



INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

7 JANUARY 2026

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 12 December 2025.
- Note the implementation status of the reported high priority recommendations.
- Note the plan amendments to the 2025/26 Annual Audit Plan.
- Note the Briefing Paper – Global Internal Audit Standards (GIAS) Domain III

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1. Introduction and Background

Purpose of Report

1.1 This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2025/26 as at 12 December 2025.
- b) In-Year Audit Plan review and proposed plan amendments.
- c) An update on performance indicators as at 12 December 2025.
- d) The implementation status of high priority internal audit recommendations.

Background

- 1.2 The 2025/26 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 12 March 2025.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the second report giving an update on the delivery of the 2025/26 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 12 December 2025, 55% of the 2025/26 Audit Plan days had been delivered.
- 2.2 There have been four final internal audit reports issued as part of the approved 2025/26 Internal Audit Plan since the last progress update to FAR Committee in September 2025:

Audit Title	Assurance Opinion	Recommendations
New Finance System – Accounts Payable	Reasonable	3 Medium and 1 Low Priority
Homelessness and Temporary Accommodation	Substantial	1 Low Priority and 2 Advisory Actions

Leisure Centre Decarbonisation Scheme (Third Interim Report)	N/A	1 Low Priority and 1 Advisory Action
LGA Corporate Peer Challenge Review	Reasonable	1 Medium, 1 Low Priority and 1 Advisory Action

High Priority Recommendations

- 2.3 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 that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.
- 2.4 One high priority finding and recommendation made in the Estates audit, with an original implementation date of 31 December 2024, remains open and is reported as largely implemented. This is an unchanged position from that reported in the last update to FAR Committee. The service has advised that remaining actions should be completed by a revised target date of 31 March 2026. The original findings, recommendations and agreed management actions, along with an update, are included at Appendix D.
- 2.5 The evidence-based internal audit work on the Follow-up of High Priority Recommendations has completed as part of the 2025/26 Audit Plan and a draft report has been issued to management. The update provided at Appendix D is sourced from the internal audit work.

Proposed Amendments

- 2.6 The Audit Plan approved by the FAR Committee in March 2025 contained an allocated number of plan days against audit areas such as General Audits, IT Audits and Consultancy and Advisory, but did not include an estimated number of plan days for completion of the planned individual internal audit projects. During the financial year, SIAS applies an estimated number of plan days against all individual internal audit projects as part of resource allocation and planning. These estimates are included in Appendix A – Progress against the 2025/26 Internal Audit Plan.
- 2.7 The Audit Plan is however designed to be dynamic and responsive to changed risk, circumstances and priorities, requests for new internal audit work, outcomes from scoping and planning of individual internal audit projects and amended resourcing requirements. Estimated plan days may also need to be changed as a result, and these amendments are communicated to the FAR Committee.

2.8 There have been three audit plan amendments agreed with management within this reporting period:

- a) The Digital Transformation (Netcall Project) audit has been replaced with advisory work on LGR – Cyber Risk. This was also raised verbally at the September FAR Committee meeting.
- b) Four internal audit days have been taken from Other Grant / Charity Audits and added to the Assurance Mapping Updates and Revisit to support an underestimated original scope of work. The Other Grant / Charity Audit budget has been reduced to zero and the estimated internal audit days for the Assurance Mapping work has increased to nine.
- c) The Anderson House, EV Charging, Procurement Act 2023 and EV Charging have all been moved from the block of audits not yet confirmed to that confirmed for delivery and are scheduled to commence in quarter 4 2025/26. The remaining audits not yet confirmed will not be delivered as outlined in Appendix A and will be included in the 2026/27 audit planning process. This movement of audits has resulted in five days being returned to Contingency.

Performance Management: Reporting of Audit Plan Delivery Progress

2.9 To help the Committee assess the current progress of the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix B. The table below shows a summary of performance based on the latest performance information reported at Appendix A.

