INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE
9 SEPTEMBER 2026

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 25 August 2026.
- Note the implementation status of the reported high-priority recommendations.
- Note the Global Internal Audit Standards External Quality Assessment Briefing Paper
- Approve the amendment to the Audit Charter

Contents

Appendices

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 2026/27 as at 25 August 2026.
b) In-Year Audit Plan review and proposed plan amendments.
c) An update on performance indicators as at 25 August 2026.
d) The implementation status of high-priority internal audit recommendations.
e) Commissioning of SIAS External Quality Assessment
f) Amendment to Internal Audit Charter

Background

1.2 The 2025/26 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 25 March 2026.

1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first update report for 2026/27 on the delivery of the 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 25 August 2026, 25% of the 2026/27 Audit Plan days had been delivered.

2.2 There have been four final internal audit reports issued as part of the approved 2026/27 Internal Audit Plan:

Audit Title	Assurance Opinion	Recommendations
Health & Safety	Reasonable	1 High Priority and 3 Medium Priority
Anderson House	Substantial	3 Low Priority

Leisure Centre Decarbonisation Scheme (First Interim Report)	N/A	2 Low Priority and 6 Advisory Actions
Emergency Homeless Accommodation Payments	Reasonable	2 Medium Priority and 3 Low Priority

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 from the Estates audit, with an original implementation date of 31 December 2024, remains open and is currently reported as largely implemented. Concise internal procedure notes are expected to be completed by the end of September 2026. On this basis, the recommendation is anticipated to be fully implemented by 30 September 2026 and can then be closed.

2.5 One high priority finding and recommendation made in the Business Continuity Planning audit with an original implementation date of 30 April 2023, remains open and is reported as largely implemented. It is anticipated that this will be implemented in advance of the FAR meeting, but this is not the case at the time of the deadline for submission of the SIAS Progress Update Report.

2.6 The original findings, recommendations and agreed management actions, along with an update, are included at Appendix D.

2.7 One new high-priority recommendation has been raised in the Health and Safety final internal audit report issued to FAR Committee members in July 2026. The Council needs to establish and implement an annual fire drill programme for all relevant properties, with twice-yearly drills considered best practice. All fire drills should be fully documented and retained to provide an audit trail and demonstrate compliance with fire safety requirements. The recommendation has a target implementation date of 1 October 2026 and has therefore not yet been subject to a follow-up review. Consequently, it is not included within Appendix D.

Proposed Amendments

2.8 The Audit Plan was approved by the FAR Committee in March 2026. There have been no audit plan amendments agreed with management at the time of preparing this report.

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 25 August 2026
Draft / Final Report Issued	3 (3/21)	14%	19% (4)
In Fieldwork / Quality Review	4 (4/21)	19%	29% (6)
Terms of Reference Issued / In Planning	3 (3/21)	14%	0% (0)
Not Yet Started	11 (11/21)	53%	0% (0)

2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2026. On 25 August 2026, 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 25 August 2026	Actual to 25 August 2026
1. **Planned Days** – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	29% (75 / 255 days)	25% (63 / 255 days)
2. **Planned Projects -** Percentage of audit plan projects delivered to draft report stage by 31 March 2027.	90%	19% (4 / 21 projects)	14% (3 / 21 projects)
Percentage of audit plan projects delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	19% (4 / 21 projects)	14% (3 / 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. (4 returned since 1 April 2026)

4. Staff and Training – percentage of our staff that are actively studying towards, or have obtained, a relevant professional qualification	Head of Service and Client Audit Managers (Chief Audit Executives) – 100% All Staff – 80%	100% / 80%	HoS / CAMs – 100% All Staff – 89% (Management 6/6 (fully qualified) All Staff 16/18 (6 qualified and 10 studying for professional qualifications)
5. Number of High Priority Audit Recommendations agreed % Percentage of critical and high priority recommendations accepted by management.	95%	100%	100%

2.11 Current performance for planned days and planned projects remains slightly behind the expected profile for quarters one and two, with this largely being attributable to the EV Charging audit, which is still at planning stage and was carried forward from the 2025/26 Internal Audit Plan. We also anticipated being slightly further advanced on a couple of internal audit projects scheduled to start in quarter two, although scoping meetings have been held and terms of reference have been issued for the work.

