



ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2023/24

**NORTH HERTS COUNCIL
FINANCE, AUDIT AND RISK COMMITTEE
JUNE 2024**

RECOMMENDATIONS

Members are recommended to:

- Note the Annual Assurance Statement and Internal Audit Annual Report
- Note the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP)
- Approve the SIAS Audit Charter for 2024/25
- Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2023/24

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1. Purpose and Background

Purpose of Report

- 1.1 This report:
- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of North Herts Council's (the Council) framework of governance, risk management and control. Reference is made to significant matters and key themes.
 - b) Shows the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
 - c) Summarises the audit work that informs this opinion.
 - d) Shows SIAS performance in respect of delivering the Council's audit plan.
 - e) Presents the 2024/25 Audit Charter for approval.

Background

- 1.2 A key duty of the Chief Audit Executive (the Council's Client Audit Manager) is to provide an annual internal audit opinion, concluding on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion informs the conclusions of the Council's Annual Governance Statement.
- 1.3 The assurance opinion in this report is based on the 2023/24 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2024/25 before the Finance, Audit and Risk Committee report deadline.
- 1.4 The audit plan remained dynamic during the year, with plan changes made during the financial year to reflect the changing risks of the Council, or pace of transformation or change that would impact on the value of audits originally included in the plan. All plan changes during 2023/24 were communicated to, and approved by, the Finance, Audit and Risk Committee with the quarterly SIAS progress reports.
- 1.5 SIAS is grateful for the co-operation and support it has received from client officers during 2023/24.

2. Annual Assurance Statement 2023/24

Context

Scope of responsibility

- 2.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that

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public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

