



## Stevenage Borough Council Audit Committee

8 February 2022  
Shared Internal Audit Service –  
Progress Report

### Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Note the Status of Critical and High Priority Recommendations
- c) Approve the Revised Audit Charter for 2021/22

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# 1 Introduction and Background

## Purpose of Report

- 1.1 To provide Members with:
- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2021/22 Internal Audit Plan to 21 January 2022.
  - The findings for the period 21 August 2021 to 21 January 2021.
  - Details of any changes to the approved Internal Audit Plan.
  - The implementation status of previously agreed audit recommendations.
  - An update on performance management information to 21 January 2022.
  - The outcomes of the Public Sector Internal Audit Standards External Quality Assessment and required revisions to the Audit Charter for 2021/22.

## Background

- 1.2 Internal Audit's Annual Plan for 2021/22 was approved by the Audit Committee at its meeting on 24 March 2021. The Audit Committee receive periodic updates against the Internal Audit Plan.
- 1.3 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 function is fulfilling its statutory obligations. It is considered good practice that progress reports also include details of changes to the agreed Annual Internal Audit Plan.

# 2 Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As of 21 January 2022, 69% of the 2021/22 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued since the last Audit Committee meeting:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Health & Safety	Aug 2021	Reasonable	One Medium Priority
Homes England grant audit	Aug 2021	Unqualified	None
Follow Up audit (Landlord Health & Safety)	Nov 2021	Limited	Two High, Two Low Priority
Pandemic Response	Dec 2021	Not Assessed	None
Youth Council	Dec 2021	Reasonable	Two Medium, Three Low Priority

Information Governance (Assurance Mapping)	Dec 2021	Reasonable	Two Medium, One Low Priority
Follow Up audit (GF Property Health & Safety)	Dec 2021	Reasonable	None
Business Rates	Jan 2022	Substantial	One Medium Priority
Cash & Banking (Assurance Mapping)	Jan 2022	Substantial	None
Capital Programme	Jan 2022	Substantial	One Low Priority
Housing Benefits	Jan 2022	Substantial	Two Low Priority

- 2.3 The table below summarises the position regarding 2021/22 projects to 21 January 2022. Appendix A provides a status update on each individual project within the 2021/22 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	12	39%
Draft Report Issued	4	12%
In Fieldwork/Quality Review	3	10%
In Planning/Terms of Reference Issued	7	22%
Allocated	2	7%
Not Yet Allocated	1	3%
Cancelled	2	7%
Total	31	100%

#### Proposed Audit Plan Changes

- 2.4 There have been no amendments to the Internal Audit Plan since the last committee meeting.

#### Critical and High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.6 The schedule attached at Appendix B details the most recent management updates on the status of any outstanding Critical and High priority audit recommendations.

Performance Management

- 2.7 The 2021/22 annual performance indicators were approved at the SIAS Board meeting in March 2021.
- 2.8 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table below:

Performance Indicator	Annual Target	Profiled Target	Actual to 21 January 2022
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed	95%	72% (226/313.5 days)	69% (216/313.5 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	59% (17/29 projects)	55% (16/29 projects)
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (6 received) Note (1)
<b>4. Number of Critical and High Priority Audit Recommendations agreed</b>	95%	95%	100% (4 High agreed) Note (2)

Note (1) - 2 received in 2021/22 relate to 2020/21 audits.

Note (2) – 2 relate to a 2020/21 audit finalised after 31/03/2021.

### 3 Public Sector Internal Audit Standards

- 3.1 The Public Sector Internal Audit Standards (PSIAS) and the International Standards for the Professional Practice of Internal Auditing require that an external quality assessment (EQA) of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The EQA can be accomplished through a full external assessment or a self-assessment with independent validation.
- 3.2 SIAS appointed Orbis and South West London Audit Partnership (SWLAP) as the qualified, independent external assessment team to conduct a validation of the self-assessment by SIAS. In addition, the assessment team was also asked to consider, drawing on their previous extensive partnership experiences, what

actions might be taken to further improve the overall quality and effectiveness of the service.

