



**Hertfordshire County Council
2017/18 Annual Assurance
Statement and Internal Audit Annual Report**

15 May 2018

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 2017/18

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1. Purpose and Background

Purpose of Report

1.1 This report:

- Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of Hertfordshire County Council's (the Council) control environment. Reference is made to significant matters and key themes
- 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)
- Summarises the audit work that informs this opinion
- Shows SIAS's performance in respect of delivering the Council's audit plan
- Presents the 2018/19 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 the 2017/18 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2018/19 before the audit committee report deadline.
- 1.4 SIAS is grateful for the co-operation and support it has received from client officers during 2017/18.

2. Annual Assurance Statement 2017/18

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.

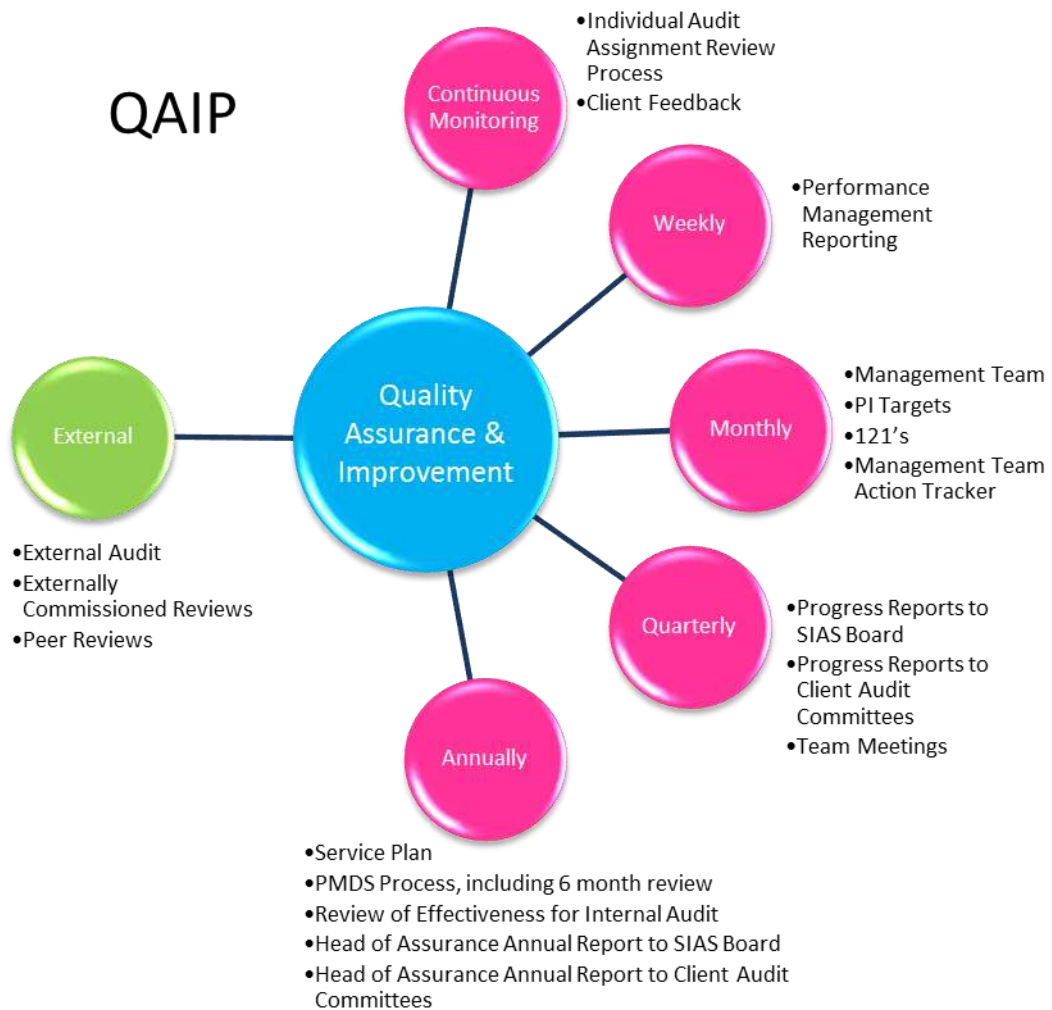
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Control environment