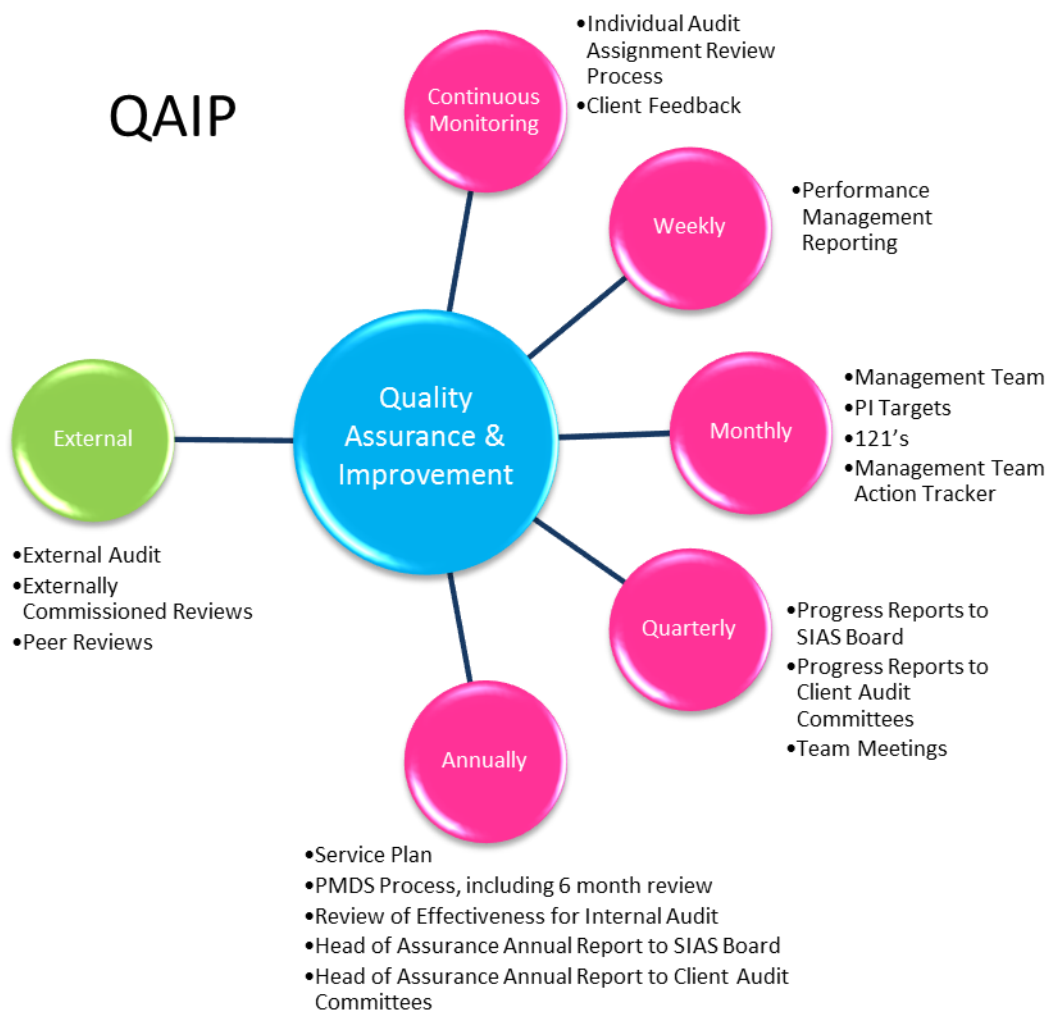
Control environment

- 2.2 The control environment comprises three key areas: governance, risk management, and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to completely eliminate it. A robust control environment helps ensure that the Council's policies, priorities, and objectives are achieved.

Review of effectiveness

- 2.3 The Head of Assurance must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.
- 2.4 As part of our Quality Assurance and Improvement Programme, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency, and effectiveness of internal audit across the public sector. They also highlight the importance of robust, independent, and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.
- 2.5 The PSIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. This review was completed in June 2021 (the previous review being undertaken in 2015/16), with the result of the assessment reported to the Finance, Audit and Risk Committee in December 2021.
- 2.6 Based on the results of the 2023/24 PSIAS self-assessment, the Head of Assurance has concluded that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies, and processes assessed as conformant to the Standards and is consequently effective.
- 2.7 The self-assessment identified two areas of agreed non-conformance, these reflecting the unique nature of a partnership arrangement and are not considered material. These are detailed in Appendix C. There are no significant deviations from the Standards which warrant inclusion in the Council's Annual Governance Statement.

2.8 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.



Confirmation of independence of internal audit and assurance on limitations

2.9 The Head of Assurance confirms that during the year:

- No matters threatened SIAS's independence; and
- SIAS was not subject to any inappropriate scope or resource limitations.

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Annual Assurance Statement for 2023/24

Assurance opinion on internal control

- 2.10 Based on the internal audit work undertaken at the Council in 2023/24, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment.



Assurance opinion on Corporate Governance and Risk Management

- 2.11 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement (AGS) for 2022/23 (most recent available), the AGS Action Plan Update 2023/24 and the specific coverage of governance and risk management arrangements related to the areas included within the approved internal audit plan.

Chris Wood
Chief Audit Executive (Client Audit Manager)
June 2024

3. Overview of Internal Audit Activity at the Council in 2023/24

- 3.1 This section summarises work undertaken at the Council by SIAS in 2023/24. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below (2022/23 data in brackets).

Assurance Level	Number of reports 2023/24 (2022/23 data in brackets)	Percentage of reports 2023/24 (2022/23 data in brackets)
Substantial	1 (2)	13% (7%)
Reasonable	13* (15)	54% (56%)
Limited	3 (2)	4% (7%)
No	0 (0)	0% (0%)
Not Assessed	3 (3)	13% (11%)
Unqualified	3 (5)	13% (19%)
Not Complete	1 (0)	3% (0%)
Total	24 (27)	100% (100%)

* One report included in the total is at draft report stage, but it is not anticipated that the assurance opinion for this audit will change.

Recommendation Priority Level	Number of recommendations 2023/24 (2022/23 data in brackets)	Percentage of recommendations made 2023/24 (2022/23 data in brackets)
Critical	0 (0)	0% (0%)
High	3 (4)	5% (6%)
Medium	39 (36)	63% (49%)
Low / Advisory	20 (33)	32% (45%)
Total	62 (73)	100% (100%)

- 3.3 **The Reasonable overall assurance opinion** has been concluded from seventeen audits where assurance opinions were provided. One received Substantial assurance, thirteen received Reasonable assurance and three received Limited assurance. This generally indicates that the Council has satisfactory systems of internal control for a wide range of areas. Three high priority recommendations and thirty-nine medium priority recommendation were made across these audits. Whilst the issues raised

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in the High priority recommendations and Limited assurance reports (see paragraph 3.8 to 3.10) are significant, the audit conclusions on their own are insufficient to reduce the overall annual assurance opinion for the Council.

