that this was achieved.

Figure 1: Percentage of audits days delivered



Despite the challenges of 2022/23, we delivered our billable days target and achieved within 1% of our 95% project target...

Figure 2: Percentage of audits to draft stage



Shared learning - the power of partnership

A key founding principle of the Shared Internal Audit Service was the opportunity to embed a culture of shared learning within the partnership. 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.

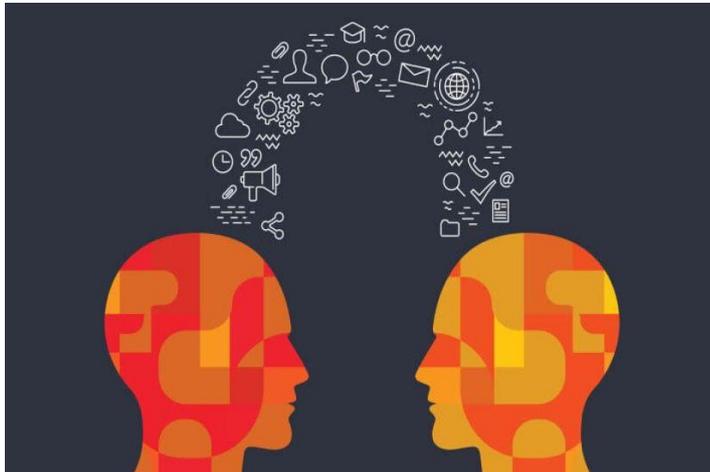
Shared learning happens through the dialogue we have with others...

We continued to use our networks with bodies such as the Chartered Institute of Internal Auditors (CIIA), Local Authority Chief Auditors Network (LACAN), London Audit Group (LAG) 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.

During 2022/23 we completed the joint audit (covering all Partners) on Environmental Enforcement, which had previously been approved by the SIAS Board. The report issued provided an opportunity for all Partners to contrast their current approach and balance between preventative, educational and enforcement activities to support the achievement of strategic aims.

We have produced and shared our annual summary of high priority recommendations raised during 2022/23, this allowing all Partners to have awareness of key risks, issues and related internal control and governance improvement opportunities for areas that may not have included in their respective audit plans.

During 2022/23, 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 plans remained dynamic and could sufficiently respond to the changing risk environment.

The risk landscape of Local Government has and will continue to be subject to continued and fast paced change. This includes areas such as our partners embracing new technologies such as Artificial Intelligence (AI), Climate Change, significant transformation, demand and resource pressures, changes in the ways of working and the continuing impacts of external political tensions.

SIAS continues to work with our partners to ensure that our planning approach seeks to understand how these risks have impacted each Authority and subsequent assurance requirements. We also ensure that our plans are sufficiently flexible to accommodate emerging risks during the financial year.

During 2022/23, we have continued to progress our journey of embracing more modern and added value auditing techniques, such as embedded assurance, data analytics and assurance mapping. These allow us to use limited internal audit resources to best effect, as well as providing more robust assurance to our Partners.

As a member of key audit networks, we can ensure that we have access to a wealth of intelligence on emerging risks and techniques for providing robust assurance. In addition, through our co-sourced audit arrangement we are also able to use the knowledge and skills of our external partner to have access to specialist skills, or their wider information pool to support other key opportunities such as benchmarking.

As a service, we have continued to embrace and respond to the changing work environment, in particular home working, both in terms of how this may impact on the internal control environment and delivery of audits. We have also sought to embrace the opportunities that this has presented in terms of efficiencies that can be gained from a different way of working.

Overall, we believe that 2022/23 has provided a springboard for SIAS, and Internal Audit Services in general, to pause and reflect on our methodologies and approach for planning and delivering an effective audit service, with this strengthening our assurance offering to our Partners.

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 2022/23, we have continued to implement any remaining outstanding continuous improvement opportunities highlighted during our Public Sector Internal Audit Standards (PSIAS) External Quality Assessment in 2021, with these now fundamentally complete.

Given the previously mentioned challenging recruitment and retention market, we have looked to embrace a 'grow your own' strategy. Whilst this naturally takes time to embed, we were extremely pleased to be able to promote our three trainees to auditor roles during April 2023. This was a testament to their significant work and efforts during their period as a trainee auditor.