- 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 2017/18 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 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.
- 2.8 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.
- 2.9 The Head of Assurance confirms that during 2017/18 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

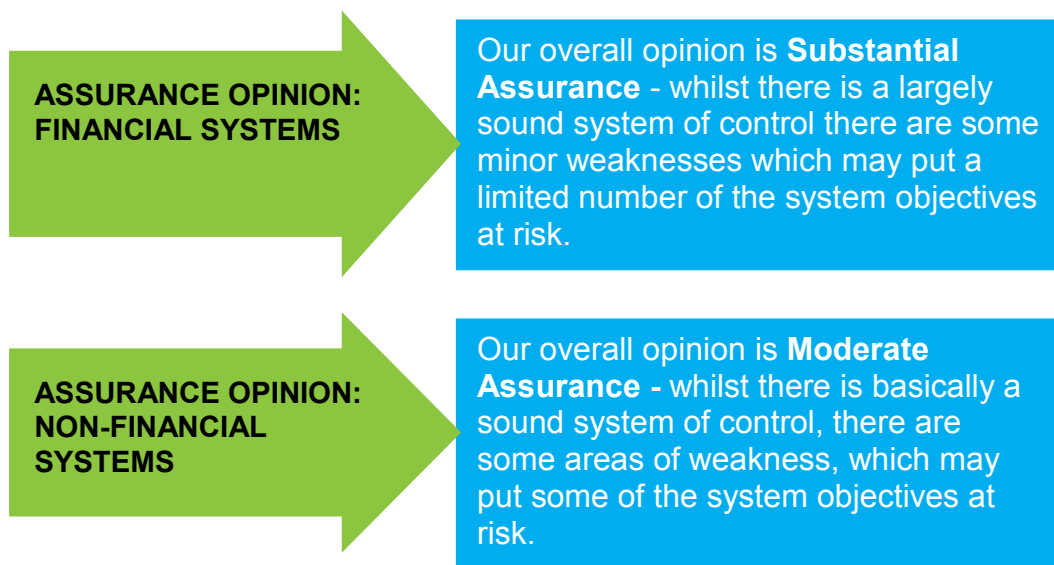
2.10 The Head of Assurance confirms that during the year:

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

Annual Assurance Statement for 2017/18

Assurance opinion on internal control

- 2.11 Based on the internal audit work undertaken at the Council in 2017/18, SIAS can provide the following unqualified 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

- 2.12 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 2017/18. Although SIAS did not undertake a specific risk management audit in 2017/18, risk management arrangements are considered during annual audit planning and the delivery of individual audit assignments.

**Head of Assurance for the Shared Internal Audit Service
May 2018**

3. Overview of Internal Audit Activity at the Council in 2017/18

- 3.1 This section summarises work undertaken at the Council by SIAS in 2017/18. It highlights 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 and compared to 2016/17.

Assurance Level	Number of reports 2017/18 (2016/17 data in brackets)	Percentage of reports 2017/18 (2016/17 data in brackets)
Full	1 (2)	2% (3%)
Substantial	27 (38)	56% (65%)
Moderate	7 (8)	15% (14%)
Limited	0 (1)	0% (2%)
No	0 (0)	0% (0%)
Unqualified *	11 (0)	23% (0%)
Not Assessed	2 (9)	4% (16%)
Total	48 (58)	100% (100%)

Recommendation Priority Level	Number of recommendations 2017/18 (2016/17 data in brackets)	Percentage of recommendations made 2017/18 (2016/17 data in brackets)
High	2 (5)	2% (3%)
Medium	64 (95)	46% (54%)
Merits Attention	72 (76)	52% (43%)
Total	138 (176)	100% (100%)

* An "Unqualified" assurance level is only applicable to grant or account certification activities, indicating that the grant submission or accounts represented a true and fair view - based on the results of audit testing.

- 3.3 **The substantial assurance opinion overall on financial systems** (same as 2016/17) has been concluded from the 9 financial systems audits where an opinion has been given. One received full assurance and eight received substantial assurance.
- 3.4 **The moderate assurance opinion overall on non-financial systems** has been concluded from the 37 audits where an opinion has been given. 19 received substantial assurance, seven received moderate assurance

and eleven grant certification activities received an unqualified opinion. Further details on the audits where moderate assurance opinions were provided is given in paragraph 3.13 of this report.

