



ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2025/26

**NORTH HERTS COUNCIL
FINANCE, AUDIT AND RISK COMMITTEE
JUNE 2026**

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 Internal Audit Charter for 2026/27
- Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2025/26

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1. Purpose and Background

Purpose of Report

- 1.1 This report:
- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of North Herts Council's (the Council) framework of governance, risk management and control. Reference is made to significant matters and key themes.
 - b) Shows the outcomes of the self-assessment against the 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 2026/27 Internal Audit Charter for approval.

Background

- 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 2025/26 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 2026/27 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 2025/26 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

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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 2025/26. The summarised requirements that SIAS must adhere to are set out below:

Standard	Description
Domain III 6.1	<p>Internal Audit Mandate</p> <p>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.</p>
Domain III 6.2	<p>Internal Audit Charter</p> <p>The CAE must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:</p> <ul style="list-style-type: none"> • Purpose of Internal Auditing. • Commitment to adhering to the Global Internal Audit Standards. • 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. • Organisational position and reporting relationships.
Domain III 7.1	<p>Organisational Independence</p>

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	<p>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.</p>
<p>Domain III 7.2</p>	<p>CAE Qualifications The CAE must maintain and enhance the qualifications and competencies necessary to fulfil the roles and responsibilities expected by the board.</p>
<p>Domain III 8.1</p>	<p>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:</p> <ul style="list-style-type: none"> • Changes potentially affecting the mandate or charter • Potential impairments to independence. • Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results • Results from the quality assurance and improvement program. <p>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.</p>
<p>Domain III 8.3</p>	<p>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:</p> <ul style="list-style-type: none"> • External assessments. • Internal assessments. <p>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:</p> <ul style="list-style-type: none"> • The internal audit function's conformance with the Standards and achievement of performance objectives. • If applicable, compliance with laws and/or regulations relevant to internal auditing. • If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.
<p>Domain III 8.4</p>	<p>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.</p>

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<p>Domain IV 9.3</p>	<p>Methodologies 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.</p>
<p>Domain IV 11.3</p>	<p>Communicating Results 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:</p> <ul style="list-style-type: none"> • Engagement conclusions. • Themes such as effective practices or root causes. • Conclusions at the level of the business unit or organisation.
<p>Domain IV 12.1</p>	<p>Internal Quality Assessment 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:</p> <ul style="list-style-type: none"> • Ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives. • Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards. • Communication with the board and senior management about the results of internal assessments.
<p>Domain IV 15.2</p>	<p>Confirming the Implementation of Recommendations or Action Plans Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes:</p> <ul style="list-style-type: none"> • Inquiring about progress on the implementation. • Performing follow-up assessments using a risk-based approach. • 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 2025/26.

