# ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2024/25

**NORTH HERTS COUNCIL**
**FINANCE, AUDIT AND RISK COMMITTEE**
**JUNE 2025**

**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 Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP)
- Approve the SIAS Audit Charter for 2025/26
- Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2024/25

## Contents

# 1.   Purpose and Background

<u>Purpose of Report</u>

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 Global Internal Audit Standards (GIAS) 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 2025/26 Audit Charter for approval.

<u>Background</u>

1.2   The purpose of internal audit is to strengthen the Council's ability to create, protect, and sustain value by providing Members and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

1.3   A key duty of the Chief Audit Executive (CAE - 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.

1.4   The assurance opinion in this report is based on the 2024/25 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 2025/26 before the Audit Committee report deadline.

1.5   The audit plan remained dynamic during the year, with plan changes made 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 2024/25 were communicated to, and approved by, the Finance, Audit and Risk Committee within the SIAS progress reports.

1.6   The International Professional Practices Framework (IPPF) organises the authoritative body of knowledge for the professional practice of internal auditing. The IPPF includes Global Internal Audit Standards (GIAS), Topical Requirements (designed to enhance the consistency and quality of internal audit services related to specific audit subjects) and Global Guidance. The Public Sector Internal Audit Standards, which

encompassed the mandatory elements of the IPPF, have been replaced by the Application Note Global Internal Audit Standards in the UK Public Sector.

1.7 Taken together, the GIAS and the Application Note form the basis of UK public sector internal audit effective from 1 April 2025. The Note states that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

1.8 When the Global Institute of Internal Auditors published the GIAS, it recognised that in the public sector, governance structures or other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government. The GIAS itself provides for the chief audit executive to reach agreement with those in governance roles and senior management on alternative conditions that still allow for conformance with the GIAS. The CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government provides the route to satisfying the essential conditions in the GIAS in the UK public sector, tailored for UK local government. The Application Note GIAS in the UK public sector directs the local government sector bodies to apply this Code.

1.9 The GIAS (UK Public Sector) sets out matters that SIAS must report to the Audit Committee. SIAS conform with these requirements through inclusion in the Annual Assurance Statement and Internal Audit Annual Report 2024/25. The summarised requirements that SIAS must adhere to are set out below:

| Standard | Description |
| --- | --- |
| Domain III 6.1 | **Internal Audit Mandate**<br>The Chief Audit Executive (CAE) must provide the board and senior management with the information necessary to establish the internal audit mandate. The internal audit charter must include the legal requirements of the mandate. |
| Domain III 6.2 | **Internal Audit Charter**<br>The CAE must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:<br>• Purpose of Internal Auditing.<br>• Commitment to adhering to the Global Internal Audit Standards.<br>• Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function.<br>• Organisational position and reporting relationships. |
| Domain III 7.1 | **Organisational Independence** |

| | |
|---|---|
| | The CAE must confirm to the board the organisational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment. |
| Domain III 7.2 | **CAE Qualifications** The CAE must maintain and enhance the qualifications and competencies necessary to fulfil the roles and responsibilities expected by the board. |
| Domain III 8.1 | **Board Interaction** The CAE must provide the board with the information needed to conduct its oversight responsibilities. The CAE must report to the board and senior management: <br> • Changes potentially affecting the mandate or charter <br> • Potential impairments to independence. <br> • Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results <br> • Results from the quality assurance and improvement program. <br> The CIPFA Code goes further, indicating that the audit committee must review the CAE's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives. |
| Domain III 8.3 | **Quality** The CAE must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments: <br> • External assessments. <br> • Internal assessments. <br> At least annually, the CAE must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include: <br> • The internal audit function's conformance with the Standards and achievement of performance objectives. <br> • If applicable, compliance with laws and/or regulations relevant to internal auditing. <br> • If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement. |
| Domain III 8.4 | **External Quality Assessment** The CAE must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. |

