



INTERNAL AUDIT PROGRESS REPORT

WELWYN HATFIELD BOROUGH COUNCIL

AUDIT COMMITTEE
JANUARY 2022

RECOMMENDATIONS

- Note the Internal Audit Progress Report for the period to 14 January 2022,
- Note the implementation status of internal audit recommendations and the management update.
- Approve the revised SIAS Internal Audit Charter

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1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2021/22 as at 14 January 2022.
 - b) Proposed amendments to the 2021/22 Annual Audit Plan report.
 - c) The implementation status of previously agreed audit recommendations.
 - d) An update on performance management information as at 14 January 2022.

Background

- 1.2 The 2021/22 Annual Audit Plan was approved by the Audit Committee at its meeting on 17 March 2021.
- 1.3 The Audit Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the third report on the delivery of the 2021/22 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 14 January 2022, 70% of the 2021/22 Audit Plan days had been delivered.
- 2.2 The following final reports have been issued since 10 September 2021 (cut-off date for the SIAS Update Report for 27 September 2021 Audit Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Modernisation Programme Governance	November 2022	Reasonable	1 Medium, 4 Low
Cloud Computing	December 2022	Reasonable	1 Medium
Risk Based Verification	December 2022	Substantial	1 Low

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Building Services Asset Management Follow Up	January 2022	Not Assessed	None
Financial Regulations	January 2022	Substantial	None

- 2.3 To help the Committee assess progress in delivering the 2021/22 Audit Plan, Appendix B details agreed start dates. These dates were agreed with management and resources allocated accordingly. This schedule was designed to facilitate smoother delivery of the audit plan through the year.

Proposed Amendments to Audit Plan

- 2.4 As agreed with management, there have been a number of small amendments to the Audit Plan in the period since the last Audit Committee meeting. These are summarised below:
- a) Salary Budgeting and Monitoring – this audit title has been changed to Financial Regulations to assess the implementation of the amendments made to the Financial Regulations during 2021. Salary Budgeting and Monitoring was deemed to be a lower priority and will be considered during planning for 2022/23.
 - b) Risk Based Verification – an additional 2 days from contingency has been added to this audit.
 - c) Training Budgets – an additional 2 days from contingency has been added to this audit.
 - d) Modernisation Programme Governance – an additional 1 day from contingency has been added to this audit.
 - e) Mears Contract Management (Advisory) – an additional audit has been added using 10 days from contingency to provide advice regarding the ongoing contract management of the housing maintenance contractor.
 - f) Housing Maintenance Procurement – 4 days have been removed from this project and returned to contingency as a result of the above audit being added to the plan.
 - g) Covid Response – an additional 2 days from contingency has been added to this audit.
 - h) Community Infrastructure Levy (CIL) – this audit has been cancelled and the days returned to contingency as a result of other priorities for Planning causing slower than expected progress towards the implementation of CIL.
 - i) Building Service Asset Management Follow Up – an additional 2 days from contingency has been added to this audit.
- 2.5 The additional time added to a number of audits above is a result of the scope or nature of work being greater than originally expected when the plan was set. The budgets represent an accurate reflection of the time taken to deliver this work.

2.6 As a result of the above change, the contingency budget is now 0.5 days. SIAS will continue to work with management to identify suitable projects for these days to be assigned to. Any further changes will be communicated to the Audit Committee at future meetings.

High Priority Recommendations

2.7 Members will be aware that a Final Audit Report is issued when it has been agreed by management. This includes an agreement to implement the recommendations that have been made. It is Internal Audit’s responsibility to bring to Members’ attention the non-implementation of high priority recommendations. It is the responsibility of officers to implement the recommendations by the agreed date.

2.8 We have not made any further high priority recommendations as a result of the work completed and reported in the table at paragraph 2.2. The previously outstanding high priority recommendation, relating to the area of Building Services Asset Management, has now been implemented. SIAS conducted a follow audit to assess the progress towards implementation and found that all recommendations had been implemented to a satisfactory standard. The outcomes of the SIAS audit are included in the Management Comments in the table at Appendix C.

Medium Priority Recommendations

2.9 It has been agreed with Council management that SIAS will follow up all high and medium priority recommendations resulting from internal audit reports. The table below outlines the ‘Medium’ priority recommendations that were followed up during this cycle:

Total number of recommendations followed up in this period	Implemented / No Longer Applicable	Partially implemented (revised date agreed)	Target date (or revised target date) not yet reached	No update provided by action owner
14	10	2	2	0
	72%	14%	14%	0%

2.10 Appendix D details the implementation status of all ‘Medium’ priority recommendations that have not been fully implemented by the original target date. Appendix D has been abridged to fit this Progress Report, and the full database is maintained on a shared drive. This can be supplied by Council management on request, should it be required.

