



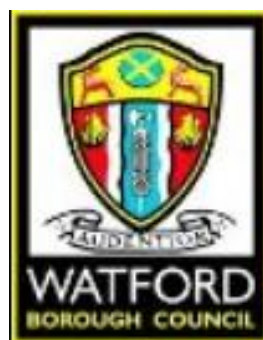
Shared Internal Audit Service

Annual Report

2014/15

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Hertfordshire County Council

Introduction and Highlights

Welcome to the fourth annual report on the activity of the Shared Internal Audit Service during the 2014/2015 financial year.



*Helen Maneuf
Head of Assurance for the
Shared Internal Audit
Service*

It is now almost four years since a group of Hertfordshire Chief Financial Officers took the decision to work in partnership to provide internal audit services. The vision was for the service to bring together the best of the public and private sectors: combining the 'in-house' appreciation and understanding of local government, with the business-like focus of the big internal audit firms.

The service has made a transforming change to achieve this vision and this has meant a fundamental re-design of the way in which we deliver internal audit services in the area. All this has been made possible by commitment and dedication on the part of the team and through the co-operation of our partners in understanding the vision and giving us the support we have needed to achieve it.

I am very proud of the work of the team and delighted to be able to share some of the highlights of our working year in this report.

A handwritten signature in black ink that reads "H. Maneuf".

Helen Maneuf

Head of Assurance for the Shared Internal Audit Service

May 2015

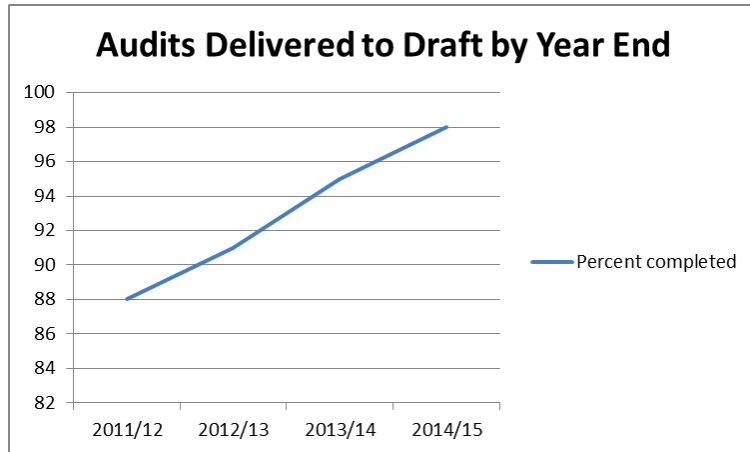


Achieving results

Performance against our two key productivity measures was strong. Our billable days target of 95 percent was exceeded with 98 percent days being achieved, and our target percentage of audits delivered to draft by year end also exceeded the 95 percent target by three percentage points, continuing the positive trend of the last four years.

Figure 1: Improvement in percentage of audits to draft stage by year end

Key performance targets exceeded



The team pulled out all the stops to exceed its year end targets and this sense of all working together to achieve the results makes those within the team feel motivated and committed. The benefits to our partners of this improving picture are that we are able go into the next financial year with minimal work from the previous year still to be completed and that we are able to write our annual report for each partner with a complete picture of the work we have done, better informing our annual opinion for each council.

Quality Assured

April 2013 saw the introduction of the Public Sector Internal Audit Standards (PSIAS) which aim to further professionalise the discipline of Internal Audit. Responding to the new requirements saw SIAS develop its thinking on its Quality Assurance and Improvement Programme or QAIP, which ensures that the service has the process it requires to deliver robust assurance work.

Figure 2: SIAS Quality Assurance and Improvement



We have recently reviewed our performance against all aspects of the PSIAS standards and are pleased to confirm a good level of compliance across the service.

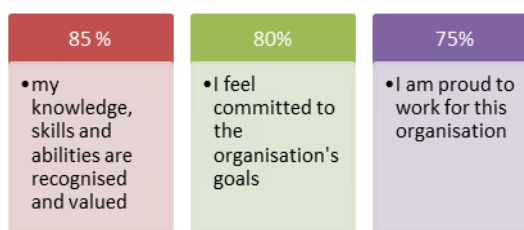
Developing our team

The story of our team's development over the last four years has been a fascinating one. From the early days where six different in-house teams came together the vision has been to create one unified team with auditors who are able to operate within any of our partner councils and, subject to having the necessary skills, to audit a diverse range of systems and processes. We have built a team that has the flexibility and resilience we need to meet the challenges of working with multiple partners.

Since the establishment of SIAS we have monitored the 'engagement index' of our team, a measure of how far people are committed to the work of the team. The most recent survey undertaken in September 2014 shows an increase on this measure of 9 percentage points, building on the 12 percentage point rise achieved in the previous survey.

Employee engagement levels rising steadily

Figure 3: Highlights of Staff Survey 2014



Customer focus is a core value of the service and our annual team development session has been used to develop our understanding of what good customer service means, and how we can best deliver this.

Personal development and self-awareness are also an important area of focus for the team, and in 2014/15 the whole team undertook Myers Briggs Personality Type Indicator assessments, building a deeper understanding across the team of the personality types within it and how we can get the best out of each other.

