



Agenda Item No:

5

**Hertfordshire County Council
2015/16 Annual Assurance Statement
and
Internal Audit Annual Report
21 June 2016**

Recommendations

Members are recommended to:

Note the Annual Assurance Statement and Internal Audit Annual Report

Note the results of the self-assessment as required by both the Public Sector Internal Audit Standards and the Quality Assurance and Improvement Programme

Accept the SIAS Audit Charter

Seek assurance from management that the scope and resources for internal audit were subject to no inappropriate limitations in 2015/16

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5. Compliance with the Public Sector Internal Audit Standards and Quality Assurance Improvement Programme
6. Audit Charter 2016/17

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- A Final position of the 2015/16 Audit Plan
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1. Purpose and Background

Purpose of Report

- 1.1 The purpose of this report is to:
- Document and communicate internal audit's overall opinion on the adequacy and effectiveness of the Council's control environment, commenting on significant matters and key themes
 - Summarise the audit work from which the opinion is derived
 - Summarise the performance of the Shared Internal Audit Service (SIAS) in respect of audit work delivered for the Council
 - Show 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)
 - Present the Audit Charter for 2016/17.

Background

- 1.2 The provision to the Council of an annual opinion on internal control is a key duty of the Head of Assurance. It is timed to support the production of the Council's Annual Governance Statement.
- 1.3 Reporting the work of SIAS to Audit Committee Members 'charged with governance' provides them with an opportunity to review and monitor the outputs of internal audit activity and gain assurance that the Council's internal audit function is fulfilling its statutory obligations. This process is an integral component of corporate governance.
- 1.4 The Head of Assurance's opinion is based on internal audit work undertaken during the 2015/16 financial year. SIAS is grateful for the co-operation and support it has received from all those who have engaged with the audit process during the period.

2. Annual Assurance Statement 2015/16

Context

2.1 *Scope of responsibility*

The management of the Council is responsible for ensuring its 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.

The management of the Council is also responsible for ensuring that there is a sound system of internal control, which includes arrangements for managing risk.

2.2 *Control environment*

The Council's control environment comprises three key areas: internal control, governance, and risk management arrangements. Together these areas are designed to manage risk to a reasonable level rather than eliminate risk completely.

The purpose of these arrangements is to help ensure that the Council's policies, priorities and objectives are achieved.

2.3 *Review of effectiveness*

The Head of Assurance is required to confirm the fitness for purpose of internal audit to carry out work that informs the assurance opinion.

During 2015/16 a self-assessment exercise, thus satisfying PSIAS requirements 1311 and 1312 for periodic self-assessments as part of a Quality Assurance and Improvement Programme, was conducted against the PSAIS requirements. Its results allow SIAS to evidence that effective arrangements are in place and internal audit standards are in line with good practice.

As a result, the Head of Assurance is able to report a substantial level of conformance with the Public Sector Internal Audit Standards and considers the internal audit service to be effective.

The exercise did not identify any significant deviations from Standards which warrant inclusion in the Council's Annual Governance Statement. Appendix C of this report contains a table setting out areas where further action is needed in order to ensure conformance and discloses areas of intentional non-conformance.

Further, an independent review of internal audit took place in January 2016 and the effectiveness of the service has been confirmed as a result. Detail of the key findings and recommendations of the independent review is shown in Section 4 of this report.

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

The Head of Assurance confirms that during the year there have been no matters arising which have threatened the independence of the internal audit function. The Head of Assurance also confirms that there have been no inappropriate scope or resource limitations on the internal audit function during the year.

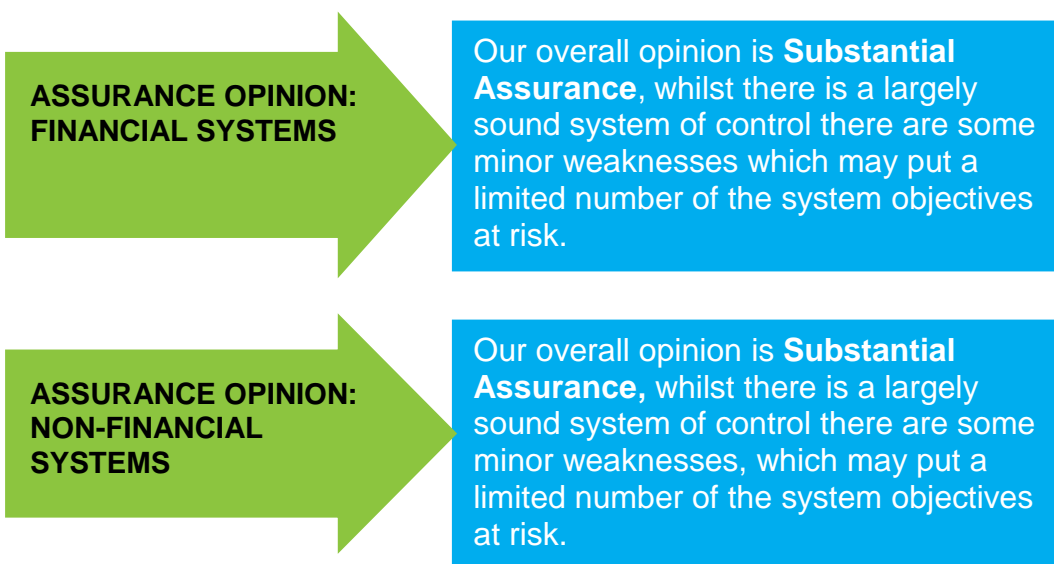
2.5 *Basis of assurance opinion*

Our assurance opinion is based on the work carried out by SIAS during 2015/16 which has been planned in order to give sufficient assurance on the management of key risks within the organisation.

Annual Assurance Statement for 2015/16

2.6 *Assurance opinion on internal control*

From the internal audit work undertaken in 2015/16 we can provide the following opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems. There are no qualifications to this assurance.



2.7 *Assurance opinion on Corporate Governance and Risk Management*

Risk management arrangements are considered during annual audit planning and the delivery of individual audit assignments. During 2015/16 the Risk Management team was brought into Assurance Services. In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2015/16.

