



Shared Internal Audit Service
Hertfordshire in Partnership

Shared Internal Audit Service

Annual Report **2018/19**

Annual Report Contents

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**WELWYN
HATFIELD**
BOROUGH COUNCIL



THREE RIVERS
DISTRICT COUNCIL



Stevenage
BOROUGH COUNCIL




Hertfordshire

Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2018/19.

I am writing this year's introduction with a smile on my face, and a quiet sense of professional satisfaction. We have reason to celebrate success this year in that we achieved our overall performance targets again despite several ongoing challenges. This follows a two-year period where our targets were narrowly missed.

This has only been possible with the commitment and dedication of both the in-house team and our external service provider, as well as the co-operation of our partners and stakeholders. I am very proud of the work of the SIAS Team and delighted to be able to look to the future with a sense of cautious optimism.

Following the completion of the SIAS restructure in 2017/18, the year had a strong focus on delivery of our partners audit plans, as well as consolidation, stability and revisiting the 'nuts and bolts' of the service to ensure that we had solid foundations for the future.

We are pleased to have BDO back with us as our external delivery partner after a competitive tender process. They have been a vital component of service resilience and access to specialist skills, and we look forward to the continuation of our successful relationship.

I received some sage advice recently from one of our Audit Committee Chairs, who reminded me that internal audit is not just about performance indicators but also about positive outcomes for good governance. To this end, we expanded and developed hugely beneficial relationships with our Audit Committees and achieved notable success in areas such as follow-up and implementation of internal audit recommendations.

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

Chris Wood

Head of the Shared Internal Audit Service

June 2019

Levels of Delivery

Whilst the Service faced some challenges during the year arising from staff sickness absences and vacancies, it nonetheless surpassed its overall target of delivering 95% of days commissioned by clients with a final outturn of 96%. This is a testament to the hard work and resilience of the SIAS Team.

Despite the challenges referred to above, the Service achieved its overall target of delivering 95% of its audit reviews to draft report stage by the close of the year.

Figure 1: Percentage of audits days delivered

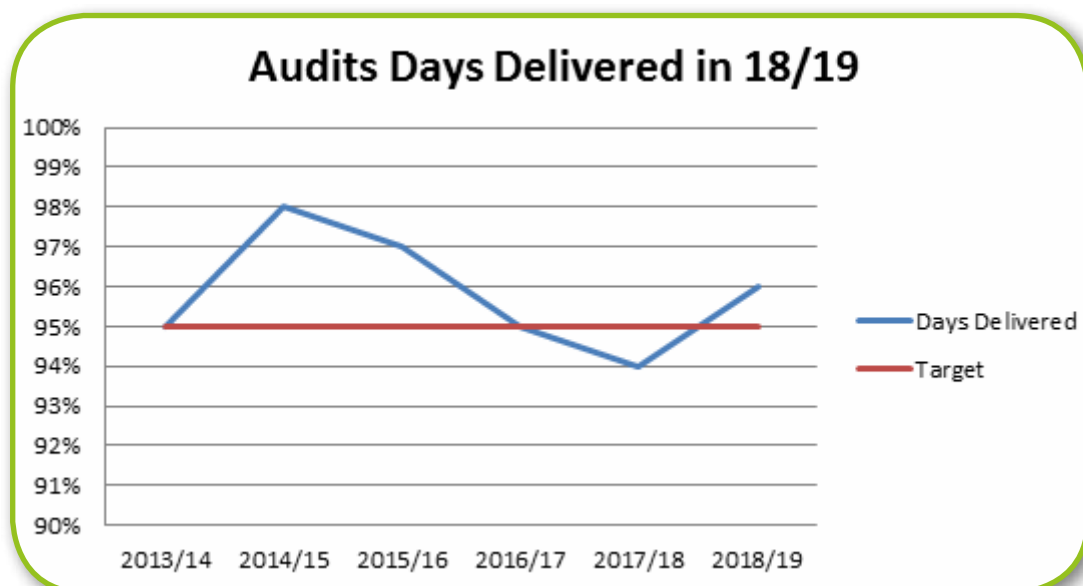
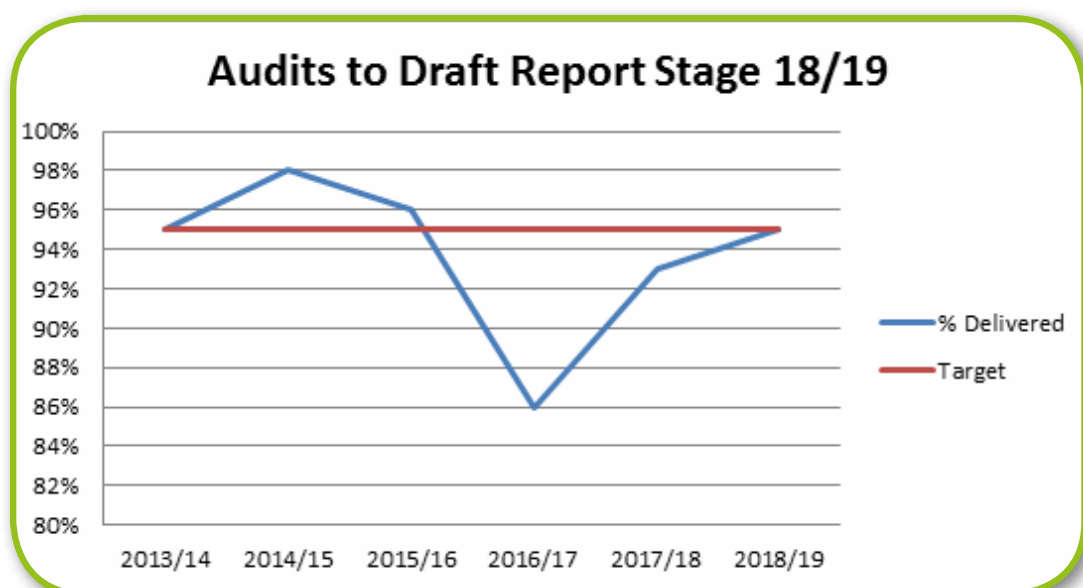