Technical training is fundamental to our service, equipping our team with the resources and competencies they need to offer our partners excellent and reliable assurance; to this end colleagues have undertaken courses in specialist areas such as contract audit, project and programme assurance, social media, and treasury management. We have supported a number of the team to achieve professional status by undertaking Institute of Internal Auditor exams.

Training and development at the core of our service

Figure 4: Training and Development inputs and benefits



Harnessing the power of partnership

It has long been part of the vision of our Board that the service acts to facilitate the sharing of learning across its partners. During its development to date SIAS has been able to provide many ad hoc opportunities to work in this way. We presented a paper to the SIAS Board in December 2014 that identified the breadth of initiatives thus far and set the foundations for an increasingly planned and structured approach in this area.

Highlights for the year included a workshop on Annual Governance Statements in which all our partners participated. The review compared the processes that contribute to the production of Annual Governance Statements and the common areas included in the AGS, to understand approaches and areas of difference. The review culminated in a workshop session attended by authority AGS leads. Together we examined the key areas and identified areas for potential continuous improvement.

Figure 5: Key Observations from our Joint Review of Annual Governance Statements



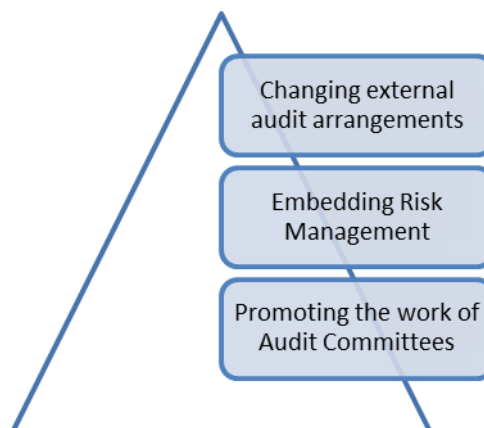
Bringing those serving on and working with Audit Committees together

In October 2014 we hosted an Audit Committee Development Session which saw more than fifty delegates, both members and officers, convene to discuss how Audit Committees contribute to effective corporate governance. We heard from two chairmen of Audit Committees operating in the private sector and took the opportunity to compare their practices with those in the public sector.

All delegates rated the course as good or better and indicated that the most useful aspects were the opportunity to hear from the private sector and the group discussions.

On the minds of our delegates in terms of themes for the future are the changing arrangements for appointing external auditors, embedding risk management within our councils, and how the perception of audit and the work of Audit Committees can be improved.

Figure 6: Audit Committee Development Session – Areas of Focus for our Delegates





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 we have received 96% satisfactory or higher feedback rating from our customers.

'The approach, professionalism and recommendations of the audit were to a high standard and will help to improve the service area and minimise some existing risks.'

'The auditor was very supportive and understood that as a newish head that I may not be aware of the documentation that could be useful to me. She took time to show me and I learnt more.'

'I found the audit process helpful and the auditor, considerate of the pressures on Managers within the service. The conversation was open, frank and constructive.'

Performance

SIAS worked on 293 assurance and other projects during the year, giving assurance opinions and recommendations as demonstrated in the charts below. For those pieces which resulted in a formal opinion the distribution is set out in figures 7 and 8 below:

293 assurance and other projects identifying 700 recommendations

Figure 7: Distribution of Audit Opinions 2014/15

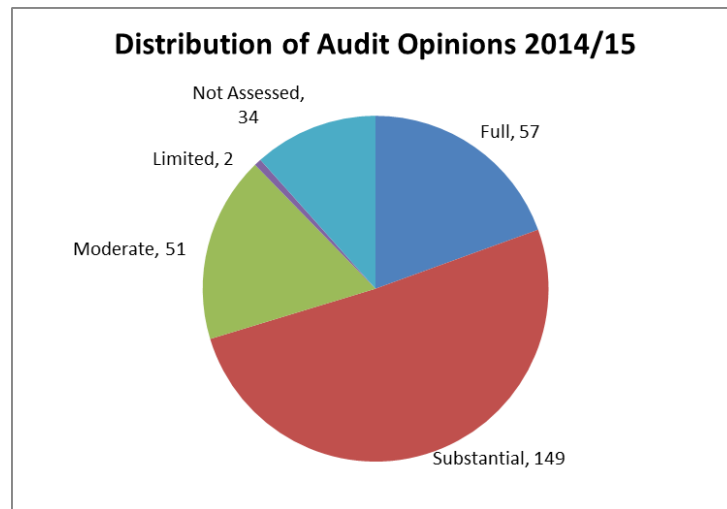
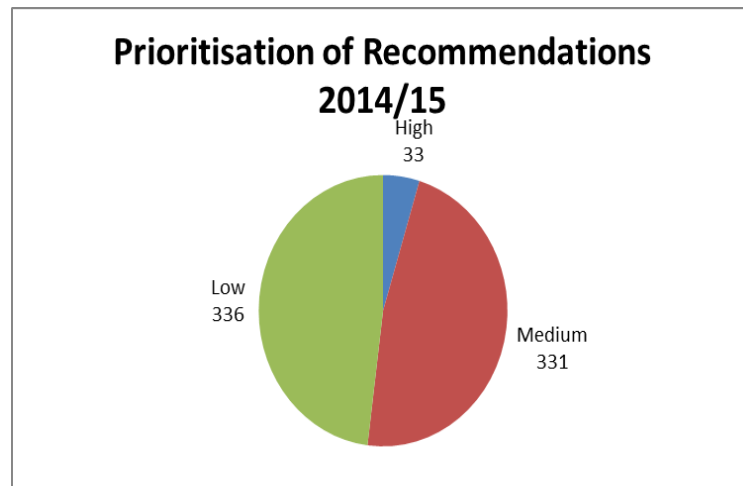