**Head of Assurance for the Shared Internal Audit Service
May 2016**

3. Overview of Internal Audit Activity in 2015/16

- 3.1 This section of the report summarises the work of the audit service during the year, highlighting matters of significance in respect of the internal control environment and opportunities for improvement.
- 3.2 Appendix A lists the audit work that was completed in the year and the final position on the agreed audit plan, including the assurance level provided and number of recommendations made. The levels of assurance and priority of recommendations are summarised in the tables below, and include a comparison against 2014/15.

Assurance Level	Number of reports 2015/16 (2014/15 data in brackets)	Percentage of reports 2015/16 (2014/15 data in brackets)
Full	8 (2)	15% (4%)
Substantial	21 (27)	38% (52%)
Moderate	8 (12)	15% (23%)
Limited	1 (0)	2% (0%)
No	0 (0)	0% (0%)
Not Assessed	17 (11)	30% (21%)
Total	55 (52)	100% (100%)

Recommendation Priority Level	Number of recommendations 2015/16 (2014/15 data in brackets)	Percentage of recommendations made 2015/16 (2014/15 data in brackets)
High	4 (11 *)	3% (6%)
Medium	54 (74)	47% (39%)
Merits Attention	58 (106)	50% (55%)
Total	116 (191)	100% (100%)

* Includes three recommendations which were assessed as high priority at service rather than corporate level to guide the priority of actions for the service.

- 3.3 The four high priority recommendations made in 2015/16 with corporate significance are summarised below together with an update of their implementation status:

Children's Commissioning – Contract Monitoring – Safeguarding Aspects

Safeguarding is a key priority within Children's Services. Therefore where services are delivered by third parties their compliance with required standards needs to be robustly monitored. Whilst contract monitoring activities are undertaken across the service, it is not currently evident how Senior Management obtains on-going assurance that these systems work effectively, or that key issues identified have been appropriately resolved.

In response to the above finding, management agreed to undertake the following actions:-

- The 'Improving Outcomes' team to expand operational risk logs to include all commissioned providers across Children's Service.
- The newly formed Strategic Commissioning Groups (SPG) / Performance and Planning Groups (PPG) to hold oversight of this risk log, and to review it as a standing item at all meetings.
- A summary of the Risk Log following SCG/PPG review to go as standing item at an agreed interval to CS Core Board.

This recommendation is currently partially implemented. A policy covering the above agreed actions has been developed and is to be ratified by Children's Services Board at the start of June 2016. A roll-out process will commence following ratification.

Officer Expenses - Compliance with Scheme Arrangements (Supporting Documentation (ESS Claims))

The Council's travel and expenses policy requires:

- Officers to submit receipts to support expenses and mileage incurred; and
- Managers to check that receipts are attached for all mileage and non-mileage expenses incurred.

Compliance testing of 29 ESS travel and subsistence claims identified 11 instances where the expected subsistence receipts (such as VAT fuel-receipts) could not be located.

In response to the above, management agreed to assess system capability and resources to implement a change to prevent submission of claims without an attachment (receipts / invoices), or explanation of the journeys claimed.

This action is partly complete. Work is on-going to develop the system to incorporate the above enhancement. However, this work forms part of a larger programme that has been developed in response to the HR restructure. A completion date for this work has yet to be agreed.

Annual Assurance Statement and Internal Audit Annual Report Hertfordshire County Council

In the meantime a corporate communication has been sent via Team Talk, to remind managers of their responsibilities in relation to checking and authorising employee expenses claims.

Employment Status Checks

In advance of an imminently expected HMRC inspection, this audit reviewed the level of compliance by officers with the HCC consultants policy, which requires checks to be performed on the employment status of self-employed individuals prior to engagement by the Council. Employment Status checks are important in determining a self-employed individual's terms of engagement and for determining whether the responsibility for accounting for / administering taxation rests with the individual or HCC.

Our review identified the following two issues:

- There was little evidence that the necessary checks had been carried out before employing self-employed individuals with only 2 of 22 self-employed individuals having a completed ESI and only one of those retaining the evidence from the HMRC website.
- There are no preventative controls within the supplier entry process to confirm that an individual appointed has gone through the consultancy process before being set up as a vendor. In particular the vendor request form does not require officers to indicate that the necessary checks have been made to confirm that the individual should be self-employed.

In response to these findings management agreed to:

- Undertake additional checks of all 68 named individuals on the 4 main consultancy codes. This will require an ESI to be provided or retrospective check undertaken if not available.
- Assess the feasibility of updating Vendor request form and setting up vendor account group.

Currently 52 of the 68 ESI checks have been carried out (76%). Cost centre holders of the remaining 16 are to be contacted to ensure they follow up with an ESI check. This work is scheduled to be complete by June 2016.

New processes are currently being agreed with Finance and are due to be in place by June 2016.

- 3.4 Appendix A lists the sample of schools visited in the year to review their compliance with the Schools Financial Value Standard (SFVS) or one of the risk assessed audit 'themes'. For 2015/16, the two themes were Budget Setting, Management and Control and Income Controls. The table below summarises the number of schools at each assurance level in each theme.

**Annual Assurance Statement and Internal Audit Annual Report
Hertfordshire County Council**

Assurance Level	SFVS compliance review	Budget Setting, Management and Control	Income Controls	Follow-up	Total
Full	2	3	0	0	5
Substantial	21	10	10	2	43
Moderate	3	3	4	0	10
Limited	1	1	0	0	2
Not assessed	0	0	0	2	2
Total	27	17	14	2	62

3.5 The substantial assurance opinion overall on financial systems which is unchanged from 2014/15, has been concluded from the five financial systems audits where an opinion has been given to date. Four received overall substantial assurance and full assurance was given for the assurance areas covered in the general ledger audit. No high priority recommendations arose from these audits.

