

# Shared Internal Audit Service

Annual Report **2019/20**

# Annual Report Contents

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# Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2019/20.

As I write, we are experiencing a gradual easing of lockdown, isolation and restricted movement as a result of the Covid-19 pandemic. Many of us have been charting a course through the unfamiliar waters of home working, while simultaneously managing family demands and caring responsibilities. For me, it has been trying to strike the right balance between the priorities of the workplace with home schooling duties, most recently finding myself immersed in the world of fractions, grammar and punctuation and a project on trees.

We have been through a period of rapid and unexpected change that has challenged our wellbeing and left many exhausted, fatigued and anxious. We would all do well to reach into our reserves of empathy and patience, listen to one another and recognise that mistakes may be made. I am in awe though of the courage, resilience and sheer energy of friends and colleagues, who have achieved so much so quickly transforming services, throwing themselves into the fray and raising the spirits of others.

I am proud that SIAS did not stand on the side lines, but that several members of the team volunteered for redeployment opportunities at some of our partners and got involved with the Covid-19 response. It is fascinating to hear from them about their new experiences, skills developed, and confidence acquired on the frontline. It is equally gratifying to hear the sincere praise for their efforts which has brought credit to themselves and made them great ambassadors for SIAS.

It has been a year of promotions and departures. On the one hand, I am thrilled that Darren Williams has been appointed to the Head of SIAS role as of 1 April 2020 and saddened to see my friend and mentor, Terry Barnett, head off into a much-deserved retirement. Covid-19 reared its head here too, as it denied everybody the opportunity to say their farewells, and I found myself having a somewhat surreal and unusual start to my tenure as Head of Assurance. This is certainly not what was planned for during my handover, but in its own way, it has been fascinating and brimming with opportunity for SIAS as it looks to recovery phase planning and the rapidly unfolding future of assurance provision.

The events of March 2020 seemed to overshadow all that preceded it, but for further highlights and reflections, I invite you to delve into the Annual Report itself. As ever, I enjoy the engagement, dialogue and feedback the report fosters.

**Chris Wood**

*Head of Assurance*

June 2020



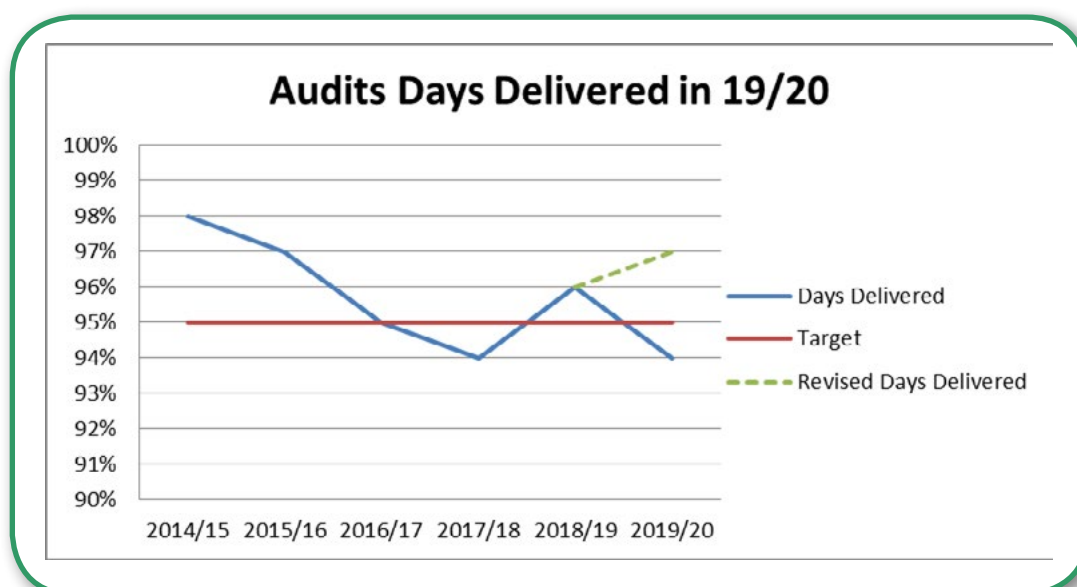
## Levels of Delivery

The Service faced some challenges during the year arising from staff sickness absences and vacancies. The impact of COVID-19 was keenly felt in March 2020 and posed significant audit delivery challenges at a key time in the year when our partners were rapidly refocusing on the COVID-19 response.