2. Annual Assurance Statement 2025/26

Context

Scope of responsibility

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

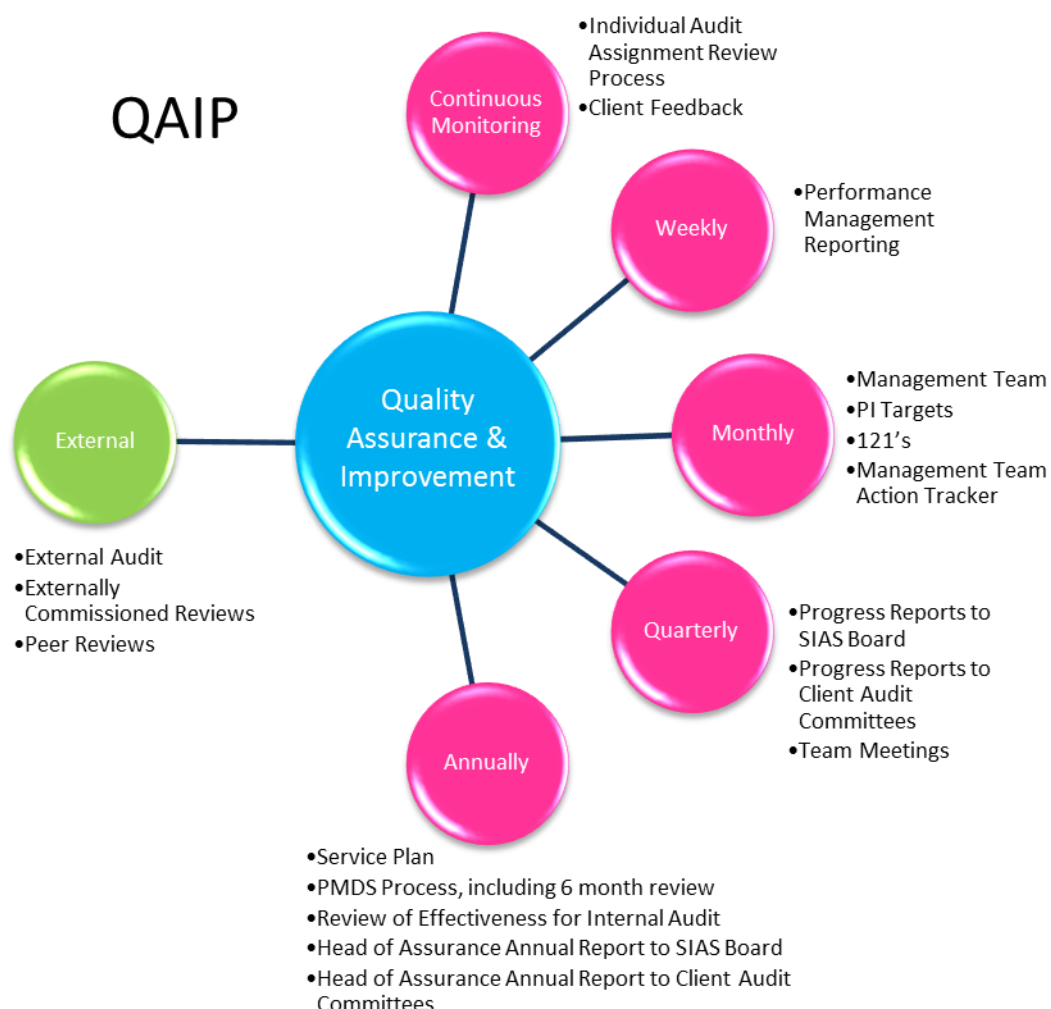
Review of effectiveness

- 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 Audit Committee in November 2021. The next EQA is due in 2026/27 and SIAS have appointed the Chartered Institute of Internal Auditors as the assessing organisation to perform the review in quarter four of 2026/27.
- 2.6 Based on the results of the 2025/26 GIAS self-assessment, the CAE has concluded that SIAS 'generally conforms' with the GIAS (UK Public Sector).
- 2.7 The self-assessment identified seven areas where, whilst we assessed our current processes followed the principles of the GIAS, improvements

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could be made to the documentary evidence available to support independent verification of compliance.

- 2.8 A summary of the outcomes of the GIAS self-assessment is detailed in Appendix C. There are no significant deviations from these Standards, 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

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

Annual Assurance Statement for 2025/26

Assurance opinion on internal control

- 2.11 Based on the internal audit work undertaken at the Council in 2025/26, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment.



Assurance opinion on Corporate Governance and Risk Management

- 2.12 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 for 2025/26. Although no specific reviews of corporate governance or risk management were carried out by SIAS during the year, risk management arrangements are considered during annual audit planning and delivery of individual assignments.

Chris Wood
Chief Audit Executive (HCC Head of Assurance)
May 2026

3. Overview of Internal Audit Activity at the Council in 2025/26

- 3.1 This section summarises work undertaken at the Council by SIAS in 2025/26. 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 (2024/25 data in brackets).

Assurance Level	Number of reports 2025/26 <i>(2024/25 data in brackets)</i>	Percentage of reports 2025/26 <i>(2024/25 data in brackets)</i>
Substantial	6 (0)	29% (0%)
Reasonable	8 (9)	37% (42%)
Limited	0 (2)	0% (10%)
No	0 (0)	0% (0%)
Not Assessed	3 (6)	14% (28%)
Unqualified	2 (2)	10% (10%)
Not Complete	2 (2)	10% (10%)
Total	21 (21)	100% (100%)

Recommendation Priority Level	Number of recommendations 2025/26 <i>(2024/25 data in brackets)</i>	Percentage of recommendations made 2025/26 <i>(2024/25 data in brackets)</i>
Critical	0 (0)	0 (0%)
High	1 (7)	1% (12%)
Medium	10 (28)	15% (47%)
Low / Advisory	56 (25)	84% (41%)
Total	67 (60)	100% (100%)