| Domain IV 9.3 | **Methodologies**<br>The CAE must establish methodologies to guide the internal audit function in a systemic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards. |
|---|---|
| Domain IV 11.3 | **Communicating Results**<br>The CAE must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate. The CAE must understand the expectations of the board and senior management regarding the nature and timing of communications. The results of internal audit services can include:<br>• Engagement conclusions.<br>• Themes such as effective practices or root causes.<br>• Conclusions at the level of the business unit or organisation. |
| Domain IV 12.1 | **Internal Quality Assessment**<br>The CAE must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress toward performance objectives. The chief audit executive must establish a methodology for internal assessments that includes:<br>• Ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives.<br>• Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards.<br>• Communication with the board and senior management about the results of internal assessments. |
| Domain IV 15.2 | **Confirming the Implementation of Recommendations or Action Plans**<br>Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes:<br>• Inquiring about progress on the implementation.<br>• Performing follow-up assessments using a risk-based approach.<br>• Updating the status of management's actions in a tracking system. |

1.10 Section 2 of this report details how SIAS complies with these requirements.

1.11 SIAS is grateful for the co-operation and support it has received from client officers during 2024/25.

## 2. Annual Assurance Statement 2024/25

<u>Context</u>

*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 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 CAE must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion. This includes that the CAE maintains and enhance their own qualifications and competences. SIAS can confirm that the service is suitably resourced and qualified to undertake its work, including the qualifications and competences of the CAE.

2.4 As part of our Quality Assurance and Improvement Programme, an internal quality self-assessment was conducted to review our conformance with the Global Internal Audit Standards (GIAS).

2.5 The GIAS 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. The next EQA is due in 2026/27 and SIAS will shortly being seeking to appoint assessors to undertake the future review.

2.6 Based on the results of the 2024/25 GIAS self-assessment, the CAE has concluded that SIAS 'generally conforms' with the GIAS (UK Public Sector).

2.7 The self-assessment identified one area of continued agreed non-conformance in relation to the role of the Board (Audit Committee) in the appointment, removal, performance management and renumeration of

the CAE, this reflecting the unique nature of a shared service or partnership arrangement. A further five areas were also highlighted within the self-assessment where, whilst we assessed SIAS as conforming to the GIAS, we will undertake further work during 2025/26 to improve the evidence held to demonstrate compliance.

2.8 A summary of the outcomes of the GIAS self-assessment are detailed in Appendix C. There are no significant deviations from these Standards, or the Public Sector Internal Audit Standards that were in place during 2024/25, which warrant inclusion in the Council's Annual Governance Statement.

2.9 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.
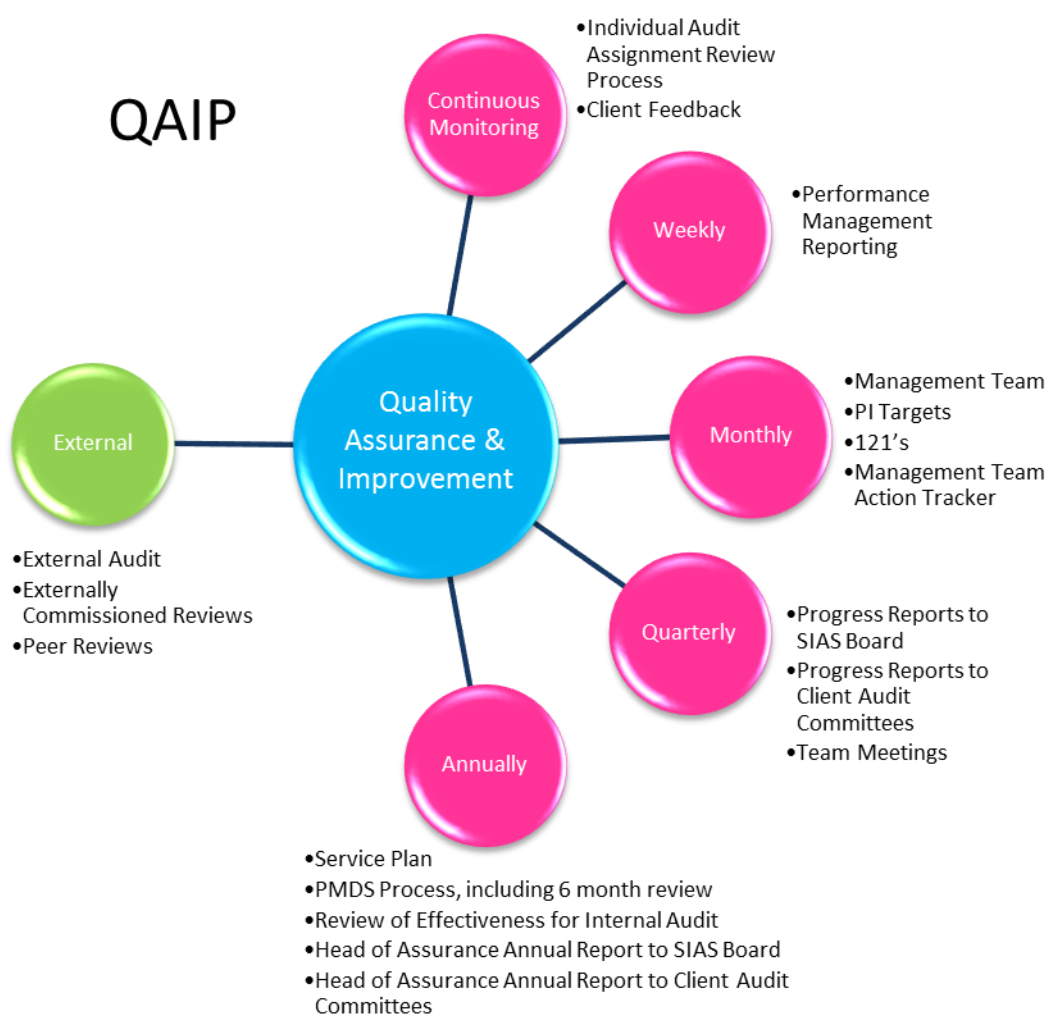