Figure 8: Prioritisation of Recommendations 2014/5



Business Performance of SIAS

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 2014	Actual as at 31 March 2015	Commentary
Progress against plan: actual days delivered as a percentage of planned days.	95%	97%	98%	A one percentage point increase
Progress against plan: audits issued in draft by 31 March	95%	95%	98%	Work to drive efficiency through the audit process has enabled an increase of three percentage points in comparison with the previous year
Client satisfaction	Satisfactory and above	99%	96%	Strong performance in this area
Financials: income recovered	N/A	£1,248k	£1,338k	The service aims to recover its costs

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 2015. The partners determined that the service should aim to build a small surplus in order and to move to considering 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 final section of this Annual Report looks forward to the future. The partnership has signed off this vision for SIAS:

‘SIAS aims to operate at industry-standard levels of productivity and output and to demonstrate best practice by being at the leading edge of audit service delivery. The service aims to operate as an exemplar shared service and provide a return on investment for the partner councils by identifying opportunities to grow the business’.

An exciting development for the year ahead is the establishment of the new Shared Anti-Fraud Service involving 5 of our existing partners, and one new partner. SAFS will aim to provide resilient anti-fraud arrangements responding to the changes in the counter fraud landscape emanating from the incorporation of benefit fraud related work into the DWP.

Four priority areas have been identified for SIAS development activity in the year ahead:

1. Establish a leading reputation in respect of governance, risk assurance and internal control services – ensuring SIAS delivers a good quality service
2. Be at leading edge of audit service delivery –ensuring SIAS delivers an efficient, resilient, cost-effective service
3. Build a team ready to meet the challenges of the future – ensuring SIAS has the right skills to deliver in the changing public sector environment
4. Be an exemplar shared service with a ‘return on investment’ for partners and first choice public sector internal audit provider in the region with a growing client base.

The detailed development actions which feed into each of these priority areas were agreed by the Board in March 2015 and are monitored regularly by the SIAS Management Team. Table 2 sets out the main activities.

Table 2: SIAS Mission Critical Activities

Priority	Activity
Leading reputation in governance, risk and control	<ul style="list-style-type: none"> • Undertake peer review by credible external assessor and plan for the implementation of any recommendations • Implement the new SIAS methodology, ensuring it is sufficiently LEAN, easy to use and builds in opportunities to add value / insight and share this across the partnership • Roll out structured approach to sharing learning across partnership, including newsletter and joint reports • Build synergy with new Shared Anti-Fraud Service • Offer joint workshop opportunity to Audit Committee members • Establish ways of working with our new external partner, BDO
Leading edge of service delivery	<ul style="list-style-type: none"> • Review performance reporting arrangements to reflect move towards committee date driven approach, including development of reporting to Audit Committees on this basis • Review 'end of audit process' to improve efficiency in this area of work • Audit work allocation – refine work allocation process
Team are ambassadors with the right skills	<ul style="list-style-type: none"> • Individual and team development plans agreed and maintained • Team development day • Continued support for initial professional training and Continued Professional Development
Exemplar shared service	<ul style="list-style-type: none"> • Continue to explore opportunities to expand the service as these arise • Sign off extension of SIAS partnership

Building on the strong foundations already in place, these activities will take SIAS forward in the year ahead in a way that we believe will be to the benefit of all the partnership stakeholders.

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.



Scott Crudgington, SBC
Director of Resources



Sajida Bijle, HBC
Director of Resources



Sarah Pickup, Herts CC
Deputy Chief Executive



Norma Atlay, NHDC
Director Finance, Policy & Governance



Pam Kettle, WHBC
Director of Finance & Operations



Adele Taylor, EHDC
Director of Finance & Support Services



Jo Wagstaffe, WBC and TRDC
Shared Director of Finance



Helen Maneuf, SIAS
Head of Assurance

SIAS cost centre: revised budget against outturn 2014/15

	<u>Budget</u>	<u>Outturn</u>
	£	
Salaries & Salary Related	1,162,531	1,072,242
Partner / consultancy costs	98,000	161,554
Transport	13,019	9,947
Supplies	31,823	17,013
Office Accommodation cost	<u>22,673</u>	<u>22,673</u>
	1,328,046	1,283,519
Total expenditure		
Income	<u>1,367,245</u>	<u>1,338,209</u>
Net surplus	39,199	54,690

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
High	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
Medium	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
Merits Attention	There is no significant weakness, but the finding merits attention by management.