



Shared Internal Audit Service

Annual Report

2017/18

Annual Report Contents

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Hertfordshire County Council

Introduction and Highlights

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2017/18.

Since the Service was established in 2011, one of its key business delivery objectives has been to work in a manner that demonstrates a practical understanding of the pressures that its partners face. This is something that is even more important given the current financial climate.

To this end, in 2017/18 SIAS worked with partners to revise the Service's structure with a view to accommodating an agreed reduction in the level of audit work commissioned whilst still ensuring that the Service was able to provide appropriate levels of coverage to fulfil its statutory obligations.

As part of this process, SIAS sought to ensure that client audit plans were delivered with the optimum blend of internal and external resource; something that would not only satisfy its current client commitments in the most efficient and cost effective manner, but which would also future proof the Service in the medium to long term.

All of 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. When looking to the future, the Service will continue to combine its understanding of local government practices with a growing knowledge of the risks and controls associated with private sector business approaches; something that is needed to help partners as they evolve in that direction.

We are very proud of the work of the SIAS Team and are delighted to be able to share some of the highlights of our working year in this report.

Terry Barnett and Chris Wood

**Head of Assurance for the Shared Internal Audit Service /
SIAS Audit Manager**

June 2018



Levels of Delivery

Whilst the Service faced some challenges during the year arising from staff sickness absences and vacancies held over in lieu of the service restructure, it nonetheless very nearly achieved its overall target of delivering 95% of days commissioned by clients. In the final analysis, this was 94% and is a testament to the hard work and resilience of the SIAS Team.

Despite the challenges referred to above, the Service was also able to deliver 93% of its audit reviews to draft report stage by the close of the year and through the prioritisation of outstanding work in the final quarter ensured that this did not impact on the integrity of the assurance opinions given to clients.

Figure 1: Percentage of audits days delivered

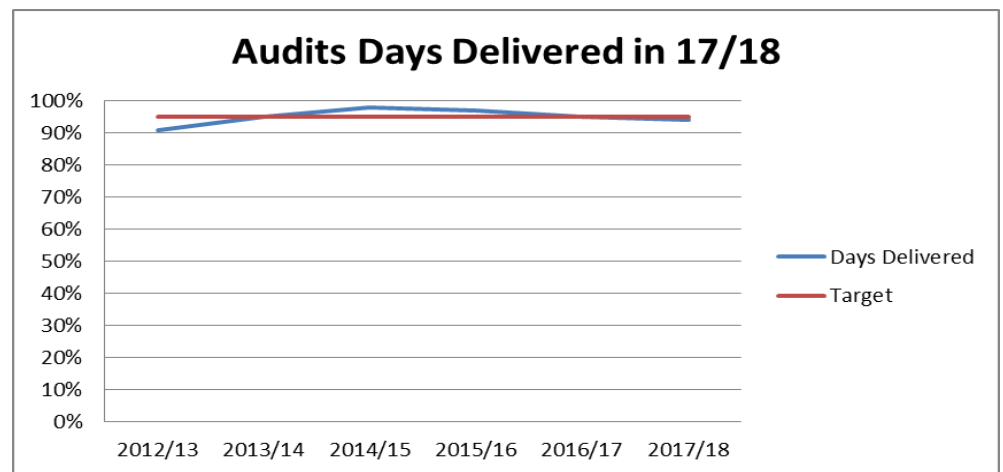
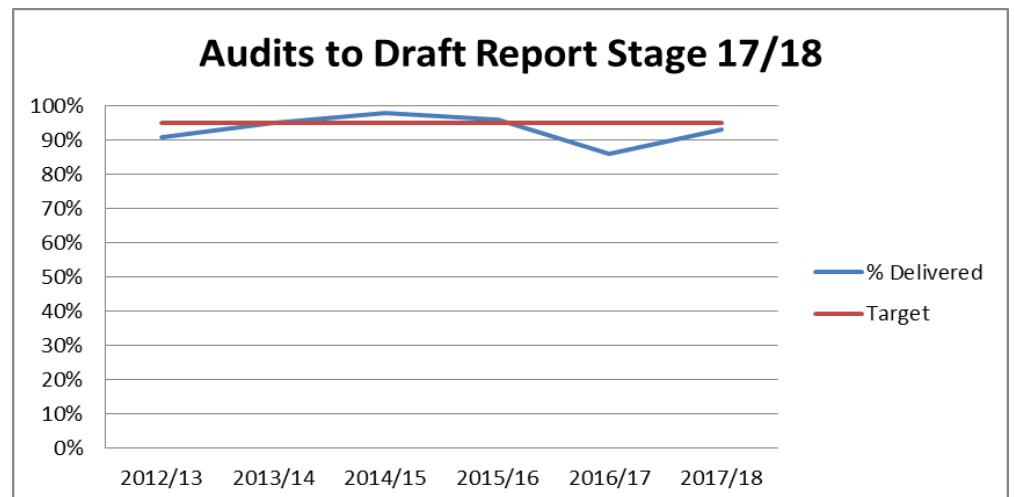


Figure 2: Percentage of audits to draft stage



Good performance 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.