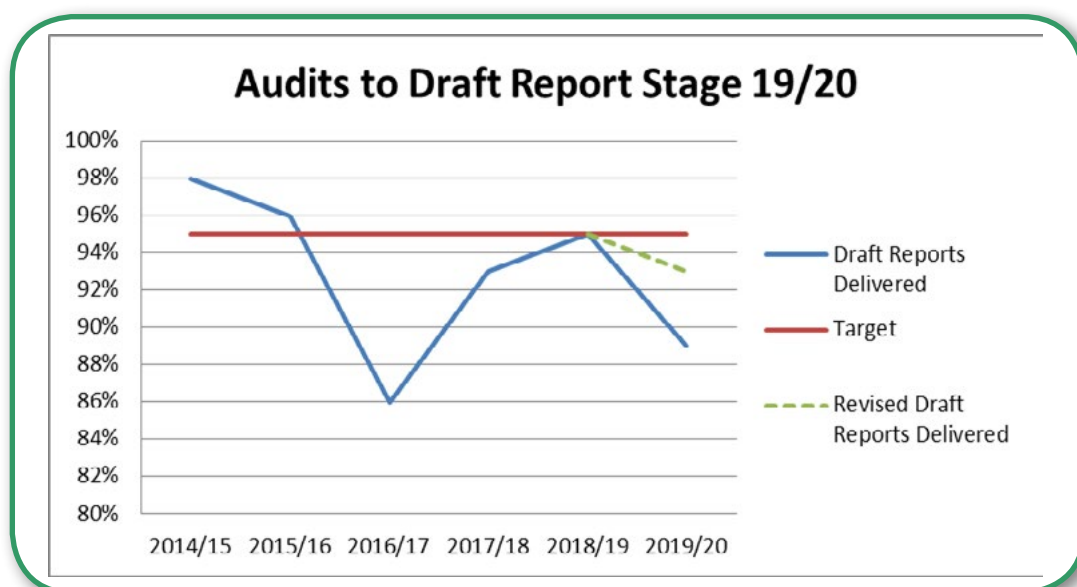
The Figures below indicate the outturn for our performance objectives against the original audit plans, as well as revisions in performance that account for the impact of audits unable to commence or complete.

That we managed to do as well as we did in the end on our overall objectives, is testament to the hard work and resilience of the SIAS Team.

**Figure 1:** Percentage of audits days delivered



**Figure 2:** Percentage of audits to draft stage



The impact of COVID-19 was keenly felt in March 2020 and posed significant audit delivery 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 promote issues big and small.



During 2019/20, our quarterly shared learning papers continued to be a feature at management boards and governance groups across our partners. General learning points arising from our work and the wider local government environment have been disseminated with contributions from across our Assurance Services. A key theme arising from our internal audit work as the Covid-19 pandemic developed in March 2020 was the importance of focusing on the basics of decision making, record keeping and sound governance in a rapidly evolving environment requiring an urgent response. This would ensure that our partners' Covid-19 response was able to respond to any challenge and scrutiny, especially if there was a worst-case scenario involving a breach of duty of care or gross negligence that had significant legal, reputational or financial implications.

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

In addition to our shared learning papers and newsletters, we normally host a very well received follow-up workshop for our partners and other stakeholders. This year, we scoped a workshop on Artificial Intelligence, Machine Learning and Robotic Process Automation and the future of local government, however this was deferred as most partners are in the very early stages of development and the learning to be achieved had not sufficiently progressed.

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. Joint internal audit reviews across relevant partners also took place on the Hertfordshire Building Control Service and Shared Anti-Fraud Service.

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. This was particularly notable as the Covid-19 pandemic unfolded.

Delegates from SIAS have also attended the annual Internal Audit Conference of the Chartered Institute of Internal Auditors (Chartered IIA), which has proved a valuable learning and networking opportunity, while helping our team connect to their profession.

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 an exemplar service to its partners and clients that successfully blends cost effectiveness, resilience and quality.

At the core of our service are our team members, and we have invested in the delivery of core learning and coaching for all members of staff. This included external refresher training on the principles of risk and internal control, and the practical application of data analytics using simple



and advanced Excel techniques within audit testing strategies. This will need to become embedded professional practice in 2020/21 in order to add further value to internal audit work. A Team Charter has also been developed to set expectations for core values and behaviours amongst staff and to create a link to the International Professional Practices Framework and the Public Sector Internal Audit Standards.