To support our aspirations of being a respected internal audit service, we have revisited our training and development offering to our team members. As part of this review, we have created an annual training programme at team level, as well as personal development and progression plans for all team members. We currently have five team members actively progressing their professional audit or

accountancy qualifications, either through apprenticeships or being sponsored by the service.

At the heart of our service is our staff, and we have continued to look at how we can embed a team culture in what is often a more remote working environment. During 2022/23, and following a suggestion from the team, we have created our 'office Wednesday' day. This provides an opportunity for the team to network and ensures face to face time.

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.

We have continued to progress best practice auditing approaches such as data analytics and assurance mapping, ensuring that our team members are supported and trained to use these to best effect.

At the core of our service are our team members. During 2022/23 we have revised our approach to training and development and created personal development plans for all team members to support their continued career progression.



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 2022/23 we have received 94% satisfactory or higher feedback rating from our customers.

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

- “The Auditor has extensive knowledge & understanding of payroll processing which made the audit very easy to conduct, she was very clear & concise explaining the change in requirements from previous audits.”
- “This year it was a light touch review, so demand on Officer time was minimal. The audit was carried effectively and very efficiently compared to previous years. Very happy with the service received.”
- “The service received was clear and precise. Carried out in a professional manner. Many Thanks.”
- “Thank you to the Auditor who made the process clear and meaningful. No issues to raise.”
- “Good communication from Auditor. Opportunity to ask questions. Welcomed opportunity to discuss and comment on draft report.”
- “Very happy with the overall service. The Auditor communicated clearly and was approachable and open. The findings and recommendations will help us deliver improvements already identified.”
- “The Auditor was very knowledgeable, professional, polite and very accommodating of time (being year-end).”
- “Great service as usual - good thorough approach balanced with pragmatism.”

“The Auditor was helpful, patient with all my questions (and there were lots!). The process was clear to follow and painless. After the initial worry about if I was going to be able to get all the correct documents together, the auditor put my mind at ease and was kind.”



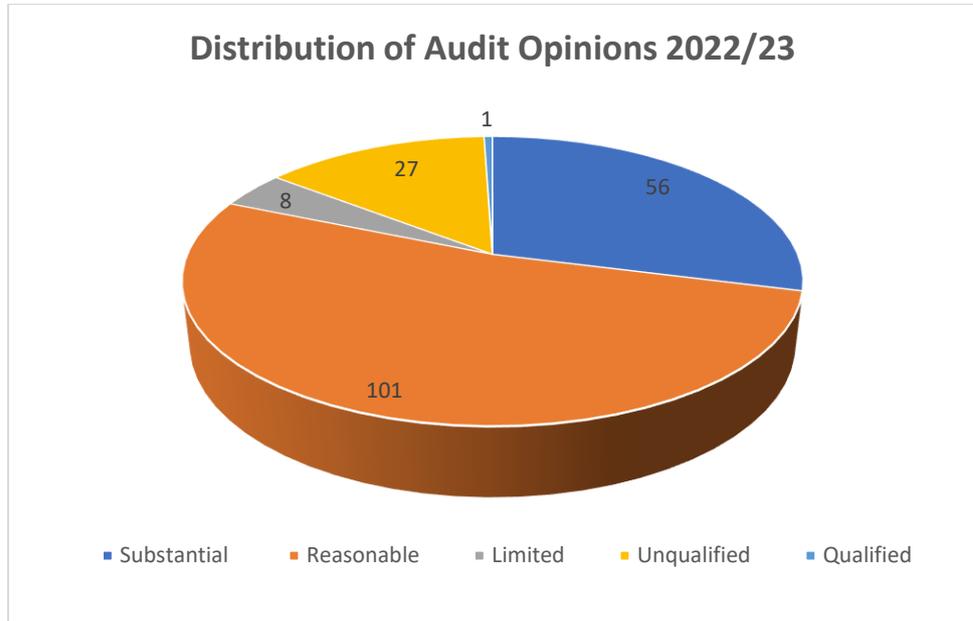
Performance – outcomes

SIAS completed 215 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:

