



**Three Rivers District Council  
2020/21 Annual Assurance Statement and Internal  
Audit Annual Report**

**30 September 2021**

**Recommendations**

Members are recommended to:

Note the Annual Assurance Statement and Internal Audit Annual Report

Note the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP)

Accept the SIAS Audit Charter

Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2020/21

## **Contents**

1. Purpose and Background
  - 1.1 Purpose
  - 1.2 Background
  
2. Annual Assurance Statement for 2020/21
  - 2.1 Context
  - 2.2 Control Environment
  - 2.4 Review of Effectiveness - compliance with the PSIAS and QAIP
    - 2.11 Confirmation of independence of internal audit and assurance on limitations
    - 2.12 Assurance Opinion on Internal Control
    - 2.13 Assurance Opinion on Corporate Governance and Risk Management
  
3. Overview of Internal Audit Activity at the Council in 2020/21
  
4. Performance of the Internal Audit Service in 2020/21
  - 4.1 Performance Indicators
  - 4.2 Service Developments
  
5. Audit Charter 2021/22

## Appendices

- A Final position against the Council's 2020/21 Audit Plan
  
- B Definitions of Assurance Recommendation Priority Levels
  
- C Position against Public Sector Internal Audit Standards as at April 2021
  
- D Internal Audit Charter 2021/22

## 1. Purpose and Background

### Purpose of Report

- 1.1 This report:
- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of Three Rivers District Council's (the Council) control environment. Reference is made to any significant matters and key themes.
  - b) Shows the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
  - c) Summarises the audit work that informs this opinion.
  - d) Shows SIAS performance in respect of delivering the Council's audit plan.
  - e) Presents the 2021/22 Audit Charter.

### Background

- 1.2 A key duty of the Head of Assurance is to provide an annual opinion on the Council's internal control environment. This opinion informs the conclusions of the Council's Annual Governance Statement.
- 1.3 The assurance opinion in this report is based on internal audit work undertaken during 2020/21. The original Internal Audit Plan was revised in response to the COVID-19 pandemic, reflecting both a reduction in the number of available audit days and to incorporate associated coverage where agreed with audit sponsors. The revised Audit Plan therefore continued to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2021/22 before the audit committee report deadline.
- 1.4 SIAS is grateful for the co-operation and support it has received from client officers during 2020/21.