- 3.3 The above review was undertaken at the start of June 2021, with the draft Independent External Assessment Report being issued to SIAS on 30th June 2021.
- 3.4 Within the above report the External Assessors concluded that SIAS partially conforms with the Standards and the associated Code of Ethics. This opinion is defined in the Standards as “Deficiencies in practice are noted that are judged to deviate from the Standards and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner”.
- 3.5 In respect of the above, the assessors concluded that “Overall, we identified two main areas of non-conformance with the Standards that we believe means that SIAS currently only ‘Partially Conforms’. These primarily relate to defining and clarifying the Board and Chief Audit Executive (CAE) role(s) across the partnership.
- 3.6 Whilst reasonably significant in the context of the Standards, both issues are relatively easy and swift to resolve, and once addressed, would enable the service to be classified as ‘Generally Conforms’. A small number of other areas of partial conformance were also identified, however, these were minor observations, and none were significant enough to affect the overall opinion”.
- 3.7 It should be noted that in all material respects, SIAS delivered the functions and requirements of the CAE role as defined in the PSIAS. Similarly, the FAR Committee carried out the functions and requirements of the Board role as defined in the PSIAS. The findings were about clearly identifying the person or post fulfilling the CAE role, and the body fulfilling the role of the Board, given that these roles are integral to the PSIAS, and ensuring that accountability was clearly assigned in the Internal Audit Charter.
- 3.8 The report also highlighted that SIAS was a “well-regarded internal audit partnership, delivering professional and quality services to its partner organisations with a high-level conformance with PSIAS. Whilst some areas of partial conformance with the Standards have been identified, these can be relatively easily and swiftly resolved”.
- 3.9 In response to the report, SIAS are in the process of revising the Audit Charters for each individual partner council to address the issues that gave rise to a partially conforms opinion, with this completed for Stevenage Borough Council and the revised Charter presented in Appendix E of this report. The Committee are asked to approve the revised Charter which, upon approval, will allow SIAS to self-assess compliance with the PSIAS as “Generally Conforms” (the highest rating). Any revisions are shown by being struck through (deletions) or in red (additions).

**APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN**

**2021/22 SIAS Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
<b>Key Financial Systems – 91 days</b>									
Provision for full or targeted audit of one or more key financial systems. Mapping the remaining key financial systems to confirm appropriate lines of assurance and to inform the annual assurance opinion									
Business Rates (full audit)	Substantial	0	0	1	0	91	Yes	67.5	Final Report Issued
Council Tax (full audit)									Draft Report Issued
Housing Benefits (full audit)	Substantial	0	0	0	2				Final Report Issued
Treasury Management (mapping)									Allocated
Debtors (full audit)									In Fieldwork
Creditors (full audit)									Draft Report Issued
Payroll (mapping)									Allocated
Main Accounting (targeted audit)									Not Yet Allocated
Housing Rents (targeted audit)									ToR Issued
Cash & Banking (mapping)	Substantial	0	0	0	0				Final Report Issued
<b>Operational Audits – 134.5 days</b>									
Vehicle Workshop	Substantial	0	0	0	1	10	Yes	10	Final Report Issued
Homelessness & Housing Advice						10	Yes	1	In Planning
Housing Allocations						10	Yes	1	In Planning
Collection of Leaseholder Liability						10	Yes	1	In Planning
Community Safety (SADA)						10	Yes	6.5	In Fieldwork
Youth Council	Reasonable	0	0	2	3	6	Yes	6	Final Report Issued
COVID-19 Pandemic Response & Recovery	Not Assessed	0	0	0	0	12	Yes	12	Final Report Issued
Welfare Reform						0.5	N/A	0.5	Cancelled
Health & Safety	Reasonable	0	0	1	0	10	Yes	10	Final Report Issued
Information Governance (mapping)	Reasonable	0	0	2	1	10	Yes	10	Final Report Issued

