



INTERNAL AUDIT PLAN 2021/22

EAST HERTS COUNCIL

AUDIT AND GOVERNANCE COMMITTEE
MARCH 2021

RECOMMENDATION:

Members are recommended to approve the proposed East Herts Council Internal Audit Plan for 2021/22

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A Proposed East Herts Council Internal Audit Plan 2021/22

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1. Introduction and Background

- 1.1 Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.
(Chartered Institute of Internal Auditors – Internal Audit definition and purpose)
- 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 Assurance annual report.
- 1.3 The Shared Internal Audit Service's (SIAS) Audit Charter was presented to the July 2020 meeting of this Committee and 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 July 2021 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:
- 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 SIAS complies with this requirement.
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2. Audit Planning Process

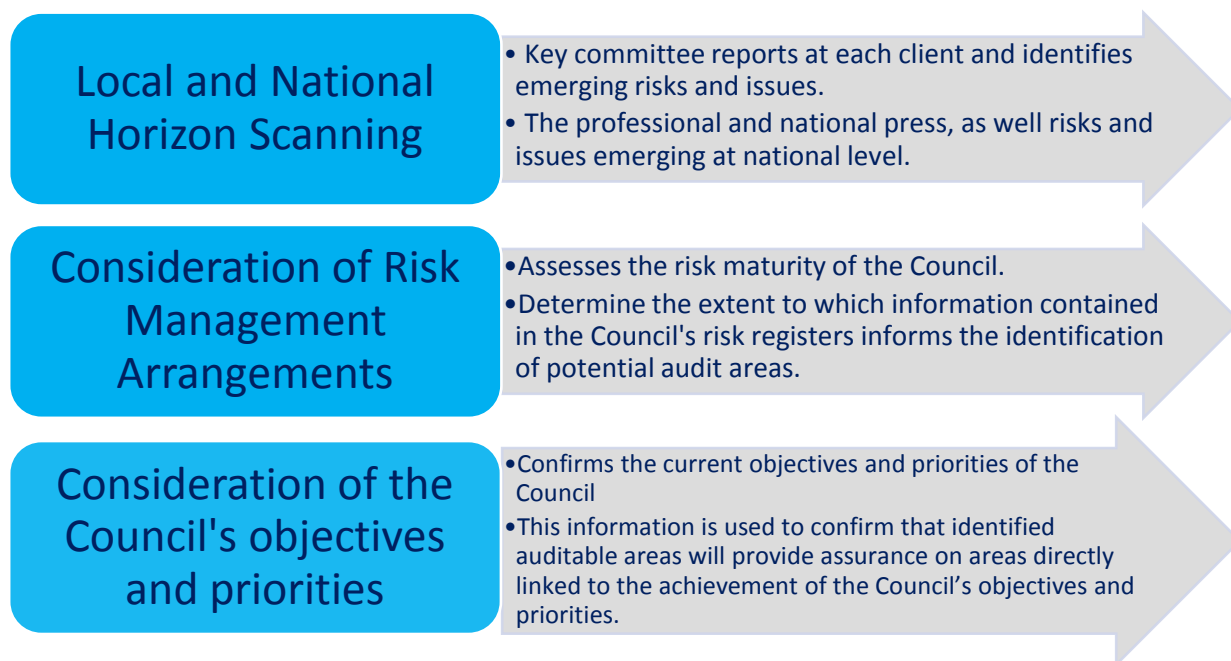
Planning Principles

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.
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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:



2.3 The approach to audit planning for 2021/22 has been characterised by:

- a) Discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of internal audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk assessment

Senior Managers and SIAS agree the level of risk associated with an identified auditable area and prioritise this (high, medium and low).

Other sources of assurance

Senior 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 where possible.

Significance

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

Timings

Senior 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.
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- c) The proposed 2021/22 plans for all SIAS partner councils are then scrutinised and cross-partner internal audits highlighted.

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:

- a) The impact of Covid-19 may not fully be known and will continue to have significant impact on the Council's operations in future years. Whilst the longer-term impacts of the pandemic remain speculative, the current challenges and risks relate to economic impacts, growth, public health and equality for local authorities.
- b) From 1 January 2021, the UK entered into new trading arrangements with the EU ending 11 months of transition arrangements. The result of the changes to trading with EU based companies will have an impact on Council services with additional risks needing to be considered that include compliance with customs rules, continuity of supply / services and workforce pressures related to the right to work in the UK.
- c) 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.
- d) 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 commercially minded.
- e) 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.
- f) 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 have the potential for profoundly altering 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
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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 internal audit plan and ensure the plan remains current and relevant as the financial year progresses, this is particularly key given the current challenges and risks of COVID-19 and the impact this has had on internal audit activity.
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Internal Audit Plan 2020/21

- 2.7 The draft plan for 2021/22 is included at Appendix A and B and contains a high-level proposed outline scope for each audit; Appendix C details the indicative start period. The number of days purchased in 2021/22 has reduced by 20 days, which for East Herts Council equates to a reduction from 320 days to 300 days.
- 2.8 The table opposite shows the estimated allocation of the total annual number of purchased internal audit days for the year, and the allocated budgets for 2020/21 for comparison and to demonstrate where the audit days saving has been achieved.
- 2.9 In reviewing the table opposite, Members will note the number of days (and percentage of total days) for the coverage of Key Financial Systems has been increased to accommodate an assurance mapping approach to avoid duplication with External Audit. Additionally, Members should be assured that the percentage of audit days for Other Audits remains broadly consistent. Members will note the reduction in days for Strategic Support, Contingency and Carry forward work.

