



Date of assessment: 17th July 2019

Principle 1	The Head of Internal Audit plays a critical role in delivering the organisation's strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control.	
	Organisational responsibilities	Conclusion
	1 Set out the responsibilities of the leadership team in internal audit; <i>Notes: The Council's Joint Chief Executives have worked with the HIA over the last twelve months to further support prompt and effective engagement from leadership with the IA service - including ensuring all actions arising from audit reports are implemented in a timely manner. The role of the leadership team in engaging with IA has also been further reiterated in the Annual Governance Statement process.</i>	Yes
	2 Establish an internal accountability and assurance framework including how internal audit works with other providers of assurance; <i>Notes: The Council's Code of Governance sets out the assurance framework, including internal audit and assurance providers.</i>	Yes
	3 Set out how the framework of assurance supports the annual governance statement and identify internal audit's role within it. The HIA should not be responsible for the statement; <i>Notes: The AGS is produced by the Council's s151 officer and includes the full internal audit opinion for the year.</i>	Yes
	4 Set out the responsibilities of the HIA and ensure the independence of the role is preserved. If additional responsibilities are taken on then appropriate safeguards should be put in place. <i>Notes: HIA role delegated to LGSS and set out in delegation agreement. HIA has no responsibility for other Council services/operations.</i>	Yes
	5 Ensure internal audit is independent of external audit; <i>Notes: Internal Audit delegated to LGSS and external audit procured via PSAA (Mazars).</i>	Yes
	6 Establish clear lines of reporting of the HIA to the leadership team and to the audit committee; <i>Notes: The Internal Audit charter sets out the HIA's unfettered access to the Governance and Audit Committee and senior management. In practice, the HIA attends committee meetings and has monthly meetings with the Joint Chief Executives and regular meetings with the s151 Officer. The HIA attends SMT meetings at the point of audit planning for the year ahead.</i>	Yes
	7 Ensure the HIA reports in their own right and that the annual internal audit opinion and report are issued in the name of the HIA; <i>Notes: Annual report and opinion in the name of the HIA and presented to committee by HIA. Example on 24th July 2019.</i>	Yes
	8 Ensure the internal audit charter and plan are approved by the audit committee in accordance with the PSIAS. <i>Notes: Charter approved by Governance & Audit Committee annually at first meeting of municipal year - see agenda for 24th July 2019. Audit Plan approved by Governance & Audit Committee each March - see 6th March 2019.</i>	Yes
	HIA responsibilities	Conclusion
	1 Ensure that internal audit's work is risk-based and aligned to the organisation's strategic objectives and will support the annual internal audit opinion; <i>Notes: The audit planning process is entirely risk based and the plan is linked to strategic risks. Every Audit Planning Record (APR) is based upon the key risks identified and all fieldwork and conclusions are based upon these risks. Regular audits are conducted on a cyclical basis so as to provide sufficient coverage to inform the internal audit opinion.</i>	Yes
	2 Identify where internal audit assurances will add the most value or do the most to facilitate improvement; <i>Notes: The audit planning process includes identification of risks but also other sources of assurance which may reduce the value of internal audit coverage. Therefore, resource can be targeted in areas where the most potential value can be added.</i>	Yes
	3 Produce an evidence-based annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. <i>Notes: The Annual Internal Audit report sets out the annual opinion and the basis for this, including all evidence based internal audit coverage.</i>	Yes