3.6 The overall substantial assurance opinion on non-financial systems has been concluded from the thirty three audits where an opinion was given. Seven received full assurance, seventeen substantial assurance, eight moderate assurance and one limited assurance. This overall substantial assurance opinion on non-financial systems is the same as that given in 2014/15.

The moderate assurance audits for 2015/16 are listed in the table below together with the number and priority of recommendations made:

Audit Title	Recommendations made
Officer expenses	1 high priority, 2 medium and two merits attention
Tree Strategy	6 medium and 1 merits attention
ICT Asset Management	4 medium
Contract Payments HCS	2 medium and 3 merits attention
Transport, Access and Safety – Financial Management and Inter-Service Relationships	5 medium and 1 merits attention
Children’s Commissioning – Safe Practice	1 high, 2 medium and 4 merits attention
Training Commissioning	2 merits attention
Support at Home	2 medium and 3 merits attention

One limited assurance opinion was issued in 2015/16 – Employment Status Checks. This audit made 2 high priority and 5 medium priority recommendations.

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The four high priority recommendations referenced in the table above are reported in paragraph 3.3 as is their implementation status.

On a quarterly basis SIAS seeks management assurance that action is being taken to implement all agreed high and medium priority recommendations. The outcomes of this work are reported to the Audit Committee in the quarterly SIAS update reports.

The following audits were not at final report stage at the time of writing this Annual Report:

- Creditors
- Mobile Technology – Security of New Arrangements
- Client Finances – Visits to Establishments
- Highways Contract – Governance, Performance and Contract Management

Detailed management responses and target implementation dates for the recommendations proposed are awaited. The outcomes from these audits have not been taken into account when determining the overall assessment for the Council.

A verbal update on these audits will be given at the committee meeting.

4. Performance of the Internal Audit Service in 2015/16

Performance indicators

- 4.1 The table below compares the performance in 2015/16 of SIAS at HCC against targets set by the Board of the Shared Internal Audit Service.

	Indicator	Target for 2015/16	Actual to 31 March 2016
1	SIAS Planned Days – percentage of actual billable days delivered against planned billable days	95%	95.5%* (1559.5 billable days out of 1633 possible billable days)
2	SIAS Planned Projects – actual completed projects to draft report stage against planned completed projects	95%	94.8% (128 projects out of an agreed 135 projects)
3	External Auditors' Satisfaction – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work	Formal Reliance	Achieved
4	SIAS 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	Deadline met	Achieved
5	Client Satisfaction - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	97%
6	Head of Assurance's Annual Report – prepared in time to	Deadline met	Achieved

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	present to the first meeting of each Audit Committee in the financial year		
7	Number of High Priority Audit Recommendations agreed	95%	100%

* Actual and planned billable days are taken from final position spreadsheet. The planned billable days figure of 1633 equates to 1677 (agreed plan days) less 44 days of unused contingency.

Developments in the year

4.2 During 2015/16 a number of service development activities took place within SIAS, designed to continually enhance the service offering:

- Shared Learning – a joint review took place to compare Risk Management processes across the partnership; further, quarterly shared learning updates are published.
- Procurement of external partner – SIAS worked in conjunction with the new external partner (BDO) for year one of a three year contract.
- Methodology review – a project to review the means by which audit fieldwork is documented by SIAS auditors.
- External Peer Review – see sections 4.3 to 4.9 below.

Review of Effectiveness

4.3 The PSIAS state that an external review of the effectiveness of Internal Audit should be undertaken at least every five years (date of first review 2011/12). SIAS elected to join a peer review group which also comprises the South West Audit Partnership, the Devon Audit Partnership and Veritau Ltd. The latest external review conducted in January 2016 was undertaken by Veritau Ltd (a local authority controlled company which provides internal audit, counter fraud and other governance services).

4.4 The objectives of the review were:

- To assess the effectiveness of the SIAS Partnership for key stakeholders
- To meet the PSIAS requirement for an annual review of effectiveness for internal audit
- To make recommendations to help improve the effectiveness of SIAS.

4.5 The assessors reviewed an evidence pack submitted by the Head of Assurance and interviewed various stakeholder groups representing: senior leaders; auditees; employees of SIAS and the SIAS management team.

4.6 The review concluded that SIAS ‘generally conforms’ to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the Standards. ‘Generally conforms’ is the top rating and means that the

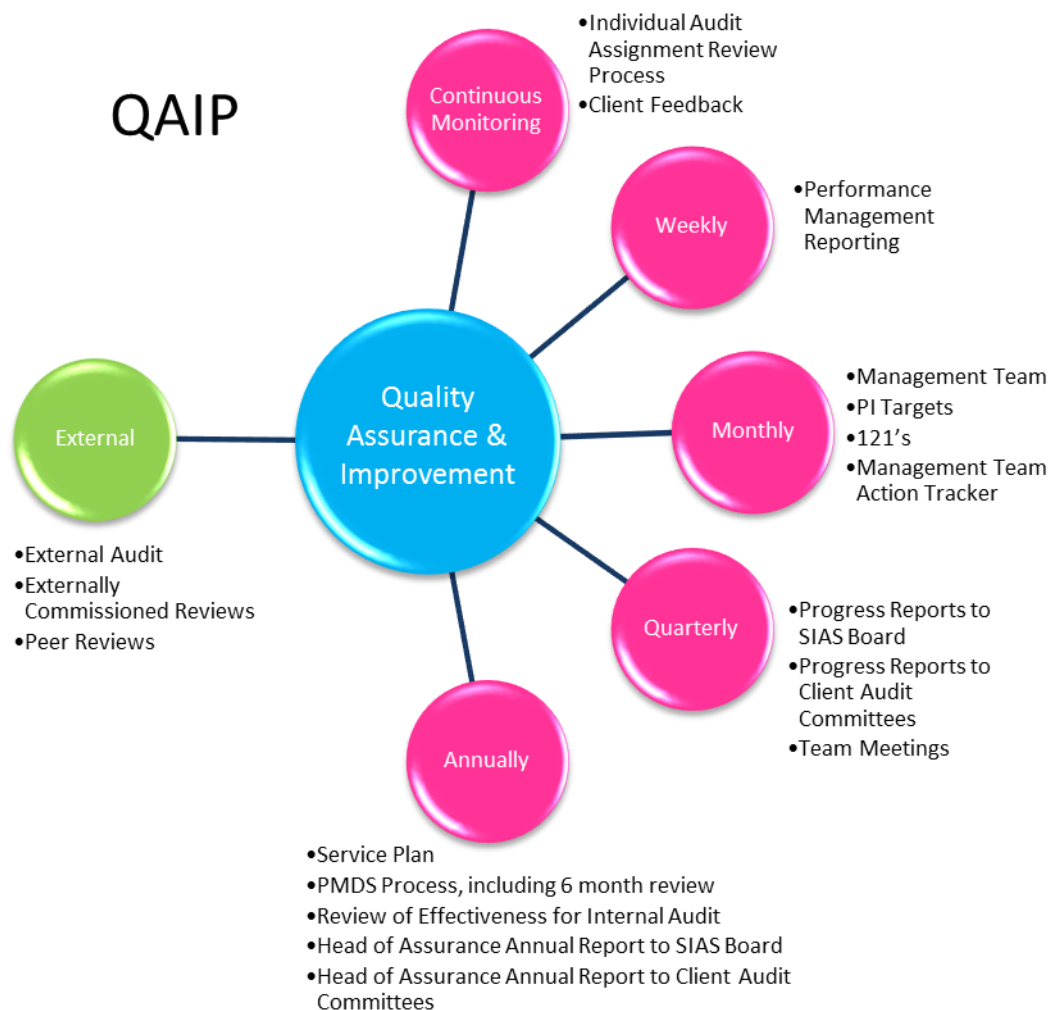
Annual Assurance Statement and Internal Audit Annual Report Hertfordshire County Council

internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

- 4.7 The assessors' identified the following areas of good practice:
- a) The partnership is now well established and has gained an extremely good reputation with its member councils, both from officers and audit committee members
 - b) The service has credibility and its recommendations and advice are valued by management
 - c) The auditors conduct themselves in a professional manner, display knowledge of the areas they are auditing, adopt a flexible approach and are seen to be responsive to the needs of the client.
 - d) The audit team is well resourced and the auditors take pride in the work they do.
 - e) Time management is excellent and there is a real emphasis on efficient working, assignment planning, review and control
 - f) The partnership has achieved its original objectives in terms of greater resilience, improved capacity, more efficient working and enhanced professionalism
 - g) The service is endeavouring to develop a number of areas to help support its future work, including use of computer assisted audit techniques and assurance mapping.
- 4.8 The assessors identified the following areas which merit further attention:
- a) The self-assessment questionnaire would benefit from more detailed commentary
 - b) The Audit Charter should be updated
 - c) Consideration should be given to including a disclaimer on the Terms of Reference and template report format
 - e) Measures should be taken to increase staff engagement in 'shared learning' across the member councils
 - f) Steps should be taken to promote the availability of SIAS as a source of strategic advice and support
 - g) Consideration should be given to formalising the existing follow up arrangements so that there is greater consistency in practice across the client councils.
- 4.9 These areas will be addressed as part of the 2016/17 SIAS Service Plan as approved by the SIAS Board.

5. Compliance with the Public Sector Internal Audit Standards and Quality Assurance and Improvement Programme

- 5.1 The Public Sector Internal Audit Standards are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). They promote the 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 they need to support them both in managing the organisation and in producing the Annual Governance Statement.
- 5.2 A review of SIAS's conformance with the PSIAS standards was carried out as part of an external peer review (please see 4.3 above).
- 5.3 The previous self-assessment carried out in May 2015 identified three areas of part-conformance. Progress against these areas has been re-assessed and now considered to be in conformance. Details are shown in Appendix C, Section C.
- 5.4 In relation to areas of intentional non-conformance these are set out in Appendix C, Section B and cover the requirement for the chief executive sign off for the Head of Assurance Appraisal. The Head of Assurance Appraisal includes an opportunity for Chief Financial Officers across the SIAS partnership to input views. It is considered that this is appropriate given the shared nature of the service and no further action is currently proposed.
- 5.5 One of the main elements of the PSIAS is the requirement to define a Quality Assurance and Improvement Programme (QAIP) for SIAS. This work has been duly undertaken.
- 5.6 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on quality and performance. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.



5.7 During the year SIAS has operated according to its QAIP. Evidence is available within the service to support the achievement of each of the QAIP elements.

5.8 An externally commissioned review of the service's conformance with PSIAS standards has to be undertaken at least once every five years. A review was undertaken by Veritau in 2015/16 (see sections 4.3 to 4.9).

6. Audit Charter

- 6.1 The Public Sector Internal Audit Standards require that a local authority formally adopts an Audit Charter covering the authority and responsibility for its internal audit function.
- 6.2 The SIAS Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the Council. It also details the permanent arrangements for the internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.
- 6.3 An annual review of the Audit Charter is undertaken as part of the SIAS Service Plan activity. The review for 2016/17 did not result in any fundamental changes to the document, although a number of minor amendments have taken place. The Charter for 2016/17 is attached at Appendix D.