- 3.5 In arriving at our overall opinion for non-financial systems we highlight that 81% of opinions issued for individual assignments during the year were assessed at substantial assurance (or equivalent). This demonstrates that the Council has satisfactory or good systems of internal control for a wide range of areas. However, our opinion has also considered the risks and impacts associated with any potential control failures in those areas receiving moderate assurance. Given the corporate importance of several of those areas, this has led us to reduce our overall opinion for non-financial systems accordingly. It should be noted that moderate assurance still concludes that the Council has, overall, a sound system of control, but with some areas where improvements could be made.

Schools Audit Plan

- 3.6 The schools' audit plan for 2017/18 identified three streams of activity:

Theme 1 - Assessment of the effectiveness of internal control in relation to the requirements of the Schools Financial Value Standard (SFVS) (sample of 26 schools)

Theme 2 – Safe Recruitment – to provide assurance that the sample schools comply with statutory guidance (Department for Education's publication "Keeping Children Safe in Education" and the Home Office Right to Work in the UK legislation) when undertaking recruitment activity (sample of 18 schools). Given that the above theme only focused on one element of the wider area of safeguarding, we did not provide formal opinions within reports issued to individual schools. This approach (agreed by the Director of Children's Services in 2016/17) was to avoid any misinterpretation of the audit outcomes by external regulators such as Ofsted. However, recommendations for improvement were made within each report as appropriate.

Theme 3 – IR35 (Intermediaries legislation) – to review the effectiveness of the internal control environment in place to allow compliance with the requirements of IR35 (sample of 14 schools). Given the fact finding nature of this theme, supporting wider work being undertaken by the Council's IR35 Project Group, formal audit reports and opinions were not provided to individual schools. However, each school visited was provided with a "summary of findings" highlighting any recommendations for improvement.

- 3.7 In addition to the above, Children's Services or individual schools requested audit visits under the SFVS theme. In total, one additional review was undertaken using the SFVS approach.

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3.8 A summary is provided below of the outcomes from the schools theme reviews undertaken during 2017/18.

Assurance Level	SFVS compliance review	Safe Recruitment	IR35	Follow-up	Total
Full	0	0	0	1	1
Substantial	20	0	0	1	21
Moderate	5	0	0	0	5
Limited	0	0	0	0	0
Not assessed	0	17	14	0	31
Draft Report	1	1	0	0	2
Total	26	18	14	2	60

High Priority Recommendations

- 3.9 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 Internal Audit's responsibility to advise Members of progress on implementation of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 3.10 Two high priority recommendations were made within audits completed during 2017/18, across two different audits. In respect of both recommendations, the agreed management actions were not due for completion until quarter one of 2018/19.
- 3.11 Members will continue to receive updates on the implementation progress of high priority recommendations through the SIAS quarterly progress reports to the Audit Committee.
- 3.12 High priority recommendations relating to schools are excluded from the above analysis given both the volume of schools within the County and the relative risk of any single recommendation to the Authority as a whole.

Moderate and Limited Assurance Opinions

- 3.13 Details of the moderate assurance audits for 2017/18 are as follows:
- **Resources - DBS and Risk Assessments** – whilst no omissions were identified in relation to the completion of DBS checks during the audit, opportunities were identified to enhance the existing quality assurance processes, consistency in updating DBS completion flags and the use of job families to streamline the identification of where DBS checks are required; Management agreed a comprehensive action plan to address the above issues;