*Confirmation of independence of internal audit and assurance on limitations*

2.10 The Head of Assurance confirms that during the year:

    a) No matters threatened SIAS's independence; and

    b) SIAS was not subject to any inappropriate scope or resource limitations.

<u>Annual Assurance Statement for 2024/25</u>

*Assurance opinion on internal control*

2.10 Based on the internal audit work undertaken at the Council in 2024/25, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment.

**OVERALL ASSURANCE OPINION**

**Our overall opinion is Reasonable Assurance; meaning 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.**

*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 draft Annual Governance Statement (AGS) for 2024/25 (most recent available), the AGS Action Plan Update 2024/25 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 (HCC Head of Assurance)**
**May 2025**

## 3. Overview of Internal Audit Activity at the Council in 2024/25

3.1 This section summarises work undertaken at the Council by SIAS in 2024/25. 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 (2023/24 data in brackets).

| Assurance Level | Number of reports 2024/25 *(2023/24 data in brackets)* | Percentage of reports 2024/25 *(2023/24 data in brackets)* |
|---|---|---|
| Substantial | 0 (1) | 0% (13%) |
| Reasonable | 9 (13) | 42% (54%) |
| Limited | 2 (3) | 10% (4%) |
| No | 0 (0) | 0% (0%) |
| Not Assessed | 6 (3) | 28% (13%) |
| Unqualified | 2 (3) | 10% (13%) |
| Not Complete | 2 (1) | 10% (3%) |
| **Total** | **21 (24)** | **100% (100%)** |

| Recommendation Priority Level | Number of recommendations 2024/25 *(2023/24 data in brackets)* | Percentage of recommendations made 2024/25 *(2023/24) data in brackets* |
|---|---|---|
| Critical | 0 (0) | (0%) |
| High | 7 (3) | 12% (5%) |
| Medium | 28 (39) | 47% (63%) |
| Low / Advisory | 25 (20) | 41% (32%) |
| **Total** | **60 (62)** | **100% (100%)** |

3.3 **The Reasonable overall assurance opinion** has been concluded from eleven audits where assurance opinions were provided. Nine received Reasonable assurance and two received Limited assurance. This generally indicates that the Council has satisfactory systems of internal control for a wide range of areas. Seven high priority recommendations and twenty-eight medium priority recommendation were made across these audits. Whilst the issues raised in the High priority recommendations and Limited assurance reports (see paragraph 3.7 to 3.9) are significant, the audit conclusions on their own are insufficient to reduce the overall annual assurance opinion for the Council.

3.4     There were six consultancy / advisory projects that provided consultancy advice on the planned control environment and had an assurance level of 'Not Assessed'. From these, there were fourteen medium priority recommendations raised and five low priority or advisory actions. Although these projects were not provided with an assurance opinion, the outcomes of the work nonetheless informed the overall assurance opinion for the Council.