Figure 2: Percentage of audits to draft stage



**Achieved
its overall
targets despite
resilience
challenges...**

Shared learning - The Power of Partnership

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

Our quarterly shared learning papers are now a regular feature at management boards, governance groups and team meetings across our partners

Over the course of 2018/19, our quarterly shared learning papers continued to be a regular feature at management boards, governance groups and team meetings across our partners. General learning points arising from our work (e.g. high priority recommendations from across our partners) and the wider local government environment have been disseminated through our regular papers with contributions from across our Assurance Services. A recurring theme arising from our internal audit work was partnership or shared service governance.

In addition to our shared learning papers and newsletters, we hosted a very well received follow-up workshop for our partners and other stakeholders building on the Local Authority Trading and Commercial Governance themes from last year, utilising the commercial expertise of our audit delivery partners BDO.

We have used our governance expertise to develop internal audit recommendation databases, update Audit Committee Terms of Reference and facilitate the Annual Governance Statement process for our partners, with the learning from one partner informing similar exercises at others.

During the year, an audit on Financial Monitoring and Business Continuity Arrangements– 3rd Party Contractors fed directly into a Member-led Scrutiny on supply, market and contractor volatility post Carillion at one of our partners. This topic has now informed several audit plans of other SIAS partners and had also featured in the 'Audit Together' newsletter to which we contribute, along with other topical issues such as Brexit Preparedness.

Our involvement with 'Audit Together', a strategic alliance of similar internal audit partnerships, our audit delivery partners (BDO) and an array of contacts through bodies such as the Local Authority Chief Auditors Network (LACAN) and Home Counties Chief Internal Auditors Group (HCCIAG) have been invaluable in sharing experiences, points of practice and ideas that help us to develop as a service in response to client need and the ever-evolving field of internal audit. Our staff, partners and Audit Committee members continue to provide helpful challenge, which causes us to pause and think about matters big and small, whether about assurance levels, recommendation priorities, professional judgement and intellectual curiosity or about our skills, performance, systems and culture.

Developing our People and Processes

SIAS is committed to providing its services to clients in the most cost effective and resilient way possible, while giving the service the management and performance information it needs to support decision making and work allocation processes. The development of our in-house time recording, and audit plan management system is an excellent example of a service development that has delivered on both counts.

The technology for the new systems is based around established Microsoft products (Excel and Access) and the costs associated with system maintenance are absorbed within existing corporate overheads. This has allowed the Service to not only secure a financial saving of circa £3,000 per annum but, more importantly, to future proof its existing business processes.