- 3.3 **The Reasonable overall assurance opinion** has been concluded from fourteen audits where assurance opinions were provided, of which six received Substantial Assurance, and eight received a Reasonable Assurance opinion. One of the reasonable assurance opinions relates to the Environmental Protection Audit, which is currently at draft report stage. This is not expected to change, and we have consequently included it within our overall assurance opinion. No audits resulted in a Limited Assurance opinion, which generally indicates that the Council has satisfactory systems of internal control operating across a wide range of areas. Across these audits, one high priority recommendation and ten

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medium priority recommendations were raised. Whilst the issue identified through the high priority recommendation (see paragraphs 3.7 to 3.9) is significant, this matter in isolation is not sufficient to impact the overall annual assurance opinion for the Council.

- 3.4 There were three consultancy / advisory projects that provided consultancy advice on the planned control environment and had an assurance level of 'Not Assessed'. From these, there was one medium priority recommendation and nineteen advisory actions raised. 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 Two audits (New Finance System - Accounts Payable and Homelessness and Temporary Accommodation) from 2024/25 which were not included in the overall assurance opinion for that year, have been included within the overall assurance opinion for 2025/26.

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 One high priority recommendation was made within work carried out during 2025/26, arising from the Purchasing Cards audit. This was reported as implemented. Finance, Audit and Risk Committee Members have received copies of this final audit report 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 the high priority recommendation against its original due date was reported as part of the SIAS Progress Update reports to the Finance, Audit and Risk (FAR) Committee during 2025/26. Management assurance to FAR Committee on implementation of the recommendation has contributed to the overall assurance opinion contained in this report.
- 3.10 The table below provides a summary of high priority recommendations not yet implemented at 31 March 2026:

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Audit Title	Recommendation Description	Implementation status
Estates	Backlog of Rent Reviews	Largely Implemented
Business Continuity Planning	Limited evidence of IT disaster recovery procedures and outdated policies	Largely Implemented

- 3.11 A follow-up of high priority recommendations audit was conducted during 2025/26, providing an evidence-based review of the implementation status of these recommendations. The outcome was reported to the FAR Committee.

Assurance Mapping

- 3.12 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 relevant directors listed as the 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.
- 3.13 Review of the assurance map for each project or risk within the scope of our work 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.
- 3.14 One medium priority recommendation was raised as part of our assurance mapping work on projects that should be considered as part of the planning process for the 2026/27 Internal Audit Plan. This was duly implemented.

Root Cause Analysis

- 3.15 Within the Global Internal Audit Standards, standards 11.3 (Communicating results) and standard 14.3 (Evaluation of findings), reference has been made to working with management to identify and report root causes of audit findings and identify organisational themes where these may be present. This is on the basis that without root causes being identified there is a high likelihood that audit recommendations or management actions will be ineffective in addressing the issues identified.

- 3.16 During quarter 3 of 2024/25, SIAS commenced root cause identification into our methodology, and these are now routinely reported where it is possible to identify these. We meet the standards in relation to including root causes within our individual audit reports, which are shared with the FAR Committee. We provided limited analysis in 2024/25 and concluded that no themes were present within the period after root cause analysis had commenced.
- 3.17 In 2025/26, we have analysed all the root causes raised in our individual audit reports, to identify any themes arising, regardless of whether high, medium or low priority recommendations. The analysis highlights clear recurring themes in a small number of areas, primarily Resources, Process and Procedures, and Assurance and Monitoring (see Appendix C for a full list of applicable root causes).
- 3.18 The most consistent theme relates to resource constraints, with multiple audits identifying capacity limitations impacting services' ability to fully complete activities such as budget monitoring, KPI development, training delivery, and operational oversight, as well as contributing to issues such as shared purchasing cards (high priority) and service performance pressures (e.g. missed waste collections).
- 3.19 A second theme relates to Process and Procedures, where established processes are in place but not consistently followed in practice. This includes instances such as failure to verify contractor reports, inconsistent adherence to reporting requirements, and reliance on informal workarounds rather than defined procedures.
- 3.20 A further recurring theme is Assurance and Monitoring, where oversight arrangements were not always sufficiently robust or consistently applied. Examples include gaps in contractor monitoring, incomplete KPI reporting, and limited formal assurance over supplier or system performance.
- 3.21 Other categories, such as Governance, Systems, and Policies, were identified in individual cases but do not present as consistent trends across the body of work. It should be noted that some root causes overlapped categories used in our audit reports, and this will form part of our ongoing review of the methods which we use for root cause analysis.
- 3.22 Further work will be undertaken across the shared service in 2026/27 to further improve the processes for establishing organisational themes.