Principle 2	The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on response to emerging risks and proposed developments.	
	<p>Organisational responsibilities</p> <p>1 Establish top level commitment to the principles of good governance, recognising its importance for achieving strategic objectives; <i>Notes: The Council's Annual Governance Statement provides an opportunity to review the governance arrangements in place too support the strategic objectives and promote good governance. Furthermore, the HIA has worked with the Monitoring Officer to produce a detailed Code of Governance document which fully assessing the Council against the CIPFA/SOLCE 'Delivering Good Governance in Local Government' guidance. This was reviewed and agreed by the Council's Corporate Management Team and Governance and Audit Committee and is subject to annual review. There is also an action plan arising from this which is overseen by the Monitoring Officer and HIA.</i></p> <p>2 Set out the HIA's role in good governance and how this fits with the role of others; <i>Notes: The role of the HIA is set out in the Code of Governance and delegation agreement - including reporting lines and access.</i></p> <p>3 Recognise and support the role internal audit can play in providing advice and consultancy internally; <i>Notes: Consultancy work has been commissioned from internal audit in the last few years - in relation to advice on policies/projects/programmes and special investigations.</i></p> <p>4 Ensure that the HIA has the opportunity to advise on or provide assurance on all major projects, programmes and policy initiatives; <i>Notes: The HIA is advised of major projects/programmes via updates from the Joint Chief Executives and s151 Officer, and as part of annual audit planning. There is potential, however, to strengthen this further by ensuring engagement with IA is considered at the outset/initiation stage of each project based on a risk assessment. Action point 1 - to implement a methodology for assessing the level of engagement with IA, as well as wider governance arrangements, for each project/programme/new system at the initiation stage.</i></p> <p>5 Take account of the HIA's advice in new and developing systems. <i>Notes: The support of Internal Audit has been sought in the implementation of new ways of working, including transformation programmes. There may be scope to ensure this is consistently considered at the outset of the development of any new system. Action point 2 - to ensure HIA engagement/advise on the Smarter Services programme (possible use of contingency days in 2019/20 Audit Plan).</i></p>	<p>Conclusion</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes (Partial)</p> <p>Yes</p>
	<p>HIA responsibilities</p> <p>1 Work with others in the organisation to promote and support good governance; <i>Notes: HIA has worked extensively with the Monitoring Officer over the last five years to promote good governance through review of policies, the Code of Governance and the constitution and promoting ethical policies/awareness with staff.</i></p> <p>2 Help the organisation understand the risks to good governance; <i>Notes: The HIA has shared lessons learned from other local government clients and through the audit planning process has suggested potential areas of risk for coverage in relation to governance and ethics i.e. 2018/19 audit of scheme of delegation.</i></p> <p>3 Give advice to the leadership team and others on the control arrangements and risks relating to proposed policies, programmes and projects; <i>Notes: The HIA has advised on revised counter fraud/ethical policies and provided templates. Good practice where possible. In the last two years, the HIA has also provided consultancy work on the Council's Channel Shift programme and ad-hoc assignments, as required, to provide advice at the point of decision making whilst maintaining independence from those formal decisions.</i></p> <p>4 Promote the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity, competence and confidentiality; <i>Notes: HIA has worked extensively with the Monitoring Officer over the last five years to promote good governance through review of policies and the constitution and promoting ethical policies/awareness with staff - including fraud awareness sessions (incl whistleblowing) and facilitating a fraud awareness week each November.</i></p>	<p>Conclusion</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>

	<p>5 Demonstrate the benefits of good governance for effective public services delivery and how the HIA can help;</p> <p><i>Notes: HIA has worked with the Monitoring Officer to explore key risk areas and explored ways in which the HIA could assist - including awareness sessions, training, redrafting the Code of Governance etc.</i></p>	Yes
	<p>6 Offer advisory or consulting services where appropriate;</p> <p><i>Notes: HIA has worked extensively with the Monitoring Officer over the last five years to promote good governance through review of policies and the constitution and promoting ethical policies/awareness with staff - including fraud awareness sessions (incl whistleblowing) and facilitating a fraud awareness week each November.</i></p>	Yes
	<p>7 Give advice on risk and internal control arrangements for new and developing systems, including major projects, programmes and policy initiatives whilst maintaining safeguards over independence.</p> <p><i>Notes: Internal Audit has engaged with the Council's projects in the form of embedded assurance assignments - providing timely advice at the point of delivery and decision making. The HIA has advised on revised counter fraud/ethical policies and provided templates. Good practice where possible. In the last two years, the HIA has also provided consultancy work on the Council's Channel Shift programme and ad-hoc assignments, as required, to provide advice at the point of decision making whilst maintaining independence from those formal decisions.</i></p>	Yes
Principle 3	The HIA must be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee.	
	Organisational responsibilities	Conclusion
	<p>1 Designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contacted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement;</p> <p><i>Notes: The HIA role is fulfilled through the delegation to LGSS and the HIA is clearly named and identified in the service specification and delegation agreement.</i></p>	Yes
	<p>2 Ensure that where the HIA is an employee they report functionally to a member of the leadership team. The HIA should be sufficiently senior and independent within the organisation's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to management;</p> <p><i>Notes: The HIA role is fulfilled through the delegation to LGSS and the HIA is not an employee of HDC.</i></p>	n/a
	<p>3 Engage constructively with the HIA and facilitate their role throughout the organisation;</p> <p><i>Notes: The Joint Chief Executives meet with the HIA on a monthly basis and provide support in progressing audit work and raising the profile of internal audit.</i></p>	Yes
	<p>4 Ensure the audit committee terms of reference includes oversight of internal audit including the monitoring of adherence to professional standards;</p> <p><i>Notes: The Governance and Audit Committee terms of reference includes oversight of internal audit and adherence to professional standards.</i></p>	Yes
	<p>5 Ensure the HIA's reporting relationship with the audit committee and its chair as set out in the internal audit charter is applied;</p> <p><i>Notes: The charter states that the HIA will attend committee meetings and the HIA has unfettered access to the committee and the chair - this is fulfilled in practice. Action point 3 - To schedule regular meetings between the HIA and Chair, both in the form of Chair's briefings, with the s151 officer, and further meetings without the s151 officer present.</i></p>	Yes (Partial)
	<p>6 Ensure the organisation's governance arrangements give the HIA:</p> <ul style="list-style-type: none"> - direct access to the chief executive, other leadership team members, the audit committee and external audit; and - attendance at meetings of the leadership team and management team when the HIA considers this to be appropriate. 	

