



# INTERNAL AUDIT PLAN 2022/23

**EAST HERTS COUNCIL**  
AUDIT & GOVERNANCE COMMITTEE  
5 April 2022

**RECOMMENDATION:**

Members are recommended to approve the proposed East Herts Council Internal Audit Plan for 2022/23

## Contents

### 1. Introduction and Background

### 2. Audit Planning Process

2.1 Planning Principles

2.2 Approach to Planning

2.11 Planning Context

2.14 Internal Audit Plan 2022/23

### 3. Performance Management

3.1 Update Reporting

3.3 Performance Indicators

## Appendices

A Proposed East Herts Council Internal Audit Plan 2022/23

B Indicative Audit Start Dates

**RECOMMENDATION:**

Members are recommended to approve the proposed East Herts Council Internal Audit Plan for 2022/23

# 1. Introduction and Background

- 1.1 The mission of Internal Audit is “to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”. The Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These Standards note that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The SIAS Board has approved the SIAS Internal Audit Strategy in December 2021 and this strategy outlines how SIAS will achieve the mission of Internal Audit and ensure ongoing compliance with the PSIAS. The following report follows the key principles within the Strategy related to Audit Planning and Resourcing, with the Strategy document itself being available to Members upon request.
- 1.2 The PSIAS set out how SIAS must approach audit planning. The specific standards that SIAS must adhere to are as follows:

Standard	Description
2010	A risk-based plan, setting out audit priorities consistent with the goals of the organisation.
2010	Linked to annual opinion need and Internal Audit Charter
2010.A1	Based on documented risk assessment, updated at least yearly and consulting Senior Management and Members
2010.A2	Reflect expectations of Senior Management, Members, and other stakeholders
2020	Communicated to Senior Management for review and to Members for approval
2030	Ensure internal audit’s resources are fit and effectively used
2030	Must explain how resource adequacy assessed, and set out results of any limits

- 1.3 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 Chief Audit Executive’s Annual Opinion Report.
- 1.4 The Shared Internal Audit Service’s (SIAS) Audit Charter was presented to the November 2021 meeting of this Committee, and it 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 next Audit & Governance Committee meeting for Member approval.
- 1.5 Section 2 of this report details how SIAS complies with these requirements.

## 2. Audit Planning Process

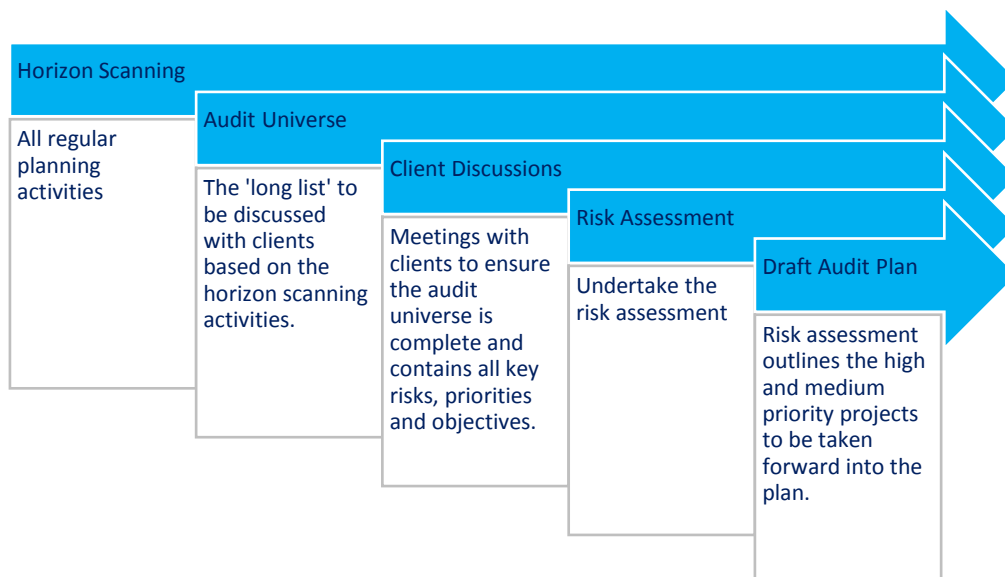
### Planning Principles

2.1 SIAS audit planning is underpinned by the following principles:

- a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including governance work.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy, and other forms of advice.