Performance Management

2.11 Performance indicators and associated targets are approved by the SIAS Board on an annual basis. As at 14 January 2022, actual performance for

Welwyn Hatfield Borough Council against the targets that can be monitored in year is set out in the table below:

Performance Indicator	Annual Target	Profiled Target to 31 January	Actual to 14 January 2022
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	75% (225 / 299.5 days)	70% (210.5 / 299.5 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	58% (15 / 26 projects)	54% (14 / 26 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level (39/65)	100%	100%	67% (3 returned – 1 with score of 38/65)
4. Number of High Priority Audit Recommendations agreed	95%	95%	100% (1 made)

2.12 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported in the 2021/22 Head of Assurance's Annual Report:

5. Annual Plan – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the plan should be prepared for the first meeting of the financial year.

6. Head of Assurance's Annual Report – presented at the Audit Committee's first meeting of the civic year.

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. 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”.
- 3.6 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.
- 3.7 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”.
- 3.8 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 Welwyn Hatfield Borough Council and the revised Charter presented in Appendix D 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 AUDIT PLAN AS AT 14 JANUARY 2022

2021/22 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	C RECS	H RECS	M RECS	L RECS	AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Key Financial Systems									
Self-Service - Revenues						8	SIAS	7.5	Draft Report Issued
Risk Based Verification	Substantial	0	0	0	1	10	SIAS	8	Final Report Issued
Financial Regulations	Substantial	0	0	0	0	10	BDO	10	Final Report Issued
ResourceLink and Expenses						15	SIAS	14	Quality Review
Housing Rents						8	SIAS	1	In Planning
Corporate Audits									
COVID-19 Recovery						15	BDO	1	ToR Issued
COVID-19 Response						17	SIAS	16.5	Draft Report Issued
Business Recovery						15	SIAS	14.5	Draft Report Issued
Climate Emergency						10	SIAS	0	Allocated
Operational Audits									
Complaints Handling						10	SIAS	0	Allocated
Community Infrastructure Levy						1	SIAS	1	Cancelled
DFG Certification	Not Assessed	0	0	0	0	2	SIAS	2	Final Report Issued
Affordable Housing						10	SIAS	9.5	Draft Report Issued
Voids Management						0		0	Cancelled
Now Housing – Shareholder Reporting						10	BDO	5	In Fieldwork
Building Services Asset Management	Not Assessed	0	0	0	0	5	SIAS	5	Final Report Issued

APPENDIX A – PROGRESS AGAINST THE 2021/22 AUDIT PLAN AS AT 14 JANUARY 2022

AUDITABLE AREA	LEVEL OF ASSURANCE	C RECS	H RECS	M RECS	L RECS	AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Training Budgets						13	SIAS	12.5	Draft Report Issued
Breathing Space	Substantial	0	0	0	0	4	SIAS	4	Final Report Issued
LA Test and Trace Support Grant						2	SIAS	1	In Fieldwork
Procurement / Contracts									
Housing Maintenance Procurement – Continuous Assurance	Not Assessed	0	0	1	0	12	SIAS	12	Final Report Issued
Mears Contract Management – Advisory						10	SIAS	2	In Fieldwork
Governance Audits									
Modernisation Programme Governance	Reasonable	0	0	1	4	10	SIAS	10	Final Report Issued
Risk Management Audits									
Risk Management Framework						10	SIAS	1	In Planning
IT Audits									
Cloud Computing	Reasonable	0	0	1	0	12	BDO	12	Final Report Issued
Microsoft Teams	Reasonable	0	0	1	1	10	BDO	10	Final Report Issued
Data Breaches						10	BDO	2	In Fieldwork
Shared Learning and Joint Reviews									
Joint Reviews						3		3	Through Year
Shared Learning						2		2	Through Year
Contingency & Ad Hoc Activity									

APPENDIX A – PROGRESS AGAINST THE 2021/22 AUDIT PLAN AS AT 14 JANUARY 2022

AUDITABLE AREA	LEVEL OF ASSURANCE	C RECS	H RECS	M RECS	L RECS	AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Contingency & Ad Hoc Activity						0.5			
Strategic Support									
Head of Internal Audit Opinion 2020/21						3		3	Complete
Audit Committee						6		6	Through Year
Client Meetings						6		6	Through Year
Progress Monitoring						10		10	Through Year
SIAS Development						5		5	Complete
2022/23 Audit Planning						8		8	Complete
Recommendations Follow Up						6		6	Complete for Q2
2020/21 Projects requiring completion									
Finalisation of Projects						1.5		1.5	Complete
Total – Welwyn Hatfield B.C.		0	0	4	6	300		210.5	

