



Shared Internal Audit Service

Annual Report

2023/24

Annual Report Contents

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Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2023/24.

Those familiar with my musings in the introduction to past editions of the annual report will know about my passion for walking, especially when the reward is personal contentment, good food and a refreshing drink at a pleasantly located country pub. While enjoying exactly this following a walk in the Test Valley in Hampshire during the May half-term, I had a copy of Country Walking magazine open in front of me and a quote from the editor leapt out – “Walking is good, and we should do more of it.” It has been said that walking can bring clarity and inspiration, and I got thinking about why internal audit is good, and why we should do more of it.

Internal auditors are qualified, skilled, and experienced professionals who exercise an unbiased and objective view. We are independent of the strategies, services, and operations we evaluate and report to officers at the highest levels in the partners and clients we support. We work in accordance with professional standards and a code of ethics, and exercise courage to express our opinion on often complex and strategic matters. We also love meeting the committed, inspiring, and astonishing people who serve our communities, and collaborating with them to seek improvement, undertake change and achieve success. In the spirit of celebration following a recent landmark birthday, I salute all internal auditors and those who resolutely champion and appreciate their work, especially in challenging times when the quality and extent of assurance, good governance, risk management and control face erosion and threat.

SIAS said a sad farewell to a team member departing during the year to a career opportunity elsewhere and bon voyage to another taking a career break to ‘Race across the world’. They are thanked for their achievements and contribution to the service and will be greatly missed (and welcomed back in one case). Departures offer the opportunity for new beginnings, and we welcome new team members, who have settled wonderfully well into the service. Congratulations are also extended to team members for their deserved promotions and exam successes.

Key developments in 2023/24 were the approval of the SIAS Business Plan for future income generation and the introduction of the Global Internal Audit Standards. These will form a significant part of service development activity in 2024/25.

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 2024



Levels of delivery

2023/24 continued to present pressures to SIAS in relation to recruitment and retention, these being pressures felt nationally within both local government and the private sector. The availability of experienced Internal auditors is recognised as a particularly challenging area given that it is a niche profession.

Despite the above challenges, SIAS managed to run several successful recruitment processes during 2023/24, cumulating in the recruitment of seven new members to the team during the year. This allowed SIAS to achieve 94% delivery of planned days and completion of 91% of planned projects to draft report stage, with targets of 95% and 90% respectively.

The slight underperformance in planned days related to SIAS deferring several audits for completion into April as the request of several Partners to manage officer resourcing pressures.

With our key objective being to complete enough work to allow an annual assurance opinion to be provided for each SIAS Partner, we are pleased to report that this was achieved.