3.5     Two further projects received Unqualified opinions and contributed to the overall assurance opinion. These were 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     Four audits (Emergency Planning, Estates, Project Management and Houses in Multiple Occupation) from 2023/24 which were not included in the overall assurance opinion for that year, have been included within the overall assurance opinion for 2024/25.

        Critical and High Priority Recommendations

3.7     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.

3.8     Seven high priority recommendations were made within work carried out during 2024/25, these arising from the Houses in Multiple Occupation, Estates and Churchgate Project Assurance 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.

3.9     The implementation status of seven 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 2024/25. Management assurance to FAR Committee on implementation of the 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 |
|---|---|---|
| Houses in Multiple Occupation | 4 – HMO Policies, Procedures, Guidance and Evidence Requirements<br><br>Consulting with the Fire Officer<br><br>Consultation Period and Draft Notices of Intention to Issue HMO Licence<br><br>Renewal of HMO Licences after Expiry | All reported as fully implemented. |
| Estates | 2 – Property Management / Estates Database<br><br>Backlog of Rent Reviews | Reported as partially implemented in the last progress update to FAR Committee. |
| Churchgate Project Assurance (Embedded Assurance) | 1 – Expiry of call-off Contract | Not yet due for implementation. |

Assurance Mapping

3.10 Assurance mapping was completed in year based on the registered projects and risks in the Council Delivery Plan. It did not encompass all potential controls surrounding the projects and risks, rather the sources and levels of assurance and therefore should not be used as a comprehensive evaluation of all the Council's risk management activities. Assurance mapping entailed meetings with all Directors listed as owner for each project and risk, senior management working on the listed projects or managing the risks and the Council's Performance and Risk Officer who provided support and knowledge in each of the meetings.

3.11 Review of the assurance map for each project or risk indicated that there is a largely sound framework of assurance activities with several sources of good assurance across the three lines model. This reflects Internal Audits professional judgement and should not relieve management of responsibility for ensuring effective controls exist and risk management processes exist. This map should therefore be viewed as a part of the wider risk management framework rather than as a standalone evaluation of risk.

Root Cause Analysis

3.12 Root cause analysis was implemented in year at the end of quarter 3 in 2024/25 as part of implementing the GIAS, along with a new internal audit report format. As a result of the consultancy work performed, 2023/24 carry forward projects and projects completed prior to the introduction of root cause analysis, only twenty-one of the sixty total recommendations had associated root causes determined.

3.13 A summary of root causes is provided in the table below demonstrating the possible root causes and the number of instances each cause was determined:

| Root Causes | Number of Instances |
|---|---|
| Resources | 4 |
| Competencies & Training | 0 |
| Systems | 1 |
| Motivation & Incentives | 0 |
| Standards & Policies | 2 |
| Governance | 5 |
| Process & Procedures | 4 |
| Accountability | 2 |
| Assurance & Monitoring | 3 |
| **Total** | **21** |

3.14 Due to the relatively small sample size and fairly even distribution of root causes, we have not been able to identify any specific themes of wider concern for the Council.

# 4. Performance of the Internal Audit Service in 2024/25

Performance indicators

4.1 The table below compares SIAS's performance at the Council against the 2024/25 targets set by the SIAS Board.

| Indicator | Target 2024/25 | Actual to 31 March 2025 | Actual to 27 May 2025 |
|---|---|---|---|
| **1 SIAS Planned Days** – percentage of actual billable days against planned chargeable days completed (excludes unused contingency) | **95%** | **94%** (245.5 / 260 days) | **95%** (247 / 260 days) |
| **2 SIAS Planned Projects** – percentage of actual completed | **90%** | **91%** | **91%** |

| | | | |
|---|---|---|---|
| projects to draft report stage against planned completed projects by 31st March 2025 | | (19 / 21 audit projects) | (19 / 21 audit projects) |
| **3 SIAS Planned Projects –** percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report | **100%** | **48%** (10 / 21 audit projects) | **91%** (19 / 21 audit projects) |
| **4 Client Satisfaction** – percentage of client satisfaction questionnaires returned at 'satisfactory' level | **100%** | **100%** (3 / 3 received from 18 issued) | **100%** (3 / 3 received from 18 issued) |
| **5 Number of High and Critical Priority Audit Recommendations –** agreed as a percentage | **95%** | 100% (6 of 6 made) | 100% (6 of 6 made) |
| **6 Annual Plan –** prepared in time to present to the March meeting of Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year. | **Achieved** | Achieved | Approved in March 2025 |
| **7 Head of Assurance's Annual Report –** presented at the first Audit Committee meeting of the financial year. | **Deadline Met** | Achieved | The 2023/24 Annual Report was presented to the June 2024 FAR Committee |