Key

Not Assessed = No assurance opinion provide 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

N/a = Not Applicable

APPENDIX B – 2021/22 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Building Services Asset Management Follow Up Final Report Issued	COVID-19 Response Draft Report Issued	Resourcelink and Expenses Quality Review	Housing Rents In Planning
Business Recovery Draft Report Issued	Risk Based Verification Final Report Issued	Now Housing – Shareholder Reporting In Fieldwork	Data Breaches In Fieldwork
Microsoft Teams Final Report Issued	Affordable Housing Draft Report Issued	Financial Regulations Final Report Issued	Climate Emergency Allocated
Modernisation Programme Governance Final Report Issued	Training Budgets Draft Report Issued	COVID-19 Recovery Terms of Reference Issued	Risk Management Framework In Planning
Breathing Space (Moved from Q2) Final Report Issued	DFG Certification Final Report Issued	Cloud Computing Final Report Issued	Community Infrastructure Levy (Moved from Q1) Cancelled
2020/21 Projects Requiring Completion Complete	LA Test and Trace Support Grant Certification (to be completed in Q4) In Fieldwork	Voids Management Cancelled	Complaints Handling (Moved from Q2) Allocated
		Self-Service Revenues (Moved from Q1) Draft Report Issued	Mears Contract Management – Advisory In Fieldwork
Housing Maintenance Contract Procurement – Continuous Assurance Final Report Issued			

APPENDIX C – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
1.	Building Services Asset Management (March 2021)	<p>Building Maintenance – Condition Surveys and Inspections</p> <p>a) We recommend a programme of inspections is introduced to ensure that all major defects or failures identified from the most recent surveyor inspections have been resolved appropriately and completed in a timely manner.</p> <p>b) We also recommend that the records for condition surveys / inspections are amended to record:</p> <ul style="list-style-type: none"> • Date and Contractor for Works order raised, • Estimated costs, • Works completed date, • Invoiced costs. <p>c) This will add value to the survey / inspection records for use in</p>	<p>a) The programme to renew the condition surveys is under way and will progress on a priority basis.</p> <p>The main operational buildings which present the highest risks to the council are now completed which now allows a programme of works based on the recommendations to be developed.</p> <p>b) Without these surveys we are unaware of the costs that will be involved in the immediate, short and long term, therefore we will now be putting a programme together and requesting the budget is made available for this.</p> <p>c) The re-structure of the team in 2019 saw additional resource being made available within the Premises team. Two of these additional posts were</p>	Service Manager (Building Services)	<p>a) April 2022</p> <p>b) April 2021</p> <p>c) June 2021</p> <p>d) December 2021</p>	<p>June 2021: The conditions surveys have all been commissioned, and some of these have now been returned to the council. Once all received, the planned works programme will be drawn up. This will then allow the team to align requirements with the budget setting process and 5 year capital programme.</p> <p>September 2021: a) & b) All key conditions surveys were commissioned, with a high number of these returned. These are being reviewed and any works required will be factored into the capital programme as part of the budget setting process and into the planned works programme for the</p>	Satisfactorily Implemented

APPENDIX C – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		<p>budgeting and management maintenance overview.</p> <p>d) We recommend that the Council consider introducing a Buildings and Premises Maintenance Policy that should include direction on the frequency of condition surveys and inspections on the Councils buildings and premises.</p>	<p>recruited to in September 2020, which now allows for cyclical, recorded inspection regimes to be in place.</p> <p>d) The asset management strategy is being developed, along with the associated policies, procedures and processes.</p> <p><i>Note: The current members of the team and framework contractors have substantial knowledge of the buildings. The overall condition is known, and unforeseen works are rare. We continuously put forward bids for capital funding to the portfolio to ensure the longevity of the buildings, but due to financial efficiencies the authority needs to provide, the bids are not always successful.</i></p>			<p>team. To be completed by 30 October 2021.</p> <p>c) Implemented</p> <p>d) This is being drafted, and will be informed by the conditions surveys once all returned. To be completed by 31 December 2021.</p> <p>January 2022 (Audit Results):</p> <p>a) Implemented Not all inspections are completed; anticipated date is March 2022.</p> <p>b) Implemented</p> <p>c) Implemented</p> <p>d) Part implemented Corporate Management Team are to review the overarching policies in December 2021, following which they will be cascaded to</p>	

APPENDIX C – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
						the team. Team procedures are expected to be in place by April 2022.	