Figure 1: Percentage of audits days delivered

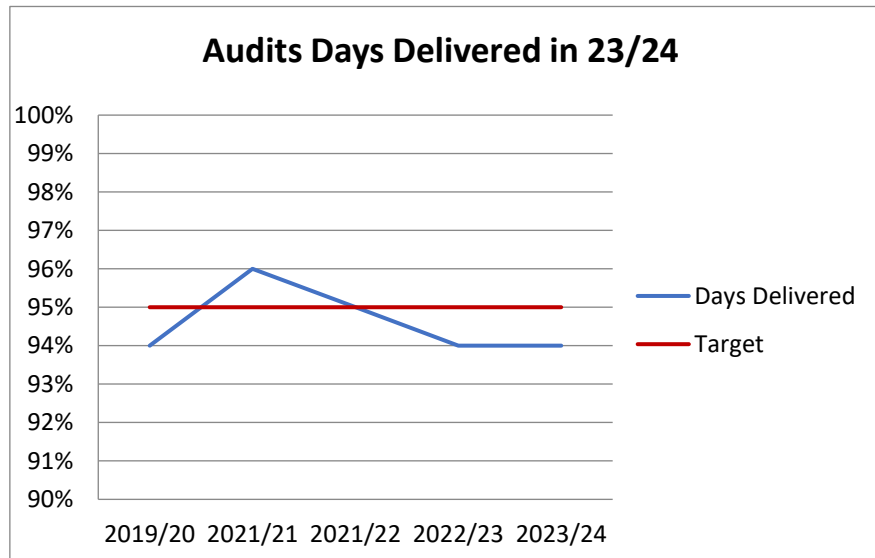
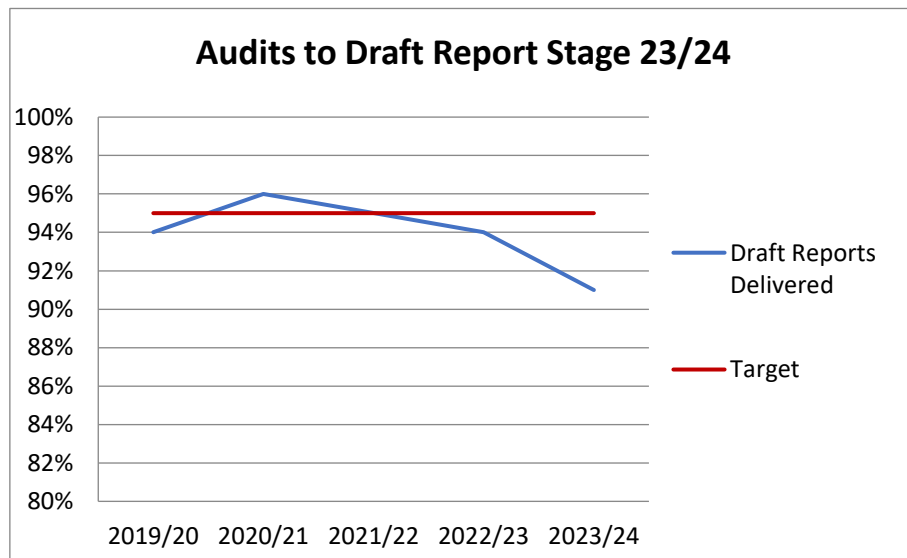
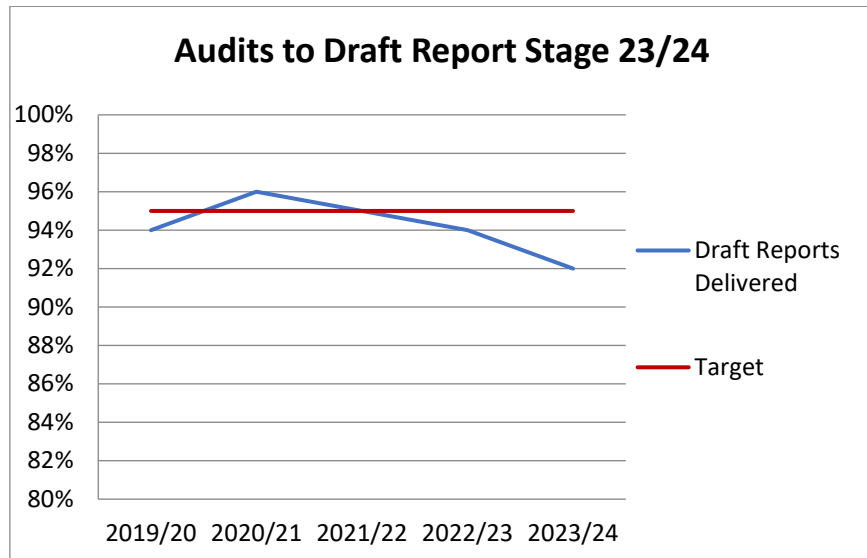


Figure 2: Percentage of audits to draft report stage



We delivered within 1% of our billable days target and achieved 1% over our 90% target of projects to draft report by 31 March 2024.



Shared learning - the power of partnership

A key founding principle of the Shared Internal Audit Service was the opportunity to embed a culture of shared learning within the partnership. 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.