We have conducted a review of our internal audit practices, with an outcome that our template used for setting out the terms of reference for each audit assignment was revised and subsequently piloted at two SIAS partners. This received positive feedback from recipients and will now be rolled out during 2020/21. The revised template provides a means to explicitly link internal audit work to those risks which prevent service objectives being met and to highlight alternative sources of assurance so that any audit duplication/overlap can be avoided where possible. The revised template has also improved integration with our audit working papers.

Technology is a key enabler of modern smart and agile working, as has been demonstrated by the Covid-19 pandemic. The replacement and update of laptops and applications could not have been better timed, and we have been well placed to support service delivery through new collaboration and communication tools. An automated Performance Dashboard has also been implemented as a means of monitoring individual staff performance against targets. This tool has helped to inform one to one discussions and annual appraisals. A review of the SIAS web offering has also commenced.

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.

**Invested in the delivery of core learning and coaching for all team members**

**Well placed with technology upgrades to support service delivery through new collaboration and communication tools**

# 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 2019/20 we have received 100% satisfactory or higher feedback rating from our customers. This is an improvement on the previous year.



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

“ All very easy to follow, contacts and meeting were at times of my choosing. No complaints.”

“The purposed and the process of the audit was made very clear. The auditor took time to understand the contract and how we are delivering the programme as a whole before looking into the financial aspect of the programme. The auditor also made it very clear what information was required to be able to carry out the audit in order for me to identify the most appropriate documents to support the process.”

“The auditor understood the need for business continuity planning but balanced against the ‘appetite’ at the council. The scope and recommendations reflected this perfectly.”

“The Debtors audit was conducted in an efficient manner with minimum disruption to the service. Requests for information before the office visit meant we were able to gather it at a time convenient to ourselves thus reducing service disruption. It helped that the auditor had the knowledge of what a Debtors system is and how it works in principle.”

“We felt the service was very useful and helped us highlight areas of improvement.”

“Good audit that was carried out with very little client input as promised. Results seem to be very thorough and gave us actions to work on.”

“A useful and productive exercise which hopefully will lead to improved outcomes.”

“We felt the service was very useful and helped us highlight areas of improvement.”

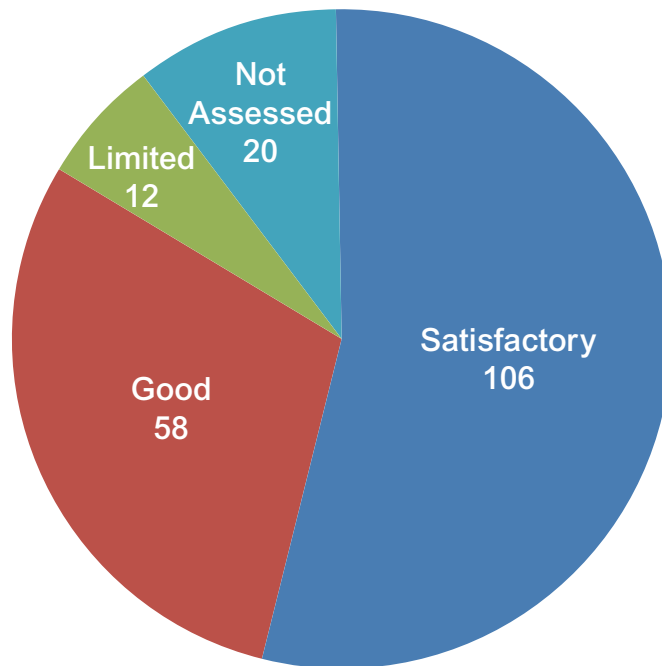


# Performance - Outcomes

SIAS completed 196 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:

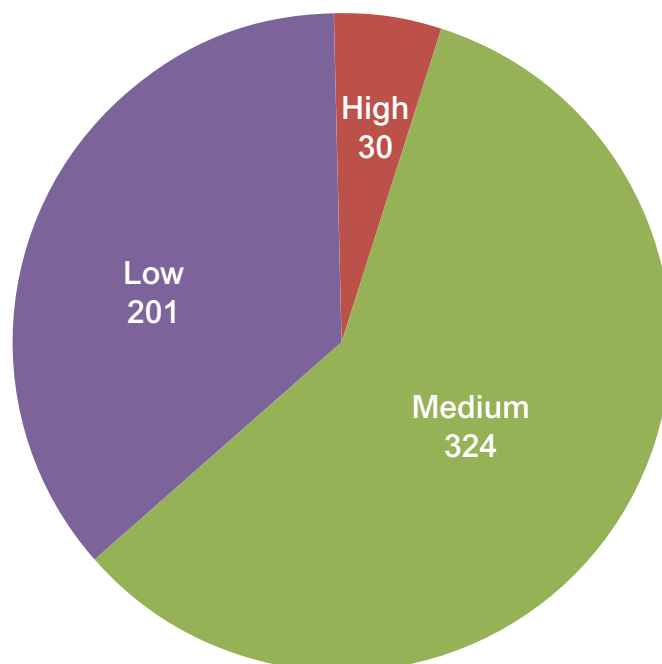
**Figure 3:** Distribution of Audit Opinions 2019/20



**196 assurance and other projects identifying 555 recommendations**

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

**Figure 4:** Prioritisation of Recommendations 2019/20





# 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 2019	Actual as at 31 March 2020	Commentary
Progress against plan: actual days delivered as a percentage of planned days.	95%	96%	94% (97%)	The impact of COVID-19 was keenly felt in March 2020 and posed significant audit delivery challenges at a key time in the year when our partners were rapidly refocusing on the COVID-19 response. Figures in brackets represent revisions to account for the impact of audits unable to commence or complete.
Progress against plan: audits issued in draft by 31 March	95%	95%	89% (93%)	
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 2020. 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 intervention of the Covid-19 pandemic has naturally posed some challenges to overcome, not least the health and wellbeing of the team, caring responsibilities, redeployment of some team members to frontline roles at our partners and the commencement of 2020/21 internal audit plans whether as originally envisaged or revised as part of Covid-19 assurance provision.

A key part of the upcoming year will be responding to the impact of Covid-19 on the team and audit delivery, with recovery phase planning being central to the 2020/21 Service Plan.

While reshaping our planned activity for the year, SIAS are also cognisant of the unique opportunity to reimagine the service, its ways of working and the value proposition it offers.

The Public Sector Internal Audit Standards (PSIAS) require SIAS to have an external quality assessment (EQA) at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The next external assessment is due in November 2020. While the SIAS Board has agreed a deferral of the EQA to May 2021 at the latest, taking account of Chartered IIA guidance, the service will use the deferral to ensure it will be in good shape for the EQA when it comes around and completing the annual self-assessment of compliance with the PSIAS (using the Chartered IIA's checklist) as normal to develop a plan to address any gaps identified.

The service has also been reviewing income generation with the SIAS Board and will continue to explore opportunities that complement existing SIAS skillsets and experience. SIAS are working closely with a number of academies and have developed an academy offering that continues to attract new clients for the coming year.

# 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 2019/20, our Board members were as follows:

Name	Title	Partner
Clare Fletcher	Strategic Director (S151)	Stevenage Borough Council
Matthew Bunyon	Head of Finance and Business Services	Hertsmere Borough Council
Steven Pilsworth	Assistant Director Finance	Hertfordshire County Council
Ian Couper	Service Director (Resources)	North Hertfordshire District Council
Ka Ng	Corporate Director (Resources, Environment and Cultural Services)	Welwyn Hatfield Borough Council
Bob Palmer	Interim Head of Strategic Finance and Property	East Herts Council
Alison Scott	Interim 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 2019/20

	Budget £	Outturn £
Salaries & Salary Related	1,092,885	1,002,069
Partner / Consultancy Costs	112,320	194,887
Transport	7,500	6,788
Supplies	18,483	9,968
Office Accommodation Cost	17,005	17,005
<b>Total expenditure</b>	<b>1,248,198</b>	<b>1,230,717</b>
Income	-1,230,926	-1,245,127
<b>Net (surplus) / deficit</b>	<b>17,267</b>	<b>(14,410)</b>





## Appendix B - Definitions of Assurance Levels and Priority of Recommendations

Assurance Level	Definition
<b>Good</b>	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.
<b>Satisfactory</b>	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
<b>Limited</b>	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.
<b>No</b>	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
<b>Corporate</b>	<b>Critical</b>	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.
<b>Service</b>	<b>High</b>	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.
	<b>Medium</b>	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.
	<b>Low / Advisory</b>	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.