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

FINAL POSITION OF THE 2015/16 HCC AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Corporate						
Annual Governance Statement 2014-15	N/A				8	Audit closed
Annual Governance Statement 2015/16	N/A				5	Audit closed
Head of Assurance Annual Opinion and Annual Report	N/A				5	Audit closed
HCC Lead Officer Welwyn Hatfield	N/A				2	Complete
Whistleblowing - named contact and quarterly review	N/A				10	Complete
Resources: Finance						
Pensions - Administration	Substantial	0	0	4	30	Final Report Issued
Payroll	Substantial	0	1	1	25	Final Report Issued
Debtors	Substantial	0	1	2	25	Final Report Issued
Creditors	NYE				25	Draft Report Issued

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
General Ledger	Full	0	0	0	20	Final Report Issued
Treasury Management	Substantial	0	0	2	10	Final Report Issued
Officer Expenses	Moderate	1	2	2	19	Final Report Issued
Business Rates Pooling / Collection	Substantial	0	0	2	10	Final Report Issued
Resources: Procurement and Performance						
e-Procurement	Substantial	0	4	5	20	Final Report Issued
EU Procurement Rules	Substantial	0	0	2	15	Final Report Issued
Resources: Property						
Land Sales	Full	0	0	0	15	Final Report Issued
Carbon Reduction Credits Return	Not Assessed	0	0	0	15	Final Report Issued
Tree Strategy	Moderate	0	6	1	20	Final Report Issued

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Section 106 Payments - follow-up	Not assessed				5	Complete
Resources: Technology						
Mobile Technology - security of new arrangements	NYE				15	Draft Report Issued
ICT Asset Management	Moderate	0	4	0	15	Final Report Issued
Website Development	Not Assessed	0	0	0	8	Final Report Issued
Resources: Human Resources						
Training Records	N/A				2	Audit Cancelled
Employment Status Checks	Limited	2	5	0	12	Final Report Issued
Resources: Legal, Democratic & Statutory Services						
Registration and Citizenship Service	Substantial	0	3	2	16	Final Report Issued

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Resources Queries <3hrs Activities	N/A				5	Complete
HBS						
HBS Business Practice and Process	Substantial	0	3	1	20	Final Report Issued
Cross-Cutting Reviews						
Contract Payments – Resources	Substantial	0	0	1	20	Final Report Issued
Contract Payments - Environment	Full	0	0	0	20	Final Report Issued
Contract Payments – Health and Community Services	Moderate	0	2	3	20	Final Report Issued
Contract Payments – Children’s Services	Full	0	0	0	20	Final Report Issued
Serco checks over finance and payroll transactions	Substantial	0	0	2	18	Final Report Issued
Budget Management - strategic overview by Boards	Substantial	0	1	4	25	Final Report Issued

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Health & Community Services						
Better Care Fund - Performance and Financial Monitoring *	NYE				15	Fieldwork Underway
Client Finances - visits to establishments	NYE				50	Draft Report Issued
Deferred Payments and Debt Management	Substantial	0	0	4	20	Final Report Issued
Better Care Fund - Complex Care Premium	Full	0	0	0	15	Final Report Issued
Continuing Health Care - Panel Process *	NYE				15	Fieldwork Underway
Hertfordshire Adult and Family Learning Service	Substantial	0	1	2	15	Final Report Issued
Support at Home	Moderate	0	2	3	15	Final Report Issued
Investigations	N/A	0	0	0	51	Final Report Issued
H & CS Queries < 3hrs Activities	N/A				10	Complete
Environment Services						
Highways Contract - Governance, Performance, Contract Management	NYE				20	Draft Report Issued

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Highways Operating Procedures *	NYE				15	In Planning
Transport, Access and Safety - Taxi Procurement - Anti Bribery Controls *	NYE				5	In Planning
Transport, Access and Safety - Financial Management & Inter Service Relationships	Moderate	0	5	1	15	Final Report Issued
Household Waste Recycling Centres Contract	Full	0	0	0	15	Final Report Issued
Croxley Rail Link	N/A				5	Complete
Local Enterprise Partnership - compliance with the assurance framework	Substantial	0	2	2	10	Final Report Issued
Local Enterprise Partnership - assurance framework	Substantial	0	0	0	10	Final Report Issued
Community Infrastructure Levy	N/A				0.5	Audit Cancelled
ECS Queries <3hrs activities	N/A				5	Complete
Children's Services						

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Special Educational Needs and Disability - meeting statutory requirements *	NYE				15	ToR issued
Thriving Families – Stage 1	Not Assessed	0	0	0	5	Complete
Thriving Families – Stage 2	Not Assessed				5	Complete
Child Protection Conferences	Substantial	0	1	0	20	Final Report Issued
Local Authority Designated Officers - Record Keeping	N/A				1	Audit Cancelled
Children's Services Action Plans	N/A				0.5	Audit Cancelled
Children's Centres - Contract Delivery	Full	0	0	0	15	Final Report Issued
Non Attendance at School *					15	In Planning
Licensed Deficits	Substantial	0	0	1	10	Final Report Issued
Herts for Learning	Full	0	0	0	10	Final Report Issued
Music Service	Substantial	0	1	0	10	Final Report Issued
CS Queries <3hrs Activities	N/A				5	Complete

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Public Health						
Statutory Returns - Public Health	Substantial	0	5	4	10	Final Report Issued
Community Protection						
Health and Safety - Community Protection *					15	Fieldwork Underway
Peer Review Challenge - Community Protection	Substantial	0	0	1	5	Final Report Issued
Shared Learning						
Shared Learning Newsletters and Summary Themed Reports	N/A				5	Complete
Audit Committee Workshop	N/A				1	Complete
Joint Review – Risk Management Benchmarking Workshop	N/A				5	Final report issued

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Shared Anti-Fraud Service (SAFS) - Handover						
Fraud Handover	N/A				10	Complete
NFI	N/A				20	Complete
Contingencies						
HCC Contingency	N/A				24.5	
Grant Claims						
HCFO's accounts	Not Assessed	0	0	0	1	Final Report Issued
Herts Education Foundation	Not Assessed	0	0	0	2	Final Report Issued
Herts Charity for Deprived Children	Not Assessed	0	0	0	1	Final Report Issued
Bus Subsidy Grant	Not Assessed	0	0	0	3	Final Report Issued
Pothole Grant	Not Assessed	0	0	0	5	Final Report Issued

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Autism Grant	Not Assessed	0	0	0	1.5	Final Report Issued
Local Sustainable Transport Fund	N/A					Cancelled
Local Transport Capital Block Funding Grant	Not Assessed	0	0	0	4	Final Report Issued
Transforming Care Grant	Not Assessed	0	0	0	1.5	Final Report Issued
Community Capacity (Capital) Grant	Not Assessed	0	0	0	3.5	Final Report Issued
Other Chargeable						
Monitoring 15/16 Plan	N/A				30	Complete
Recommendations Follow-Up	N/A				25	Complete
Client Liaison	N/A				20	Complete
Audit Committee Matters & Attendance	N/A				25	Complete
Audit Planning - 16/17	N/A				40	Complete
Performance Data	N/A				5	Complete