2.12 SIAS has allocated specific resource to all agreed projects in the 2026/27 Internal Audit Plan and there are currently no resource impediments within SIAS to the delivery of the internal audit plan, although as reported in previous years, it can lead to capacity and delivery issues towards the end of the year, if there are an increasing number of audits that are pushed back from planned start dates.

2.13 As reported in previous years, there are several interacting risks or factors that can have a varying impact on internal audit delivery at North Herts Council. They are not reported as having a significant impact at this point, and include:

a) Some audits being pushed back at officer request, usually due to capacity challenges, vacancies or ill health, thereby altering the profile of delivery.
b) 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, but this does not always happen seamlessly and without time lag and may not be optimal for either the Council or SIAS.

c) Some 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.

2.14 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.

2.15 Four customer satisfaction surveys have been received from those issued since 1 April 2026. Although all four were satisfactory or better 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.

2.16 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2026/27 Head of Assurance's Annual Report:

- **5. Global 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.

Global Internal Audit Standards – Commissioning of SIAS External Quality Assessment

2.17 The Global Internal Audit Standards (GIASs) place a requirement on internal audit teams and services to have a five-yearly external quality assessment (EQA) performed by a qualified independent assessor, this providing an independent assessment on compliance with the standards. This requirement has been in place since 2013, and previously related to an assessment against the Public Sector Internal Audit Standards.

2.18 As part of commissioning the EQA, the GIAS require that the Chief Audit Executive (CAE) must develop a plan for an EQA and discuss this plan with the SIAS Board and our partner Audit Committees.

2.19 To meet the above requirement, we have included a briefing for the Audit Committee within Appendix E of this report that sets out the process followed to determine the EQA approach and scope, the timing of the assessment and the outcomes of the procurement process to appoint an assessor.

Internal Audit Charter

2.20 In June 2026, we presented the Internal Audit Charter to the Committee for approval, this being an appendix within our Annual Assurance Statement and Internal Audit Annual Report. Following a query raised by another SIAS Audit Partner Audit Committee on the definition of the role of the Audit Committee within the charter, we have noted that the current wording could give a mis-leading view of the responsibilities of the Finance, Audit and Risk (FAR) Committee.

2.21 Within the current description of stakeholders in the Internal Audit Charter (paragraph 7.3), the charter states that '*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*'.

2.22 Given the FAR Committee is not responsible for effectiveness of arrangements, more providing an oversight and challenge role, we propose to update the wording of the paragraph to '*The Finance, Audit and Risk Committee is a key element of the Council's governance framework, providing oversight and challenge on the adequacy and effectiveness of the Council's risk management, internal control, and governance arrangements'.*

2.23 We believe this provides a more accurate representation of the actual role of the Committee. As this is the only change required to the charter, we have not looked to re-present the charter in full to the Committee.

APPENDIX A – PROGRESS AGAINST THE 2026/27 AUDIT PLAN AS AT 25 AUGUST 2026

2026/27 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 (148 days)									
Applicant Tracking System						10	SIAS	0	Allocated
Asset Disposal						10	SIAS	1.5	ToR Issued
Careline						15	SIAS	0	Allocated
Churchgate Project Assurance						15	BDO	0	Allocated
Emergency Homeless Accommodation Payments	Reasonable	0	0	2	3	11	SIAS	11	Final Report Issued
Fly Tipping						11	SIAS	1.5	ToR Issued
Health and Safety	Reasonable	0	1	3	0	10	SIAS	10	Final Report Issued
Leisure Centre Decarbonisation						11	SIAS	4	In Fieldwork – one final interim audit report issued.
Decarbonisation of Council Buildings						12	SIAS	3.5	In Fieldwork – one final interim audit report issued.
Local Government Reorganisation						10	SIAS	0	Through Year
Museum Collection Facility						12	SIAS	4.5	In Fieldwork
Pay On Exit Parking						10	SIAS	0	Allocated
Renters Rights Act						11	SIAS	0	Allocated