## 2. Annual Assurance Statement 2020/21

### Context

#### *Scope of responsibility*

- 2.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

## **Annual Assurance Statement and Internal Audit Annual Report - Three Rivers District Council**

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### *Control environment*

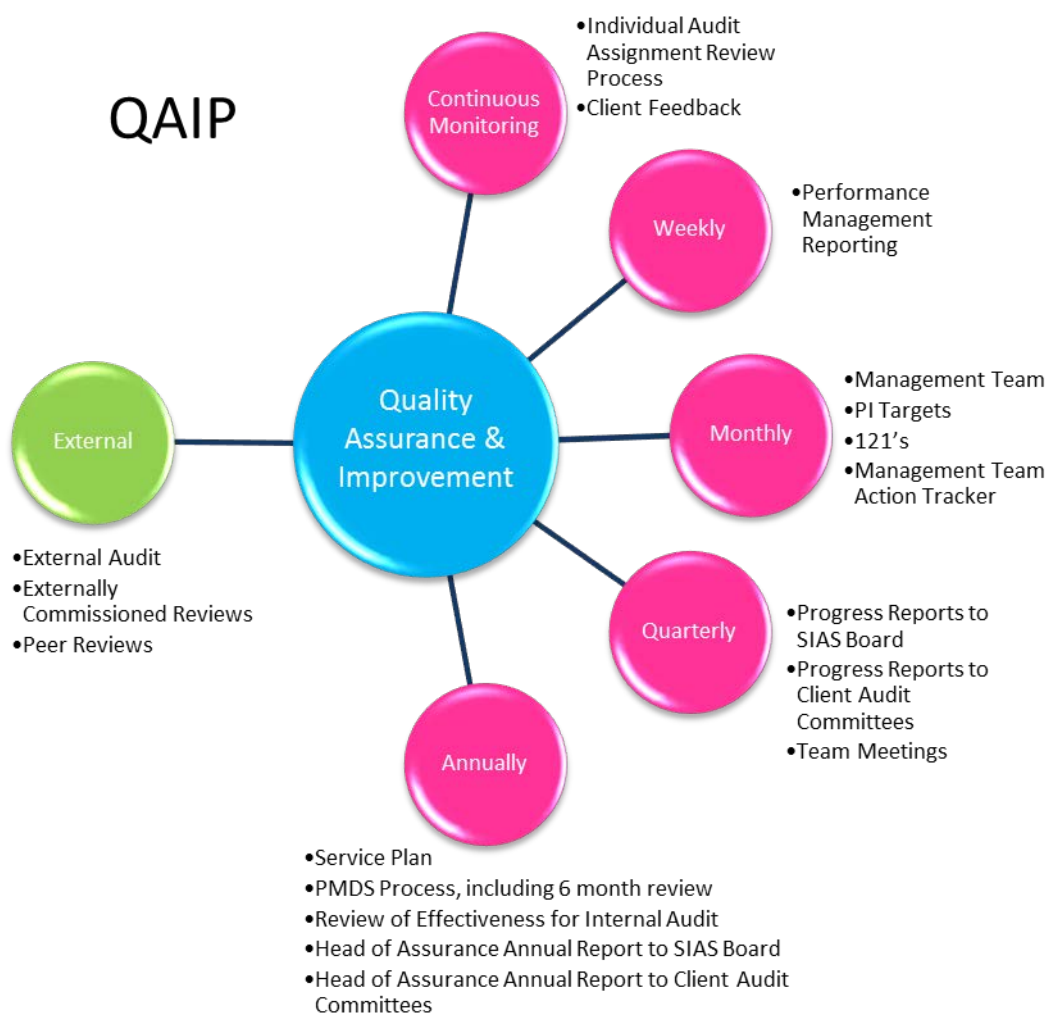
- 2.2 The control environment comprises three key areas: governance; risk management; and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to completely eliminate it.
- 2.3 A robust control environment helps ensure that the Council's policies, priorities and objectives are achieved.

### *Review of effectiveness*

- 2.4 The Head of Assurance must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.
- 2.5 As part of a QAIP, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency and effectiveness of internal audit across the public sector. They highlight the importance of robust, independent and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.
- 2.6 The 2020/21 self-assessment identified 2 areas of agreed non-conformance. These are detailed in Appendix C. There are no significant deviations from Standards which warrant inclusion in the Council's Annual Governance Statement.
- 2.7 The PSIAS also requires that the SIAS be subject to an external quality assessment at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. The latest external assessment took place in June 2021.
- 2.8 The Head of Assurance has concluded, therefore, that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective.
- 2.9 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.

## Annual Assurance Statement and Internal Audit Annual Report - Three Rivers District Council

2.10 The Head of Assurance confirms that during 2020/21 SIAS operated according to its QAIP with evidence available within the service to support the achievement of each QAIP element.



### *Confirmation of independence of internal audit and assurance on limitations*

2.11 The Head of Assurance confirms that during the year:

- No matters threatened SIAS's independence; and
- SIAS was not subject to any inappropriate scope or resource limitations.