4. Performance of the Internal Audit Service in 2025/26

Performance indicators

- 4.1 The table below compares SIAS's performance at the Council against the 2025/26 targets set by the SIAS Board.

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Indicator	Target 2025/26	Actual to 31 March 2026	Actual to 22 May 2026
1 SIAS Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	91% (231 / 255 days)	93% (239.5 / 258 days)
2 SIAS Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2026	90%	91% (19 / 21 audit projects)	91% (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%	52% (11 / 21 audit projects)	86% (18 / 21 audit projects)
4 Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	90%	100% (3 / 3 received from 21 issued)	100% (3 / 3 received from 21 issued)
5 Number of High and Critical Priority Audit Recommendations – agreed as a percentage	95%	100% (1 of 1 made)	100% (1 of 1 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 2026
7 Head of Assurance's Annual Report – presented at the first Audit Committee meeting of the financial year.	Deadline Met	Achieved	The 2024/25 Annual Report was presented to the June 2025 FAR Committee

Service Developments

4.2 During 2025/26 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, one in June 2025 and one in September 2025.
- b) **Training & Development** – As a service, we continue to adopt our ‘grow your own strategy’ to provide the future talent for the Service and improve succession planning, in what remains a challenging recruitment market. We continue to support our team in progressing their professional qualifications, with nine members of the team actively studying towards the Institute of Internal Auditors Certified Internal Auditor qualification and one team member progressing a CIPFA accountancy 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. During 2025/26 SIAS continued to successfully deliver agreed external business targets, with more than 350 audit days provided to two audit partnerships (Eastern Internal Audit Services and Dartford and Sevenoaks) during 2025/26. A key principle within SIAS’s 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 2025/26 with key performance indicators for SIAS partners being met. In respect of governance, clear delegation structures continue to be in place 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 2025/26 included time allocations for work to update key documents or processes to align with the new GIAS. We also progressed other development activities to further enhance our approach, such as the development of a new audit report template and the introduction of root cause analysis into the audit process.

5. Internal Audit Charter 2026/27

- 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 Internal 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 Internal Audit Charter is reviewed annually. Amendments were made in May 2024 to align the Internal Audit Charter with the GIAS (UK Public Sector). The review in May 2026 resulted in amendments and the 2026/27 Charter is attached at Appendix D.

APPENDIX A – FINAL POSITION AGAINST THE 2025/26 INTERNAL AUDIT PLAN

North Herts Council Audit Plan – 2025/26

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT DAYS DELIVERED	STATUS/COMMENT
		C	H	M	LA		
General Audits							
Anderson House		0	0	0	0	3.5	In Fieldwork
Churchgate Project Assurance	Substantial	0	0	0	1	15	Final Report Issued*
Environmental Protection – Statutory Nuisance	Reasonable	0	0	3	1	9.5	Draft Report Issued
EV Charging		0	0	0	0	1.5	In Planning
Leisure Centre Decarbonisation Project (Salix Grant)	Reasonable	0	0	0	7	15	Final Report Issued
LGA Corporate Peer Challenge Action Plan	Reasonable	0	0	1	2	12	Final Report Issued
Local Authorities as Charity Trustees	Reasonable	0	0	1	3	10	Final Report Issued
New Finance System	Reasonable	0	0	0	1	10	Final Report Issued*
Procurement Act 2023	Substantial	0	0	0	2	10	Final Report Issued*
Purchasing Cards	Reasonable	0	1	1	1	8	Final Report Issued
UK Shared Prosperity Fund (UKSPF)	Substantial	0	0	0	7	12	Final Report Issued
Waste and Recycling Service Changes	Reasonable	0	0	3	5	10	Final Report Issued*
Grant Claims / Charity Certifications							