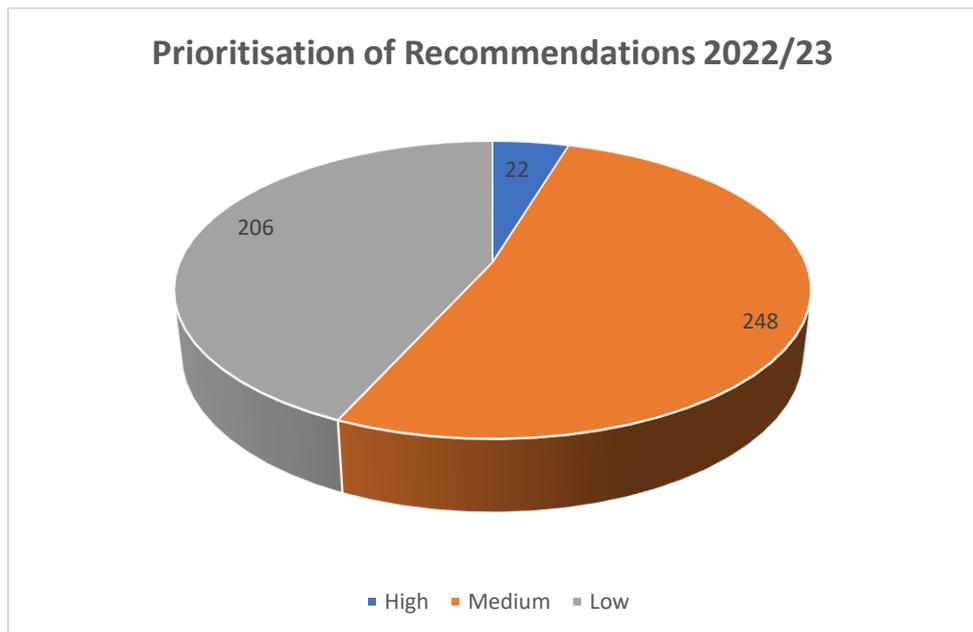
Figure 3: Distribution of Audit Opinions 2022/23

215 assurance and other projects identifying 476 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 2022/23



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 2022	Actual as at 31 March 2023
Progress against plan: actual days delivered as a percentage of planned days.	95%	95%	94%
Progress against plan: audits issued in draft by 31 March	95%	94%	90%
Client satisfaction	100% client satisfaction questionnaires returned at 'satisfactory overall' level or above	95%	94%

Financial performance of SIAS

SIAS operates on a fully traded basis. Appendix A sets out the summary financial position at 31 March 2023.

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.

Future developments



Following a recent workshop with the SIAS Board, our key objective for 2023/24 will be create a business plan to set out the medium-term development of SIAS. This will have a particular focus on embracing opportunities to become a modern internal audit service, a longer-term workforce strategy and exploring opportunities for developing our commercial offering.

Following the re-procurement of our external partner contract, re-awarded to our previous provider BDO, we will be focusing on opportunities to embed more intelligence sharing and training to ensure we can better benefit from their skills and experience.

For our team members and their future training and development, we will continue to support those members of our service that are striving to attain professional qualifications, with this continuing to be underpinned by personal development and progression plans.

We are progressing the re-procurement of our existing Audit Management software, where the current support for the existing in-house system ending at the end of 2024.

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 and assurance mapping within our assurance activities.

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

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 2022/23, 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 Herts 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 and Hannah Doney	Director of Finance and Head of Finance	Watford Borough Council and Three Rivers District Council
Chris Wood	Head of Assurance	SIAS

SIAS cost centre: budget against outturn 2022/23

	<u>Budget</u>	<u>Outturn</u>
	<u>£</u>	<u>£</u>
Employee Costs	945,867	709,177
Partner / Consultancy Costs	128,100	349,903
Transport (Travel) & Supplies	42,183	7,242
Office Accommodation Cost	17,005	17,005
Total expenditure	<u>1,133,155</u>	<u>1,083,327</u>
Income	<u>-1,152,884</u>	<u>-1,141,832</u>
Net (surplus) / deficit	(19,729)	(58,505)

Appendix B: 2022/23 Definitions of Assurance Levels and Priority of Recommendations

Audit Opinions		
Assurance Level	Definition	
Assurance Reviews		
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 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 / Funding Certification Reviews		
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.	
Recommendation 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.