We continued to use our networks with bodies such as the Chartered Institute of Internal Auditors (CIIA), local authority Chief Auditors Network (CAN) and Home Counties Chief Internal Auditors Group (HCCIAG) to ensure that we remained in touch with the challenges facing the audit profession and those being faced by the organisations that they provide assurance to.

The above networks provide particularly valuable during the consultation period for the Global Internal Audit Standards, which all Internal Audit providers are required to adhere to by 9 January 2025. Through the above networks we are already working jointly with other Heads of Audit to share good practice in how to demonstrate compliance with the revised standards.

Using the above forums, we have also discussed strategies for other key topics facing the profession such as recruitment and retention, assurance mapping, data analytics and the use of 'one page' audit reports. SIAS is also represented on the review group for the internal audit apprenticeship qualification, therefore having the opportunity to shape the course content and delivery methods. This is deemed as a critical opportunity given the service's move to a 'grow your own' strategy.

From a partner perspective, we continue to share good practice and emerging risks identified from our audit work during key Senior Management meetings, such as Corporate Governance Groups. This is deemed important to embrace a continuous learning culture within the partnership.

During 2023/24, our staff, partners and Audit Committee members have continued to support our cycle of continuous development with helpful challenges and comments, these being particularly critical as we look to continue to build a leading-edge internal audit service.

Effective shared learning is a fundamental part of a culture of ongoing continuous improvement, allowing learning to be transferred between organisations ...



Managing the challenges of auditing in a changing environment

We worked with partners to ensure our audit plans remained dynamic and could sufficiently respond to the changing risk environment.

The risk landscape of local government has and will continue to be subject to continued and fast paced change. All partners are currently managing multiple challenges including needing to identify savings to manage funding pressures, rising demand, unstable inflation, and global political unrest. In respect of fraud, business continuity and protection of data assets, cyber risk continues to be a key area of risk given the increasingly sophisticated methods of attack.

In addition, our partners continue to embrace new technologies such as Artificial Intelligence (AI), and progress significant transformation and development projects, both of which whilst providing significant opportunities also present material risks if not appropriately controlled.

SIAS continues to work with our partners to ensure that our planning approach seeks to understand how these risks have impacted each authority and subsequent assurance requirements. We also ensure that our plans are sufficiently flexible to accommodate emerging risks during the financial year.

As part of our audit planning for 2024/25, we have looked to embrace different methods of providing assurance to provide robust assurance, including assurance mapping, embedded (or real time) assurance, and data analytics. These allow us to use limited internal audit resources to best effect, as well as providing more insightful, real-time and robust assurance to our partners.

As a member of key audit networks, we can ensure that we have access to a wealth of intelligence on emerging risks and techniques for providing robust assurance. In addition, through our co-sourced audit arrangement we are also able to use the knowledge and skills of our external partner to have access to specialist skills, or their wider information pool to support other key opportunities such as benchmarking.

Overall, we believe that 2023/24 has provided an opportunity for SIAS to review how we can adapt our planning and delivery methodologies to provide an effective and value-added audit service, with this strengthening our assurance offering to our partners.

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.

We continue to embrace a 'grow your own' strategy, with a full review undertaken of our approach to training and development to ensure that this supports our aspirations of developing and progressing staff, as well as providing robust assurance.

In respect of the above, all our staff have the opportunity to progress their professional qualifications, with seven members of staff currently either following an apprenticeship or direct study route with the professional body. In addition, we now provide the team with fortnightly 'lite bite' training sessions, where we look to provide in-house training to support their professional studies.

We are pleased to report that three of our auditors have now completed their level 4 apprenticeship, which is testament to their dedication and hard work to progress their careers.

In addition to professional training, and to aid career progression, all our staff are provided with personal development plans that look to develop them in their existing role and build the skills required for the next step in the career.