APPENDIX A – FINAL POSITION AGAINST THE 2025/26 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT DAYS DELIVERED	STATUS/COMMENT
		C	H	M	LA		
King George V Playing Fields	Unqualified	0	0	0	0	2	Final Report Issued
Workman’s Hall	Unqualified	0	0	0	0	2	Final Report Issued
IT Audits							
Multi-Factor Authentication	Substantial	0	0	0	2	12	Final Report Issued*
Website Security and Maintenance	Substantial	0	0	0	2	10	Final Report Issued*
Follow Up							
Follow-up of High Priority Recommendations	Not Assessed	0	0	0	0	12	Final Report Issued
Advisory & Consultancy							
Assurance Mapping Updates and Revisit	Not Assessed	0	0	1	0	9	Final Report Issued
LGR Cyber Risk	Not Assessed	0	0	0	19	15	Final Report Issued*
Client Management – Strategic Support							
Chief Audit Executive Annual Opinion Report	-					3	Complete
Audit Committee	-					8	Complete
Audit Planning 2026/27	-					8	Complete

APPENDIX A – FINAL POSITION AGAINST THE 2025/26 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT DAYS DELIVERED	STATUS/COMMENT
		C	H	M	LA		
Client Liaison	-					6	Complete
Performance Monitoring	-					8	Complete
SIAS Development	-					5	Complete
2024/25 Carry Forward Projects							
Homelessness & Temporary Accommodation	Substantial	0	0	0	3	16	Final Report Issued
Accounts Payable	Reasonable	0	0	3	1	4	Final Report Issued
Projects Requiring Completion from 2024-25	Not Assessed	0	0	0	0	1	
Contingency							
Contingency		0	0	0	0	2	
Total		0	1	10	56	239.5	

* At Draft Report stage on 31 March 2026, 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.

APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS 2025/26

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.

APPENDIX C – DEFINITIONS OF ROOT CAUSE ANALYSIS 2025/26

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 2026 – ACTION PLAN

During 2025/26 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	Principle 2 – Maintain Objectivity	If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.	Partial Conformance - SIAS does not currently formally record any impairments that may exist for audits being conducted.	Whilst the SIAS Audit Working Paper (AWP) includes evaluations related to conflicts of interest (audit or audit supervisor), this has not been extended to record any potential impairments that may exist in relation to the delivery of the audit and how these have been mitigated.	The SIAS AWP will be updated to include a specific statement on any impairments that may exist in relation to the audit being progressed and how these have been managed.	30 June 2026
IV	Standard 11.3 - Communicating Results	The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the chief audit executive identifies themes related to the organisation's governance, risk management, and control processes, the themes must be communicated timely, along with insights, advice, and/or conclusions, to the board and senior management.	Partial Conformance - root cause analysis has been embedded into audit methodologies and reporting but is currently limited to individual assignment level.	<p>SIAS introduced root cause analysis into the internal audit methodology at the start of 2025/26, with root causes now established for all audit findings where possible and these detailed within engagement reports.</p> <p>Whilst the intention is to use this information to provide insight on common organisational themes, we have identified the need to refine the current root cause definitions and systems to evaluate the relative risks associated with individual issues to allow any wider organisational analysis to be accurate and meaningful.</p>	Having worked with the current definitions for a year, SIAS will now review and refine the current categorisation of root causes and create appropriate systems to support analysis at a global level. In respect of the latter, we are keen to ensure that wider organisation analysis sufficiently recognises the differing levels of risk for issues identified, as opposed to just a numerical representation that may provide mis-leading results.	30 September 2026

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Domain	Standard	Requirement (Summary or relevant extract)	Self-Assessment Outcome	Commentary	Action Proposed	Target Date
V	Principle 13 Plan Engagements Effectively	UK Public Sector Application note - Auditors must also be aware of the importance of value for money, alongside other key considerations, when determining appropriate evaluation criteria under GIAS 13.4 (Evaluation Criteria).	Partial Conformance - whilst value for money is considered, the approach supporting this requires more formality.	Whilst Auditors and Client Audit Managers will work together during the planning and progression of audits to consider value for money, the current approach is not formally documented as a methodology. This therefore reduces transparency in the approach followed when determining evaluation criteria and coverage.	A formal methodology to demonstrate how SIAS consider value for money within relevant audits will be created for inclusion in the SIAS Audit Manual. An additional section will also be added to the Audit Checklist with the template SIAS Audit Working Paper to indicate any specific value for money considerations relevant to the particular audit.	30 September 2026
II	Principle 5 – Maintain Confidentiality	Internal auditors must understand and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security that apply to the organisation and internal audit function.	General Conformance - a more formalised system for managing systems access to client systems would improve evidence of compliance.	In a limited number of instances Auditors may be provided with access to key information systems, or client networks (outside of HCC) where this may allow an audit to be undertaken more efficiently or to protect objectivity and independence of testing. Whilst a request to remove system access will be submitted at the end of the audit assignment, systems could be improved through the introduction of a control record to allow monitoring that this has happened in a timely manner.	SIAS to create a formal log of all access requests granted to client systems, the member of staff holding the access and the date such access has been ended. This will be periodically monitored by the Head of SIAS to ensure access is end-dated promptly upon completion of related audits.	31 July 2026

