



East Herts Council  
Performance, Audit & Governance Oversight  
Committee

2020/21 Internal Audit Plan Report

17 March 2020

Recommendation

Members are recommended to approve the  
proposed East Herts Council Internal Audit Plan for  
2020/21

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# 1. Introduction and Background

## Purpose of Report

- 1.1 To provide Members with the proposed East Herts Council 2020/21 Internal Audit Plan.

## Background

- 1.2 The East Herts Council 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 (SIAS) Audit Charter which was presented to the July 2019 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 first meeting of this Committee in the 2020/21 civic year.
- 1.4 The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:
  - a) Outlines how the service will be developed in accordance with the internal audit charter.
  - b) Details how the internal audit plan will be delivered.
  - c) Evidences how the service links to organisational objectives and priorities.
- 1.5 Section 2 of this report details how the 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, including 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 work undertaken on behalf of External Audit, governance work and whistle blowing activity.
- 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 has continued with a methodology for all SIAS partners which contains the following elements:

##### *Local and National Horizon Scanning*

SIAS reviews, on an ongoing basis:

- a) Key committee reports at each client and identifies emerging risks and issues.
- b) The professional and national press, as well as thought leadership 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 2020/21 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 helps ensure 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 2020/21 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.
- d) Proposed draft plans are presented to Leadership Team for discussion and agreement.
- e) The plan is shared with the External Auditor.

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

## The Planning Context

- 2.4 The context within which local authorities provide their services remains challenging. Many services continue to manage increasing demand and constrained finances.
- 2.5 The resultant efficiency and transformation programme that councils are developing and implementing continue 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:
- a) 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.
  - b) 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.
  - c) 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.
  - d) Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

## Internal Audit Plan 2020/21

- 2.7 The draft 2020/21 internal audit plan is included at Appendix A and contains a high-level proposed outline scope for each audit. Appendix B details the planned start months. The number of days purchased has been reduced from 400 days in 2017/18, to 360 days in 2018/19, to 340 days in 2019/20 and 320 days in 2020/21. A similar reduction has been applied across some other SIAS partner Councils and was agreed by the SIAS Board. The table below shows the allocation of the total annual number of purchased audit days for the year:

	<b>Days</b>	<b>%</b>
Key Financial Systems	64	20
Operational Audits	139	43
Procurement / Contracts	20	6
Shared Learning/Joint Reviews	5	2

Counter Fraud	3	1
Risk & Governance	10	3
IT Audits	12	4
Contingency	10	3
Strategic Support*	47	15
2019/20 Projects Requiring Completion	10	3
<b>Total audit days 2020/21</b>	<b>320</b>	<b>100</b>

\* This includes supporting the Performance, Audit and Governance Oversight Committee, monitoring, client liaison and planning for 2021/22.

- 2.8 Members will note the inclusion of a provision for the completion of projects that relate to 2019/20. 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.
- 2.9 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 The work of Internal Audit is required to be reported to a Member Body so that East Herts 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 2020/21 and any proposed changes will be reported to this Committee four times in the 2020/21 civic year.
- 3.2 The implementation of agreed audit recommendations will be reported to this Committee as part of the update reporting process.

## Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board in September 2011 and are reviewed annually. Details of the targets set for 2020/21 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

<b>Performance Indicator</b>	<b>Performance Target</b>
<b>1. Planned Days.</b> Percentage of actual billable days against planned chargeable days completed.	95%
<b>2. Planned Projects.</b> 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 audit plan.	95%
<b>3. Client Satisfaction.</b> Percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
<b>4. Number of Critical and High Priority Audit Recommendations agreed.</b>	95%
<b>5. Annual Audit Plan.</b>	Presented to the March meeting of each Committee. Or if there is no March meeting then presented to the first meeting of the new financial year.
<b>6. Head of Assurance's Annual Report.</b>	Presented to the first meeting of each Committee in the new financial year.