Over the course of 2017/18, 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 and the wider local government environment have been disseminated through our regular papers with contributions from across our Assurance Service. The highlight of the last year was a special edition covering the topical issue of GDPR Preparedness. This dovetailed neatly with the rollout of GDPR audits across our partners. At the time of going to press on this Board report, planning had commenced on the next shared learning paper reviewing the high priority recommendations arising from our work across all partners.

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

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



During the course of the year, we facilitated a cross-partner process of self-assessment against the National Crime Agency's Serious Organised Crime Checklist and will be sharing the key themes arising from that exercise so that our partners can learn from mutual good practice.

Our involvement with 'Audit Together', a strategic alliance of similar audit partnerships, our audit delivery partners (BDO) and an array of contacts through bodies such as the Home Counties Chief Internal Auditors Group have been invaluable in sharing experiences 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.

For SIAS, a time recording system is an integral part of its business processes, providing the performance data for the Management Team to oversee progress on audit plan delivery for individual clients or the whole service. Similarly, it is an important element of the performance management mechanisms for the staff within the Service.

Since its creation in 2011 SIAS, had been using a modified version of a proprietary Audit Management System product, incurring costs for both licensing and maintenance. As the Service developed, it became clear that this solution was not able to provide the level of detailed management information that the Management Team required for effective performance management at a variety of levels. Further, the approach of using an external supplier always carried a risk associated with continuity of service.

To address these issues, the SIAS Management Team commissioned the County Council's Improvement Team to modify an existing time recording system that it had developed for another County Council Service. This new solution has now been in operation within SIAS since May 2017 and is successfully meeting the needs of the Service whilst also providing opportunities for further service improvements.

The technology for the new system 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.



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 2017/18 we have received 98% 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:

- *“An excellent professional service was provided and we were kept informed fully throughout the audit”*
- *“Clear understanding of process in place, transition being applied and recognition of best practice much appreciated. Extremely prompt delivery of Final Report”*
- *“Very helpful report, answering key questions senior management were requesting”*
- *“Just to say thanks for the time and effort put into this audit, the process has helped me as the Property manager to not only influence and direct staff to tighten up their processes and procedures which has in the past sometimes been difficult but also given some really good recommendations for us to action to improve the overall management of evidence. I now have the power of 'Internal Audit says' to back me! Thank you”*

“Very helpful report, answering key questions senior management were requesting”



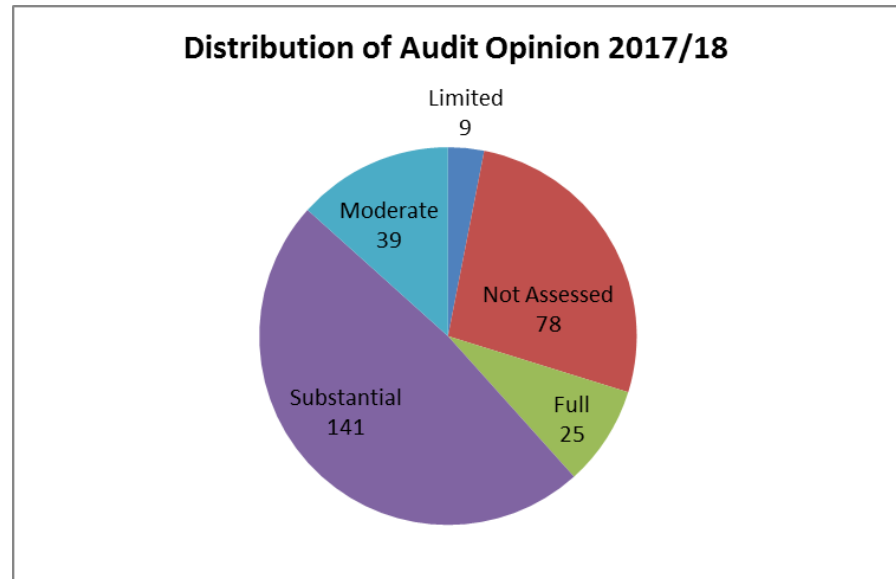
Performance - Outcomes

SIAS worked on 292 assurance and other projects during the year, 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:

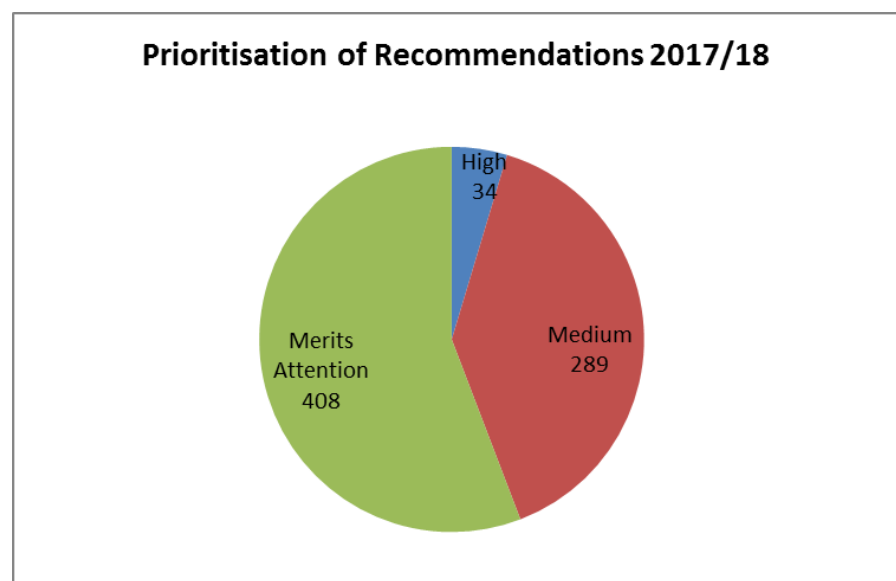
Figure 3: Distribution of Audit Opinions 2017/18

292 assurance and other projects identifying 731 recommendations



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

Figure 4: Prioritisation of Recommendations 2017/18



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 2017	Actual as at 31 March 2018	Commentary
Progress against plan: actual days delivered as a percentage of planned days.	95%	95%	94%	Despite resilience challenges in year, the service nonetheless came very close to achieving both of its targets.
Progress against plan: audits issued in draft by 31 March	95%	86%	93%	
Client satisfaction	Satisfactory and above	95%	95%	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 2018. The partners determined that the service should aim to build a small 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



Following the completion of the SIAS restructure in 2017/18, the coming year has a strong focus on consolidation, stability and revisiting the 'nuts and bolts' of the service to ensure that we have sound foundations for the future.

Our focus will be on:

- Developing and enhancing the role of our Client Audit Managers,
- Reviewing and refining our shared learning offering,
- Updating our SIAS guidance, templates, processes and procedures,
- Further integrating and simplifying of our performance, work allocation and information systems,
- Revisiting training and skills needs, as well as technical updates,
- Retendering for our co-sourced audit delivery partners, and
- Completing recruitment to our new Trainee Auditor posts.

The changing face of service delivery within Local Government also presents the Service with new challenges and a need to provide higher levels of consultancy advice on the control aspect of the commercial ventures that clients are engaging in.

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 2017/18, our Board members were as follows:

Clare Fletcher	Assistant Director (Finance and Estates)	Stevenage Borough Council
Sajida Bijle	Corporate Director	Hertsmere Borough Council
Steven Pilsworth	Assistant Director Finance, Resources & Performance	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 & Property	East Herts Council
Jo Wagstaffe	Shared Director of Finance	Watford Borough Council and Three Rivers District Council
Terry Barnett	Head of Assurance	SIAS

SIAS cost centre: revised budget against outturn 2017/18

	<u>Budget</u>	<u>Outturn</u>
	<u>£</u>	<u>£</u>
Salaries & Salary Related	1,145,981	1,061,892
Partner / Consultancy Costs	73,125	213,038
Transport	8,500	5,904
Supplies	18,483	9,048
Office Accommodation Cost	17,005	17,005
Total expenditure	<u>1,263,094</u>	<u>1,306,887</u>
Income	<u>1,279,034</u>	<u>1,313,530</u>
Net (surplus) / deficit	(15,940)	(6,643)

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.