- 3.4 There were three projects with an opinion of 'Not Assessed' that provided consultancy advice on the planned control environment, but an assurance opinion for the work was not provided. No material or significant observations or issues arose from these three consultancy projects, and the outcomes informed the overall assurance opinion.
- 3.5 Three further projects all received Unqualified opinions and contributed to the overall assurance opinion. These consisted of one grant audit and two audits of charitable trust accounts run through the Council's bank accounts, both of which certified that the accompanying final accounts presented an accurate picture of the activities and transactions undertaken through the account and of the financial position at the end of the year.
- 3.6 One audit was at draft report stage at the time of writing this Annual Report, with a management response awaited. This audit (Estates) has been included as part of the overall assurance opinion for 2023/24 as the Limited assurance opinion contained therein is not anticipated to change during the finalisation process.
- 3.7 Two audits (Procurement and Safeguarding) from 2022/23, which were not included in the overall assurance opinion for that year, have been included within the overall assurance opinion for 2023/24.

Critical and High Priority Recommendations

- 3.8 Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations made. It is Internal Audit's responsibility to advise Members of progress on the implementation of critical and high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 3.9 Three high priority recommendations were made within work carried out during 2023/24, these arising from the Churchgate Landlord Compliance, Agency Staffing and Estates audits. Finance, Audit and Risk Committee Members have received copies of these final audit reports and will continue to receive updates on the implementation progress of critical and high priority recommendations through the SIAS quarterly progress reports to the Committee.
- 3.10 The implementation status of six high priority recommendations against their original due date was reported as part of the SIAS Progress Update reports to the Finance, Audit and Risk (FAR) Committee during 2023/24. Management assurance to FAR Committee on implementation of the

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recommendations has contributed to the overall assurance opinion contained in this report. A summary is provided below:

Audit Title	No. and description of high priority recommendations made	Implementation status
Resilience in Revenues and Benefits Systems and Technical Team (April 2022)	3 - Technical Team Resilience - Documented Procedures; Business Continuity Plans for Key Officer Absence; and Business Continuity and Risk Assessment of System Failure	Implemented
Business Continuity Planning (February 2023)	1 - Limited evidence of IT disaster recovery procedures and outdated policies	Implemented
Climate Emergency (February 2023)	1 - Insufficient capacity to deliver the climate objectives in the strategy	Implemented
Risk and Performance Management (April 2023)	1 - Risk Training for Officers and Councillors	Implemented

4. Performance of the Internal Audit Service in 2023/24

Performance indicators

4.1 The table below compares SIAS's performance at the Council against the 2023/24 targets set by the SIAS Board.

Indicator	Target 2023/24	Actual to 31 March 2024	Actual to 7 June 2024
1 SIAS Planned Days – percentage of actual billable days delivered against planned billable days	95%	88% (225 / 255 days)	100% (260 / 260 days)
2 SIAS Planned Projects – actual completed projects to draft report stage against planned completed projects	95%	83% (20 / 24 audit projects)	96% (23 / 24 projects)

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3 SIAS Planned Projects – percentage of actual completed projects to Final report stage against planned completed projects by the production of the HoA Annual Report.	100%	46% (11 / 24 audit projects)	92% (22 / 24 audit projects)
4 SIAS Annual Plan – presented to the March Finance, Audit and Risk Committee or the first meeting of the financial year should a March committee not meet.	Deadline met	Yes	N/A
5 Client Satisfaction - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	67% (2 / 3 received from 20 issued)	N/A
6 Chief Audit Executive's Annual Assurance Opinion and Report – presented at the first Finance, Audit and Risk Committee meeting of the financial year	Deadline met	Yes	Yes
7 Number of High Priority Audit Recommendations agreed.	95%	N/A	100% (2 / 2 from final internal audit reports)

Service Developments

4.2 During 2023/24, the development activities for SIAS included:

- a) **Recruitment** – Despite operating in a challenging recruitment market, SIAS have achieved significant success in filling our current vacancies. A new Assistant Client Audit Manager was recruited in June 2023, three Trainee Auditors during July 2023, a Client Audit Manager in September 2023, and a Senior Auditor and Auditor in February 2024. The above has allowed SIAS to reach an establishment vacancy rate of 0.5 FTEs, and as a result reduce any additional commissions to our co-sourced audit partner.