East Herts Council 2020/21 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
<b>KEY FINANCIAL SYSTEMS</b>		
Main Accounting System (General Ledger)	<p>Main Accounting will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Policies and procedures.</li> <li>b) Creation, deletion and monitoring of general ledger accounts.</li> <li>c) Processing of journals and virements.</li> <li>d) Reconciliation of bank and control accounts.</li> <li>e) Suspense accounts.</li> <li>f) Access controls for the general ledger and associated modules.</li> </ul>	8
Debtors	<p>Debtors will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Policies and procedures.</li> <li>b) Raising of debtor accounts.</li> <li>c) Payments.</li> <li>d) Credit notes and refunds.</li> <li>e) Recovery and write offs.</li> <li>f) Debtors control account reconciliations.</li> </ul>	8
Creditors	Creditors will have reduced coverage this year to confirm implementation of previous	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	<p>audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Policies and procedures.</li> <li>b) Raising of supplier accounts.</li> <li>b) Ordering, goods receipting and invoicing processes.</li> <li>c) New suppliers and amendments to existing supplier accounts.</li> <li>d) Creditor payment runs.</li> <li>e) Credit notes and refunds.</li> <li>f) Creditors control account reconciliations.</li> </ul>	
Treasury Management	<p>Treasury Management will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Cash flow management.</li> <li>b) Counter-party risk.</li> <li>c) Transactions.</li> <li>d) On-line banking and investments.</li> <li>e) Capital and interest payments.</li> <li>f) Treasury management practices, policies and procedures.</li> <li>g) Reporting arrangements.</li> </ul>	6
Payroll	<p>Payroll will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p>	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	<ul style="list-style-type: none"> <li>a) Systems access.</li> <li>b) Policies and procedures.</li> <li>c) Statutory parameters.</li> <li>d) Starters, leavers and amendments.</li> <li>e) Contract variations.</li> <li>f) Additional payments, overtime and expenses.</li> <li>g) Payroll runs.</li> <li>h) Third party payments.</li> </ul>	
Council Tax	<p>Council Tax will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Policies, procedures and legislation.</li> <li>b) Amendment to council tax records.</li> <li>c) Discounts and exemptions, e.g. single person discount.</li> <li>d) In-year billing.</li> <li>e) Collection and refunds.</li> <li>f) Recovery, enforcement and write offs.</li> <li>g) Performance monitoring.</li> <li>h) System access.</li> </ul>	6
Business Rates (NDR)	<p>Business Rates will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Policies, procedures and regulatory compliance.</li> </ul>	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	<ul style="list-style-type: none"> <li>b) Reconciliation between NDR system and valuation lists.</li> <li>c) Multiplier setting.</li> <li>d) Voids and reliefs.</li> <li>e) In-year billing.</li> <li>f) Collection and refunds.</li> <li>g) Recovery, enforcement and write offs.</li> <li>h) Reconciliation between NDR system and general ledger.</li> <li>i) Performance monitoring.</li> <li>j) System access.</li> </ul>	
Housing Benefits	<p>Housing Benefits will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Policies, procedures and set-up of standing data.</li> <li>b) Assessments, including reductions and backdating.</li> <li>c) Payments.</li> <li>d) Recovery of overpayments.</li> <li>e) Reconciliations.</li> <li>f) Performance monitoring.</li> <li>g) System access, security and retention of data.</li> </ul>	6