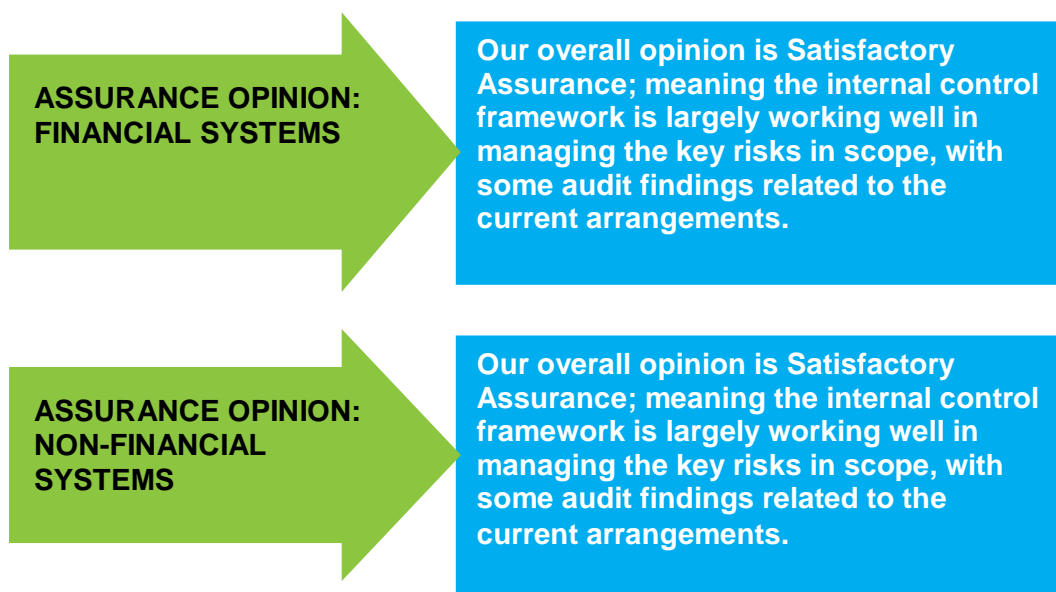
## Annual Assurance Statement and Internal Audit Annual Report - Three Rivers District Council

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Annual Assurance Statement for 2020/21

*Assurance opinion on internal control*

- 2.12 Based on the internal audit work undertaken at the Council in 2020/21, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems.



*Assurance opinion on Corporate Governance and Risk Management*

- 2.13 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2020/21. Although no specific review of risk management was carried out by SIAS during the year, risk management arrangements are considered during annual audit planning and delivery of individual audit assignments.

**Head of Assurance for the Shared Internal Audit Service  
June 2021**

### 3. Overview of Internal Audit Activity at the Council in 2020/21

- 3.1 This section summarises work undertaken at the Council by SIAS in 2020/21. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the agreed revised audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below (2019/20 data in brackets).

<b>Assurance Level</b>	<b>Number of reports 2020/21 (2019/20 data in brackets)</b>	<b>Percentage of reports 2020/21 (2019/20 data in brackets)</b>
Good	6 (7)	33% (33%)
Satisfactory	9 (8)	50% (38%)
Limited	0 (1)	0% (5%)
No	0 (0)	0% (0%)
Not Assessed	1 (2)	6% (10%)
Not Complete	2 (3)	11% (14%)
Total	18 (21)	100% (100%)

<b>Recommendation Priority Level</b>	<b>Number of recommendations 2020/21 (2019/20 data in brackets)</b>	<b>Percentage of recommendations made 2020/21 (2019/20 data in brackets)</b>
Critical	0 (0)	0% (0%)
High	0 (3)	0% (9%)
Medium	13 (18)	62% (51%)
Low	8 (14)	38% (40%)
Total	21 (35)	100% (100%)

- 3.3 **The Satisfactory assurance opinion overall on financial systems** (Satisfactory in 2019/20) has been concluded from the nine financial systems audits. Four received Good assurance and five received Satisfactory assurance. No Critical or High priority recommendations were made in these audits.
- 3.4 **The Satisfactory assurance opinion overall on non-financial systems** (Satisfactory in 2019/20) has been concluded from seven finalised audits where an assurance opinion has been given. Five received Satisfactory assurance and two received Good assurance. No Critical or High priority recommendations were made in these audits.