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
External Audit Liaison	N/A				2	Complete
Peer Review	N/A				10	Complete
Service Plan Activity	N/A				40	Complete
SIAS Board Meetings and Preparation	N/A				15	Complete
Management of Scrutiny	N/A				10	Complete
Management of Health & Safety	N/A				10	Complete
Visiting Community Protection - R&P Liaison	N/A				2	Complete
Public Sector Internal Audit - Self Assessment 14-15	N/A				2	Complete
Public Sector Internal Audit - Self Assessment 15-16	N/A				10	Complete
Insurance and Risk Management Review	N/A				15	Complete
14-15 Projects requiring completion						
Children's Commissioning - Safe Practice	Moderate	1	2	4	10	Final Report Issued

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Training Commissioning	Moderate	0	0	2	5	Final Report Issued
Responding to the Family Justice Review	Substantial	0	3	0	4	Final Report Issued
Other audits requiring completion **					16	Complete

Recommendations

4 54 58

Plan Days

1332

* For the purposes of performance indicator 2 at section 4.1, these reports were not at draft report stage at 31 March 2015

** Excluded from this table are audits carried forward from 2014/15 where the reports were finalised in sufficient time for inclusion within the 2014/15 annual report.

N/A = Not Applicable

Not Assessed = Completed projects for which the assignment of an assurance level was inappropriate e.g. the audit of grant claims and follow-up audits

NYE = Not Yet Entered as report is not yet finalised

H = High priority recommendations; M = Medium priority recommendations; MA = Merits Attention priority recommendations

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

FINAL POSITION OF THE 2015/16 SCHOOLS' AUDIT PLAN

ACTIVITY OR SCHOOL	ASSURANCE OPINION	DAYS
Advice, queries and guidance for schools	N/A	30
Liaison, awareness raising, training	N/A	25
Theme 1 - SFVS Review – Reviews of compliance with Schools Financial Value Standard (SFVS)		97
Park	Substantial	
Rivers	Substantial	
Chessbrook	Substantial	
Dacorum	Substantial	
Barley	Moderate	
Codicote	Substantial	
Fairlands	Substantial	
All Saints	Substantial	
Ardley	Substantial	
Anstey	Full	
St Catherines	Moderate	
Roger de Clare	Substantial	
Bonneygrove	Substantial	
Wheatfields Infant and Nursery	Full	
Wheatfields Junior	Substantial	
Templewood	Substantial	
Harwood Hill	Substantial	
Saint Nicholas	Substantial	

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

ACTIVITY OR SCHOOL	ASSURANCE OPINION	DAYS
Harvey Road	Substantial	
Cavendish	Substantial	
South Hill	Substantial	
St Thomas More	Substantial	
North Herts ESC	Substantial	
Stevenage ESC	Moderate	
Roman Fields	Substantial	
Summerswood	Moderate	
Pixies Hill	Limited	
Theme 2 - Budget Setting, Management and Control		76.5
Stonehill JMI	Substantial	
Weston Way Nursery	Full	
Icknield	Full	
Tonwell	Moderate	
Hertsmere Jewish	Moderate	
Weston	Limited	
Sandon	Substantial	
Lodge Farm	Substantial	
Hillmead	Moderate	
Hertingfordbury Cowper	Substantial	
Kingshill	Full	
Field Junior	Substantial	
Oxhey Early Years	Substantial	
Nash Mills	Substantial	

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

ACTIVITY OR SCHOOL	ASSURANCE OPINION	DAYS
Heath Lane	Substantial	
Tudor	Substantial	
Hobletts Manor	Substantial	
Theme 3 – Income Controls		61
York Road	Moderate	
Rye Park	Substantial	
Greenfields	Substantial	
Tenterfield	NYE	
Springmead	Moderate	
Ludwick	Substantial	
Chancellors	NYE	
Meadow Wood	Moderate	
St John's Rickmansworth	NYE	
Rickmansworth	Substantial	
Broadfields	Substantial	
Christ Church	Moderate	
Batchwood	NYE	
Bedwell	NYE	
Other Activities		
14-15 SFVS Returns Collation	N/A	8
15-16 SFVS Returns Collection	N/A	5
Completion of 14/15 Activity	N/A	7
Follow up schools with high priority recs or moderate assurance	N/A	16

APPENDIX A - FINAL POSITION FOR THE 2015/16 AUDIT PLAN

ACTIVITY OR SCHOOL	ASSURANCE OPINION	DAYS
Schools' Contingency	N/A	19.5
Total		345

APPENDIX B - DEFINITIONS OF ASSURANCE LEVELS AND PRIORITY OF RECOMMENDATIONS

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
High	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
Medium	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
Merits Attention	There is no significant weakness, but the finding merits attention by management.

Section A: Conformance

During 2015/16 all areas apart from those identified in Section B below are conforming.

Section B: Intentional Non-Conformance

Ref	Area of Non-Conformance with the Standard	Commentary	
3.1a	<p>Purpose, Authority and Responsibility</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>Non-conformance</p> <p>No further action proposed. The current arrangements are considered effective given the shared nature of SIAS.</p>

APPENDIX C – PROGRESS AGAINST PUBLIC SECTOR INTERNAL AUDIT STANDARDS AT MAY 2016 – ACTION PLAN

3.1c	Purpose, Authority and Responsibility Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	The performance appraisal is carried out by the Director of Resources (HCC).	Non-conformance 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.
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Section C: Previous Part Conformance – now Conformance

Ref	Area of Non-Conformance with the Standard	Position as at May 2015
3.3	<p>Proficiency and Due Professional Care</p> <p>Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?</p>	<p>Conformance</p> <p>Team members have appropriate knowledge and a strategy for computer assisted audit techniques now in place.</p>