Status	No. of Audits at this Stage	% of Total Audits	Profile to 12 December 2025
Draft / Final Report Issued	9 (9/21)	43%	48% (10)
In Fieldwork / Quality Review	4 (4/21)	19%	33% (7)
Terms of Reference Issued / In Planning	8 (8/21)	38%	19% (4)
Not Yet Started	0	0%	0% (0)

2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2025. At 12 December 2025, actual performance for North Herts Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 12 December 2025	Actual to 12 December 2025
1. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (measured in audit days and excluding contingency)	95%	61% (155 / 255 days)	55% (141 / 255 days)
2. Project Delivery Percentage of audit plan projects delivered to draft report stage by 31 March 2026.	90%	48% (10 / 21 projects)	43% (9 / 21 projects)
Percentage of audit plan projects delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	38% (8 / 21 projects)	23% (5 / 21 projects)
3 Client Satisfaction - Percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100%	100% for those returned. (2 returned from 12 issued since 1 April 2025)
4 Number of High Priority Audit Recommendations agreed % Percentage of critical and high priority recommendations accepted by management.	95%	100%	100%

2.11 Current performance is slightly below the anticipated profile. This is a result of several interacting factors that have had a varying impact on delivery at North Herts Council, including:

- a) Recruitment to two existing trainee auditor vacancies during quarter one, with both not starting until quarter two.
- b) Some audits being pushed back at officer request, usually due to capacity challenges, vacancies or ill health, thereby altering the profile of delivery.
- c) Delays in our external co-sourced partner being able to commence some of their allocated audits.
- d) A front-loaded external commission as part of our income generation work that required more resource to be allocated to this during quarter one.
- e) Some low-level anecdotal evidence of senior staff at partners experiencing capacity challenges linked to LGR. This is a known risk talking to Heads of Internal Audit who have already been through this process.

- 2.12 Based on the original profiling at the start of the financial year, it was anticipated that fieldwork would have been able to commence, be further advanced or complete on more of the internal audit projects scheduled to start in quarter three. Despite the factors listed at 2.11, it should be noted that the Audit Plan was originally back ended, meaning that a significant proportion of the Plan was due to be commenced in quarters 3 and 4. There is thus an increased risk that any further changes to the timing of audits will impact on delivery according to our performance targets.
- 2.13 Some degree of flexibility in scheduling is always anticipated, and every attempt is made to bring another project forward in place of one pushed back, however this does not always happen seamlessly and may not be optimal for either the Council or SIAS. SIAS have allocated specific resource to all agreed projects in the 2025/26 Internal Audit Plan, and all internal audits are at least at planning stage or have had a terms of reference issued. Start dates have also been scheduled for all audits as part of the planning process for each. This is to ensure that momentum is maintained in the delivery of the Internal Audit Plan. Please see Appendix B for further information.
- 2.14 The project / embedded assurance work on Leisure Centre Decarbonisation is through year and dependent on the timing, pace and progress of the underlying Council project being supported. Three interim final reports have been issued to date as noted at section 2.2, with a fourth at draft report stage. The Churchgate audit was originally due to follow the through year project / embedded assurance approach commencing in quarter 1. It is now a standalone audit, albeit the fourth such audit across the project lifespan to date covering multiple financial years. A terms of reference, or engagement plan, has been agreed with the Estates team.
- 2.15 SIAS appreciate the co-operation and goodwill of Council staff and value the relationships it has fostered over an extended period. These are crucial in ensuring successful delivery of the Plan and delivering sufficient work to support the annual assurance opinion.
- 2.16 Two customer satisfaction surveys have been received from 12 issued since 1 April 2025. Although both were satisfactory in their outcomes, any comments or learning points arising from customer satisfaction surveys are shared with the relevant member of internal audit team through their regular appraisal process and personal and professional development plans.
- 2.17 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2025/26 Head of Assurance's Annual Report:
- **5. Public Sector Internal Audit Standards** – the service conforms with the standards.

- **6. Internal Audit Annual Plan Report** – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet.
- **7. Chief Audit Executive’s Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year.

APPENDIX A – PROGRESS AGAINST THE 2025/26 AUDIT PLAN AS AT 12 DECEMBER 2025

2025/26 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L/A				
General Audits (152 days) – Audits confirmed (Note 1)									
Leisure Centre Decarbonisation Project (Salix Grant)					5	15	SIAS	11	In Fieldwork – three final interim audit reports issued.
Churchgate Project Assurance						15	BDO	2	ToR Issued
LGR – Cyber Risk						15	BDO	2	ToR Issued
Environmental Protection - Statutory Nuisance						10	BDO	2	ToR Issued
UK Shared Prosperity Fund (UKSPF)						12	BDO	11.5	Draft Report Issued
Purchasing Cards						8	SIAS	3	In Fieldwork
Corporate Peer Challenge Action Plan	Reasonable			1	2	12	SIAS	12	Final Report Issued
Local Authorities as Charity Trustees						10	SIAS	9.5	Draft Report Issued
Anderson House						15	SIAS	0.5	In Planning
Waste and Recycling Service Changes						10	SIAS	5	In Fieldwork
Procurement Act 2023						10	BDO	2	ToR Issued
EV Charging						10	BDO	0.5	In Planning