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Domain	Standard	Requirement (Summary or relevant extract)	Self-Assessment Outcome	Commentary	Action Proposed	Target Date
II	Principle 3 – Demonstrate Competency	Internal auditors must possess or obtain the competencies to perform their responsibilities successfully. The required competencies include the knowledge, skills, and abilities suitable for one’s job position and responsibilities commensurate with their level of experience.	General Conformance - reviews of audit competencies are currently completed as part of development discussions and plans, as opposed to a formal assessment.	A key element of the SIAS strategy is to follow a grow your own strategy, therefore developing staff is a fundamental part of this objective. Whilst line managers work with each team member to review and develop their skills and knowledge, including through development plans, this is not currently supported by a specific periodic skills and competencies analysis.	As part of future annual performance and development meetings, team members will be asked to self-assess their knowledge, skills and competencies against an evaluation framework (using matrices from professional bodies) to support identification of areas for development or training needs.	30 September 2026 and annually in March from 2028.
II to V	Various	SIAS to maintain an Audit Manual that provides requirements and guidance to staff on the internal audit service and methodologies related to delivering assurance work.	General Conformance - further adjustments are required to add further detail to some elements of the manual.	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 service has an audit manual which provides a clear structure for staff, we have identified areas where further detail could be provided to further explain how SIAS meets some elements of the GIAS or Public Sector Application notes in practice. This will provide improved clarity to our junior staff who have limited involvement in these areas based on their role and improve business continuity in times of key staff absence.	The SIAS manual is currently being reviewed, with this due to be completed during quarter two.	31 August 2026

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Domain	Standard	Requirement (Summary or relevant extract)	Self-Assessment Outcome	Commentary	Action Proposed	Target Date
V	Standard 15.1 Final Engagement Communication	<p>If the engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the following details about the non-conformance:</p> <ul style="list-style-type: none"> • Standard(s) with which conformance was not achieved. • Reason(s) for non-conformance. • Impact of nonconformance on the engagement findings and conclusions 	<p>General Conformance - an opportunity exists to include a standing statement within audit reports to confirm that standards have been followed.</p>	<p>No instances have been encountered to date where we have been unable to conform with the standards in relation to the delivery of specific audit engagements. In the event of any such instances occurring our resulting audit report would include required statements.</p> <p>However, consideration could be given to introducing a dedicated section within our report template to specifically state that audits conformed with the GIAS, or specific reasons and potential impacts where this was not the case. This would further strengthen consistency, visibility, and alignment with the Standard's disclosure requirements.</p>	<p>The SIAS report template will be updated to include a specific statement on whether the audit was conducted in line with the GIAS, or any areas of non-conformance and related impacts in the exceptional instances where this may arise.</p>	31 July 2026.



Internal Audit Charter 2026/2027

1. Introduction and Purpose

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

2. Statutory Basis of Internal Audit

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

3. Role

- 3.1. SIAS internal audit activity is overseen by 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.

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- 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. Professionalism

 - 4.1. Internal Audit operates in accordance with the Global Internal Audit Standards, the Application Note in the UK Public Sector and the CIPFA Code of Practice for the governance of Internal Audit in UK Local Government and supports the Authority in upholding high standards of governance, including the Seven Principles of Public Life. SIAS commits to adhering to the Global Internal Audit Standards. The GIAS sets 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.
 - 4.5. If non-compliance with the GIAS relates to the board or senior management deciding not to meet required conditions, and the Head of Assurance disagrees with the related reasons, the Head of Assurance will assess whether to conclude that the internal audit function cannot comply with the Standards. In such instances the reasons will be documented, shared with the board and senior management for clarity, and made them available to the external quality assessor.

5. Authority and Confidentiality

 - 5.1. Internal auditors are authorised full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during an engagement is safeguarded and confidentiality respected in accordance with the Council's GDPR and information security policies.