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- **Resources - Cyber Security** – we identified several areas where existing security arrangements could be further strengthened; management have agreed a full action plan to address the improvement areas identified;
- **Resources - LEP – Compliance with the Assurance Framework** – whilst a detailed assurance framework was in place, areas were highlighted where arrangements could be strengthened to implement best practice and also recommendations arising from the Ney Review. The above included reviewing existing codes and policies, such as the code of conduct, expenses policy, gifts and hospitality guidance, conflicts of interest policy and whistleblowing arrangements. We also highlighted opportunities to improve existing systems for reporting project information, project monitoring and risk management. Management have provided a comprehensive action plan to address the audit findings;
- **Resources – General Data Protection Regulations Preparedness** – whilst it is evident that the Council have undertaken a number of actions to prepare for the implementation of GDPR, we identified that there was an absence of agreed deadlines for actions associated with the Council wide data audit. We also identified that a number of information asset owners had not yet provided the Information Governance Unit with completed privacy notices for their information assets. Management have confirmed that deadlines have now been set and a sub-group is reviewing privacy notices across the organisation;
- **Adult Care Services - Deputyships and Appointeeships** – we identified that whilst financial records were complete and accurate, further work was required to review roles and responsibilities (to assist in reducing referral to application timescales) and add further clarity to monitoring activities. We also identified scope to remind staff of interim arrangements during the Court of Protection (COP) application process, more consistent reviews of appointeeship account balances, more timely bank reconciliations and improvements to the audit trail for investment decisions; Management have provided a full action plan to address the audit findings;
- **Highways - Dropped Kerbs** – we identified that underlying systems and processes supporting the customer journey were robust, however we highlighted that further work was required to improve the timeliness of application assessments, validation processes for contractor invoices and improved tracking and recording of inspections during and post construction; Management have agreed to implement all audit recommendations;
- **Children’s Services – GDPR (Transmission of Sensitive Data)** – we identified that frontline officers had a strong awareness of good practice, however improvements were required in the areas of

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completion of mandatory training (and associated training records), consistent use of password protection / naming conventions when using HertsFX, and review of the content of i-Learn modules on data protection; Management have agreed to implement all audit recommendations.

- 3.14 No limited assurance opinions were provided for audits completed during 2017/18.

Audits to be finalised from the 2017/18 Plan

- 3.15 The following audits were at draft report stage at the time of writing this Annual Report:

- Adult Care Services – Data Security and Information Sharing
- Adult Care Services – Data Quality Business Process Compliance
- Adult Care Services – Market Oversight Programme (consultancy review)
- Children’s Services – Financial Monitoring of Schools
- Community Protection – Trading Standards - Management of Evidence
- Council Wide – Conflicts of Interest
- Council Wide – Business Continuity

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, although it is considered that none of the issues identified within the above reviews are sufficiently significant to alter the overall opinions reported in paragraph 2.11.

- 3.16 In addition, the following audits were still in fieldwork or quality review at the time of this report:-

- Council Wide – Safeguarding (focusing on Safe Recruitment)
- Cross Service – 0-25 Integrated Service
- Cross Service – Home to School Transport
- Environment – Bus Contracts
- Adult Care Services – Application of Eligibility Thresholds
- Adult Care Services – Direct Payments
- Adult Care Services – Learning Disability Service Demography and Budget Monitoring
- Children’s Services – Customer Service Centre (Safeguarding Enquiries)

The progress of the above reviews will be reported to the Audit Committee through the quarterly SIAS progress reports, with all remaining audits expected to be completed by the end of May 2018 and, where necessary, the outcomes reflected in the 2018/19 annual assurance opinion.

4. Performance of the Internal Audit Service in 2017/18

Performance indicators

4.1 The table below compares SIAS's performance at the Council against the 2017/18 targets set by the SIAS Board.

Indicator	Target 2017/18	Actual to 31 March 2018
1 SIAS Planned Days – percentage of actual billable days delivered against planned billable days	95%	94%
2 SIAS Planned Projects – actual completed projects to draft report stage against planned completed projects	95%	93%
3 External Auditors' Satisfaction – the Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work	Formal Reliance	N/a
4 SIAS Annual Plan – presented to the March Audit Committee or the first meeting of the financial year should a March committee not meet.	Deadline met	Met - 2017/18 Audit Plan presented to the March 2017 Audit Committee
5 Client Satisfaction - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100% - 19 questionnaires were returned during 2017/18.
6 Head of Assurance's Annual Report – presented at the first Audit Committee meeting of the financial year.	Deadline met	Met - 2016/17 Annual Report Presented to the July 2017 Audit Committee
7 Number of High Priority Audit Recommendations agreed	95%	100%

Service Developments

4.2 During 2017/18 the development activities for SIAS included:

- Implementing the SIAS restructure in order to streamline the delivery of the Audit Service and meet future client needs.
- Implementing a new time recording and audit plan management database, allowing the service to make cost savings and improve the ability to streamline business processes in the future.
- Continued review of key business processes, including work allocation, to reduce administrative overheads and improve efficiency in delivering the audit plan.
- Piloting quarterly reporting to Hertfordshire County Council Service Boards on the delivery and outcomes of the internal audit plan.