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Council Housebuilding & Acquisitions Programme						0	N/A	0	Cancelled
Contract Management						10	Yes	9.5	Draft Report Issued
Capital Programme Development & Delivery	Substantial	0	0	0	1	10	Yes	10	Final Report Issued
Housing Development Site (North Road)	Substantial	0	0	0	0	11	Yes	11	Final Report Issued
Follow Up audit (Landlord Health & Safety)	Limited	0	2	0	2	5	Yes	5	Final Report Issued
Follow Up audit (GF Prop Health & Safety)	Reasonable	0	0	0	0	5	Yes	5	Final Report Issued
Homes England – Compliance Audit						5	Yes	5	Complete
<b>Risk Management and Governance – 15 days</b>									
Risk Management, Corporate Governance						15	Yes	1	In Planning
<b>IT Audits (in conjunction with East Herts Council) – 16 days</b>									
IT Resilience						6	Yes	0	In Planning
Cyber Security Assurance Mapping						10	Yes	8	In Fieldwork
<b>Shared Learning and Joint Reviews – 10 days</b>									
Joint Reviews - tbd						6	No	0	Through Year
Shared Learning						4	No	1.5	Through Year
<b>Completion of outstanding 2020/21 projects – 4 days</b>									
Various						4	Yes	4	Complete
<b>Contingency – 1.5 days</b>									
Contingency						1.5	No	0	Not Yet Allocated
<b>Strategic Support – 43 days</b>									
Head of Internal Audit Opinion 2020/21						3	Yes	3	Complete
Audit Committee						8	Yes	4	Allocated
Client Meetings and ad-hoc advice						9	Yes	6	Through Year
Plan Monitoring, Work Allocation and						12	Yes	9.5	Through Year



**APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN**

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Scheduling									
SIAS Development/EQA						5	Yes	5	Through Year
2022/23 Internal Audit Planning						6	Yes	3	Allocated
<b>SBC TOTAL</b>		<b>0</b>	<b>2</b>	<b>6</b>	<b>10</b>	<b>315</b>		<b>216</b>	

## APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

The following appendix provides Audit Committee Members with a summary of the most recent update provided by management in respect of outstanding high priority recommendations.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2022)
1.	Follow Up audit (Landlord Health & Safety).	<p><b><u>Recommendation:</u></b>  <u>Completion of remedial actions arising from Water Risk Assessments.</u>  Remedial works identified from the risk assessments sampled at the previous audit have not been fully completed and it is not clear what is outstanding. It is therefore recommended that risk assessments are carried out by the council's new contractors and the remedial actions required recorded in priority order and carried out in a timely manner. The programme of works required should be regularly monitored to ensure that they are being actioned and completed. The date of completion should be recorded.</p> <p><b><u>Agreed Management Action(s):</u></b>  The council's new contract with water hygiene contractor, Safewater, commenced 1 November 2021. Safewater have been issued with the council's current risk assessment programme and asked to re-survey all blocks, prioritising blocks where remedial actions are outstanding. A programme evidencing the date for each risk assessment has been requested from Safewater and this will be given to the Gas Manager so that he can monitor progress. It will also be agreed between the Gas Manager and the contractor that remedial actions up to a work value of £250 can be authorised and completed at the time of survey – note a record of works completed should be recorded on the contractor's portal. Works above this value will be sent to the Gas Manager in quote form and an order raised on the council's Northgate System. Any remedial actions that Safewater require special access or another contractor's assistance is the responsibility of the Gas Manager to identify, action and monitor remedial work and quality. The Gas Manager has agreed with Safewater that all remedial actions from the risk assessments will be recorded on one spreadsheet and updated, monthly. All data should be prepared to go into Propeller, the council's new compliance management tool. The Compliance Manager has set up a weekly meeting with the Gas Manager to ensure procedure are in</p>	<p><b>Responsible Officer:</b>  Compliance Manager (Housing Investments).  <b>Due Date:</b>  31 March 2022.</p>	<p>This is a new addition and the management response opposite is therefore the latest comment.</p>	<p><b>Not Yet Due.</b></p>