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L/A				
IT Audits (24 days)									
Cyber Resilience						12	BDO	0	Allocated
Cyber Risk						12	BDO	0	Allocated
Follow-up (12 days)									
AGS and External Audit Recommendations Follow Up						12	SIAS	0	Allocated
Consultancy and Advisory (5 days)									
Assurance Mapping						5	SIAS	2	In Fieldwork
Grant Claims / Charity Certification (8 days)									
King George V Playing Fields						2	SIAS	0	Allocated
Workmans Hall						2	SIAS	0	Allocated
Miscellaneous Grants						4	SIAS	0	Allocated
Contingency (5 days)									
Contingency						5		0	
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Through Year
FAR Committee						8	SIAS	3	Through Year
Plan Monitoring						8	SIAS	3	Through Year
Client Liaison						6	SIAS	2.5	Through Year
Audit Planning 2027/28						8	SIAS	0	Quarter 3/4
SIAS Development						5	SIAS	2	Through Year

APPENDIX A – PROGRESS AGAINST THE 2026/27 AUDIT PLAN AS AT 25 AUGUST 2026

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L/A				
2025/26 Carry Forward (20 days)									
Anderson House	Substantial				3	10	SIAS	10	Final Report Issued
EV Charging						10	BDO	1.5	In Planning
Total - North Herts D.C.		**0**	**1**	**5**	**6**	**260***		**63**	

Key / Notes
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 2026/27 Internal Audit Plan. **260** audit plan days to be delivered (including 5 days of contingency).

APPENDIX B – 2026/27 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
General				
	Leisure Centre Decarbonisation (through year) **(1st interim final report issued)**	Leisure Centre Decarbonisation (through year) **(In Fieldwork)**	Leisure Centre Decarbonisation (through year) **(Allocated)**	Leisure Centre Decarbonisation (through year) **(Allocated)**
	Decarbonisation of Council Buildings (through year) **(1st interim final report issued)**	Decarbonisation of Council Buildings (through year) **(In Fieldwork)**	Decarbonisation of Council Buildings (through year) **(Allocated)**	Decarbonisation of Council Buildings (through year) **(Allocated)**
	Museum Collection Facility (through year) **(Draft Report Issued)**	Museum Collection Facility (through year) **(In Fieldwork)**	Museum Collection Facility (through year) **(Allocated)**	Museum Collection Facility (through year) **(Allocated)**
	Emergency Homeless Accommodation Payments **(Final Report Issued)**	Asset Disposal **(ToR Issued)**	Applicant Tracking System **(Allocated)**	Churchgate Project Assurance **(Allocated)**
	Health and Safety **(Final Report Issued)**	Fly Tipping (**ToR Issued)**	Careline **(Allocated)**	Renters Rights Act **(Allocated)**
			AGS and External Audit Recommendations Follow-Up (**Allocated**)	
			Local Government Reorganisation **(Allocated)**	
			Pay on Exit Parking (**Allocated**)	
IT			Cyber Risk NH **(Allocated)**	Cyber Resilience **(Allocated)**
C		Assurance Mapping **(In Fieldwork)**		
G/C			King George V Playing Fields **(Allocated)**	Miscellaneous Grants **(Allocated)**
			Workman's Hall **(Allocated)**	
C/F	Anderson House **(Final Report Issued)**			
	EV Charging **(In Planning)**			

Key		Key	
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
IT	IT Audits	**C/F**	Carry Forward Audits from 2025/26
C	Consultancy assignments will be delivered as part of the audit plan		