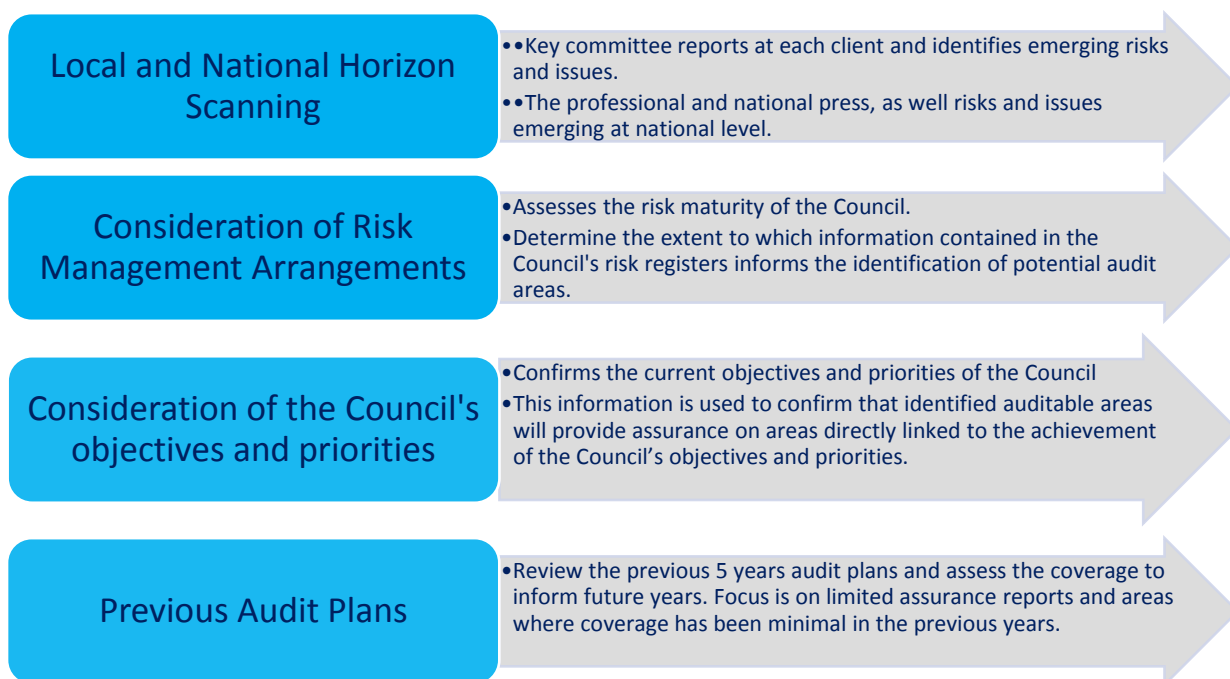
## Approach to Planning

- 2.2 In June 2021, SIAS was subject an External Quality Assessment (EQA) and this provided observations relating to its approach to planning. As a result, SIAS has developed an updated approach to annual planning that ensures ongoing compliance with the requirements of the PSIAS. SIAS now applies the following methodology at all its partners:



### Horizon Scanning and Audit Universe

- 2.3 SIAS conducts horizon scanning to ensure that it is aware of the key issues and risks locally and nationally as well as the corporate and service objectives of the Council. To do this, SIAS undertakes the following activities:



- 2.4 Following the horizon scanning work, SIAS creates an Audit Universe based on all auditable areas and entities. The Audit Universe forms the basis of discussions with Senior Managers.

## Client Discussions

- 2.5 SIAS undertook 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 gathering of information to inform the risk assessment phase of audit planning.