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2022)
		place and are being followed. The Gas Manager will also evidence to the Compliance Manager that monthly contractor meetings are booked in and operational performance is on the agenda to be monitored and escalated to the Compliance Manager if necessary.			
2.	<b>Follow Up audit (Landlord Health &amp; Safety).</b>	<p><b><u>Recommendation:</u></b>  <u>Completion of remedial actions arising from Water Risk Assessments.</u>                      We recommend that any remedial work outstanding is carried out and the date of completion is recorded on the spreadsheet to ensure that all necessary actions have taken place. Those without a date should be chased to ensure that nothing gets missed.</p> <p><b><u>Agreed Management Action(s):</u></b>                      The Gas Manager has been asked to issue all failed temperature checks to Safewater to action immediately. The Gas Manager has requested a date for each visit, and he will monitor each action up until completion. The Compliance Manager has weekly meetings arranged with the Gas Manager to monitor progress. The Gas Manager has also been asked to provide an access procedure for Safewater as failed access into areas where services are provided have caused a number of failures. The Gas Manager is aware that they are responsible for assisting the contractor with access. The Gas Manager has agreed with Safewater that all failed temperature checks should be collated on one spreadsheet and updated monthly - Performance will also be monitored at monthly contractor meetings and escalated to the Compliance Manager where necessary. Where necessary, the Gas Manager will also agree a value of works that Safewater can self-authorise to prevent return visits. Quoted work will be authorised by the Gas Manager and issued via Northgate.</p>	<p><b>Responsible Officer:</b>                      The Compliance Manager (Housing Investments).  <b>Due Date:</b>                      31 March 2022.</p>	This is a new addition and the management response opposite is therefore the latest comment.	<b>Not Yet Due.</b>

**APPENDIX C – INTERNAL AUDIT PLAN ITEMS (APRIL 2021 TO MARCH 2022) – START DATES AGREED WITH MANAGEMENT**

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Youth Council Final Report Issued	Vehicle Workshop Final Report issued	Revenues / Benefits Final Report / Draft Report	Financial Systems In Fieldwork
COVID-19 Pandemic Response Final Report Issued	Community Safety (SADA) In Fieldwork	Housing Allocations In Planning	Homelessness & Housing Advice In Planning
Health & Safety Final Report Issued	Homes England – Compliance Audit Final Report Issued	Welfare Reform Cancelled	Collection of Leaseholder Liability In Planning
Council Housebuilding & Acquisitions Programme Cancelled	Information Governance Final Report Issued	Capital Programme Delivery Final Report Issued	Risk Management & Corporate Governance ToR Issued
Housing Development Site (North Road) Final Report Issued	Landlord H & S Follow up Final Report Issued	Cyber Security In Fieldwork (c/f from Q2)	IT Resilience In Planning
	Contract Management Draft Report Issued	GF H & S Follow Up Final Report Issued (b/f from Q4)	

## APPENDIX D – ASSURANCE / PRIORITY LEVELS

Audit Opinions		
Assurance Level	Definition	
Assurance Reviews		
<b>Substantial</b>	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.	
<b>Reasonable</b>	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.	
<b>Limited</b>	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.	
<b>No</b>	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.	
<b>Not Assessed</b>	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		
<b>Unqualified</b>	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.	
<b>Qualified</b>	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.	
<b>Disclaimer Opinion</b>	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.	
<b>Adverse Opinion</b>	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	<b>Critical</b>	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	<b>High</b>	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.
	<b>Medium</b>	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.
	<b>Low</b>	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.

# Audit Charter 2021/2022

## 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.

## 3. Role

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

## 4. Professionalism

- 4.1. SIAS governs itself by adherence to the Public Sector Internal Audit Standards (PSIAS). These standards include the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (IPPF). They set out the fundamental requirements for the professional practice of internal auditing and the evaluation of the effectiveness of an internal audit function.
- 4.2. SIAS 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 PSIAS be identified, the ~~Head of Assurance~~ **Head of SIAS** will investigate and disclose, in advance if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.