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2026/27

	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.
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 D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Estates	**Backlog of Rent Reviews** Finding Our sample testing of five properties confirmed that four out of five rent reviews were overdue by between one and three years. 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. 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. SIAS Recommendation 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. The process needs to be supported by:	31 December 2024	**February 2025 FAR Committee Update** 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. 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. Preliminary consideration has been given as to whether external agents should be engaged to conduct some of the more significant outstanding

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Audit Title	Action Description	Original Due Date	Status and Notes
	a) Adequate capacity, skills and experience within the team, and b) Creation of relevant rent charging policies and / or procedures, that have been approved by senior officers and members (as appropriate). Management Response As per recommendation above plus additional procedures for undertaking the reviews.		rent reviews given current constraints on officer time. A conclusion should be reached on the appropriate way forward shortly. 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. **September 2025 FAR Committee Update** **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. For a) opposite, Estates now has a settled team of the Principal Estates Surveyor (permanent) and an experienced agency surveyor. 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

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			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. **Update from Follow Up of High-Priority Recommendations (December 2025)** **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. Policy and procedure documentation remains in draft, with an update provided that this should be complete by a revised date of 31 March 2026. **March 2026 FAR Committee Update** **Largely Implemented.** No update received by paper deadline in response to request, but not yet at due date.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			March 2026 Principal Estates Surveyor Update Largely Implemented. For a), Estates has a settled team of the Principal Estates Surveyor, a Graduate Surveyor who joined in 2023 and is on track to qualify as a surveyor in Autumn 2026, and an experienced senior agency surveyor who also joined in 2023. Budget has been approved to further add surveying resource from 1 April 2026. For b), procedures and policies for undertaking reviews, lease renewals, and rent charges are in template draft form but are less pressing with the experienced and settled team we have at present, who are undertaking the work to a good standard, liaising well with internal colleagues in legal and finance, and updating records. Procedures are closely managed by the Principal Estates Surveyor. The procedures will further change following implementation of the new authority in April 2028. Expected to complete short form internal procedure notes by the end of September 2026. **August 2026 FAR Committee Update** **Largely Implemented**. Estates are still on track to complete short form internal procedure notes by the end of September 2026. This will complete implementation of the recommendation.
Business Continuity Planning	**Limited evidence of IT disaster recovery procedures and outdated policies** SIAS Recommendation	30 April 2023	**September 2023 FAR Committee Update** **Partially Implemented**

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
(February 2023)	All Business Continuity Plans should be reviewed periodically, with details of when the next review will be undertaken, to remain relevant to the current environment. IT services should have a more detailed IT plan regarding business continuity including all the procedures in place to prevent and recover from an incident and what those procedures depend on. These procedures should be reviewed regularly and made available for all relevant staff to ensure they are aware of their roles. Management Response Business continuity plans are currently being reviewed (January 2023) and will be updated to reflect the changes to the environment when laptop V3 is finalised. (April 2023) IT are currently engaged with external consultants to review, and further develop the detailed IT plan, to include Business Continuity, Cyber Security and communications.		Rollout of V3 laptops is almost complete. Consultation with external suppliers on the detailed IT plan completed. Documents are being accepted and distributed. The revised forecast completion date is now end of August 2023. **November 2023 FAR Committee Update** **Partially Implemented.** We have reviewed the current plans and identified the improvements required. We have implemented a new Back-Up procedure (different technology) and are currently documenting the recovery processes from that back-up. The revised completion date for this recommendation is 15 December 2023. **January 2024 FAR Committee Update** **Partially Implemented.** Good progress towards implementing this recommendation continues to be made. The target date for formalised ICT readiness for business continuity has now been amended to 31 January 2024 to allow us to update relevant controls to reflect lessons learned from the major incident experienced on 11 January 2024.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			Follow Up of High-Priority Recommendations (December 2025 and March 2026) **Largely implemented.** A revised version of the Cyber Resilience Plan has been developed as reported to the Cyber Security Board in November 2025, but it will not be finalised until it has been tested. A simulated desktop incident exercise, originally planned for December 2025, took place with the Councils Leadership Team, IT and the Communications team on 9 March 2026. A wider test is planned to involve staff and Councillors. It should also be noted that IT team held an internal tabletop session on 30 January 2026 to walk through the procedures and actions, just from an IT perspective, in the event of a cyber security incident. The Cyber Resilience Plan has not yet been formally ratified and is being subject to further review and update following the respective test exercises and walkthroughs. **August 2026 FAR Committee Update** This should be implemented in advance of the FAR meeting but was not the case at the deadline for deadline of the reports.