Service Developments

4.2 During 2024/25, the main service and development activities for SIAS included:

a) **Recruitment** – Despite operating in a challenging recruitment market, SIAS have achieved some success in filling our vacancies. Two Trainee Auditors were recruited in January 2025, and three Trainee Auditors were promoted to Auditor positions in November 2024 (two) and January 2025 (one) respectively.

b) **Training and Development** – 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. A further four Auditors have passed their IA practitioner qualification. 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** – In 2023/24 the SIAS Partnership Board agreed to plans for growing the service through new business, this was driven by the need to minimise inflationary pressures for existing partners. SIAS secured their first new customer during 2024/25, with a further two new customers also secured for the 2025/26 financial year. Income generation targets are on track to be achieved. A key principle within the SIAS strategy is to ensure that growth is undertaken on an incremental basis to protect both the capacity and capabilities of SIAS to deliver our core assurance services to SIAS partners. This was achieved during 2024/25 with key performance indicators for SIAS partners being met. In respect of governance, clear delegation structures have been agreed in relation to decision making for assessing new opportunities and a suite of key performance indicators have been agreed which are reported to the SIAS Partnership Board on a quarterly basis to support oversight and challenge of delivery and rates of return.

d) **Audit Practice** – as part of our continued work to adopt best practice from across the profession and to implement the new GIAS, our audit plans for 2024/25 included time allocations for the rolling out of new approaches to obtaining and providing assurance. This included assurance mapping and embedded (or continuous) assurance. A new audit report template was also developed and rolled out, including the new GIAS requirement to analyse the Root Cause of findings.

# 5. Audit Charter 2025/26

5.1 The GIAS 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. Amendments were made in May 2024 to align the Audit Charter with the GIAS (Public Sector). The review in May 2025 resulted in amendments to paragraphs 6.1 and 6.3. The 2025/26 Charter is attached at Appendix D.

## APPENDIX A – FINAL POSITION AGAINST THE 2024/25 INTERNAL AUDIT PLAN

**North Herts Council Audit Plan – 2024/25**

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | | AUDIT PLAN DAYS | STATUS/COMMENT |
|---|---|---|---|---|---|---|---|
| | | C | H | M | LA | | |
| **General Audits** | | | | | | | |
| Churchgate - Project Assurance | Reasonable | 0 | 1 | 0 | 2 | 12 | Final Report Issued* |
| LA Trading Companies | Reasonable | 0 | 0 | 0 | 5 | 12 | Final Report Issued |
| Training, Awareness and Induction | Reasonable | 0 | 0 | 2 | 1 | 10 | Final Report Issued* |
| Operational Building Compliance | Reasonable | 0 | 0 | 1 | 1 | 10 | Final Report Issued* |
| Purchasing Cards | Reasonable | 0 | 0 | 2 | 2 | 10 | Final Report Issued |
| Public Sector Decarbonisation Scheme (Salix Grant) (Embedded Assurance) | Reasonable | 0 | 0 | 1 | 5 | 14 | Final Report Issued |
| New Finance System | Not Complete | - | - | - | - | 10 | In Fieldwork |
| Homelessness | Not Complete | - | - | - | - | 10 | In Planning |
| **Grant Claims / Charity Certifications** | | | | | | | |
| Grant / Charity Audits | | - | - | - | - | 2 | Days reallocated to charity certifications |
| Workman's Hall | Unqualified | - | - | - | - | 1.5 | Final Report Issued |
| King George V Playing Fields | Unqualified | - | - | - | - | 1.5 | Final Report Issued |
| **IT Audits** | | | | | | | |