- b) **Training and Development** – As a service we continue to adopt our ‘grow your own strategy’ to provide the future talent for the Service and improve succession planning, in what remains a challenging recruitment market. Several members of the team have had a successful year in respect of progressing their professional qualifications. Two Auditors have recently completed their level 4 internal audit apprenticeship with merit and distinction grades. A further Auditor has passed several exams linked to an accountancy qualification (ACCA). Our three Trainee Auditors have all started their level 4 internal audit apprenticeship and this will continue into early 2025. In addition to the professional training above, the SIAS management team continued to deliver a programme of lite bite training sessions linked to modern professional practice.
- c) **Commercial Strategy** – The SIAS Board agreed to plans for growing the service through new business (this was partly driven by the need to minimise inflationary pressures for existing partners). The internal audit marketplace is recognised as challenging for new entrants, largely due to relatively flat demand and well-established suppliers. Conservative targets for growth have therefore been set for 2024/25, with a suite of performance indicators to be reported to the SIAS Board on a quarterly basis to support their oversight of progress.
- d) **Management Information Systems** – During the final quarter of 2023/24, SIAS completed the re-procurement and implementation of a new timesheet recording system (Timely). This went live on 2 April 2024 and will provide the service with improved information to support our capacity management and monitoring of the delivery of audit plans across the partnership.
- e) **Audit Practice** – as part of our continued work to adopt best practice from across the profession, our audit plans for 2024/25 included time allocations for the rolling out of new approaches to obtaining and providing assurance, including assurance mapping and embedded (or continuous) assurance.

5. Audit Charter 2024/25

- 5.1 The PSIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The SIAS Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.
- 5.3 The Audit Charter is reviewed annually. Our review in May 2024 considered any key changes required due to the recent publication of the Global Internal Audit Standards, due for implementation by the 9 January 2025. Whilst the Charter remains broadly unchanged to that of the

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previous year and will not result in any fundamental changes to our existing approaches, we have included some minor additions for the purpose of clarity. The updated charter is attached at Appendix D.

APPENDIX A – FINAL POSITION AGAINST THE 2023/24 INTERNAL AUDIT PLAN

North Herts Council Audit Plan – 2023/24

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
General Audits							
Churchgate - Project Governance Framework	Reasonable	0	0	1	1	15	Final Report Issued
Churchgate Landlord Compliance	Limited	0	1	3	0	11	Final Report Issued*
Churchgate – Ongoing Project Assurance	Reasonable	0	0	3	1	11	Final Report Issued*
Council Tax Reduction Scheme	Reasonable	0	0	2	1	11	Final Report Issued*
Freedom of Information	Reasonable	0	0	2	3	8	Final Report Issued
Safer Recruitment	Reasonable	0	0	3	5	9	Final Report Issued
Houses in Multiple Occupation						9	In Fieldwork
Estates	Limited	0	1	2	0	9	Draft Report Issued**
Ombudsman Complaints	Reasonable	0	0	0	2	9	Final Report Issued
MSU Transactions	Substantial	0	0	0	0	8	Final Report Issued*
Agency Staffing	Limited	0	1	5	0	9	Final Report Issued*
Business Continuity and Emergency Planning	Reasonable	0	0	0	1	9	Final Report Issued**
Planning Applications	Reasonable	0	0	1	0	10	Final Report Issued*