5. Audit Charter 2018/19

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 2018 did not result in any fundamental changes although a number of minor amendments were made. The 2018/19 Charter is attached at Appendix D.

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

2017/18 Hertfordshire County Council Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Corporate						
Annual Governance Statement 2016/17	N/a				8	Complete
Annual Governance Statement 2017/18	N/a				5	Complete
Head of Internal Audit Opinion 2016/17	N/a				5	Complete
Whistleblowing - named contact and quarterly review	N/a				10	Complete
Resources						
Resources Queries < 3hrs Activities	N/a				10	Complete
Resources: Hertfordshire Business Services (HBS)						
Business Operations	Substantial	0	2	6	25	Final Report Issued
Resources: Finance						
Pensions - Administration	Substantial	0	1	1	30	Final Report Issued

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Payroll	Substantial	0	0	3	25	Final Report Issued
Debtors	Substantial	0	0	1	25	Final Report Issued
Creditors	Substantial	0	0	1	25	Final Report Issued
General Ledger	Full	0	0	0	20	Final Report Issued
Treasury Management	Substantial	0	1	1	15	Final Report Issued
Adult Care Services – Feeder Systems	Substantial	0	0	1	20	Final Report Issued
SAP Systems Access	Substantial	0	2	2	15	Final Report Issued
eIncome	Substantial	0	1	0	15	Final Report Issued
Resources: Property						
Carbon Reduction Commitment	Unqualified Opinion	0	0	0	15	Final Report Issued
Resources: Technology						
GDPR Preparedness	Moderate	0	2	2	10	Final Report Issued
Cyber Security	Moderate	1	3	2	15	Final Report Issued

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Segregation of Duties / Access Controls					0	Audit Deferred
Resources: Human Resources						
DBS and Risk Assessments	Moderate	0	2	1	10	Final Report Issued
Employee Expenses	Substantial	0	0	4	15	Final Report Issued
Off Payroll Working (consultancy)	N/a				5	Complete
Resources: Legal, Democratic & Statutory Services						
LEP - Compliance with Assurance Framework	Moderate	0	18	4	19	Final Report Issued
Resources: Customer Engagement & Libraries						
Blue Badges	Substantial	0	0	3	10	Final Report Issued
Council Wide Reviews						
Delegated Decision Making	Substantial	0	1	2	25	Final Report Issued

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Volunteering	Substantial	0	0	4	25	Final Report Issued
Serious and Organised Crime Audit	Not Assessed	0	0	0	25	Final Report Issued
Conflicts of Interest					25	Draft Report Issued
Business Continuity					25	Draft Report Issued
Safeguarding					25	In Fieldwork
Cross Service Reviews						
Early Years Payment Run Processes	Not Assessed	0	0	8	5	Final Report Issued
0-25 Integrated Service (Children's Services and Adult Care Services)					20	In Fieldwork
Home to school / college transport (Children's Services and Environment)					15	In Fieldwork
Transport Infrastructure Assets (Resources and Environment)					1.5	Audit Cancelled
Adult Care Services						
Deputyship / Appointeeships	Moderate	0	7	2	18	Final Report Issued
Data Security and Information Sharing					15	Draft Report Issued

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Data quality - Business Process Compliance – Older People Service					20	Draft Report Issued
Market oversight programme – consultancy activity / advice					20	Draft Report Issued
Provider Portal (Consultancy Advice)	N/a				5	Complete
Adult Care Services Queries < 3hrs Activities	N/a				10	Complete
ACS Client Finances (Older People Service)	N/a				5	Complete
Demography & Budget monitoring - Adult Disability Service					20	In Fieldwork
Application of Eligibility Thresholds (Older People Service & Adult Disability Service)					20	In Fieldwork
Direct Payments					15	In Planning
Payment of homes gross - Consultancy Support					1	Audit Cancelled
Accommodation for Independence Programme (Adult Disability Service)					1	Audit Cancelled
Integrated Commissioning Arrangements					1.5	Audit Cancelled
Environment Services						
Dropped Kerbs	Moderate	0	4	1	12	Final Report Issued