## APPENDIX A – FINAL POSITION AGAINST THE 2024/25 INTERNAL AUDIT PLAN

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | | AUDIT PLAN DAYS | STATUS/COMMENT |
| --- | --- | --- | --- | --- | --- | --- | --- |
| | | C | H | M | LA | | |
| Cyber Governance and Culture | Reasonable | 0 | 0 | 2 | 0 | 11 | Final Report Issued* |
| Supply Chain Management | Reasonable | 0 | 0 | 2 | 0 | 11 | Final Report Issued* |
| **Consultancy Assignments / Assurance Mapping** | | | | | | | |
| Equality, Diversity and Inclusion Maturity Assessment | Not Assessed*** | 0 | 0 | 2 | 1 | 20 | Final Report Issued* |
| FAR Committee Review | Not Assessed*** | 0 | 0 | 3 | 1 | 11 | Final Report Issued |
| Assurance Mapping | Not Assessed*** | 0 | 0 | 2 | 0 | 28 | Final Report Issued* |
| Green Waste Reconciliation | Not Assessed*** | 0 | 0 | 4 | 0 | 5 | Final Report Issued* |
| Performance Indicators | Not Assessed*** | 0 | 0 | 0 | 3 | 12 | Final Report Issued* |
| **Contingency** | | | | | | | |
| Contingency | - | - | - | - | - | 0 | |
| **Client Management – Strategic Support** | | | | | | | |
| Chief Audit Executive Annual Opinion Report | - | - | - | - | - | 3 | Complete |
| Audit Committee | - | - | - | - | - | 8 | Complete |
| Performance Monitoring | - | - | - | - | - | 8 | Complete |

## APPENDIX A – FINAL POSITION AGAINST THE 2024/25 INTERNAL AUDIT PLAN

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | | AUDIT PLAN DAYS | STATUS/COMMENT |
|---|---|---|---|---|---|---|---|
| | | C | H | M | LA | | |
| Client Liaison | - | - | - | - | - | 6 | Complete |
| Audit Planning 2025/26 | - | - | - | - | - | 8 | Complete |
| SIAS Development | - | - | - | - | - | 5 | Complete |
| **2023/24 Projects Requiring Completion** | | | | | | | |
| Emergency Planning | Reasonable | 0 | 0 | 0 | 1 | 5 | Final Report Issued |
| Estates | Limited | 0 | 2 | 1 | 0 | 8 | Final Report Issued |
| Project Management | Not Assessed*** | 0 | 0 | 2 | 0 | 8 | Final Report Issued |
| Houses in Multiple Occupation | Limited | 0 | 4 | 4 | 3 | 8 | Final Report Issued |
| **Total** | | **0** | **7** | **28** | **25** | **260** | |

\* At Draft Report stage on 31 March 2025, Final Report issued after year end.

\*\* Draft Report issued after year end

\*\*\* 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.

| 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. |

| Root Cause | Icon | Definition |
|---|---|---|
| **Resources** | | The extent to which the service has sufficient, capable resources, enabling it to carry out all aspects of its operational duties efficiently and effectively. |
| **Competencies & Training** | | The extent to which staff are appropriately qualified, trained or experienced to carry out their role. |
| **Systems** | | The extent to which systems are fit-for-purpose and support the service to carry out its operations effectively. |
| **Motivation & Incentives** | | The extent to which factors such as organisational or personnel change have impacted on staff desire to carry out their role efficiently and effectively. |
| **Standards & Policies** | | The extent to which expected standards have been made clear to staff and the necessary policies are in place to support these standards. |
| **Governance** | | The extent to which the service is governed by a clear structure that sets out the roles and responsibilities of officers, and the service is supported by appropriate risk management and control systems. |
| **Process & Procedures** | | The extent to which established processes are operating effectively and are supported by defined procedures. |
| **Accountability** | | The extent to which roles and responsibilities for decision-making have been defined and are accepted and acted on by all parties. |
| **Assurance & Monitoring** | | The extent to which internal and/or external checking controls exist to monitor the effectiveness of, and provide assurance to, the service. |