## Risk Assessment

- 2.6 The overarching risk that SIAS bases planning against is the risk that audit work completed does not provide sufficient coverage and significance for SIAS to provide a robust annual opinion. Therefore, SIAS risk assesses each auditable area to ensure that their resources are directed appropriately.
- 2.7 To assess the priority level of the proposed assignments a methodology allocates a score of 1-4 (1 = Low, 4 = High) to each of the following areas:
1. **Financial Materiality** – the relative significance of the system, process, or service, in financial terms, to the Council.
  2. **Corporate Significance** – the extent to which the system, process or service impacts on the Council’s objectives, priorities, or risks (including legal or regulatory requirements).
  3. **Vulnerability and Change** – the extent to which the system, process or service is liable to breakdown, fraud, loss or error or changes that have taken place or due to take place.
  4. **Management Concerns** – the management assessment of risk to the organisation
- 2.8 The following aspects will reduce the overall score:
1. **First line assurance** (e.g. Management) – assurance received from management through AGS processes, implementation of recommendations, etc.
  2. **Second line assurance** (e.g. compliance, regulator, ombudsman, etc.) – assurance provided by other sources.
  3. **Third line assurance** (e.g. Internal Audit) – previous assurance reviews completed in the specified service area, process, or system.
- 2.9 Each element that affects the overall score is weighted to demonstrate the significance of the area when drawing an opinion or the quality of the assurance that has previously been received. This will provide an overall risk score and therefore determine if the project is deemed to be high, medium, or low risk.

## Draft Audit Plan

- 2.10 The results of the risk assessment and discussions with Senior Mangers provides a draft Internal Audit Plan. SIAS has presented this draft plan to the Senior Leadership Team to seek their views on the assessments completed

and to provide any further updates or comments. The outcome is now presented to Members as part of this report for their approval of the Draft Internal Audit Plan 2022/23.

### **The Planning Context**

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

- The full impact of Covid-19 may not 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.
- 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.
- Latest forecasts show a mixed outlook for the UK economy, reflecting increasing national and international uncertainties. Local authorities will need to be attuned to the impact, including the potential reduction in business rates, and increasing unemployment, on their local economies and services and any direct investments of their own.
- Demand continues to rise, driven by complex needs, an ageing population, and challenges in the healthcare system. With reduced financial support, local authorities will have to continue to become more innovative and commercial.
- Cyber security remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful cyber attacks recently. Continued vigilance and awareness remain key to protecting the information assets of local authorities.
- Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.
- Major national programmes in areas like changes to the retention of business rates, public health and housing mean the overall financial environment remains relatively unstable.

- There have been high profile governance issues, conflicts of interest, probity, and procurement, at both national and local levels creating a culture of mis-trust in all tiers of government.
- Local authorities are facing significant challenges in relation to talent management, both in terms of recruitment and retaining staff meaning ability to remain resilient and deliver high quality services may become a concern in the short term.

2.12 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.13 The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.
- Retain flexibility in the 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 audit activity.



## Internal Audit Plan 2022/23

- 2.14 The draft plan for 2022/23 is included at Appendix A and contains a high-level proposed outline scope for each audit; Appendix B details the indicative start months. The number of days purchased in 2022/23 is 250 days.
- 2.15 The table shows the estimated allocation of the total annual number of purchased audit days for the year.

	<b>2022/23 Days</b>	<b>%</b>
Key Financial Systems	<b>43</b>	<b>17%</b>
Other Audits	<b>132</b>	<b>53%</b>
IT Audits	<b>10</b>	<b>4%</b>
Joint Reviews and Shared Learning	<b>5</b>	<b>2%</b>
Strategic Support*	<b>49</b>	<b>20%</b>
Contingency and other	<b>5</b>	<b>2%</b>
Carry forward work 2021/22	<b>6</b>	<b>2%</b>
<b>Total allocated days</b>	<b>250</b>	<b>100%</b>

\* This covers supporting the Audit & Governance Committee, monitoring delivery of the audit plan, client liaison and planning for 2023/24

- 2.16 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan update reporting cycle. The postponement or cancellation of any high priority audits will require approval from the Head of Strategic Finance & Property.
- 2.17 Members will note the inclusion of a provision for the completion of projects that relate to 2021/22. 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 demands on their time, e.g. year-end closure procedures.
- 2.18 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Chief Audit Executive 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 S151 Officer.