<p>4.5</p>	<p>Communicating results</p> <p>Does the Annual Report incorporate the results of the QAIP and any associated improvement actions</p>	<p>Conformance</p> <p>QAIP in place and results reported annually.</p> <p>Process improvements implemented in 2015/16. These include Head of Assurance review of a sample of completed files (to cover quality of work, compliance with standards, challenge to assurance opinions) and regular QAIP meetings (involving The Management Team and Principal Auditors) to consider review and monitoring activities within SIAS.</p>
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<p>4.5</p>	<p>Communicating results</p> <p>The results of the QAIP? Progress against any improvement plans resulting from the QAIP?</p>	<p>Conformance</p> <p>QAIP in place and results reported annually.</p> <p>Process improvements implemented in 2015/16. These include Head of Assurance review of a sample of completed files (to cover quality of work, compliance with standards, challenge to assurance opinions) and regular QAIP meetings (involving The Management Team and Principal Auditors) to consider review and monitoring activities within SIAS.</p>
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Internal Audit Charter

1. Introduction and Purpose

- 1.1. Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Council. It assists the Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness and efficiency of the Council's risk management, control, and governance processes.

2. Scope

- 2.1. This Internal Audit Charter is applicable to all clients of Hertfordshire's Shared Internal Audit Service (SIAS) during 2016/17. These clients are:

- East Hertfordshire Council
- Hertfordshire County Council
- Hertsmere Borough Council
- North Hertfordshire District Council
- Stevenage Borough Council
- Three Rivers District Council
- Watford Borough Council
- Welwyn Hatfield Borough Council
- Welwyn Hatfield Community Housing Trust

3. Statutory Basis of Internal Audit

- 3.1. Within local government there is a statutory requirement for 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'.

- 3.2. 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. The S151 officer relies, amongst other sources, upon the work of internal audit in reviewing the operation of systems of internal control and financial management.

4. Role

- 4.1. Internal audit activity provided by SIAS is overseen by the Audit Committee. The responsibilities of SIAS are defined by the Audit Committee, via this Charter, as part of its oversight role.
- 4.2. SIAS may undertake consultancy activity (additional activity requested by management) where it has the necessary skills and resources to do this. Such activity will be determined by the Head of Assurance on a case by case basis and significant additional consulting activities will not be carried out without prior consultation of the SIAS Board.

5. Professionalism

- 5.1. SIAS governs itself by adherence to the Public Sector Internal Audit Standards (PSIAS). These mandatory public sector specific standards were introduced on 1 April 2013, through a joint venture between the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA).
- 5.2. This mandatory guidance includes the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing ('the Standards') and sets out the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of an internal audit function's performance.
- 5.3. The IIA's Practice Advisories, Practice Guides, and Position Papers are adhered to as applicable to guide operations. In addition, SIAS adheres to the council's relevant policies and procedures, including compliance with the Bribery Act 2010 and other relevant legislation. These are included in SIAS's standard operating procedures manual, which is subject to regular review.
- 5.4. In the event of non-conformance with the Standards, 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, the impact on any specific engagement or engagement result.

6. Authority and Confidentiality

- 6.1. With strict accountability for confidentiality and safeguarding records and information, SIAS is authorised full, free, and unrestricted access to any and all of a client's records, physical properties, and personnel pertinent to carrying out an engagement.

- 6.2. Internal Auditors must only use this information for carrying out the audit, and must ensure that it is not used in any manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). However, disclosure must be made of all material facts known to Internal Auditors which, if not disclosed, could distort their reports or conceal unlawful practice.
- 6.3. All employees are requested to assist SIAS in fulfilling its roles and responsibilities. SIAS also has free and unrestricted access to the Audit Committee and Senior Management.

7. Organisation

- 7.1. SIAS has direct access to Senior Management, the Audit Committee, the Chief Executive and the Chair of the Audit Committee. The Section 151 Officer and the Audit Committee will jointly agree the level of internal audit resource to be deployed. The Head of Assurance will communicate and interact directly with Senior Management, the Audit Committee, and the nominated external audit representative in executive sessions and between meetings as appropriate. Outside formal Senior Management and Audit Committee meetings, the Head of Assurance will have unrestricted access to the Chief Executive and the Chair of the Audit Committee.
- 7.2. For line management purposes, the Head of Assurance reports to the post of Director of Resources at Hertfordshire County Council (HCC), who approves all decisions regarding the performance evaluation, appointment, or removal of the Head of Assurance, in consultation with the SIAS Board. Feedback is also sought from the Audit Committee chairs of the SIAS partners.

8. Stakeholders

- 8.1. The following groups are defined as stakeholders of SIAS:
- 8.2. The Head of Assurance, who must be suitably experienced and qualified (CCAB and / or CMIIA), is responsible for hiring, appraising and developing appropriate Internal Audit staff in accordance with the HR guidance of the hosting Authority and the job descriptions which are kept up-to-date and reflect the roles, responsibilities, skills, qualifications, and attributes required of Internal Auditors. Together, the Internal Audit staff will possess or obtain the skills, knowledge and other competencies (including ethical practice) required to perform SIAS engagements.
- 8.3. The Audit Committee fulfils the role of 'board' in the majority of instances, and is responsible for overseeing the effectiveness of SIAS and holding the Head of Assurance to account for delivery, through the setting of performance targets and receipt of regular updates and reports. The Audit Committee is responsible for the effectiveness of the governance, risk and control environment within the Council, holding managers to account for delivery. The Chair of the Audit

Committee will also be asked to contribute to the annual appraisal of the Head of Assurance.

- 8.4. 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 through an analysis and review of key risks to achieving the Council's objectives and priorities. Senior management provides leadership and direction for the Council.
- 8.5. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, including:
 - resourcing and financial performance,
 - performance indicators measuring operational effectiveness, and
 - the overall strategic direction of the shared service.

9. Independence and Objectivity

- 9.1. SIAS will remain free from interference by any element in the organisation in matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- 9.2. As well as having an impartial, unbiased attitude, Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgment.
- 9.3. The Head of Assurance will confirm to the Audit Committee, at least annually, the organisational independence of SIAS.