APPENDIX E – SIAS EXTERNAL QUALITY ASSESSMENT – BRIEFING PAPER

The FAR Committee is asked to note the Chief Audit Executive's (CAE / Head of Internal Audit) Briefing Paper for the performance of an External Quality Assessment, including:

a) The requirements of the professional standards enshrined in the Accounts and Audit Regulations 2015,
b) Selection of an external assessor,
c) The rationale for electing to have a validated self-assessment rather than an EQA,
d) The scope and timeframe of the assessment, and
e) The competencies and independence of the external assessor or assessment team.

Summary

1. In accordance with Standard 8.4 of the Global Internal Audit Standards (GIAS) and considering the Public Sector Application Note, which outlines a framework for internal audit practices in the UK public sector alongside GIAS, the Chief Audit Executive is required to develop a plan for an External Quality Assessment (EQA). This paper sets out the Head of Assurance's plan for the EQA.

2. An External Quality Assessment (EQA) is an independent evaluation performed by an external party to assess the effectiveness and quality of an organisation's internal audit function. The objective of an EQA is to determine whether the internal audit function adheres to established professional standards, operates efficiently, and contributes value to the organisation. Consequently, the EQA provides assurance to stakeholders, including senior management and the Audit Committee, that the internal audit function is performing effectively and in line with best practices.

3. The Shared Internal Audit Service's (SIAS) last EQA was conducted and reported to SIAS Board in June 2021, with reporting to partner Audit Committees taking place in the Autumn 2021 committee cycle. SIAS are due its next EQA from June 2026, given the requirement in the Global Internal Audit Standards to have one every five years.

Why have an EQA?

4. In all authorities, senior management, audit committees and chief audit executives should seek to obtain high-quality assurance, learning and improvement from the EQA, together with value for money. A statement of conformance against the professional standards is not only a matter of meeting legislative and professional requirements; it provides essential

assurance over the conduct of internal audit and its governance and is an opportunity to seek improvement. It enables audit committees and senior managers to place reliance on the work of internal audit. Recommendations from the assessor could support both internal audit and those providing the governance of internal audit.

Requirements of the Global Internal Audit Standards (GIAS) in the UK Public Sector (see Appendix 1)

5. The GIAS require that the Chief Audit Executive (CAE) must develop a plan for an EQA and discuss this plan with the SIAS Board and our partner Audit Committees. The external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team. The requirement for an EQA may also be met through a self-assessment with independent validation. This requirement has been in place since 2013, with the introduction of the previous Public Sector Internal Audit Standards.

6. The GIAS require receipt of complete results of the EQA or self-assessment with independent validation directly from the external assessor. The SIAS Board and partner Audit Committees must review and approve the CAE's plans to address identified deficiencies and opportunities for improvement, establish a timeline for implementation of actions and monitor progress.

Requirements of CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government (see Appendix 3)

7. The Audit Committee should note 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.
- They 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 service, partnership or outsourced functions), then agreement on the approach to the EQA will need to take account of the broader arrangements. To achieve this, the approach is agreed through the SIAS Board before briefing the respective Audit Committees.

8. The Audit Committee should receive the complete results of the EQA and consider the Chief Audit Executive's action plan to address any recommendations. Progress should be monitored.