APPENDIX A – PROGRESS AGAINST THE 2025/26 AUDIT PLAN AS AT 12 DECEMBER 2025

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L/A				
New Finance System						10	BDO	2	ToR Issued
General Audits (estimated 30 days) – Audits not yet confirmed (Note 2)									
Pay on Exit						0		0	Will not be delivered
Town Centre Strategies						0		0	Will not be delivered
Waste and Recycling Service Contract						0		0	Will not be delivered
IT Audits (22 days)									
Multi-Factor Authentication						12	BDO	11.5	Draft Report Issued
Website Security and Maintenance						10	BDO	0.5	In Planning
Follow-up (10 days)									
Follow-up of High Priority Recommendations						10		9.5	Draft Report Issued
Consultancy and Advisory (9 days)									
Assurance Mapping Updates and Revisit						9	SIAS	7.5	Quality Review
Grant Claims / Charity Certification (4 days)									
King George V Playing Fields	Unqualified					2	SIAS	2	Final Report Issued
Workmans Hall	Unqualified					2	SIAS	2	Final Report Issued
Other Grant / Charity Audits						0	SIAS	0	
Contingency (5 days)									
Contingency						5		0	

APPENDIX A – PROGRESS AGAINST THE 2025/26 AUDIT PLAN AS AT 12 DECEMBER 2025

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L/A				
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Complete
FAR Committee						8	SIAS	6	Through Year
Plan Monitoring						8	SIAS	6	Through Year
Client Liaison						6	SIAS	4.5	Through Year
Audit Planning 2026/27						8	SIAS	1	Quarter 3/4
SIAS Development						5	SIAS	4.5	Through Year
2024/25 Carry Forward (20 days)									
Projects Requiring Completion from 2024/25:							SIAS		
New Finance System - Accounts Payable	Reasonable			3	1	5	BDO	5	Final Report Issued
Homelessness	Substantial				3	15	SIAS	15	Final Report Issued
Total - North Herts D.C.				4	11	260*		141	

Key / Notes

Note 1 - These internal audits have been confirmed as part of the planning process and will proceed unless there are other significant matters or risks that arise during the 2025/26 financial year that are prioritised.

Note 2 - These internal audits have not been confirmed as part of the current planning process, whether in terms of priority, outline scope or timing. The FAR Committee will be kept abreast of developments as part of the regular SIAS Progress Update Reports to the Committee.

Not Assessed = No assurance opinion provided as the project was either consultancy based or validation for compliance

C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority

BDO = SIAS Audit Partner

* - Audit Plan Days are a guide / estimate only and are not formally allocated. This is as per the approved 2025/26 Internal Audit Plan. **260** audit plan days to be delivered.

APPENDIX B – 2025/26 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
General			Churchgate (through year) (ToR Issued)	
	Leisure Centre Decarbonisation (through year) (In Fieldwork – 1st interim final report issued)	Leisure Centre Decarbonisation (through year) (In Fieldwork – 2nd interim final report issued)	Leisure Centre Decarbonisation (through year) (In Fieldwork – 3rd interim final report issued)	Leisure Centre Decarbonisation (through year) (In Fieldwork)
	LGA Corporate Peer Challenge – Action Plan (Final Report Issued)	Local Authorities as Charity Trustees (Draft Report Issued)	Environmental Protection - Statutory Nuisance (ToR Issued)	Procurement Act 2023 (ToR Issued)
		Follow-Up of High Priority Recommendations (Draft Report Issued)	New Finance System (ToR Issued)	Anderson House (In Planning)
		UK Shared Prosperity Fund (Draft Report Issued)	Purchasing Cards (In Fieldwork)	EV Charging (In Planning)
			Waste and Recycling Service Changes (In Fieldwork)	
IT			Website Security and Maintenance (In Planning)	Multi-Factor Authentication (Draft Report Issued)
C		Assurance Mapping Update (Quality Review)	LGR Cyber Risk (ToR Issued)	
G/C				Workman's Hall (Final Report Issued)
				King George V Playing Fields (Final Report Issued)
C/F	New Finance System – Accounts Payable (Final Report Issued)			
	Homelessness (Final Report Issued)			