APPENDIX A – FINAL POSITION AGAINST THE 2023/24 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Certifications							
King George V Playing Fields	Unqualified	-	-	-	-	1.5	Final Report Issued
Workman’s Hall and Gym	Unqualified	-	-	-	-	1.5	Final Report Issued
Miscellaneous Grants	Unqualified	-	-	-	-	5	Final Report Issued
IT Audits							
Software Licensing	Reasonable	0	0	3	0	10	Final Report Issued*
Critical Applications	Reasonable	0	0	3	0	10	Final Report Issued*
IT Disaster Recovery and Business Continuity	Reasonable	0	0	2	1	12	Final Report Issued*
Consultancy							
Harkness Court	Not assessed***	0	0	2	0	10	Final Report Issued
Digital Strategy	Not assessed***	0	0	2	0	10	Final Report Issued
Project Management	Not assessed***	0	0	2	0	9	Final Report Issued**
Contingency							
Contingency	-	-	-	-	-	5	

APPENDIX A – FINAL POSITION AGAINST THE 2023/24 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Client Management – Strategic Support							
Chief Audit Executive Annual Opinion Report	-	-	-	-	-	3	Complete
Audit Committee	-	-	-	-	-	8	Complete
Performance Monitoring	-	-	-	-	-	7	Complete
Client Liaison	-	-	-	-	-	7	Complete
Audit Planning 2024/25	-	-	-	-	-	8	Complete
SIAS Development	-	-	-	-	-	5	Complete
2022/23 Projects Requiring Completion							
2022/23 projects Requiring Completion	-	-	-	-	-	20	Complete
Procurement	Reasonable	0	0	1	1	-	Final Report Issued
Safeguarding	Reasonable	0	0	2	4	-	Final Report Issued
Total		0	3	39	20	260	

* At Draft Report stage on 31 March 2024, Final Report issued after year end.

** Draft Report issued after year end

APPENDIX A – FINAL POSITION AGAINST THE 2023/24 INTERNAL AUDIT PLAN

*** Not Assessed means an assurance opinion was not required based on the nature of the consultancy work being performed.

Key to Recommendation Priority Levels: C = Critical priority recommendations; H = High priority recommendations; M = Medium priority recommendations; LA = Low/Advisory priority recommendations.

APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS

2022/23 Definitions of Assurance and Recommendation Priority Levels

Assurance Level		Definition
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 are inadequate to effectively manage risks to the achievement of objectives in the area audited.
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 / 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.

APPENDIX C – POSITION AGAINST PUBLIC SECTOR INTERNAL AUDIT STANDARDS AT APRIL 2023 – ACTION PLAN

Section A: Conformance - All areas apart from those identified in Section B below were conforming.

Section B: Intentional Non-Conformance

Ref	Area of Non-Conformance with the Standard	Commentary	
3.1a	<p>Purpose, Authority and Responsibility</p> <p>Does the board (defined as the Audit Committee) approve decisions relating to the appointment and removal of the Chief Audit Executive (CAE) (Head of Assurance)?</p>	<p>The Executive Director of Resources, Director of Finance and Director of Law and Governance, in consultation with the Board of the Shared Internal Audit Service, approves decisions relating to the appointment and removal of the CAE for HCC.</p> <p>This is as provided for in the governance of the Shared Internal Audit Service.</p>	<p>Non-conformance</p> <p>No further action proposed. The current arrangements are considered appropriate given that SIAS is a shared service, with HCC being the host authority.</p>
3.1c	<p>Purpose, Authority and Responsibility</p> <p>Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?</p>	<p>The performance appraisal of the CAE is carried out by the Director of Law and Governance (HCC).</p>	<p>Non-conformance</p> <p>No further action proposed. The appraisal process was carried out by the Director of Law and Governance (HCC) with input from all partner chief finance officers. The current arrangements are considered effective given HCC is the host authority for the SIAS partnership.</p>



Audit Charter 2024/2025

1. Introduction and Purpose

- 1.1. Internal auditing is an independent and objective assurance and consulting activity. It is guided by a philosophy of adding value to the operations of an organisation. It assists a council in achieving its objectives and ultimately provides assurance to the public by systematically evaluating and improving the effectiveness and efficiency of risk management, control, and governance processes.
- 1.2. The purpose of the Shared Internal Audit Service (SIAS) is to provide independent, objective assurance and consulting services designed to add value and improve client operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. SIAS helps clients accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

2. Statutory Basis of Internal Audit

- 2.1. Local government is statutorily required to have an internal audit function. The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 2.2. In addition, a council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To fulfil this requirement, the S151 Officer relies, amongst other sources, upon the work of internal audit.
- 2.3. The above provides the mandate for the provision of an Internal Audit function within each SIAS partner in accordance with the Global Internal Audit Standards.