CIPFA Bulletin 21 (October 2025) – External quality assessments of internal audit in UK local government

9. CIPFA Bulletin 21 indicates that the EQA can be satisfied by an external peer review, if it meets the other requirements (see GIAS Standard 8.4 and the UK Application Note). Deciding on the approach to the EQA is a matter for discussion between the Chief Audit Executive and senior management (SIAS Board). The proposals should be brought to the Audit Committee for information and discussion. This is a little more nuanced and UK local government specific than stated in the GIAS, which emphasises the role of the Board (meaning the Audit Committee).

10. Where the internal audit function has more than one client that is a principal local authority, then the assessor must be able to reach a conclusion on each local government client. This does not mean that a separate EQA is required for each authority, only that the EQA must be able to conclude and report individually for each principal local authority client.

11. Where the audit function applies a common approach to audit working practices for all their clients (e.g. engagement planning and conduct of audits), then the EQA assessor may sample across the client base to verify those aspects of the standards. Where the audit provider has a large client base, this may mean the conduct of audits at an authority may not be selected for sample testing. If the EQA assessor is satisfied that the provider adopts a common approach across the clients, then the authority can still be satisfied with the assessor's conclusion. This is in common with the SIAS's previous 2016 and 2021 EQAs.

Selection of EQA Providers / Provider Selected (Qualifications, Competencies and Independence)

12. The following table sets out the options the CAE considered to conduct the EQA:

Professional Body / Group / Company	Considerations
CIPFA	• Co-standard setter and advocate • Credibility and profile • Independence • Undertaken by Tilia Solutions Corporate Governance Consultancy on behalf of CIPFA, Director is a qualified ex-Head of IA

Professional Body / Group / Company	Considerations
Chartered IIA	• Standard setter and advocate • Credibility and profile • Independence • Primary interest in promoting and developing the profession • Qualified and able (Heads / ex-Heads of IA are on panel of qualified assessors)
Peer Review -Team selected from the Audit Together Group, a strategic alliance of similar shared internal audit services Other options possible from Local Authority Chief Auditors Network (LACAN) possible.	• Professional, experienced and qualified current Heads of IA / Assurance • Experience of similar shared services and their challenges / uniqueness • Engaged, challenging and supportive • Established arrangement for rotation of EQA's to maintain independence
Two SME internal audit training and consultancy companies, and one large accountancy firm	• Professional, experienced and qualified ex-Heads of IA / Assurance with good reputation in the EQA market. • Experience of similar shared services in local government and their challenges / uniqueness.

13. The CAE conducted due diligence to understand the market for EQA assessors and the experience and pressures of undertaking an EQA as follows:

a) Attended presentations at the Local Authority Chief Auditors Network (LACAN), Home Counties Chief Internal Auditors Network (HCCIAG) and Chartered IIA Heads of Internal Audit Forum from CAE's who had recently undertaken EQAs.
b) Met separately with three CAEs to learn about their very recent experience both of an EQA under the new GIAS and their specific EQA provider.
c) Held conversations with SIAS's external delivery partner (BDO), given their knowledge of the EQA market.

d) Attended a session at the Chartered IIA Annual Conference in October 2025 delivered by a panel of EQA assessors and a further session hosted by the Chartered IIA in June 2026.

14. An outline EQA Plan was taken to the SIAS Board in December 2025, with a further update provided in March 2026, setting out the background as outlined in this briefing paper and the results of the due diligence conducted.

15. The SIAS Board approved the commencement of a procurement exercise for an external assessor and established a budget for the procurement. The SIAS Board were also asked to consider the following issues when reaching a decision on the EQA Plan:

No.	Issue / Consideration	Decision
1.	**LGR** • Capacity to support EQA from senior management • Value of an EQA outcome for each of our LA partners given that 2-4 new unitary authorities will be formed in two years' time and existing partners will not exist. • Deferring the EQA by an extended period to post vesting day with self-assessments to continue as normal.	• Proceed as planned for Q3/4 2026. Schedule and conduct EQA as is the case for the Southern Internal Audit Partnership (Best option).
2. .	**Commercial** • Conformance with GIAS and latest EQA results usually required for tender opportunities for new business.	• Proceed as planned for Q3/4 2026, given conformance with the GIAS and a recent EQA outcome are crucial to winning new business and generating income for SIAS.
3.	**Validation of self-assessment or EQA**	• Proceed with validated self-assessment but use procurement