<u>Key</u>		<u>Key</u>	
General	Closely linked to the Council's AGS, Delivery Plan and Risk Register	G/C	Grant / charity certification to be completed as part of the audit plan

APPENDIX B – 2025/26 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

IT	IT Audits	C/F	Carry Forward Audits from 2024/25
C	Consultancy assignments will be delivered as part of the audit plan		

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2024/25

Audit Opinions		
Assurance Level		Definition
Assurance Opinions	Substantial	A sound system of governance, risk management and control exists, 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 Certification	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.
Finding 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.
	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.
Service	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.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Estates	<p>Backlog of Rent Reviews</p> <p><u>Finding</u></p> <p>Our sample testing of five properties confirmed that four out of five rent reviews were overdue by between one and three years.</p> <p>As acknowledged, there is a new Estates team in place, and they are still identifying the scale and extent of rent reviews not yet completed. Through discussion, we found all members of the team will be responsible for conducting reviews going forward, unless the reviews are complex and have to be allocated externally.</p> <p>The Principal Estates Surveyor stated that there is not currently a policy in place to establish the principles and approach by which the Council will set rent levels and service charges for its commercial properties.</p> <p><u>SIAS Recommendation</u></p> <p>Linked to recommendation one above on the property management database and existing action being taken by the Estates Team, we recommend that the Estates team have a means to ensure that rent reviews and lease renewals are identified, scheduled and prioritised to ensure they are initiated and completed in a timely manner.</p> <p>The process needs to be supported by:</p>	<p>31 December 2024</p>	<p>February 2025 FAR Committee Update</p> <p>There has been a delay completing the required actions, which have taken longer to finalise alongside ongoing management work and other priorities. The Estates team have prepared a comprehensive master spreadsheet of lettings and are populating rent review and lease renewal dates to ensure they are identified, scheduled and prioritised to ensure they are initiated and completed in a timely manner. This work is close to completion, and a revised target date of 1 March 2025 should be achievable.</p> <p>The team has been pressing ahead with identifying all outstanding rent reviews, together with rent reviews that will fall due over the next eleven months. As part of this, the team are finalising an estimate of the likely level of increase in rent following the review for each investment property, based on the estimated rent values provided by the valuer as part of last year's asset valuations. The likely level of increase in rent will be of use in selecting which rent reviews from the backlog should be prioritised. We expect to complete this exercise and report with a schedule of the reviews in the next month to share with SLT and Exec Members.</p> <p>Preliminary consideration has been given as to whether external agents should be engaged to conduct some of the more significant outstanding</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p>a) Adequate capacity, skills and experience within the team, and</p> <p>b) Creation of relevant rent charging policies and / or procedures, that have been approved by senior officers and members (as appropriate).</p> <p><u>Management Response</u></p> <p>As per recommendation above plus additional procedures for undertaking the reviews.</p>		<p>rent reviews given current constraints on officer time. A conclusion should be reached on the appropriate way forward shortly.</p> <p>Pending finalisation of a programme for dealing with the backlog of rent reviews (and those which will fall due this year), we have been pressing ahead with resolving those rent reviews where the tenant has already engaged with the rent review process. Progress has also been made with rent reviews where the Council is the tenant rather than the landlord.</p> <p>September 2025 FAR Committee Update</p> <p>Largely implemented (18 August 2025) - Work has been completed to identify all outstanding rent reviews and lease renewals, together with reviews that will fall due over the coming year. We are undertaking the reviews in-house and with the use of external agents. This action is therefore largely in hand and will be reported to Leadership and Executive Members periodically and in finance budget reports.</p> <p>For a) opposite, Estates now has a settled team of the Principal Estates Surveyor (permanent) and an experienced agency surveyor.</p> <p>For b) opposite, procedures and policies for undertaking reviews, lease renewals and rent charges are currently in draft form but are less pressing with the experienced and settled team we</p>