3. Role

- 3.1. SIAS internal audit activity is overseen by Council's committee charged with fulfilling audit committee responsibilities, herewith referred to as the Finance, Audit and Risk Committee. As part of its oversight role, the Finance, Audit and Risk Committee is responsible for defining the responsibilities of SIAS via this Charter.
- 3.2. SIAS may undertake additional consultancy activity requested by management. The Client Audit Manager will determine such activity on a case-by-case basis, assessing the skills and resources available. Significant additional consultancy activity not already included in the Internal Audit Plan will only be accepted and carried out following consultation with the Finance, Audit and Risk Committee.

4. Professionalism

- 4.1. SIAS governs itself by adherence to the Public Sector Internal Audit Standards (PSIAS). These standards include the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (IPPF). They set out the fundamental requirements for the professional practice of internal auditing and the evaluation of the effectiveness of an internal audit function.
- 4.2. SIAS commits to adhering to the Global Internal Audit Standards. Revised Standards have recently been issued and the service is working towards the implementation date of 9 January 2025, or a likely extended date of 1 April 2025 for the public sector.
- 4.3. SIAS also recognises the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.
- 4.4. SIAS operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) and Chartered Institute of Public Finance and Accountancy (CIPFA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 4.5. Should non-conformance with the PSIAS be identified, the Head of Assurance will investigate and disclose, in advance, if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.

5. Authority and Confidentiality

- 5.1. Internal auditors are authorised full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during an engagement is safeguarded and confidentiality respected in accordance with the Council's GDPR and information security policies.
- 5.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known, which if not disclosed could distort a report or conceal unlawful practice.

6. Organisation

- 6.1. The Head of Assurance and their representatives have free and unrestricted direct access to Senior Management, the Finance, Audit and Risk Committee, the Chief Executive, the Chair of the Finance, Audit and Risk Committee, and the External Auditor. The Client Audit Manager will communicate with all the above parties at both committee meetings and between meetings as appropriate.
- 6.2. The Chair of the Finance, Audit and Risk Committee has free and unrestricted direct access to the Head of Assurance.
- 6.3. The Head of Assurance is line managed by the host authority's Director of Law and Governance (HCC). The Executive Director of Resources, Director of Law and Governance, and Director of Finance approves all decisions regarding the appointment, or removal of the Head of Assurance, in consultation with the SIAS Board. Each client's Section 151 Officer is asked to contribute to the annual appraisal of the Head of Assurance.

7. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 7.1. The Head of Assurance, working with the Head of SIAS, are both suitably experienced and qualified (CCAB and / or CMIIA), is responsible for:
 - hiring, remunerating, appraising, and developing SIAS staff in accordance with the host authority's HR guidance.
 - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff.
 - ensuring that SIAS staff possess or obtain the skills, knowledge, and competencies (including ethical practice) needed to effectively perform SIAS engagements.

- seeking approval from the SIAS Board for the level of human resources and finance required for SIAS to deliver services in accordance with its mandate.
- 7.2. The Finance, Audit and Risk Committee is responsible for overseeing the effectiveness of SIAS and holding the Head of Assurance to account for delivery. This is achieved through the approval of the annual audit plan, approval of performance targets set by the SIAS Board and receipt of regular reports. The Committee should champion the internal audit function to enable it to fulfil the purpose of internal auditing and pursue its strategy and objectives.
- 7.3. The Finance, Audit and Risk Committee is also responsible for the effectiveness of the governance, risk, and control environment within the Council, holding operational managers to account for its delivery.
- 7.4. Where stated in its Terms of Reference, the Finance, Audit and Risk Committee provides an annual report to the Council detailing the Committee's activities through the year. In addition, and as required, the Committee ensures that there is appropriate communication of, and involvement in, internal audit matters from the wider publicly elected Member body.
- 7.5. The Head of Assurance is responsible for ensuring that the outcome of all final Internal Audit reports is reported to all members of the Finance, Audit and Risk Committee in a format agreed with these relevant parties.
- 7.6. Senior Management, defined as the Head of Paid Service, Chief Officers, and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities. Senior Management should also support recognition of the internal audit function throughout the organisation, and in providing full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate.
- 7.7. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, with SIAS reporting key information to the Finance, Audit and Risk Committee within progress and annual reports, including:
- resourcing and financial performance.
 - operational effectiveness through the monitoring performance indicators.
 - any restrictions on internal audit scope, access, authority, or resources. limiting the ability to carry out its responsibilities effectively.
 - the overall strategic direction of the shared service.