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Highways Service - Highways Act 1980 Section 58	Substantial	0	2	2	15	Final Report Issued
Highways Services - PMnet Software Development Project	Substantial	0	2	1	10	Final Report Issued
Highways Service - Category 3 Works	Substantial	0	1	1	15	Final Report Issued
Compliance with CDM Regulations	Substantial	0	0	2	15	Final Report Issued
Bus Contracts					15	In Fieldwork
WAMS (Waste Management System) - Consultancy Advice	N/a				3	Complete
Environment Services Queries <3hrs activities	N/a				10	Complete
Development Management - Enforcement					0.5	Audit Deferred (see 18/19 Plan)
Children's Services						
GDPR – Transmission of Sensitive Data	Moderate	1	4	3	20	Final Report Issued
Financial Monitoring of Schools					15	Draft Report Issued
Family Finding model	N/a				5	Complete
Children's Services Queries <3hrs Activities	N/a				10	Complete

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Customer Service Centre (safeguarding enquiries)					20	In Quality Review
Programme / Project Management					1.5	Audit Deferred (see 18/19 Plan)
Quality Assurance Systems (Consultancy)					4	Audit Deferred (see 18/19 Plan)
Public Health						
Commissioning, Contract Management and Contract Payments	Substantial	0	2	2	20	Final Report Issued
Immunisation in Schools					0.5	Audit Cancelled
Community Protection						
Service Performance Management	Substantial	0	2	2	15	Final Report Issued
Internal Quality Assurance Arrangements	Substantial	0	0	1	15	Final Report Issued
Trading Standards - Management of Evidence					10	Draft Report Issued
Shared Learning						

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Shared Learning Newsletters and Summary Themed Reports	N/a				5	Through Year
Joint Review					0	Cancelled
Grant Claims						
Herts Chief Finance Officers Society	Unqualified Opinion	0	0	0	2	Final Report Issued
Hertfordshire Education Foundation	Unqualified Opinion	0	0	0	5	Final Report Issued
Hertfordshire Charity for Deprived Children	Unqualified Opinion	0	0	0	1	Final Report Issued
Autism Grant					0	Cancelled
LEP - Local Growth fund	Unqualified Opinion	0	0	0	3	Final Report Issued
Integrated and structural maintenance grant					0	Cancelled
Building Better Opportunities	N/a				3	Complete
Disabled Facilities Grants / Home Improvement Agency	Unqualified Opinion	0	0	0	5	Final Report Issued
LEP Capital Grant	Unqualified Opinion	0	0	0	4.5	Final Report Issued
Bus Subsidy Operators Grant	Unqualified Opinion	0	0	0	2	Final Report Issued

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Pot Hole Action Fund	Unqualified Opinion	0	0	0	1.5	Final Report Issued
Local Transport Capital Block Funding	Unqualified Opinion	0	0	0	1.5	Final Report Issued
oneTRANSPORT	Unqualified Opinion	0	0	0	18	Final Report Issued
Other Chargeable						
Plan Delivery Monitoring	N/a				30	Complete
Recommendations Follow-Up - Q1	N/a				5	Complete
Recommendations Follow-Up - Q2	N/a				5	Complete
Recommendations Follow-Up - Q3	N/a				5	Complete
Recommendations Follow-Up - Q4	N/a				5	Complete
Client Liaison	N/a				10	Complete
Audit Committee	N/a				20	Complete
2018/19 Audit Planning	N/a				30	Complete
Performance Data	N/a				3	Complete

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
External Audit Liaison	N/a				2	Complete
SIAS Development	N/a				40	Complete
SIAS Board Meetings and Preparation	N/a				10	Complete
Management of Scrutiny	N/a				5	Complete
Management of Health & Safety	N/a				5	Complete
Management of Shared Anti-Fraud Service	N/a				5	Complete
Management of Risk Management and Insurance	N/a				5	Complete
Public Sector Internal Audit - Self Assessment 17-18	N/a				10	Complete
16/17 Projects requiring completion						
16-17 Projects requiring completion	N/a				10	Complete
16/17 Social Media	Substantial	0	0	0	9.5	Final Report Issued
16/17 Client Finances - Establishment Visits	Substantial	0	4	0	12.5	Final Report Issued
16/17 Training Records	Substantial	0	0	3	10	Final Report Issued