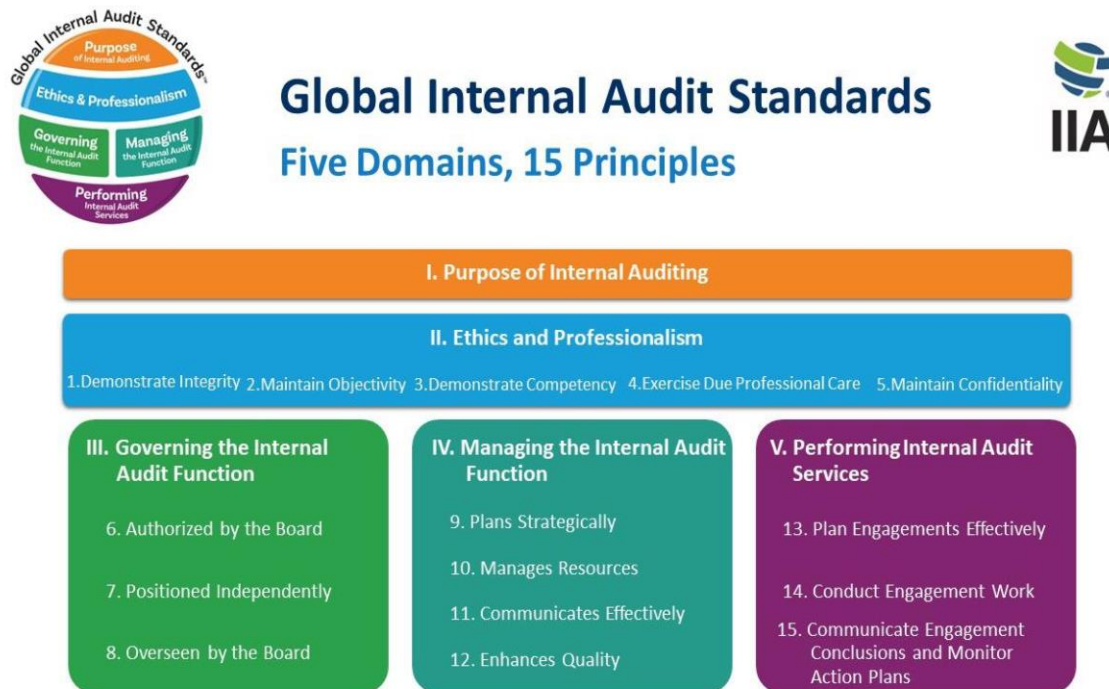
APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			<p>have at present. These are expected to be completed by the end of December 2025. It is on this basis that the action remains open with a new date for full implementation.</p> <p>Update from Follow Up of High Priority Recommendations (December 2025)</p> <p>Largely Implemented. Discussion with the Service, including the new Graduate Estates Surveyor, supports that there has been sufficient experience and capacity within the team to reduce the backlog of rent reviews through prioritisation of properties with higher value rent and proactive identification of rent reviews as they fall due. They have collated information from various sources including the Accounts team, original source documents, leases and land registry to identify anomalies in rent reviews.</p> <p>Policy and procedure documentation remains in draft, with an update provided that this should be complete by a revised date of 31 March 2026.</p>

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

1. The purpose of this briefing paper is to serve as a reminder of the duties and expectations of the Audit Committee under Domain III of the GIAS. The GIAS are arranged into five Domains (sections), as also outlined in the image below:

The Global Internal Audit Standards – Domains and Principles



2. Domain III explicitly sets out essential requirements, principles and standards with which Senior Management and the Board (Audit Committee) must conform with to demonstrate compliance with the standards. These are further supplemented or interpreted by the Application Note for the GIAS in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit in Local Government.
3. The images below depict the three principles and nine standards of Domain III that specifically relate to arrangements that should be in place to formalise key governance structures, authority, independence and oversight mechanisms.



APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

4. While the chief audit executive (CAE / Head of Internal Audit) has responsibilities to communicate effectively and provide the board (Audit Committee) with information, the Audit Committee also has a role and responsibilities that are key to the internal audit function's ability to fulfil the Purpose of Internal Auditing.

Principle 6: Authorised by the Board (Audit Committee)
(To be effective and to meet the requirements of professional standards, internal audit's authority needs to be established.)