**APPENDIX D – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2025 – ACTION PLAN**

**During 2024/25 all areas apart from those identified below were conforming.**

| Domain | Standard | Requirement (Summary or relevant extract) | Self-Assessment Outcome | Commentary | Action Proposed | Target Date |
|--------|----------|-------------------------------------------|-------------------------|------------|-----------------|-------------|
| II | 2.1 – Individual Objectivity | Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances. Internal auditors must be aware of and manage potential biases. | Improvement in documentation to evidence conformance | All SIAS staff complete annual conflicts of interest declarations, those team members completing professional studies have exposure to objectivity requirements and our Internal Audit Charter has the required section on objectivity.<br><br>However further training could be provided to staff to increase awareness of wider impairments to objectivity. In addition, assessments to review any potential impairments at the outset of an audit basis could be improved. | A specific training session on impairments to objectivity will be included within the SIAS Lite Bite training schedule for team members.<br><br>Audit working papers will be updated to include a requirement for the auditor assigned to confirm that they do not have any conflicts of interest or impairments in relation to the area of audit. | August 2025 |
| II | 5.2 – Protection of Information | Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as | Improvement in documentation to evidence conformance | SIAS team members are made aware of the importance of protecting the confidentiality and privacy of information throughout induction and during training sessions. Whilst all SIAS staff are required to follow the host authority's Code of Conduct and Data Protection guidance, the introduction | All existing SIAS staff and any new employees will be required to complete a declaration to confirm that they understand their responsibilities for protecting information and maintaining confidentiality. | August 2025 |

| Domain | Standard | Requirement (Summary or relevant extract) | Self-Assessment Outcome | Commentary | Action Proposed | Target Date |
|---|---|---|---|---|---|---|
| | | the result of professional relationships. | | of a declaration for completion at the outset of employment would add further strength to existing arrangements. Our Internal Audit Charter has the required section on confidentiality. | | |
| III | 7.1 – Organisational Independence | **Board** Authorise the appointment and removal of the chief audit executive. Provide input to senior management to support the performance evaluation and remuneration of the chief audit executive. <br><br>**Senior Management** • Provide input to the board on the appointment and removal of the chief audit executive. • Solicit input from the board on the performance evaluation and remuneration of the chief audit executive. | Current Intentional Non-Conformance | 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. <br><br>This is as provided for in the governance of the Shared Internal Audit Service. | As part of the Client Audit Manager's annual performance appraisal, the Chief Executive and Chair of the Audit Committee will be invited to provide input to the process. | March 2026 |
| III | 8.4 – External Quality | Board | Not assessed as not yet due - | Currently, the arrangements for the oversight of the required five-yearly | Alongside applying the new GIAS and Application Note: | To be confirmed |

| Domain | Standard | Requirement (Summary or relevant extract) | Self-Assessment Outcome | Commentary | Action Proposed | Target Date |
|---|---|---|---|---|---|---|
| | Assessment (EQA) | • Discuss with the CAE the plans to have an EQA of the Internal audit function conducted by an independent, qualified assessor or assessment team.<br>• Collaborate with senior management and the chief audit executive to determine the scope and frequency of the EQA.<br>• Review and approve the CAE's plan for the performance of an EQA.<br>• Require receipt of the complete results of the EQA or self-assessment with independent validation directly from the assessor.<br>• Review and approve the CAE's action plans to address identified deficiencies and opportunities for improvement.<br>• Approve a timeline for completion of the action | seeking further guidance and clarification. | EQA, including all approvals, commissioning, outcomes and completion of resulting actions are managed by SIAS and overseen by the SIAS Board, as the best way of managing the process within our shared services arrangements. There were brief updates to all our individual partner Audit Committees on the pending 2021 EQA, as well as reporting on the outcomes of the last EQA within the SIAS progress reports. | GIAS in the UK Public Sector within our shared service arrangements, we are cognisant of CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government.<br><br>Subject to any clarification from CIPFA, we will look to share the plan for the next EQA due in 2026 with our partner Audit Committees, including the scope, options and suggested timing, as well as the SIAS Board's agreement on assessor and method of assessment.<br><br>We will also share the results of the assessment, the chief audit executives action plan to address any recommendations and updates on implementation of recommendations. The SIAS Board will continue to provide the overarching | |