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
16/17 Ofsted Action Plan	Substantial	0	1	2	7.5	Final Report Issued
16/17 Overtime / Working Time Directive	Substantial	0	0	1	6	Final Report Issued
16/17 Pre-Paid Cards	Substantial	0	2	3	8.5	Final Report Issued
16/17 Joint Reviews	N/a				1	Final Report Issued
16/17 Ringway - Service Sector Improvements	Substantial	0	0	0	1	Final Report Issued
Contingency – Grants					4	
Contingency - General					49	
Schools						
Advice, queries and guidance for schools	N/a				16.5	Complete
Liaison, awareness raising and training	N/a				18.25	Complete
Theme 1 - SFVS (25 schools)	N/a				114	Final Reports Issued

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Theme 2 - Safe Recruitment (18 Schools)	N/a				65	Final Reports Issued
Theme 3 – IR35 (15 schools)	N/a				60.25	Draft or Final Reports Issued
16-17 SFVS Returns Collation	N/a				10	Complete
17-18 SFVS Returns Collection	N/a				5	Complete
Reporting 16/17 themes	N/a				10	Final Reports Issued
Follow up schools with high priority recs or moderate assurance	N/a				10	Complete
Plan Monitoring	N/a				10	Complete
Completion of 16-17 Audits	N/a				8	Complete
Contingency - Schools Causing Concern	N/a				6	
Contingency - Academy Conversions	N/a				6	
Contingency - General					6	
Total		2	64	72	1637	

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

Key to Assurance Level and Recommendation Priority Levels:

N/a = Not Applicable

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

OUTCOMES FROM SCHOOL ASSURANCE THEMES

Theme 1 - SFVS Review – Reviews of compliance with Schools Financial Value Standard (SFVS)	
Ashtree Primary School & Nursery (Stevenage)	Substantial
Martins Wood Primary (Stevenage)	Moderate
Woolenwick JM (Stevenage)	Substantial
Thorn Grove Primary (East Hertfordshire)	Substantial
St Augustine's Catholic Primary (Broxbourne)	Moderate
Hunsdon JMI (East Hertfordshire)	Substantial
Wareside C of E Primary (East Hertfordshire)	Substantial
Longlands Primary School & Nursery (Broxbourne)	Substantial
Holwell Primary (Welwyn Hatfield)	Substantial
Creswick Primary and Nursery (Welwyn Hatfield)	Substantial

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Northaw C of E Primary (Welwyn Hatfield)	Substantial
Parkside Community Primary (Hertsmere)	Moderate
Orchard Primary (The) (Watford)	Substantial
Chaulden Infants' and Nursery (Dacorum)	Substantial
St Bartholomew's C of E VA Primary (Wigginton) (Dacorum)	Substantial
St Ippolyts	Substantial
Giles	Substantial
Morgans	Substantial
Four Swannes	Moderate
St Bernadette	Moderate
Peartree	Substantial
Central	Substantial
Two Waters	Substantial
Reddings	Draft Report
Little Gaddesden	Substantial
Breakspear	Substantial

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Theme 2 – Safe Recruitment	
Parkgate	Not Assessed (see paragraph 3.6)
Nascott Wood	
Hobbs Hill Wood	
Swing Gate	
Dundale	
Barley	
Preston	
Stevenage ESC	
Wormley	
Christchurch	
Margaret Wix	
Skyswood	
St Nicholas	
Birchwood	
Batchwood	

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Holy Rood	
Leverstock Green	
Brockswood	
Great Gaddesden	
Theme 3 – IR35	
Marriotts	Not Assessed (see paragraph 3.6)
Hillmead Primary	
Jenyns First School and Nursery	
Abel Smith	
Roger de Clare C of E (V C) First and Nursery	
How Wood Primary School and Nursery	
Oaklands Primary	
Sacred Heart Catholic Primary School & Nursery	
The Russell	
Coates Way JMI and Nursery	
Holywell Primary	

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

Goldfield	
Meadow Wood	
Edwinstree	

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.

APPENDIX C – PROGRESS AGAINST PUBLIC SECTOR INTERNAL AUDIT STANDARDS AT APRIL 2018 – ACTION PLAN

Section A: Conformance - During 2017/18 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>
3.1c	<p>Purpose, Authority and Responsibility</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>Non-conformance</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 2018/2019

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 to achieve its objectives by systematically evaluating and improving the effectiveness and efficiency of risk management, control and governance processes.

2. Scope

- 2.1. This Charter applies to all SIAS clients.