Standard 6.1 Internal Audit Mandate

5. The authority, role, and responsibilities of the internal audit function are defined in the Internal Audit Mandate and the Internal Audit Charter. In local government in England, internal audit's authority has statutory backing through the Accounts and Audit Regulations 2015.

Standard 6.2 Internal Audit Charter

6. The mandate and charter empower the internal audit function to enhance the Council's success by providing senior management and the Audit Committee with objective, risk-based assurance and advice. The internal audit function carries out the mandate by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes throughout the Council.

Standard 6.3 Board (Audit Committee) Support

7. Internal audit's activities require access to and support from senior management, the Audit Committee and those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations.

What do Standards 6.1 to 6.3 look like in practice for the Audit Committee?

Standards 6.1 and 6.2
<p><u>The Audit Committee should:</u></p> <ul style="list-style-type: none">• Approve the Internal Audit Charter and comment / query or challenge as necessary.
Standard 6.3
<p><u>The Audit Committee:</u></p> <p>Should work collaboratively / individually with senior management (as necessary and where not already happening) to support internal audit or obtain assurance that appropriate arrangements are in place as follows:</p> <ul style="list-style-type: none">• Champion the role and work of internal audit to the staff within the authority and to partner organisations with whom internal audit will work.

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

- Facilitate access to senior management, the Audit Committee and the authority's external auditor.
- Assist, where possible, with access to external providers of assurance such as regulators, inspectors and consultants.
- Engage constructively with internal audit's findings, opinions and advice.
- Build awareness and understanding of the importance of good governance, risk management and internal control as well as internal audit's contributions.
- Ensure there are organisational structures where the CAE reporting line is not lower than a member of the senior management team, has access to all members of the senior management team, and the CAE should be a senior manager, providing them with the necessary profile to fulfil the function's mandate.
- Where internal audit is outsourced / delivered through a partnership arrangement, ensure there is a nominated CAE, and client responsibility lies with a member of senior management.
- The organisational position of the chief audit executive should be supported by direct reporting to the Audit Committee.

Specific actions that the Audit Committee are solely responsible for are to:

- Enquire of senior management and the chief audit executive about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively. (SIAS report on this to the Audit Committee as part of the Annual Assurance Opinion and Internal Audit Annual Report).
- Consider and approve the Audit Plan / Planning Strategy.
- Meet at least annually with the CAE in sessions without senior management present.

Principle 7: Positioned Independently

(On behalf of those charged with governance and the Audit Committee, senior management establishes and protects the internal audit function's independence and qualifications.)

Standard 7.1 Organisational Independence

8. The Audit Committee is responsible for ensuring the independence of the internal audit function. Independence is defined as the freedom from conditions that impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner. Independence is established through accountability to the Audit Committee, access to relevant resources, and freedom from interference.

Standard 7.2 Chief Audit Executive Roles, Responsibilities, and Qualifications

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

9. CAEs must be suitably qualified, i.e., CMIIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and suitable internal audit experience. In local government, matters around the appointment, removal, remuneration and performance evaluation of an in-house chief audit executive will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit.

What do Standards 7.1 to 7.2 look like in practice for the Audit Committee?

Standards 7.1 and 7.2

The Audit Committee should:

- Provide feedback on the proposed job description (when recruiting) and the performance evaluation of the CAE should include feedback from the Chair of the Audit Committee. In shared or outsourced arrangements, the Audit Committee should provide feedback on the operation of the contract.
- Support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence raised by the CAE.
- Escalate any concerns about internal audit independence to those charged with governance.
- Support the CAE's right of access to the chair of the Audit Committee at any time.
- Receive and consider the CAE's disclosure or confirmation annually whether there have been any restrictions on independence that limit internal audit's ability to carry out its responsibilities effectively (achieved through the Committee receiving and considering the Annual Assurance Opinion and Internal Audit Annual Report).

The Audit Committee should also understand Senior Managements / SIAS Boards role to:

- Ensure internal audit's access to staff and records.
- Ensure that the CAE reports to the audit committee on the work of internal audit.
- Provide opportunities for the CAE to meet with the audit committee without senior management present (at least annually).
- Work with the CAE to remove or minimise actual or potential impairments to the independence of internal audit, and ensure safeguards are operating effectively.
- Recognise that if the CAE has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit. The impact must be discussed with the CAE and the views of the Audit Committee sought.