8. Independence and Objectivity

- 8.1. No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure

that internal audit maintains the necessary level of independence and objectivity.

- 8.2. As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 8.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Head of Assurance will highlight to the Finance, Audit and Risk Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the PSIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the Head of Assurance may belong. The Finance, Audit and Risk Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 8.4. Where SIAS has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, the Head of Assurance will ensure that the risks of doing so are managed effectively, having regard to their primary responsibility to the management of the partners for which they are engaged to provide internal audit services.
- 8.5. The Head of Assurance will confirm to the Finance, Audit and Risk Committee, at least annually, the organisational independence of SIAS.

9. Conflicts of Interest

- 9.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.
- 9.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.
- 9.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.
- 9.4. SIAS procures an arrangement with an external delivery partner to provide service resilience, i.e., additional internal audit days on request. The external delivery partner will be used to deliver engagements as directed by the Head of Assurance in particular providing advice and assistance where SIAS staff lack

the required skills or knowledge. The external delivery partner will also be used to assist with management of potential and actual conflicts of interest in internal audit engagements, providing appropriate independence and objectivity as required.

- 9.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements, or other benefits) the Head of Assurance will investigate and report on the matter to appropriate parties.
- 9.6. The Head of Assurance not only leads and has overall management responsibility for SIAS, but also the similarly constituted Shared Anti-Fraud Service (SAFS) and significant other, non-internal audit, responsibilities relating to Hertfordshire County Council (HCC). Specifically, these are Health and Safety, Risk Management and Insurance.
- 9.7. Given that SIAS will potentially undertake internal audit activity in relation to SAFS, this relationship is formally disclosed, and appropriate safeguards will be put in place against any potential impairment to independence. The Head of SIAS will manage the internal audit engagement of this service and report findings directly to the Director of Finance in their capacity as S151 Officer.

10. Responsibility and Scope

- 10.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.
- 10.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:
 - consistency of operations or programs with established objectives and goals, and effective performance.
 - effectiveness and efficiency of governance, operations, and employment of resources.
 - compliance with significant policies, plans, procedures, laws, and regulations
 - design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information.
 - safeguarding of assets.
- 10.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services, or evaluate specific operations.

- 10.4. SIAS is responsible for reporting to the Finance, Audit and Risk Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the SAFS), control and governance issues and other matters that emerge from an engagement.
- 10.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience, and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.

11. Role in Anti-Fraud

- 11.1. The SIAS work programme, designed in consultation with Senior Management, the Finance, Audit and Risk Committee and seeks to provide assurance on how the council manages the fraud risks to which it is exposed.
- 11.2. SIAS must have sufficient knowledge to evaluate the risk of fraud and the way it is managed by the Council but are not expected to have the expertise of a person or team whose primary responsibility is detecting and investigating fraud.
- 11.3. SIAS will exercise due professional care by considering the probability of significant errors, fraud, or non-compliance when developing audit scopes and objectives.
- 11.4. North Herts Council is a partner for both SIAS and SAFS and benefits from collaboration and intelligence sharing between the teams. This informs both horizon scanning as part of the internal audit planning process and individual audit engagements.
- 11.5. The Head of Assurance should be notified of all suspected or detected fraud, corruption, or impropriety so that the impact upon control arrangements can be evaluated.

12. Internal Audit Plan

- 12.1. Following discussion with appropriate senior management, the Head of Assurance will submit a risk-based plan to the Finance, Audit and Risk Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed by Service Directors and subsequently the Section 151 Officer, and Senior Leadership Team collectively led by the Chief Executive and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.

- 12.2. The plan will be accompanied by details of the risk assessment approach used and other assurance considered during the planning process. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.
- 12.3. The plan will be subject to regular review in year and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.