| Domain | Standard | Requirement (Summary or relevant extract) | Self-Assessment Outcome | Commentary | Action Proposed | Target Date |
|---|---|---|---|---|---|---|
| | | plans and monitor the CAE's progress. | | | monitoring and oversight of these. | |
| V | 15 - Communicate Engagement Results and Monitor Action Plans | If the engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the following details about the non-conformance:<br>• Standard(s) with which conformance was not achieved.<br>• Reason(s) for non-conformance.<br>• Impact of nonconformance on the engagement findings and conclusions. | Improvement in documentation to evidence conformance | Internal audit reports currently include references to issues that may have impacted on coverage, where these limit the ability to provide an assurance opinion on areas included within the Terms of Reference. However, the existing audit report template would benefit from an optional section to include should any engagement not be conducted in conformance with the GIAS. | A standard section, to provide details where engagements are not conducted in accordance with standards, will be created and made available for inserting into the SIAS audit report template in the exceptional instances where it is required. | August 2025 |
| II to V | General | Audit Manual | Improvement in documentation to evidence conformance | The GIAS reference key requirements in relation to the structure, approach and documentation of the audit function and process. Whilst we are satisfied that the key elements are followed in practice, the SIAS Audit Manual requires updating to ensure that these are fully referenced. | During 2025/26, the SIAS Audit Manual will be updated to ensure that it fully details the structures, systems and processes that SIAS has in place to comply with the GIASs. | March 2026 |

# SIAS Audit Charter 2025/2026

1. <u>Introduction and Purpose</u>

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. <u>Statutory Basis of Internal Audit</u>

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. <u>Role</u>

3.1. SIAS internal audit activity is overseen by North Herts Council's Finance, Audit and Risk Committee. It is charged with fulfilling audit committee responsibilities and is herewith referred to as the Audit Committee. As part of its oversight role, the Audit Committee is responsible for defining the responsibilities of SIAS via this Charter.

3.2.    SIAS may undertake additional consultancy activity requested by management. The Head of Assurance 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.    <u>Professionalism</u>

4.1.    SIAS commits to adhering to the Global Internal Audit Standards (GIAS). They set out the fundamental requirements for the professional practice of internal auditing and include the Purpose of Internal Auditing, Ethics & Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function and Performing Internal Audit Services.

4.2.    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.

4.3.    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.

4.4.    Should non-conformance with the GIAS 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.    <u>Authority and Confidentiality</u>

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.    <u>Organisation</u>

6.1.    The Head of Assurance and their representatives have free and unrestricted direct access to the S151 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chair; the Leader of the Council and the Council's External Auditor. The

Head of Assurance 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. <u>Stakeholders</u>

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 GIAS 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 the Head of SIAS's 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. Hertfordshire County Council's Head of Assurance not only leads and has overall management responsibility for SIAS, but also the similarly constituted Shared Anti-Fraud Service (SAFS).

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 Head of Finance in their capacity as S151 Officer.

10. <u>Responsibility and Scope</u>

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

14. Periodic Assessment

14.1. GIAS require Hertfordshire County Council's 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. Hertfordshire County Council's 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. <u>Review of the Audit Charter</u>

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 May 2025. It will next be reviewed in April 2026.

**Glossary of Terms**

| | |
|---|---|
| Audit Committee | The GIAS 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." |
| | The Finance, Audit and Risk Committee operates in accordance with its terms of reference contained in North Herts Council's Constitution. |
| | CIPFA's *Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition* 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 EHC. |
| Audit Plan | The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients. |
| Board | The GIAS 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). |
| | For the purposes of the SIAS Audit Charter, the Board as referred to in the GIAS shall be North Herts Council's Finance, Audit and Risk Committee. All references to the Audit Committee in the SIAS Audit Charter should be read in this context. |
| Chief Audit Executive (CAE) | The GIAS 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." |
| | 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 GIAS, including some specific requirements relating to whoever is designated the role. |
| | For the purposes of the SIAS Audit Charter, the CAE as referred to in the GIAS shall be EHC's-Client Audit Manager. All references to the Client Audit Manager in the SIAS Audit Charter should be read in this context. |
| Global Internal Audit Standards | 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. |
| Management | 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. |
| Shared Internal Audit Service (SIAS) | 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. |
| --- | --- |
| SIAS Board | The Board that comprises officer representatives from the partner authorities and is responsible for the governance of the SIAS partnership. |

Note:

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