As a service that promotes the benefits of shared learning, we equally look to embed this within the team, and we are proud to have developed a culture within the team of joint working and support amongst all grades of staff. During 2023/24, we have continued with our 'office Wednesday' day, this providing an opportunity for the team to network and ensures face to face time in what is now a more remote working environment.

Our 2023/24 Public Sector Internal Audit Standards self-assessment continues to demonstrate that we 'generally conform' with the standards, and we continue to use and disseminate learning from our quality review processes to support the development of our staff, seeking feedback from team members to support this process.

At the core of our service are our team members. We continue to invest in professional and internal training for our staff to ensure that they can reach their career aspirations....



First class customer service

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 2023/24 we have received 95% satisfactory or higher feedback rating from our customers.

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

- “The Auditors did a good job of turning around a very loose wide brief into a few practical considerations.”
- “Very good, explained purpose of audit well and good understanding of business rates.”
- “Excellent service. Given that it was a full audit this year the amount of my time taken up was a lot less than I was expecting. Queries were clear and concise and kept to a minimum. Very happy with the process and reassured by the results of the audit.”
- “A professional service with logical analysis, engagement and clarity in scope of audit and concise recommendations as reported to enhance service delivery.”
- “Thank you, Auditors. The outcome of the audit will support us to implement developments which will positively impact on the performance information we use to measure and improve our services.”
- “Really good service, the auditor was easy to work with and understood our processes.”
- “The service was very through and helpful. Auditors very understanding and patient with us providing evidence (due to IT and staffing issues). Thankyou.”
- “I thought the service was very good. Everything was explained clearly, and I understood the purpose of the audit and what I needed to do to help. The audit was completed in a timely manner and communication was prompt and effective.”
- “Very good. Auditors very approachable and helpful.”

“The auditor was very professional and a pleasure to work with. The auditor was aware of the workload’s council officers have and only requested sufficient and appropriate documents to complete the audit.”



Performance – outcomes

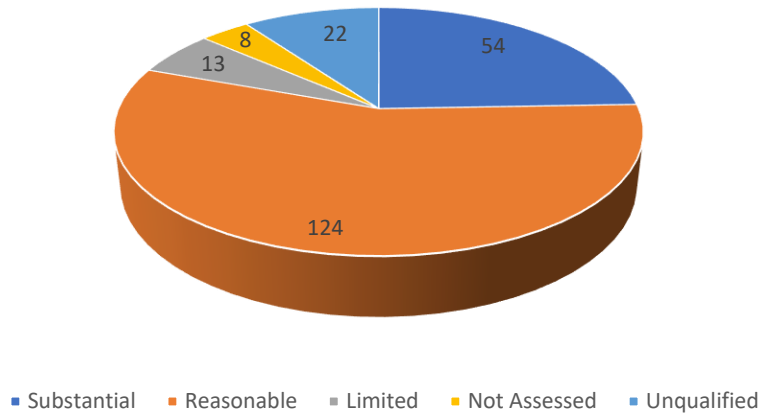
SIAS completed 226 assurance and other projects to draft or final report stage, giving the assurance opinions and recommendations detailed in the charts below.

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 2023/24

226 assurance and other projects identifying 512 recommendations

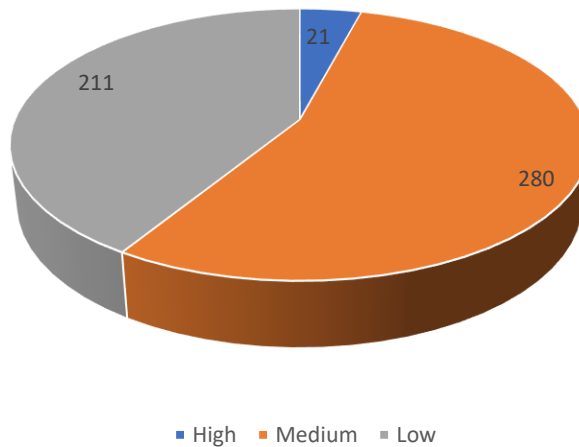
Distribution of Audit Opinions 2023/24



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

Figure 4: Prioritisation of Recommendations 2023/24

Prioritisation of Recommendations 2023/24



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 2023	Actual as at 31 March 2024
Progress against plan: actual days delivered as a percentage of planned days.	95%	94%	94%
Progress against plan: audits issued in draft by 31 March	90%*	90%	91%
Client satisfaction	100% client satisfaction questionnaires returned at 'satisfactory overall' level or above	95%	95%