## Annual Assurance Statement and Internal Audit Annual Report - Three Rivers District Council

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- 3.5 The Freedom of Information audit was in fieldwork at the time of writing this report and has not been taken into account when determining the overall assurance opinion for non-financial systems.
- 3.6 As highlighted at paragraph 1.3 above, internal audit activity at the Council was reduced and revised in response to the COVID-19 pandemic. This meant four assignments were initially deleted from the originally approved programme of audits and further audits were cancelled or added as the year progressed (these changes were agreed by the Council's Audit Committee). In addition, the pandemic provided a backdrop that was considered during some audit assignments and a specific internal audit relating to the pandemic was commissioned during 2020/21.

### All Priority Recommendations

- 3.7 Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations made. It is the responsibility of Officers to implement the recommendations by the agreed date. Members will continue to receive updates on the implementation progress of all recommendations through the SIAS Progress Reports to the Audit Committee.

## 4. Performance of the Internal Audit Service in 2020/21

### Performance indicators

- 4.1 The table below compares SIAS's performance at the Council against the 2020/21 targets set by the SIAS Board.

Indicator	Target 2020/21	Actual to 31 March 2021
<b>1 SIAS Planned Days</b> – percentage of actual billable days delivered against planned billable days	<b>95%</b>	<b>93%</b> (203 / 218 days delivered)
<b>2 SIAS Planned Projects</b> – actual completed projects to draft report stage against planned completed projects	<b>95%</b>	<b>83%</b> (15 / 18 projects to draft)
<b>3 SIAS Annual Plan</b> – presented to the March Audit Committee or the first meeting of the financial year should a March committee not meet.	<b>Deadline met</b>	<b>Yes</b>



**Annual Assurance Statement and Internal Audit Annual Report -  
Three Rivers District Council**

<b>4 Client Satisfaction</b> - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	<b>100%</b>	<b>100%</b> (3 received).
<b>5 Head of Assurance's Annual Report</b> – presented at the first Audit Committee meeting of the financial year	<b>Deadline met</b>	<b>Yes</b>
<b>6 Number of High Priority Audit Recommendations agreed</b>	<b>95%</b>	<b>N/A</b> (none made in 2020/21)

Service Developments

4.2 During 2020/21 the development activities for SIAS included:

- a) Staffing – refresher training on risk and control techniques was provided for all SIAS staff during the third quarter of 2020/21. A replacement Senior Auditor was recruited in September 2020 following the retirement of an existing Senior Auditor. All Senior Auditors carried out some supervisory duties during 2020/21, such as reviewing the work of Auditors and Trainees; this provided development opportunities and helped compensate for a vacant Client Audit Manager post. The move to remote working under Government pandemic restrictions resulted in changes to some of the SIAS audit methodology e.g. the electronic capture of audit evidence and the suspension of site visits.
- b) External Quality Assessment (EQA) – preparations for the SAIS EQA, scheduled for June 2021, began during the last quarter of the year. This external assessment will involve a review of the service's position against the Public Sector Internal Audit Standards. In advance of the external assessment an internal self-review of procedures and working practices was carried out. Folders of supporting material have also been prepared to address known lines of enquiry within the EQA.
- c) Data Analytics – organisations are seeing increasing digitisation of their operations. Data analytics is a powerful tool which can be incorporated into the audit process and enhances the ability to carry out whole population testing and continuous auditing. This in turn can enhance the assurance provided on the management of risk and controls. Work began in late 2020/21 on evaluating the value of data analytics to SIAS partners, and on producing a potential strategy for acquiring the required skillsets, thinking and methodologies.

## 5. Audit Charter 2021/22

- 5.1 The PSIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The SIAS Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.
- 5.3 The Audit Charter is reviewed annually. The review in April 2021 did not result in any fundamental changes and the 2021/22 Charter is attached at Appendix D.

## APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2020/21 AUDIT PLAN

### Three Rivers District Council Audit Plan – 2020/21

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
<b>Key Financial Systems</b>							
Benefits (shared services plan)	Satisfactory	0	0	1	0	12	Final Report Issued *
Budget Monitoring (shared services plan)	Good	0	0	0	0	6	Final Report Issued
Council Tax (shared services plan)	Satisfactory	0	0	1	1	10	Final Report Issued *
Creditors (shared services plan)	Good	0	0	0	0	9	Final Report Issued
Debtors (shared services plan)	Satisfactory	0	0	2	1	10	Final Report Issued *
Main Accounting System (shared services plan)	Satisfactory	0	0	4	0	8	Final Report Issued *
NDR (shared services plan)	Satisfactory	0	0	0	0	10	Final Report Issued *
Payroll (shared services plan)	Good	0	0	0	4	12	Final Report Issued *
Treasury Management (shared services plan)	Good	0	0	0	0	6	Final Report Issued *
<b>Operational Audits</b>							
Business Continuity Planning						0	Cancelled
Climate Change and Sustainability	Satisfactory	0	0	1	0	7	Final Report Issued *

**APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2020/21 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Complaints Handling						0	Cancelled
DFG Certification	N/A	-	-	-	-	2	Final Report Issued
Equalities and Diversity						0	Cancelled
Freedom of Information						8	In Fieldwork
Garage Income	Satisfactory	0	0	1	0	10	Final Report Issued
Green Waste Charging	Satisfactory	0	0	1	0	10	Final Report Issued
Homelessness Reduction Act	Good	0	0	0	0	10	Final Report Issued **
Revenues and Benefits Payments (shared services plan)	Satisfactory	0	0	1	1	10	Final Report Issued *
Section 106						0	Cancelled
Watersmeet Theatre						0	Cancelled
Covid-19 Governance Arrangements	Good	0	0	0	1	12	Final Report Issued **
<b>IT Audits</b>							
Cyber Security (shared services plan)	Satisfactory	0	0	1	0	12	Final Report Issued

**APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2020/21 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
<b>To Be Allocated</b>							
To Be Allocated (shared services plan)						21	
<b>Shared Learning / Joint Reviews</b>							
Shared Learning / Joint Reviews	-	-	-	-	-	0	Cancelled
<b>Ad-hoc Advice</b>							
Ad-hoc advice	-	-	-	-	-	1	Complete
<b>Follow Up Audits</b>							
Follow Up of Audit Recommendations	-	-	-	-	-	10	Complete
<b>Strategic Support</b>							
2021/22 Audit Planning	-	-	-	-	-	5	Complete
Annual Governance Statement	-	-	-	-	-	3	Complete
Audit Committee	-	-	-	-	-	11	Complete
External Audit Liaison	-	-	-	-	-	1	Complete

**APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2020/21 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Head of SIAS Opinion 2019/20	-	-	-	-	-	2	Complete
Monitoring and Client Meetings	-	-	-	-	-	9	Complete
SIAS Development	-	-	-	-	-	3	Complete
<b>2019/20 Projects Requiring Completion</b>							
2019/20 Projects Requiring Completion (3 days TRDC, 6 days shared services plan)	-	-	-	-	-	9	Complete
<b>Total</b>		<b>0</b>	<b>0</b>	<b>13</b>	<b>8</b>	<b>239</b>	

\* At Draft Report stage at 31 March 2021, Final Report issued after year end.

\*\* Draft Report issued after 31 March 2021.

Key to Recommendation Priority Levels: C = Critical priority recommendations; H = High priority recommendations; M = Medium priority recommendations; LA = Low/Advisory priority recommendations.

## APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS

### 2020/21 Definitions of Assurance and Recommendation Priority Levels

Assurance Level		Definition
<b>Good</b>		The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
<b>Satisfactory</b>		The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
<b>Limited</b>		The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
<b>No</b>		The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.
Priority Level		Definition
<b>Corporate</b>	<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.
<b>Service</b>	<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 / Advisory</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.