## Resources

- 2.19 The Standard 2030 requires SIAS to consider our resources, how these will be effectively used and any limitations of the adequacy of resources.
- 2.20 Achievement of our role and objectives is predicated on the matching of audit needs to available resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in a matrix structure to maximise the value to all our partners and clients. SIAS resources are calculated based on the chargeability of each member of the team and the structure was designed to ensure sufficient chargeability to deliver all plans.
- 2.21 SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.
- 2.22 SIAS staff are provided training and development across the year to support service delivery at our partners. In addition, SIAS provides funding for professional qualifications and currently has three team members studying towards their professional qualifications.
- 2.23 The service will be adequately resourced to deliver the number of planned internal audit days commissioned by East Herts Council. There are currently no limitations on the adequacy of resources in place to deliver the East Herts Council Internal Audit Plan 2022/23.
- 2.24 During 2022/23, SIAS is undertaking a number of service development activities designed to drive efficiency in our methodology. More details on this are provided to SIAS Board Members through the SIAS Service Plan updates and through the Annual Report provided to this Committee.

### 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 2022/23 and any proposed changes will be reported to this Committee four times in the 2022/23 civic year.
- 3.2 SIAS will report on the implementation of agreed high priority recommendations as part of the update reporting process.

#### Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2022/23 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target	Reporting Frequency
<b>1. Public Sector Internal Audit Standards</b> – the service conforms with the standards	Yes	Annually
<b>2. Internal Audit Annual Plan Report</b> – approved by the March Audit & Governance Committee or the first meeting of the financial year should a March committee not meet	Yes	Annually
<b>3. Annual Internal Audit Plan Delivery</b> – the percentage of the Annual Internal Audit Plan delivered	95%	Quarterly
<b>4. Project Delivery</b> – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	Quarterly
<b>5. Client Satisfaction*</b> – percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	TBC*	TBC*
<b>6. Chief Audit Executive's Annual Assurance Opinion and Report</b> – presented at the first Audit & Governance Committee meeting of the financial year	Yes	Annually

\*The approach for obtaining client feedback is currently being reviewed, therefore this indicator will be added, if it remains relevant, upon completion of this exercise.

## APPENDIX A – PROPOSED EAST HERTS COUNCIL AUDIT PLAN 2022/23

Audit	Proposed Outline Scope	Proposed Days
<b>COVERAGE OF KEY FINANCIAL SYSTEMS</b>		
Business Rates (shared with SBC).	An audit covering risks linked to raising liability, billing (including reliefs and discounts), collection, and recovery.	43
Council Tax (shared with SBC).	An audit covering risks linked to raising liability, billing (including reliefs and discounts), collection, and recovery.	
Housing Benefits (shared with SBC).	An audit covering risks linked to claim submission, assessment, changes in circumstances and payment.	
Asset Management Assurance Mapping.	Mapping the various sources of assurance, the associated control framework and identifying any gaps.	
Creditors Assurance Mapping Refresh.	A short review of the existing assurance map for any changes and exceptions.	
Debtors Assurance Mapping Refresh.	A short review of the existing assurance map for any changes and exceptions.	
Treasury Management Assurance Mapping Refresh.	A short review of the existing map for any changes and exceptions.	
Payroll Assurance Mapping Refresh.	A short review of the existing map for any changes and exceptions.	
<b>COVERAGE OF OPERATIONAL SERVICES</b>		
Contract Management	An audit covering risks linked to client team inspections and management across contracts e.g. leisure, street cleansing, open space management.	
Community Wellbeing & Partnerships	An audit covering risks linked to grant applications and payments, benefits realisation.	
Housing Acquisition & Conversion –	An audit covering risks linked to governance and the end to end project	

## APPENDIX A – PROPOSED EAST HERTS COUNCIL AUDIT PLAN 2022/23

Audit	Proposed Outline Scope	Proposed Days
Queens Road	lifecycle.	56
General Fund Health & Safety Property Compliance.	A targeted audit covering risks linked to water, gas, electrical or fire safety across the council's estate.	
Refuse Services (shared with NHDC).	An audit covering risks linked to income and expenditure associated with the collection of domestic and or trade refuse.	
Grant Claims	To certify grant claims required during the year.	
<b>COVERAGE OF CORPORATE SERVICES/THEMES</b>		
Transforming East Herts.	Provision for providing continuous assurance linked to the six transformation workstreams.	76
Supply Chain Interruption.	An audit covering risks linked to supply chain failure and associated business interruption.	
Elections Payroll.	An audit covering risks linked to elections payroll process/system within Elections.	
Customer Services.	An audit covering risks linked to complaints management and the ombudsman.	
Information Governance.	A targeted audit covering risks linked with human error and management reporting.	
Risk Management Assurance Mapping Refresh.	A short review of the existing assurance map for any changes and exceptions.	
Corporate Governance Assurance Mapping Refresh.	A short review of the existing assurance map for any changes and exceptions.	