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

Principle 8: Overseen by the Board

(To ensure the effectiveness of internal audit, it should be overseen by the Audit Committee on behalf of those charged with governance.)

Standard 8.1 Board Interaction

10. Audit Committee oversight is essential to ensure the overall effectiveness of the internal audit function. Achieving this principle requires collaborative and interactive communication between the Audit Committee and the CAE.

Standard 8.2 Resources

11. The Audit Committee and senior management must engage with the chief audit executive to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS in the UK public sector. Where the function is outsourced or shared, the focus should be on the budgeted contract.

Standard 8.3 Quality and Standard 8.4 External Quality Assessment

12. The Audit Committee receives assurance about the quality of the performance of the CAE and the internal audit function through the quality assessment and improvement program, including the board's direct review of the results of the external quality assessment.

What do Standards 8.1 to 8.4 look like in practice for the Audit Committee?

Standard 8.1
<p><u>The Audit Committee:</u></p> <ul style="list-style-type: none">• Should follow the CIPFA Audit Committee guidance for the oversight of internal audit.• Must agree its work plan with the Chief Audit Executive to ensure there is appropriate coverage of internal audit matters within audit committee agendas.• Should provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports within its annual workplan. The Committee should also oversee the tracking and implementation of internal audit recommendations.• Must familiarise itself with the authority's assurance framework and approach to governance, risk management and internal control arrangements to fulfil the wider terms of reference of the committee (see AGS and Code of Corporate Governance). This understanding will facilitate its interactions with internal audit.• Should have oversight of the annual governance statement before final approval. Audit Committee familiarity with these will support their effective interaction with internal audit.

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

- Review and support progression of instances where internal audit considers the management of risk or proposed actions in response to audit engagements represent an unacceptable level of risk to the authority.

Standard 8.2

The Audit Committee should:

- Confirm that if resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement.
- Confirm that where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns are formally recorded and reported to those charged with governance.
- Understand that decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the authority and internal audit's role in supporting those objectives.
- Receive the CAE's disclosure or confirmation at least annually or as necessary whether there has been any human, technological or human resource matters that have adversely affected internal audit's ability to carry out its responsibilities effectively (done with the Annual Assurance Opinion and Internal Audit Annual Report, and Annual Audit Plan).

Standard 8.3

The Audit Committee should:

- Review annually the results of the CAEs assessment of conformance against GIAS in the UK public sector, including any action plan.
- Review the CAE's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives.
- Review in-year updates and make appropriate enquiries if there are concerns about internal audit performance.
- Satisfy itself on the effectiveness of internal audit to meet the requirements of the mandate for internal audit. They should consider conformance with the standards, interactions with the committee, performance and feedback from senior management.
- Report conclusions to those charged with governance, for example as part of the Audit Committee's Annual Report.

Standard 8.4

The Audit Committee:

- Must receive the complete results of the EQA and consider the chief audit executive's action plan to address any recommendations. Progress should be monitored.

The Audit Committee must also understand senior management's / SIAS Board's role to ensure that:

- Internal audit has an external quality assessment (EQA) at least once every five years of its conformance against GIAS in the UK public sector, including the CIPFA Code.
- Discuss the CAE's plan for the EQA and report the options, suggested timing and their recommendation to the Audit Committee.
- Where the authority is the client of an internal audit provider, (shared, partnership or outsourced functions), then agreement on the approach to the EQA will need to take account of the broader arrangements. This is agreed through the SIAS Board before reporting to the respective Audit Committees.
- Where the authority commissions the EQA, the proposals for the scope, method of assessment and assessor should be brought to the Audit Committee for agreement.

13. Since the implementation of the GIAS, SIAS has ensured that key documents and reports provided to the Audit Committee have been updated to reflect the requirements of the Standards, for example, the Internal Audit Strategy, Internal Audit Charter and Mandate, Audit Plan Reports, Progress Update Reports, Annual Assurance Opinion and Internal Audit Annual Reports.

14. However, it is important for Audit Committee members to remain aware of their responsibilities for reviewing and interpreting this information and seeking wider assurance that the Council maintains an effective, appropriately resourced and independent internal audit function, and that outcomes from the work of internal audit are appropriately acted upon by senior management. The GIAS, Application Note for the GIAS in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit in Local Government provide a timely reminder of the Audit Committee's responsibilities in this regard, and how they can be exhibited in practice.