10. Conflicts of Interest

- 10.1. Internal auditors must exhibit the highest level of professional objectivity when gathering, evaluating, and communicating information about the activity or process being examined.
- 10.2. In addition to ensuring that any information accessed as part of the audit process is not used for personal gain, Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 10.3. Each auditor is required, in addition to the ethical requirements of the various professional bodies, to proactively declare any potential conflict of interest, whether actual or apparent, prior to the commencement of each audit assignment.
- 10.4. All auditors are required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest. Auditors who undertake any

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.

10.5. SIAS has procured an arrangement with an external audit partner to provide additional internal audit days on request. The external partner will be used for the internal audit of any functions directed by the Head of Assurance and to provide competent advice and assistance to the Head of Assurance in the event that the skills, knowledge, and other competencies are lacked by SIAS staff.

10.6. In the event of a real or apparent impairment of independence or objectivity, including acceptance of gifts, hospitality, inducements or other benefits, investigation and declaration, in advance if possible, to appropriate parties will be carried out by the Head of Assurance.

11. Responsibility and Scope

11.1. 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 in relation to the organisation's defined goals and objectives. Internal control and risk management objectives considered by internal audit extend to the entire control and risk management environment of the organisation 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; and
- safeguarding of assets.

11.2. SIAS is responsible for evaluating all processes of the organisation including governance processes and risk management processes and promoting appropriate ethics and values within the organisation. It also assists the Audit Committee in evaluating the quality of performance of external auditors and ensuring a proper degree of coordination is maintained.

11.3. Due to its detailed knowledge and understanding of risks and controls, SIAS is well placed to provide advice and support on emerging risks and issues. As a result, it may perform consulting and advisory services as appropriate for the organisation. It may also evaluate specific operations at the request of the Audit Committee and senior management, as appropriate.

- 11.4. Based on its activity, SIAS is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by these bodies. This ensures SIAS plays a key role in providing assurance to the Audit Committee and senior management on the effectiveness of the entire control environment.
- 11.5. Each engagement will be allocated to (an) Internal Auditor(s) with the appropriate skills, experience and competence, who is then responsible for carrying out the work in accordance with the SIAS Audit Manual, and considering, as well as the relevant elements of internal control outlined above, 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.

12. Role in Anti-Fraud

- 12.1. The work programme of SIAS is designed, in part, to help deter fraud and corruption. With this in view, SIAS bases its planning on regular risk assessment, and works with Chief Financial Officers, the Shared Anti-Fraud Service, other senior managers and the Audit Committee in determining its programme of work.
- 12.2. SIAS also shares information with relevant partners, including with government via the National Fraud Initiative and the Shared Anti-Fraud Service, to increase the likelihood of detecting fraudulent activity and reducing the risk of fraud to all.
- 12.3. 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.

13. Internal Audit Plan

- 13.1. At least annually, the Head of Assurance will submit to the Audit Committee for review and approval a risk-based plan which sets out in priority order the audit and other work to be carried out and demonstrates SIAS' priorities (e.g. the need to produce an annual internal audit opinion) and those of the organisation and sector, including any relevant declarations of interest.
- 13.2. The plan will include the risk assessment approach used and reference to the organisation's assurance framework, as well as timing, budget and resource requirements (including specialist input) for the next financial year. These requirements will include a contingency for new or changed risks, time for planning and reporting, and a contribution to the development of SIAS. The Head of Assurance will communicate the impact of resource limitations and significant interim changes of senior management to the Audit Committee, who should seek similar reassurance from management.
- 13.3. Prior to submission to the Audit Committee for approval, the plan is discussed with appropriate senior management. 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. However, any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

14. Reporting and Monitoring

14.1. The Head of Assurance will, following discussion if necessary, arrange for a written Terms of Reference to be prepared and issued to appropriate personnel at the start of the engagement, outlining the intended objectives, scope, and reporting. This may be subject to review in consultation with the client during the course of the engagement.

14.2. At the conclusion of an engagement, an internal audit report will be issued, including a reasoned opinion, along with the framework, time period and scope within which it was prepared and management's response and corrective action taken or to be taken in response to the specific risk prioritised findings and recommendations. Management's response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

14.3. SIAS will be responsible for appropriate follow-up on findings and recommendations and will use this work to inform the risk-based planning of future audit work. SIAS will also report to the Audit Committee on the results of this activity, and may, if necessary, consider revising the internal audit opinion on the basis of this follow-up. Should the follow-up bring to light any significant error or omission, the Head of Assurance will ensure that it is communicated to all relevant parties.

14.4. The Head of Assurance will consider on a risk-basis any request from external stakeholders for reports on the results of internal audit activity, in consultation with senior management

14.5. The Head of Assurance will arrange for quarterly update reports to the Audit Committee to advise on the results of each engagement, including significant risk exposures and control issues, and provide an annual report to the Audit Committee. The annual report will include 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), and a summary of the work that supports the opinion including a comparison with the plan, a statement of conformance with PSIAS, and the nature and reasons for any impairments, qualifications or restrictions in scope.

15. Periodic Assessment

15.1. In accordance with the PSIAS the Head of Assurance and the SIAS Board will make arrangements for the conduct by a suitably knowledgeable, qualified and competent individual or organisation of an independent review of the effectiveness of internal audit.

15.2. The Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. This will be carried out formally through the Quality Assurance and Improvement Programme, client feedback, appraisals, and shared learning with the external audit partner, and informally through coaching, supervision, and documented review.

15.3. The work will be conducted on the basis of one review of SIAS providing assurance for all SIAS partner members. The results of the review will be included in the Annual Report.

16. Review of the Audit Charter

16.1. This charter will be subject to annual review by the Head of Assurance and any changes presented to Audit Committee for approval at the first audit committee meeting in each financial year.

16.2. The Audit Charter was last reviewed by Terry Barnett, Head of Assurance in May 2016. The date of the next review will be May 2017.

Note:

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