## APPENDIX A – PROPOSED EAST HERTS COUNCIL AUDIT PLAN 2022/23

Audit	Proposed Outline Scope	Proposed Days
Whistleblowing.	A targeted audit covering risks linked to policies & procedures.	
<b>COVERAGE OF INFORMATION TECHNOLOGY</b>		
Malicious Software (shared with SBC).	An audit covering risks linked to malicious software and phishing emails, staff awareness and training.	10
Cyber Security Framework Assurance Mapping Refresh (shared with SBC).	A short review of the existing assurance map for any changes and exceptions.	
<b>JOINT REVIEWS &amp; 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. Any unused audit days will be returned to contingency for use on emerging audits / risks, applied to other audits in the plan or used on audits in the reserve list.	5
Shared Learning.	Shared Learning Newsletters and Summary Themed Reports. Audit & Governance Committee and Joint Review Workshops.	
<b>CONTINGENCY</b>		
Contingency.	To provide for adequate response to risks emerging during the course of the financial year.	5
<b>STRATEGIC SUPPORT</b>		

## APPENDIX A – PROPOSED EAST HERTS COUNCIL AUDIT PLAN 2022/23

Audit	Proposed Outline Scope	Proposed Days
Head of Internal Audit Opinion 2021/22.	To prepare and agree the Head of Internal Audit Opinion and Annual Report for 2021/22.	3
Audit & Governance Committee and Recommendation Follow Up.	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. Follow up of any Critical and High priority recommendations.	12
Client Liaison, Ad-hoc Advice.	This involves meetings and updates with the Council's Audit Champion and other key officers. Also, provision for audit related advice and assistance not covered elsewhere.	10
Plan and Progress 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 maintain the shared service / partnership through its service plans and corporate activities.	5
Matters Arising From SAFS	To deal with any audit related matters arising from work carried out by the Shared Anti-Fraud Service.	2
2023/24 Audit Planning.	To provide services in relation to preparation and agreement of the 2023/24 Audit Plan.	5
2021/22 projects requiring completion.	Additional time, if required, for the completion of 2021/22 audit work carried forward into the 2022/23 year. Any unused days will be returned to contingency for use on emerging risks and audits or allocated to audits in the reserve list.	6
<b>TOTAL</b>		<b>250</b>

## APPENDIX A – PROPOSED EAST HERTS COUNCIL AUDIT PLAN 2022/23

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Audit	Proposed Outline Scope	Proposed Days
<b>RESERVE LIST</b>		
Cash & Banking Assurance Mapping	To be determined should the audit be promoted from the Reserve List	To be determined
Bishops Stortford Town Centre Regeneration		
Emergency Planning		



## APPENDIX B – EHC INDICATIVE AUDIT START DATES

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Apr	May	Jun	July	Aug	Sept
Customer Services	Contract Management	Community Wellbeing & Partnerships	General Fund Health & Safety Property Compliance.	Refuse Services	Supply Chain Interruption
Information Governance	Whistleblowing	Asset Management Assurance Mapping		Elections Payroll	Malicious Software

Oct	Nov	Dec	Jan	Feb	Mar
Housing Benefits	Council Tax	Creditors Assurance Mapping Refresh	Corporate Governance Assurance Mapping Refresh	Housing Acquisition & Conversion – Queens Road	
	Business Rates	Debtors Assurance Mapping Refresh	Risk Management Assurance Mapping Refresh	Cyber Security Assurance Mapping Refresh	
		Treasury Management Assurance Mapping Refresh	Payroll Assurance Mapping Refresh		

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