No.	Issue / Consideration	Decision
	EQA (External Quality Assessment) and validated self-assessment are both important processes in internal audit, but they serve different purposes: The full **EQA** is a comprehensive review of an internal audit function's conformance with global standards, typically conducted every five years by an independent assessor. Self-assessment with independent validation (SAIV) allows an internal audit function to conduct a self-assessment and then validate it by an independent assessor, providing a more flexible and less intrusive approach to assessment. Both methods aim to ensure that the internal audit function meets the required standards and provides value to the organisation, but EQA is more structured and comprehensive, while SAIV offers flexibility in the assessment process.	process to achieve a valuable outcome for the service.

16. Procurement followed Hertfordshire County Council's Contract Regulations ('Procurement Rules') and a competitive quotation process was undertaken via the Council's e-Tendering system. Following formal evaluation of the quotes, the Chartered IIA were awarded the contract as our EQA assessors.

Scope of the contract

17. The EQA assessor, or assessment team, have been asked to carry out an independent, objective, examination of SIAS conformance against the GIAS, the Application Note – GIAS in the UK Public Sector, and the CIPFA Code of practice for the Governance of Internal Audit in UK Local Government, as well as considering the function's effectiveness and delivery compared with current and emerging good practice(s). Applicable quality assessment frameworks and criteria will be used, including the Purpose of Internal Auditing, the five Domains, the 15 Principles, the 52 Standards, 'Considerations for Implementation' and the 'Examples of Evidence of Conformance' within the GIAS.

18. Although a validated self-assessment will be undertaken, the Chartered IIA will nonetheless:

a) Assess how well SIAS conforms to the Global Internal Audit Standards (GIAS) and the UK Public Sector Application Note.
b) Evaluate SIAS performance against our internal audit charter and the expectations of the SIAS Board, the Audit Committees and executive management.
c) Identify opportunities to improve performance and increase the value of internal audit to the organisation, based both on stakeholder feedback and our assessment.
d) Provide insight and a view on our internal audit strategy and how to develop approaches and calibration alongside the maturity of the organisation and how it evolves.
e) Benchmark our activities against best practice.

19. Reporting outcomes will include:

a) An established and recognised external quality assessment rating system,
b) A comprehensive draft report including an opinion of conformance with each Domain and Principle, an action plan and an executive summary.
c) Initial discussion with the Head of Assurance and Head of SIAS to confirm factual accuracy of the draft report, permit appropriate challenge of findings and an understanding of conclusions reached
d) A final report for presentation to the SIAS Board and our partner Audit Committees.
e) The assessor presenting the independent report to the SIAS Board. Our Client Audit Managers (who are your Chief Audit Executive) will present the report to their respective Audit Committees.

20. It is envisaged that the assessment will involve:

a) MS Teams meetings, interviews and / or surveys with the internal audit team and co-sourced delivery partners, as well as key internal audit stakeholders such as Audit Committee Chairs / Members and senior management from all, or a sample of, our eight local authority partners.

b) A review of key documentation such as the Internal Audit Strategy, Internal Audit Charter, Internal Audit Plan, Audit Committee reports, Annual Assurance Opinion / Conclusion, internal audit reports and a sample of working paper files for our eight local authority partners.

21. We specified an independent validated self-assessment and a follow-up reassessment of actions and recommendations where required, should it be determined that we are partially or non-conforming with any of the Standards. The follow-up should provide a revised conclusion as an outcome, should this be applicable or necessary.

22. The EQA will not cover SIAS's external clients but will cover our eight local authority partners.

Timescales

23. Commencement has been set for December 2026, and the outcomes will be reported to our March 2027 SIAS Board and Audit Committees if possible.