3. Statutory Basis of Internal Audit

- 3.1. 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'.
- 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. To fulfil this requirement, the S151 officer relies, amongst other sources, upon the work of internal audit.

4. Role

- 4.1. SIAS internal audit activity is overseen by each council's committee charged with fulfilling audit committee responsibilities herewith referred to as the Audit Committee. As part of its oversight role, the Committee is responsible for defining the responsibilities of SIAS via this Charter.
- 4.2. 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

APPENDIX D – AUDIT CHARTER 2018/2019

activity not already included in the audit plan will only be accepted and carried out following consultation with the SIAS Board.

5. Professionalism

- 5.1. 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. They set out the fundamental requirements for the professional practice of internal auditing and the evaluation of the effectiveness of an internal audit function's performance.
- 5.2. SIAS also recognise 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.
- 5.3. SIAS's operations are guided by its operating procedures manual as well as applicable, CIIA Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 5.4. Should non-conformance with the Standards 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.

6. Authority and Confidentiality

- 6.1. Internal auditors are authorised full, free, and unrestricted access to any and all of a client's records, physical properties, and personnel as required to carry out an engagement. All employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during the course of an engagement is safeguarded and confidentiality respected.
- 6.2. 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.

7. Organisation

- 7.1. The Head of Assurance and their representatives, have free and unrestricted direct access to Senior Management, the Audit Committee, the Chief Executive, the Chair of the Audit Committee and the External Auditor. The Head of

Assurance will communicate with any and all of the above parties at both committee meetings and between meetings as appropriate.

- 7.2. The Head of Assurance is line managed by the 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. Each partner's Section 151 Officer is asked to contribute to the annual appraisal of the Head of Assurance.

8. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 8.1. The Head of Assurance and the SIAS Audit Manager, both suitably experienced and qualified (CCAB and / or CMIIA), are 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 together, SIAS staff possess or obtain the skills, knowledge and competencies (including ethical practice) needed to effectively perform SIAS engagements
- 8.2. The Audit Committee, in its role of 'board', 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 performance targets set by the SIAS Board and receipt of regular reports. The Audit Committee is also responsible for the effectiveness of the governance, risk and control environment within the Council, holding managers to account for delivery.
- 8.3. 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.
- 8.4. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, including:
- resourcing and financial performance
 - operational effectiveness through the monitoring performance indicators
 - the overall strategic direction of the shared service

9. Independence and Objectivity

- 9.1. 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.

- 9.2. 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.
- 9.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Head of Assurance will highlight to the board any potential or perceived impairment to independence and objectivity having regard to the principles contained within the Code of Ethics as well as any relevant requirements set out in other professional bodies to which the CAE may belong. The Board will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 9.4. 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 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.
- 10.2. 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.
- 10.3. 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.
- 10.4. SIAS has procured an arrangement with an external partner to provide additional internal audit days on request. The external 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.
- 10.5. 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.

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 (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.
- 11.2. 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
- 11.3. 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.
- 11.4. SIAS is responsible for reporting to the Audit Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the Shared Anti-Fraud Service), control and governance issues and other matters that emerge from an engagement.
- 11.5. 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 Audit 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.

12. Role in Anti-Fraud

- 12.1. The SIAS work programme, designed in consultation with Senior Management, the Audit Committee and, where applicable, the Shared Anti-Fraud Service, seeks to help deter fraud and corruption.

- 12.2. In conjunction with the Shared Anti-Fraud Service SIAS shares information with relevant partners 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. Following discussion with appropriate senior management, the Head of Assurance 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 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.
- 13.2. 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.
- 13.3. 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.

14. Reporting and Monitoring

- 14.1. 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 course of the engagement may occur and will be agreed following consultation with the client.
- 14.2. A report will be issued 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.
- 14.3. 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.

- 14.4. 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.
- 14.5. 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, and detail the nature and reasons for any impairments, qualifications or restrictions in scope for which the Committee should seek reassurances from management.

15. Periodic Assessment

- 15.1. PSIAS require the Head of Assurance and the SIAS Board to make arrangements 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 five yearly.
- 15.2. 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.
- 15.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.

16. Review of the Audit Charter

- 16.1. 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.
- 16.2. The Head of Assurance reviewed this Audit Charter in April 2018. It will next be reviewed in April 2019.

Note:

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