## 5. Authority and Confidentiality

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

## 6. Organisation

- 6.1. The ~~Head of Assurance~~ **Client Audit Manager** and their representatives have free and unrestricted direct access to Senior Management, the Audit Committee, the Managing Director, the Chair of the Audit Committee, and the External Auditor. The ~~Head of Assurance~~ **Client Audit Manager** will communicate with any and all of the above parties at both committee meetings and between meetings as appropriate.
- 6.2. The Chair of the Audit Committee has free and unrestricted direct access to both the ~~Head of Assurance~~ **Client Audit Manager** and the Council's External Auditor.

- 6.3. The ~~Head of Assurance~~ **Client Audit Manager** is line managed by the ~~host authorities~~ **Director of Resources** **Head of SIAS** who approves all decisions regarding the performance evaluation, appointment, or removal of the ~~Head of Assurance~~ **Client Audit Manager**, in consultation with the SIAS Board. ~~Each client's Section 151 Officer is asked to contribute to the annual appraisal of the Head of Assurance.~~

## 7. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 7.1. The **Head of SIAS**, working with the ~~Head of SIAS~~ **Client Audit Manager**, both suitably experienced and qualified (CCAB and / or CMIIA), is responsible for:
- hiring, 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
- 7.2. The Audit Committee is responsible for overseeing the effectiveness of SIAS and holding the ~~Head of Assurance~~ **Client Audit Manager** 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.
- 7.3. The Audit 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 Audit Committee provides an annual report to the Council detailing the Committee's activities through the year. In addition, and as required, the Committee ensures that there is appropriate communication of, and involvement in, internal audit matters from the wider publicly elected Member body.
- 7.5. The ~~Head of SIAS~~ **Client Audit Manager** is responsible for ensuring that the outcome of all final Internal Audit reports is reported to all members of the Audit Committee (~~where relevant to their portfolio~~), 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.
- 7.7. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS and reporting to the Audit Committee its findings, including:
- resourcing and financial performance
  - operational effectiveness through the monitoring performance indicators



- 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~~ **Client Audit Manager** will highlight to the Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the PSIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the ~~CAE~~ **Client Audit Manager** may belong. The Audit 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 **Client Audit Manager** and ~~Head of Assurance~~ **SIAS** will ensure that the risks of doing so are managed effectively, having regard to the ~~Head of Assurance's~~ **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~~ **Client Audit Manager** will confirm to the Audit 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~~ **Client Audit Manager** 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~~ **Client Audit Manager** will investigate and report on the matter to appropriate parties.
- 9.6. **Hertfordshire County Council's** ~~The~~ Head of Assurance leads and has overall management responsibility for SIAS, and also the same responsibilities for the similarly constituted Shared Anti-Fraud Service (SAFS).
- 9.7. Given that SIAS will potentially undertake internal audit activity in relation to SAFS, this relationship is formally disclosed, and appropriate safeguards will be put in place against any potential impairment to independence. The Head of SIAS will manage the internal audit engagement of this service and report findings directly to the **Strategic Director (CFO)** in their capacity as S151 Officer.