13. Reporting and Monitoring

- 13.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the engagement may occur and will be agreed following consultation with the client.
- 13.2. A report will be issued to management on completion of an engagement. It will include a reasoned opinion, details of the time and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.
- 13.3. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the Finance, Audit and Risk Committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Head of Assurance to all relevant parties.
- 13.4. In consultation with senior management, the Head of Assurance will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 13.5. Quarterly update reports to the Finance, Audit and Risk Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance, and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement) with a summary of the work that supports the opinion. The Head of Assurance will also make a statement of conformance with PSIAS, using the results of the annual self-assessment and Quality Assurance and Improvement Plan (QAIP) required by the PSIAS. The statement will detail the nature and reasons for any impairments, qualifications, or restrictions in scope for which the Committee

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should seek reassurances from management. Any improvement plans arising will be included in the annual report.

14. Periodic Assessment

- 14.1. PSIAS require the Head of Assurance and the SIAS Board to arrange for an independent review of the effectiveness of internal audit undertaken by a suitably knowledgeable, qualified, and competent individual or organisation. This should occur at least every five years.
- 14.2. The Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals, and shared learning with the external audit partner as well as coaching, supervision, and documented review.
- 14.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner’s Annual Report.

15. Review of the Audit Charter

- 15.1. The Head of Assurance will review this Charter annually and will present to the first Finance, Audit and Risk Committee meeting of each financial year, any changes for approval.
- 15.2. The Head of Assurance reviewed this Audit Charter in April 2024. It will next be reviewed in April 2025.

Glossary of Terms

Finance, Audit and Risk Committee	<p>The PSIAS defines the Audit Committee as “The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.”</p> <p>The Finance, Audit and Risk Committee operates in accordance with its terms of reference contained in North Herts Council’s Constitution.</p> <p>CIPFA’s <i>Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition</i> indicates that for a local authority, it is best practice for the audit committee to report directly to full council rather than to another committee, as the council itself most closely matches the body of ‘those charged with governance’. This is the case at NHC.</p>
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<p>Audit Plan</p>	<p>The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.</p>
<p>Board</p>	<p>The PSIAS defines the ‘Board’ as “The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation’s activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the Standards refers to a group or person charged with governance of the organisation. Furthermore, “board” in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit Committee).</p> <p>For the purposes of the SIAS Audit Charter, the Board as referred to in the PSIAS shall be North Herts Council’s Finance, Audit and Risk Committee. All references to the Finance, Audit and Risk Committee in the SIAS Audit Charter should be read in this context.</p>
<p>Chief Audit Executive (CAE)</p>	<p>The PSIAS describes the role of CAE as “a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The CAE or others reporting to the CAE will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the CAE may vary across organisations.”</p> <p>The CAE is fundamental to the success of the service and to the extent to which it complies with the Standards. Regular reference is made to this role throughout the PSIAS, including some specific requirements relating to whoever is designated the role.</p> <p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the PSIAS shall be Hertfordshire County Council’s Head of Assurance, who is currently covering the role of Client Audit</p>

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	<p>Manager for North Herts Council. All references to the Head of Assurance in the SIAS Audit Charter should be read in this context.</p>
<p>Global Internal Audit Standards</p>	<p>The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing. The standards have an implementation date of 9 January 2025, or a likely extended date of 1 April 2025 for the public sector.</p>
<p>Management</p>	<p>Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers, and their direct reports.</p>
<p>Public Sector Internal Audit Standards (PSIAS)</p>	<p>These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency, and effectiveness of internal audit across the public sector. They reaffirm the importance of robust, independent, and objective internal audit arrangements to provide stakeholders with the key assurances they need to support them both in managing and overseeing the organisation and in producing the annual governance statement.</p>
<p>Shared Internal Audit Service (SIAS)</p>	<p>SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS also provides internal audit services to a limited number of external clients. HCC is the host authority for the partnership and provides support services such as HR, technology, and accommodation.</p>
<p>SIAS Board</p>	<p>The Board that comprises officer representatives from the partner authorities and that is responsible for the governance of the SIAS partnership.</p>

Note:

For readability, the term ‘internal audit activity’ as used in the PSIAS guidance has been replaced with ‘SIAS’ in this Charter.