Asset Management	<p>Asset Management will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Asset management plans.</li> </ul>	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	b) Asset management system and associated records. c) Acquisitions and disposals. d) Lease transactions. e) Rent reviews. f) Condition surveys.	
<b>OPERATIONAL AUDITS</b>		
Customer Services	The audit will provide assurance on the arrangements for handling customer contact. Areas of coverage may include:  a) Customer service standards and behaviours, and accreditation. b) Performance / quality metrics and reporting. c) Supporting systems, technology and processes.	10
My View (payroll self-service)	The audit will provide assurance on Members transition to the My View payroll self-service platform, which provides electronic access to payslips and expense claims. Areas of coverage will include:  a) Post implementation review. b) User experience and benefits realisation.	10
Grounds Maintenance	The audit will provide assurance on the procurement process for works and services associated with the Council's grounds maintenance contract. The audit will also include a review of contract management arrangements.	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Car Parking	<p>The audit will provide assurance on processes relating to the Council's car parking operations. This may include:</p> <ul style="list-style-type: none"> <li>a) Contract management arrangements.</li> <li>b) Receipt of expected income from on and off-street parking.</li> <li>c) Enforcement arrangements and PCNs.</li> </ul>	10
Emergency Planning	<p>The audit will provide assurance on the Council's emergency preparedness, not only reviewing compliance with the requirements of the Civil Contingencies Act 2004, but it may also include:</p> <ul style="list-style-type: none"> <li>a) Records and documents maintained for an actual incident, or Council response, in terms of the Emergency Plan.</li> <li>b) Managing spontaneous volunteers and accounting for donations, and</li> <li>c) Memorandum of Understanding relating to mutual aid from other local organisations.</li> </ul>	10
Development Control	<p>The audit will provide assurance that the Council operates in accordance with key legislation, it monitors and progresses issues to an appropriate conclusion and demonstrates transparency in terms of processes, communication with the public and decisions reached. It will also include the receipt of expected income.</p>	10
Facilities Management	<p>The audit will provide assurance on the management and maintenance of the Council's operational buildings. This may include:</p>	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	a) The management of third-party contracts. b) Surveying and delivery of planned and routine maintenance to Council buildings. c) Compliance with safety requirements e.g. gas and electrical certification.	
Waste Management (follow up)	This follow up review will provide a status update on the recommendations made in the Waste Management audit carried out in 2018/19. Any new or emerging risk may also be covered.	2
Fly Tipping	The audit will provide assurance on the processes and procedures relating to the removal and investigation of dumped rubbish on verges, pavements next to roads and Council owned land.	10
Food Safety	The audit will provide assurance on the processes and procedures for supporting the Food Standards Agency's Rating Scheme, including businesses food safety management systems and people fitness to work arrangements.	10
Climate Change and Sustainability (including joint audit)	The audit will provide assurance on the Council's climate change credentials. This may include: a) Compliance with climate change strategy and policy. b) The accuracy of reporting data against targets, stated aims and objectives. c) Energy management.  An audit will also be carried out at several other SIAS partners. The number of proposed days includes provision for consolidating the audit reports, thereby providing	7



Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	a wider level of assurance and sharing any learning across partners.	
Tree Management	The audit will provide assurance that there are effective systems and procedures in place to identify, record and inspect Council trees, and that a remedial maintenance programme is in place.	10
Performance Management	The audit will provide assurance on the accuracy of data reported through the Council's performance management framework. This may include completeness checking and data quality spot checks.	10
Business Improvement District	<p>The audit will provide assurance that the additional levy on businesses within a defined area of the district is collected and the improvements programmed for delivery. This may include:</p> <ul style="list-style-type: none"> <li>a) Identifying liability and billing relevant businesses.</li> <li>b) Receiving payments and accounting arrangements.</li> <li>c) Business Plan delivery and benefit realisation.</li> </ul>	10
Millstream Property Investment	The audit will provide assurance that appropriate governance arrangements are in place in relation to the property investment company wholly owned by the Council. This may include reporting arrangements, risk management and performance metrics.	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
<b>PROCUREMENT, CONTRACT MANAGEMENT AND PROJECT MANAGEMENT</b>		
Grange Paddocks and Hartham Leisure Centres	The audit will provide assurance on the procurement arrangements for the design and build of the new leisure centre on the existing site in Bishop's Stortford, and the extension and refurbishment of existing facilities in Hertford.	10
Old River Lane	<p>The audit will provide a governance review of the Council's regeneration programme for Old River Lane. Coverage may include:</p> <ul style="list-style-type: none"> <li>a) Appropriateness of governance framework in place,</li> <li>b) Effectiveness of programme and project management/oversight of milestones and benefits realisation.</li> </ul>	10
<b>SHARED LEARNING</b>		
Joint Reviews	The SIAS Board traditionally agree a topic (or topics) for consideration as joint reviews across the SIAS partners in-year. This has yet to be determined. Where no further topic is specified, the audit days will be returned to contingency for use on emerging audits / risks or applied to other audits in the plan.	2
Shared Learning	<p>Shared Learning Newsletters and Summary Themed Reports – 2 days</p> <p>Audit Committee and Joint Review Workshops – 1 days</p>	3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
<b>COUNTER FRAUD</b>		
N/A	The Shared Anti-Fraud Service (SAFS) provides pro-active and reactive counter fraud services. This planned time has also been allocated to provide ad hoc advice to management on matters, issues or queries relating to risk, control and governance.	3
<b>RISK AND GOVERNANCE</b>		
Risk Management	The audit will involve a review of strategic and operational risk management arrangements, and whether risk management has been embedded in operational decision making and activity. This audit traditionally informs the Annual Governance Statement.	10
<b>IT AUDITS (shared with Stevenage Borough Council)</b>		
Payment Card Industry Compliance	The audit will provide assurance on compliance with the set of security standards designed to ensure that organisations accepting, processing, storing or transmitting credit card information maintain a secure environment. This will include completion and submission of a self-assessment questionnaire, evidence of a passing scan (if applicable), and the attestation of compliance, along with any other requested documentation.	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Hardware Acquisition, Movement and Disposal	The audit will provide assurance on hardware inventory arrangements. Areas of coverage will include the procedures for: a) Receiving and storing new hardware, b) Issuing hardware to new and existing users, c) Redeployment of hardware across the Council's estate, d) Decommissioning and safely disposing of redundant or surplus hardware.	6
<b>CONTINGENCY</b>		
Contingency	To provide for adequate response to risks emerging during the financial year.	10
<b>STRATEGIC SUPPORT</b>		
Head of Internal Audit Opinion 2019/20	To prepare and agree the Head of Internal Audit Opinion and Annual Report for 2019/20.	3
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports, meeting with the Audit Committee Chair prior to each Audit Committee (as required) and presentation of reports / participation at Audit Committee.	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Follow up of Audit Recommendations	Follow up of critical and high priority audit recommendations	4
Client Liaison	This involves meetings and updates with the Council's Audit Champion and other key officers.	6
Liaison with External Audit	To meet with the external auditors and provide information as they require.	1
Plan Monitoring	To produce and monitor performance and billing information, work allocation and scheduling.	12
SIAS Development	Included to reflect the Council's contribution to developing and maintaining the shared service / partnership through its service plans and corporate activities.	5
Adhoc Advice	This planned time has been allocated to provide for ad hoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud. Ad hoc advice is relevant to activities that typically take less than one day to complete.	2
2021/22 Audit Planning	To provide services in relation to preparation and agreement of the 2021/22 Audit Plan.	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
2019/20 projects requiring completion	Additional time, if required, for the completion of 2019/20 audit work carried forward into the 2020/21 year. Any unused days will be returned to contingency for use on emerging risks and audits or allocated to audits in the reserve list.	10
<b>RESERVE LIST</b>		
Street Cleansing	To be agreed with management if the audit is brought forward.	

Apr	May	Jun	July	Aug	Sept
2019/20 Projects Requiring Completion	Payment Card Industry Compliance	Customer Services	Car Parking	Climate Change and Sustainability	Grounds Maintenance
Grange Paddocks and Hartham Leisure Centres	Food Safety	Risk Management	Waste Contract (follow up)	Fly Tipping	Emergency Planning
Facilities Management	Performance Management	Tree Management			

Oct	Nov	Dec	Jan	Feb	Mar
Old River Lane	Council Tax	Main Accounting	Treasury Management	Asset Management	
	Non-Domestic Rating	Debtors	Hardware Acquisition, Movement & Disposal	Millstream Property Investment	
	Housing Benefits	Creditors	Business Improvement Districts		
	My View (payroll self-service)	Payroll	Development Control		

At this stage, the above is an indicative spread of audits as not all services have specified a preferred start date.