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5.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known, which if not disclosed could distort a report or conceal unlawful practice.

6. Organisation

6.1. The Head of Assurance Services and their representatives have free and unrestricted direct access to the S151 Officer; the Monitoring Officer; Senior Leadership Team, the Chief Executive; the Finance, Assurance and Risk 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 have free and unrestricted direct access to the Head of Assurance.

6.3. The Head of Assurance is line managed by the Director of Law and Governance at the host authority. They approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive. This is done in consultation with the Deputy Chief Executive and Section 151 Officer, as well as the SIAS Board. Decisions regarding the performance review, and the appointment/removal of the Head of Assurance will be made following appropriate consultation with Member representatives from each of the relevant partner audit committees.

7. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 7.1. The Head of Assurance, working with the Head of SIAS, are both suitably experienced and qualified (CCAB and / or CMIIA), is responsible for:
- hiring, remunerating, appraising, and developing SIAS staff in accordance with the host authority's HR guidance
 - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
 - ensuring that SIAS staff possess or obtain the skills, knowledge, and competencies (including ethical practice) needed to effectively perform SIAS engagements
 - seeking approval from the SIAS Board for the level of human resources and finance required for SIAS to deliver services in accordance with its mandate
- 7.2. The Finance, Audit and Risk Committee is responsible for overseeing the effectiveness of SIAS and holding the Head of Assurance to account for delivery. This is achieved through the approval of the annual audit plan, approval of performance targets set by the SIAS Board and receipt of regular reports. The Committee should champion the internal audit function to enable it to fulfil the purpose of internal auditing and pursue its strategy and objectives.

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- 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 provide 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

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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), Risk Management, Insurance and Health and Safety.
- 9.7. Given that SIAS will potentially undertake internal audit activity in relation to SAFS and Health and Safety in a North Herts Council context, this relationship is formally disclosed, and appropriate safeguards will be put in place against any potential impairment to independence. In respect of primary safeguards, SIAS may allocate any audits of these functions to the SIAS co-sourced internal audit partner to perform, with the Head of SIAS reviewing terms of references and draft reports in line with normal practice. Outcomes and reports related to such reviews will be issued directly to the relevant Director, and Director - Resources in their capacity as S151 Officer and Audit Champion for the Council.

10. Responsibility and Scope

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- 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.

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- 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. In the event of material objectivity, potential impairments or scope limitations being identified during the audit planning, scoping or audit fieldwork stages, these will be formally reported within the related terms of reference or audit report, and where relevant communicated to the Board within the next available progress report.
- 13.4. 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.
- 13.5. 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.

13.6. 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. Review of the Audit Charter

15.1. The Head of Assurance will review this Charter annually and will present to the first Finance, Audit and Risk Committee meeting of each financial year, any changes for approval.

15.2. The Head of Assurance reviewed this Internal Audit Charter in May 2026. It will next be reviewed in April 2027.

Glossary of Terms

<p>Audit Committee</p>	<p>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.”</p> <p>The Finance, Audit and Risk Committee operate in accordance with its terms of reference contained in North Herts Council’s Constitution.</p>
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	<p>CIPFA’s <i>Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition</i> indicates that for a local authority, it is best practice for the audit committee to report directly to full council rather than to another committee, as the council itself most closely matches the body of ‘those charged with governance’. This is the case at NHC.</p>
Audit Plan	<p>The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.</p>
Board	<p>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).</p> <p>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 Internal Audit Charter should be read in this context.</p>
Chief Audit Executive (CAE)	<p>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.”</p> <p>The CAE is fundamental to the success of the service and to the extent to which it complies with the Standards. Regular reference is made to this role throughout the GIAS, including some specific</p>

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	<p>requirements relating to whoever is designated the role.</p> <p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the GIAS shall be NHC's-Client Audit Manager. All references to the Client Audit Manager in the Internal Audit Charter should be read in this context.</p>
Global Internal Audit Standards	<p>The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing.</p>
Management	<p>Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers, and their direct reports.</p>
Shared Internal Audit Service (SIAS)	<p>SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS also provides internal audit services to a limited number of external clients. HCC is the host authority for the partnership and provides support services such as HR, technology, and accommodation.</p>
SIAS Board	<p>The Board that comprises officer representatives from the partner authorities and is responsible for the governance of the SIAS partnership.</p>

Note:

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