	2021/22	%	2020/21	%
	Days		Days	
Key Financial Systems	70	23	64	20
Other Audits	142	47	159	50
IT Audits	16	5	12	4
Corporate Governance / Risk Management	12	4	10	3
Joint Reviews and Shared Learning	6	2	5	1
Strategic Support*	44	15	50	16
Contingency and other	5	2	10	3
Carry forward work	5	2	10	3
Total allocated days	300	100%	320	100%

* This includes supporting the Audit & Governance Committee, monitoring delivery of the audit plan, client liaison and audit planning for 2022/23.

- 2.10 In order to retain flexibility in the internal audit plan and to ensure SIAS has the ability to respond to any changes in environment at the Council, further planning discussions will be held with Senior Managers prior to September 2021. These discussions will allow SIAS and Senior Managers to undertake a further risk assessment on the planned projects during the final two quarters of the year as well as discussing any changes in risk exposure, emerging or new areas of risk or project work and any amendments to governance arrangements. The results of these discussions will be brought to the Committee to approve any changes.
- 2.11 A list of reserve internal audits that will be considered as a substitute for an agreed planned review that is cancelled in-year is presented at Appendix B.
- 2.12 Any significant internal audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan update reporting cycle.
- 2.13 Members will note the inclusion of a provision for the completion of projects that relate to 2020/21. 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.
- 2.14 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 Council'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.
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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. Progress against the agreed plan for 2021/22 and any proposed changes will be reported to this Committee four times in the 2021/22 civic year.
- 3.2 SIAS will report on the implementation of agreed high priority recommendations as part of the progress reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2021/22 are shown in the table adjacent. Actual performance against target will be included in the progress reports to this Committee.

Performance Indicator	Performance Target
1. Planned Days (percentage of actual billable days against planned days)	95%
2. Planned Projects (percentage of projects completed to draft report against planned projects)	95%
3. Client Satisfaction (percentage of satisfaction questionnaires returned at satisfactory level)	100%
4. Agreed High Priority Audit Recommendations	95%
5. Annual Plan	Presented to the March (or equivalent) meeting of each Audit & Governance Committee.
6. Head of Assurance's Annual Report	Presented to the first meeting of each Audit & Governance Committee in the new financial year.

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
Financial System Audits					
Key Financial Systems	Mapping the key financial systems to confirm appropriate lines of assurance. A full or targeted audit of one or more key financial systems. This may cover: a) Council Tax b) Business Rates c) Asset Management d) Treasury Management e) Payroll f) Creditors g) Debtors h) Housing Benefits	Provision to inform the key financial systems annual assurance opinion	Sponsor: Head of Strategic Finance and Property	70	3 and 4
Other Audits					
Resources Benefits Realisation	Identify the mitigating actions in place and evaluate the design and effectiveness. This may include a review of project business case(s) and benefits realisation	Strategic Risk	Sponsor: Head of Strategic Finance and Property	12	3
Capital Programme Delivery	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of supply chain resilience and project delivery	Strategic Risk	Sponsor: Head of Strategic Finance and Property	12	3
Corporate Capacity	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Effectiveness of recruitment to key posts b) Effectiveness of the employee recruitment and retention programmes	Strategic Risk	Sponsor: Head of Human Resources and Organisational Development	12	1

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
	c) Effectiveness of needs assessment, skills and training				
Contract Management	Identify the mitigating actions in place and evaluate design and effectiveness. This may include business continuity, supplier resilience and management of key contracts	Strategic Risk	Sponsor: Head of Strategic Finance and Property	10	2
COVID-19 Pandemic Response	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Effectiveness of all government grant applications and receipts b) Effectiveness of recovery planning and alignment to county level recovery c) Effectiveness of local management plans	Strategic Risk	Sponsor: Head of Housing and Health	12	2
Fly-Tipping	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Policies and procedures b) Fly-tipping complaints c) Fly-tipping investigations d) Case management and collection of penalties	Management Request – audit deferred from 2020/21	Sponsor: Head of Housing and Health	8	1
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	Management Request – audit deferred from 2020/21	Sponsor: Head of Strategic Finance and Property	10	2
Licensed Premises	Identify the mitigating actions in place and evaluate design and effectiveness. This may	Management Request	Sponsor: Head of Housing and Health	10	4