APPENDIX D – IMPLEMENTATION STATUS OF MEDIUM PRIORITY RECOMMENDATIONS

Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date (as at January 2022)	Revised Target Date
Payroll 2020/21	<p>Unauthorised access to Payroll function on Resourcelink</p> <p>HR/Payroll Improvement Project Board review the user profiles currently in place for appropriateness. In doing so, new user profiles with restricted access to either the payroll or HR parts of the system should be introduced. This will therefore control the access to payroll records to only those officers that require access as part of their role.</p> <p>In addition, to strengthen the system access controls, we recommend that access requests are completed for all new Officers that require access via an access request form that is submitted by</p>	<p>The HR/Payroll improvement project board are undertaking an ongoing review to define responsibilities and controls and improve system administration. This will be considered as a high priority.</p> <p>In the interim and with immediate effect, all payments to HR staff will be individually checked (as is the case with payroll staff) to ensure no unauthorised amendments have been made.</p>	31/08/2021	Financial Processes Team Leader 19/01/22	The interim action of individually checking all salary payments to HR staff (as was the case already for payroll staff) to ensure no unauthorised amendments have been made has been implemented. System administration and controls have been discussed by the HR/Payroll improvement project board and it was decided that the Board would wait for the recommendations from the wider review of system administration across the Council currently being undertaken.	30/06/2022

APPENDIX D – IMPLEMENTATION STATUS OF MEDIUM PRIORITY RECOMMENDATIONS

	the user’s line manager. Leavers' access should be removed in a timely manner.					
Council Website	<p>Insufficient control over sub-sites not managed directly by the Council</p> <p>Management should put appropriate arrangements in place so that all sub-sites and customer facing web services interacting with the Council’s website are centrally managed and controlled.</p> <p>As part of the arrangements, there should be defined procedures in place for reviewing the accessibility of the main website and the sub-sites and ensuring that they comply with accessibility requirements.</p>	<p>We recognise the need to ensure all our sub-sites are centrally managed and have identified those externally provided websites and web systems providing council services to customers that should be considered. Some of these are managed by large suppliers with dedicated resources (such as mod.gov) where our involvement is expected to be light touch. Others will require a higher level of support from the Web Team, and we will need to make a case to senior management to ensure we are effectively resourced to do this.</p>	31/12/2021	Website Development and Intranet Manager	<p>We are finalising a review of all our existing websites. This covers content, governance, usage, and accessibility. A report will go to CMT by the end of February setting out recommendations, including how we will continuously review the accessibility of our sites to ensure they are compliant.</p> <p>The review has identified those externally provided websites, and web systems providing council services to customers, which need to be considered. Some of these are managed by large suppliers with dedicated resources (such as mod.gov) where our involvement is expected to be light touch. Others will require a higher level of support from the Web Team.</p>	28/02/2022

APPENDIX E – ASSURANCE AND FINDINGS DEFINITIONS 2021/22

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.



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 **Welwyn Hatfield Borough** 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

APPENDIX F – AUDIT CHARTER 2021/22

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 Chief Executive, the Chair of the **Audit** Committee and the External Auditor. The

APPENDIX F – AUDIT CHARTER 2021/22

~~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

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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.

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- 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 **Head of Resources** 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

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- 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. 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~~ **Corporate Management Team** and demonstrates the priorities of both SIAS (the need to

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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 Head of Service. Changes to the terms of reference during the engagement may occur and will be agreed following consultation with the relevant Head of Service.
- 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 Corporate Management 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

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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 Welwyn Hatfield Borough Council's 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</p>
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	body of ‘those charged with governance’. This Committee is able to refer matter directly to full council.
Audit Plan	The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.
Board	<p>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 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 Welwyn Hatfield Borough Council’s 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>

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	<p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the PSIAS shall be WHBC's HCC's Head of Assurance Client Audit Manager. All references to the Head of Assurance Client Audit Manager in the SIAS Audit Charter should be read in this context. This is a delegated responsibility of the Head of Assurance arising from the shared service arrangements for internal audit.</p> <p>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).</p> <p>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 and performs the role of Client Audit Manager for HCC.</p>
<p>Management</p>	<p>Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers and their direct reports.</p>
<p>Public Sector Internal Audit Standards (PSIAS)</p>	<p>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.</p>
<p>Shared Internal Audit Service (SIAS)</p>	<p>SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS also provides internal audit services to a</p>

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	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.