Building on these recent developments, SIAS has introduced an online, real-time performance dashboard that allows our team to track their individual performance against targets, review their work allocation and monitor progress of audit delivery. This has been integrated into the monthly one-to-one meetings the team has with their line managers, as well as the formal appraisal (PMDS) process.

We also commenced the process of reviewing and updating our Internal Audit Manual. This is a comprehensive set of working documents designed to inform, direct, guide and train internal auditors within the team, and includes things such as our vision, structure charts, policies, audit methodology, quality control arrangements and working paper and report templates.

New assurance levels and internal audit recommendation priorities were introduced across our partners and became 'business as usual' as the year progressed.

Processes of course mean nothing without skilled team members to meet the ever-changing demands on a modern internal audit service.

We rolled out a Training and Skills Matrix based on the Chartered Institute of Internal Auditors (CIIA) Core Competency Framework, the Internal Audit Apprenticeship and the requirements of the Public Sector Internal Audit Standards to identify opportunities for collective and individual improvement and development. The results will inform a training, development, skills and succession planning project in 2019/20 (see Future Developments below).

We also successfully recruited two Trainee Auditors, one of whom is the first in our team to embark on the new Internal Audit Apprenticeship. One of our Client Audit Managers was the public sector representative on the CIIA / Barclays Learning and Development Forum that developed the Apprenticeship Standard in the first instance.



Service developments delivering cost effectiveness and resilience, while informing decision-making

Skilled team members to meet the ever-changing demands on a modern internal audit service

“A professional and friendly service which will provide value...”

First Class Customer Service

In order 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 2018/19 we have received 100% satisfactory or higher feedback rating from our customers; an improvement on the previous year.

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

“Auditor astute and approachable. A number of insightful queries regarding process and record keeping were made to inform the assessment.”

“Excellent service conducted by experienced Auditor with a wealth of experience who understood our processes and systems.”

“A professional and friendly service which will provide value to the strategic direction of ICT at Hertsmere”

“Auditor was really good during the process, asking us questions and probing us when necessary. It was good to complete this to make sure we are following the correct processes and to have formal confirmation that we are doing everything that we should be doing to a high standard.”

“The service received was professional and took the time to investigate the issues surrounding this project. At the same time officers were easy to communicate with putting me at ease with the process. At all times I felt that there was a genuine desire to identify any issues and concerns without being onerous or overbearing to reach a predetermined outcome. There was no prejudgement of the situation and I had plenty of opportunities to ask for clarifications throughout the process.”

“Outstanding service. Thank you for the advice and help. Very happy with the service provided. ‘The auditor’ gave excellent advice which was very helpful. Thank you”

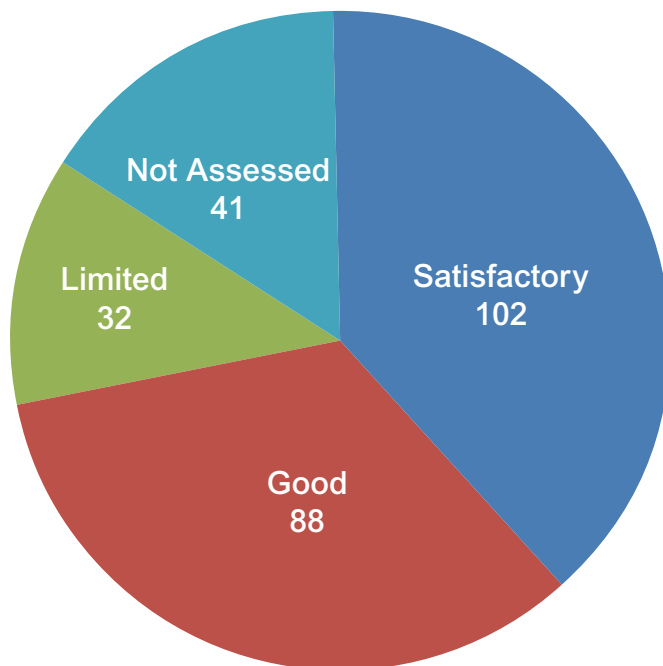


Performance - Outcomes

SIAS completed 263 assurance and other projects to 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:

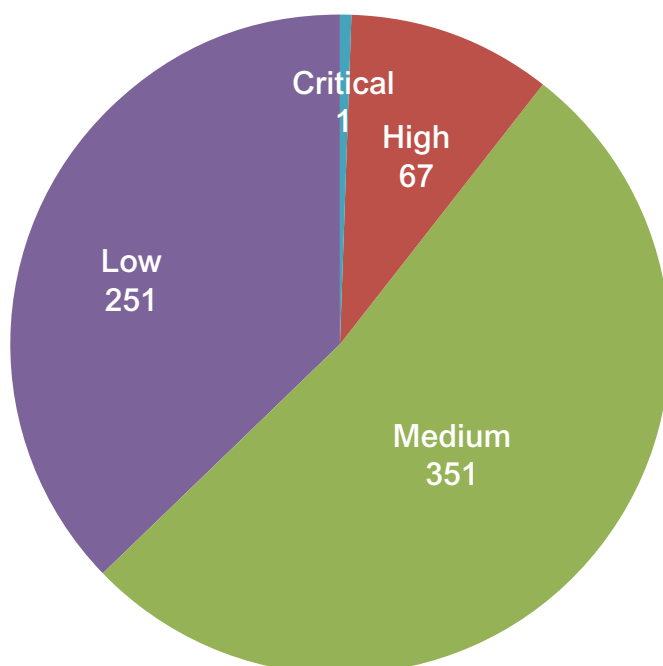
Figure 3: Distribution of Audit Opinions 2018/19



263 assurance and other projects identifying 670 recommendations

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

Figure 4: Prioritisation of Recommendations 2018/19



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 2018	Actual as at 31 March 2019	Commentary
Progress against plan: actual days delivered as a percentage of planned days.	95%	94%	96%	Despite continued resilience challenges in year, the service achieved both of its targets.
Progress against plan: audits issued in draft by 31 March	95%	93%	95%	
Client satisfaction	100% client satisfaction questionnaires returned at 'satisfactory overall' level or above	97%	100%	Continued good performance in this area

Financial Performance of SIAS

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

Appendix A sets out the summary financial position at 31 March 2019. The partners determined that the service should aim to build a reasonable surplus and to consider the financial position of the service on a three-year rolling basis.

The intention of this is to smooth the impact of any unforeseen events impacting on trading performance in future years.

Future Developments



The SIAS Service Plan for 2019/20 is divided into four themes focusing on People, Performance, Position and Process. This facilitates undertaking service development in a structured and methodical way to achieve our vision of being an exemplar shared service at the leading edge of audit service delivery.

The SIAS Management Team held an away afternoon in April to develop the main ideas in our 2019/20 Service Plan. A number of 'quick wins' were identified, as well as three projects that we would like to complete ahead of our next peer review required by the end of 2020. The projects centre on the following:

- a) Training, skills, development and succession planning (People theme),
- b) Work allocation (Performance theme), and
- c) Updating and improving the SIAS profile and content on partner intranet and websites, as well as Schools Grid (Position theme)

The changing face of service delivery within Local Government also presents the Service with new opportunities, challenges and demands and a need to provide higher levels of consultancy advice, evolve our knowledge and skills, and apply new approaches and techniques to the work at hand. The increased use of, or access to, data analytics tools is likely to become a key feature in the work of the Service going forward. The use of these tools will allow the Service to facilitate delivery of the widest coverage of process driven areas.

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 2018/19, our Board members were as follows:

Name	Title	Partner
Clare Fletcher	Assistant Director (Finance and Estates)	Stevenage Borough Council
Sajida Bijle	Corporate Director	Hertsmere Borough Council
Steven Pilsworth	Interim Director of Resources	Hertfordshire County Council
Ian Couper	Service Director (Resources)	North Hertfordshire District Council
Ka Ng	Executive Director – Resources, Environment and Cultural Services	Welwyn Hatfield Borough Council
Isabel Brittain	Head of Strategic Finance and Property	East Herts Council
Jo Wagstaffe	Shared Director of Finance	Watford Borough Council and Three Rivers District Council
Terry Barnett	Head of Assurance	SIAS



Appendix A - SIAS cost centre: revised budget against outturn 2018/19

	Budget £	Outturn £
Salaries & Salary Related	1,054,410	980,670
Partner / Consultancy Costs	95,875	137,313
Transport	8,500	7,313
Supplies	18,483	9,890
Office Accommodation Cost	17,005	17,005
Total expenditure	1,194,273	1,152,191
Income	1,209,339	1,220,711
Net (surplus) / deficit	(15,066)	(68,520)



Appendix B - Definitions of Assurance Levels and Priority of Recommendations

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

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.
	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.
Service	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