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
	include a review of: a) Application of legislative processes b) Process for licence review c) Enforcement				
Economic Development	Identify the mitigating actions in place and evaluate design and effectiveness. Specific coverage to be determined prior to audit start	Risk Register	Sponsor: Head of Communications, Strategy and Policy	12	3
Equalities	Identify the mitigating actions in place and evaluate design and effectiveness. This may include the use of an Equalities and Diversity Inclusion Toolkit	Risk Register	Sponsor: Head of Communications, Strategy and Policy	12	1
Safeguarding	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Policies and procedures b) Roles and responsibilities c) Communications d) Monitoring and compliance	Risk Register	Sponsor: Head of Housing and Health	10	2
Temporary Accommodation/Rough Sleepers	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: a) Strategy and policy b) Service access, responsibilities, referrals and notifications c) Rough sleeping arrangements	Management Request	Sponsor: Head of Housing and Health	10	4
Follow Up audits	Following up the status of recommendations reported at previous internal audits	Provision to follow up any Limited Assurance internal audits from 2020/21	To be determined	12	1 and 3

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
Risk Management and Corporate Governance					
Risk Management and Corporate Governance	Mapping the systems and processes to confirm appropriate lines of assurance in relation to: <ul style="list-style-type: none"> a) Strategic, operational and project risk management. b) Committee and reporting structures c) Roles, responsibilities and delegations d) Policies relating to codes of conduct, gifts and hospitality, fraud and corruption, whistleblowing, etc e) Self-assessment of governance structures 	Provision to inform the annual assurance opinion	Sponsor: Head of Strategic Finance and Property, Head of Legal and Democratic Services	12	4
IT Audits (in conjunction with Stevenage Borough Council)					
IT Resilience	Identify the mitigating actions in place and evaluate design and effectiveness. This may include a review of: <ul style="list-style-type: none"> a) Adapting to planned or unplanned events b) Restoration of service level c) Risk management 	Risk Register	Sponsor: Deputy CEO	6	4
Cyber Security Assurance Mapping	Mapping to confirm appropriate lines of assurance in relation to: <ul style="list-style-type: none"> a) Security management and governance b) Security awareness c) Network security management d) Account access 	Risk Register	Sponsor: Deputy CEO	10	2

Title	Description	Days
Shared Learning and Joint Reviews		

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22

Title	Description	Days
Joint Reviews	Joint review topics to be agreed by the SIAS Board.	4
Shared Learning	Production of SIAS Quarterly Shared Learning Papers.	2
Contingency		5
Client Management – Strategic Support		
Head of Internal Audit Opinion 2020/21	To prepare and agree the Head of Internal Audit Opinion 2020/21.	3
Audit & Governance Committee	To provide service linked with the preparation, agreement and presentation of Committee reports. Follow up of High priority recommendations.	12
Client Meetings and ad-hoc advice	Meetings with the Council's S151 Officer and other key officers and attendance at corporate groups. External audit liaison. Advice on internal control issues identified by the SAFS.	8
Plan Monitoring, Work Allocation and Scheduling	Audit Plan monitoring and reporting.	12
SIAS Development/EQA	Included to reflect the Council's contribution to developing the partnership and the external quality assessment due in 2021/22.	5
2022/23 Internal Audit Planning	Provision of services to prepare, agree and report the 2022/23 Annual Internal Audit Plan.	4
Completion of outstanding 2020/21 projects	Completion of outstanding work from 2020/21.	5

APPENDIX B – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2021/22 – RESERVE LIST

Provided below is a list of reserve internal audits that may be introduced, if required, into the plan during 2021/22:

Audit Title	Proposed Scope / Risk Areas	Officers	Days
Community Wellbeing	Associated Board strategy, terms of reference, performance management or governance framework.	Sponsor: Head of Housing and Health	To be determined prior to audit start
Garden Waste	A post implementation review of the new garden waste scheme	Sponsor: Head of Operations	
Subject Specific Procurement	An audit review of recent high value procurement activity for legislative compliance and value for money	Sponsor: Head of Strategic Finance and Property	
Emergency Planning	The internal audit may include: a) Ability to manage disruption and or loss of service b) Civil Contingencies Act and emergency preparedness	Sponsor: Head of Housing and Health	
Health & Safety	The audit may include: a) Effectiveness of guidance for safe working practice in different operational settings b) Effectiveness of service self-audits against the H & S management framework c) Effectiveness of risks assessments accessibility and review process in place d) Effectiveness of H & S training for all roles across the Council e) Effectiveness of audits on high and medium risk areas f) Effectiveness of high-risk monitor reviewed by SHSG and HR Matters meetings	Sponsor: Head of Human Resources and Organisational Development	

APPENDIX C – INDICATIVE INTERNAL AUDIT START PERIODS

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Corporate Capacity	Contract Management	Key Financial Systems	Key Financial Systems
Fly Tipping	COVID-19 Pandemic Response	Resources Benefits Realisation	Licensed Premises
Equalities	Property Investment	Capital Programme Delivery	Temporary Accommodation / Rough Sleepers
Audit Follow up	Safeguarding	Economic Development	Risk Management & Corporate Governance
	Cyber Security	Audit Follow up	IT Resilience