## APPENDIX C – POSITION AGAINST PUBLIC SECTOR INTERNAL AUDIT STANDARDS AT APRIL 2021 – ACTION PLAN

**Section A: Conformance** - During 2020/21 all areas apart from those identified in Section B below were conforming.

### Section B: Intentional Non-Conformance

Ref	Area of Non-Conformance with the Standard	Commentary	
3.1a	<p><b>Purpose, Authority and Responsibility</b></p> <p>Does the board (defined as the Audit Committee) approve decisions relating to the appointment and removal of the Chief Audit Executive (CAE) (Head of Assurance)?</p>	<p>The Director of Resources, Hertfordshire County Council (HCC), in consultation with the Board of the Shared Internal Audit Services approves decisions relating to the appointment and removal of the CAE.</p> <p>This is as provided for in the governance of the Shared Internal Audit Service.</p>	<p><b>Non-conformance</b></p> <p>No further action proposed. The current arrangements are considered effective given the shared nature of SIAS.</p>
3.1c	<p><b>Purpose, Authority and Responsibility</b></p> <p>Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?</p>	<p>The performance appraisal is carried out by the Director of Resources (HCC).</p>	<p><b>Non-conformance</b></p> <p>No further action proposed. The appraisal process was carried out by the Director of Resources (HCC) with input from all partner chief finance officers. The current arrangements are considered effective given the shared nature of SIAS.</p>





## 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.

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 each client 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 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 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 and their representatives have free and unrestricted direct access to Senior Management, the Audit Committee, the Chief Executive / Managing Director, the Chair of the Audit Committee and the External Auditor. The SIAS 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 Chairman of the Audit Committee has free and unrestricted direct access to both the SIAS Client Audit Manager, and the Council's External Auditor.
- 6.3. The Head of Assurance is line managed by the host authorities Director of Resources who approves all decisions regarding the performance evaluation, appointment, or removal of the Head of Assurance, 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 Assurance, working with the Head of SIAS, 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 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 overseeing 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 is responsible for ensuring that the outcome of all final Internal Audit reports is reported to all members of the Audit Committee, and Executive Members (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 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 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 Head of Assurance will ensure that the risks of doing so are managed effectively, having

regard to the Head of Assurance's primary responsibility to the management of the partners for which they are engaged to provide internal audit services.

- 8.5. The Head of Assurance will confirm to the 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 in particular providing advice and assistance where SIAS staff lack the required skills or knowledge. The external delivery partner will also be used to assist with management of potential and actual conflicts of interest in internal audit engagements, providing appropriate independence and objectivity as required.
- 9.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements, or other benefits) the Head of Assurance will investigate and report on the matter to appropriate parties.

## 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, 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 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 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 SIAS 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 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 client. Changes to the terms of reference during the engagement may occur and will be agreed following consultation with the client.
- 13.2. A report will be issued to management on completion of an engagement. It will include a reasoned opinion, details of the time 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 protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Head of Assurance to all relevant parties. A revised internal audit opinion may be issued on the basis of follow-up activity.
- 13.4. In consultation with senior management, the Head of Assurance will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.

## APPENDIX D – AUDIT CHARTER 2021/22

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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 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 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. 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 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 reviewed this Audit Charter in September 2021. It will next be reviewed in April 2022.

### Glossary of Terms

Audit Committee	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.
Management	Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources in order to achieve the objectives of that policy. Senior



## APPENDIX D – AUDIT CHARTER 2021/22

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	management is defined as the Head of Paid Service, Chief Officers and their direct reports.
The SIAS Board	The Board that comprises officer representatives from the client authorities and that is responsible for the governance of the SIAS partnership
The Audit Plan	The programme of risk-based work carried out by the Shared Internal Audit Service on behalf of its clients
The Public Sector Internal Audit Standards	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.

### Note:

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