## 10. Responsibility and Scope

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

Shared Anti-Fraud Service), 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 Audit Committee and, where applicable, the Shared Anti-Fraud Service (SAFS), 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. **SBC HGC** is a partner of both SIAS and SAFS and benefits from collaboration and intelligence sharing between the teams. This informs both horizon scanning as part of the internal audit planning process and individual audit engagements.
- 11.5. The ~~Head of Assurance~~ **Client Audit Manager** 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~~ **Client Audit Manager** will submit a risk-based plan to the Audit Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed by ~~Operational Directorate Boards~~ and subsequently the Section 151 Officer and ~~Chief Executive~~ **Senior Leadership Team** 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 will take into account the organisation's assurance framework. 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 relevant Service Director. Changes to the terms of reference during the engagement may occur and will be agreed following consultation with the relevant Service Director.
- 13.2. A report will be issued to management on completion of an engagement. It will include a reasoned opinion, details of the time period and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.
- 13.3. SIAS will follow-up the implementation of agreed recommendations in line with the agreed protocol. 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~~ **Client Audit Manager** to all relevant parties. A revised internal audit opinion may be issued on the basis of follow-up activity.
- 13.4. In consultation with the Senior Leadership Team, the ~~Head of Assurance~~ **Client Audit Manager** will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 13.5. Quarterly update reports to the Audit 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 determination of the Annual Opinion will be made by the Head of SIAS or the Head of Assurance, in consultation with the Client Audit Manager. Hertfordshire County Council's** ~~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. PSIAS require ~~the~~ **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** The Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals, and shared learning with the external audit partner as well as coaching, supervision, and documented review.
- 14.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.
15. Review of the Audit Charter
- 15.1. The ~~Head of Assurance~~ **Client Audit Manager** will review this charter annually and will present, to the first audit committee meeting of each financial year, any changes for approval.
- 15.2. The ~~Head of Assurance~~ **Client Audit Manager** reviewed this Audit Charter in September 2021. It will next be reviewed in April 2022.

### Glossary of Terms

Audit Committee	<p>The PSIAS defines the Audit Committee as “The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.”</p> <p>The Audit Committee operates in accordance with its terms of reference contained in <b>Stevenage Borough Council's</b> Constitution.</p> <p>CIPFA's <i>Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition</i> indicates that for a local authority, it is best practice for the audit committee to report directly to full council rather than to another committee, as the council itself most closely matches the body of ‘those charged with governance’. <b>This Committee is able to refer matter directly to full council.</b></p>
Audit Plan	The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.
Board	The PSIAS defines the ‘Board’ as “The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation’s activities and hold senior management accountable. Although governance arrangements vary among jurisdictions

	<p>and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the Standards refers to a group or person charged with governance of the organisation. Furthermore, “board” in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit Committee).</p> <p>For the purposes of the SIAS Audit Charter, the Board as referred to in the PSIAS shall be <b>Stevenage Borough Council's</b> Audit Committee. All references to the Audit Committee in the SIAS Audit Charter should be read in this context.</p>
Chief Audit Executive (CAE)	<p>The PSIAS describes the role of CAE as “a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The CAE or others reporting to the CAE will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the CAE may vary across organisations.”</p> <p>The CAE is fundamental to the success of the service and to the extent to which it complies with the Standards. Regular reference is made to this role throughout the PSIAS, including some specific requirements relating to whoever is designated the role.</p> <p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the PSIAS shall be <b>SBC's HCC's Head of Assurance Client Audit Manager</b>. All references to the <del>Head of Assurance</del> <b>Client Audit Manager</b> in the SIAS Audit Charter should be read in this context. <b>This is a delegated responsibility of the Head of Assurance arising from the shared service arrangements for internal audit. The Head of Assurance will retain overall accountability for those limited elements of the Internal Audit Charter and PSIAS that affect the SIAS business arrangements and / or all SIAS partners collectively. These include non-conformance with the PSIAS and the Quality Assurance and Improvement Program (QAIP).</b></p> <p><del>The Head of Assurance is supported in the role of CAE by the Head of SIAS, who is responsible for the day-to-day operational management of SIAS</del></p>

	and performs the role of Client Audit Manager for HCC.
Management	Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers and their direct reports.
Public Sector Internal Audit Standards (PSIAS)	These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide stakeholders with the key assurances they need to support them both in managing and overseeing the organisation and in producing the annual governance statement.
Shared Internal Audit Service (SIAS)	SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS also provides internal audit services to a limited number of external clients. HCC is the host authority for the partnership and provides support services such as HR, technology, and accommodation.
SIAS Board	The Board that comprises officer representatives from the partner authorities and that is responsible for the governance of the SIAS partnership.

Note:

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