* Target changed from 95% to 90% for 2023/24

Financial performance of SIAS

SIAS operates on a fully traded basis. Appendix A sets out the summary financial position at 31 March 2024.

Prudent financial management has allowed the service to build a reasonable reserve over the last few years, with the intention of smoothing the impact of any unforeseen events on trading performance in future years or investing in projects that support the delivery, growth, or development of the service.

Future developments



As part of the SIAS Medium Term Business Plan, approved in December 2023, we are commencing the expansion of our commercial offering. During 2024/25 our focus will be on developing the required internal infrastructure to support our progression into new markets and securing our first new customers.

Following the publication of the Global Internal Audit Standards in January 2024, we are currently reviewing our existing governance arrangements and audit manual to ensure that we can make any required adjustments to meet the implementation deadline of 9 January 2025.

For our team members and their future training and development, we will continue to support those members of our service that are striving to attain professional qualifications, with this continuing to be underpinned by personal development and progression plans.

As part of the continuous development of our audit approach and outputs, we are progressing the implementation of assurance mapping within our partner Council's to provide additional assurance over the management of key risks. We are also reviewing our current audit report format to ensure it provides a more concise and reader friendly document to assist management at all levels in understanding the outcomes of our work and key findings.

We will continue to work with our colleagues across audit networks to support the development of our knowledge and approach to making the most effective use of data analytics and assurance mapping within our assurance activities.

embed new ways of working... ensuring that we work with other audit teams to share and develop best practice...

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 2023/24, our Board members were as follows:

Name	Title	Partner
Clare Fletcher	Strategic Director (CFO)	Stevenage Borough Council
Matthew Bunyon	Head of Finance and Business Services	Hertsmere Borough Council
Steven Pilsworth	Director of Finance	Hertfordshire County Council
Ian Couper	Service Director (Resources)	North Herts Council
Richard Baker	Executive Director (Finance and Transformation)	Welwyn Hatfield Borough Council
Steven Linnett	Head of Strategic Finance and Property	East Herts Council
Alison Scott	Director of Finance	Three Rivers District Council
Hannah Doney	Chief Finance Officer and S151 Officer	Watford Borough Council
Chris Wood	Head of Assurance	SIAS
Darren Williams	Head of SIAS	SIAS

Appendix A: SIAS Trading Account 2023/24

SIAS Final Financial Position for 2023/24		
	<u>Budget</u>	<u>Actual</u>
	<u>£</u>	<u>£</u>
Employee Costs	912,828	861,027
Partner / Consultancy Costs	172,000	306,900
Transport (Travel) & Supplies	34,183	20,369
Office Accommodation Cost	17,005	17,005
Total expenditure	1,136,016	1,205,300
Income	-1,165,494	-1,165,494
Net (surplus) / deficit	(29,478)	39,806

During 2023/24 SIAS operated at a net deficit position due to the increased use of the co-sourced audit partner to cover staff vacancies during the opening six months of the financial year and additional cost pressures from the outcomes of the Local Government Pay Settlement for 2023/24. The above deficit was funded through the SIAS Reserve which has a carry forward balance into 2024/25 of £140,784.

Appendix B: Definitions of Assurance Levels and Priority of Recommendations

2023/24 Definitions of Assurance and Recommendation Priority Levels

Audit Opinions	
Assurance Level	Definition
Assurance Reviews	
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Recommendation Priority Levels	
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.
Service	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.
	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 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.