	<p>Notes: The HIA has direct access to the Joint Chief Executives in a private, monthly meeting and access to leadership team members as required. Access to the audit committee and external audit is available and covered in the charter and delegation agreement. The HIA does not have a regular slot at SMT meetings, with the exception of the audit planning period. Action point 4 - HIA regular attendance at CMT meetings.</p>	Yes (Partial)
	<p>7 Set out the unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in arms length bodies;</p> <p>Notes: The internal audit charter sets out the rights of access to officers, premises, any document, records or system at the Council, as required. Action point 5 - ensure that rights of access for audit are considered and accounted for in establishment of trading companies.</p>	Yes (Partial)
	<p>8 Set out the HIA's responsibilities relating to organisational partners including collaborations and outsourced and shared services.</p> <p>Notes: The HIA receives copies of audit reports produced for the Council's revenues and benefits service annually. Audit recommendations have been made previously by HIA regarding third party assurances over other shared services/collaborations and this should now feed into the AGS process.</p>	Yes
	HIA responsibilities	Notes
	<p>1 Ensure the internal audit charter clearly establishes appropriate reporting lines that facilitate engagement with the leadership team and audit committee;</p> <p>Notes: The charter sets out the reporting lines for individual audit assignments and the annual assurances - both to management and councillors.</p>	Yes
	<p>2 Escalate any concerns about maintaining independence through the line manager, chief executive, audit committee and leadership team or external auditor as appropriate;</p> <p>Notes: No concerns have required escalation but routes are in place, if needed.</p>	Yes
	<p>3 Contribute to the review of the audit committee effectiveness, advising the chair and relevant managers of any suggested improvements;</p> <p>Notes: No review of audit committee effectiveness completed in recent years. Action point 6 - review of committee effectiveness.</p>	No
	<p>4 Consult stakeholders including senior managers and non-executive directors on internal audit plans.</p> <p>Notes: The audit planning process involves consultation with senior managers and the committee. The draft plan is reviewed by SMT and approved by committee.</p>	Yes
Principle 4	The HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively.	
	Organisational responsibilities	Conclusion
	<p>1 Provide the HIA with the status, resources, expertise and systems necessary to perform their role effectively;</p> <p>Notes: The delegation agreement includes provision for access to systems/resources and reporting lines. The staffing of the service is the responsibility of LGSS.</p>	Yes
	<p>2</p> <p>Ensure the audit committee contributes to a performance framework for the HIA and the internal audit service and takes action as appropriate;</p> <p>Notes: The Governance and Audit Committee receives the annual report and opinion from the HIA including the outcome of the annual self assessment.</p>	Yes
	<p>3 Ensure an external review of internal audit quality is carried out at least once every five years in accordance with PSIAS;</p> <p>Notes: Last external review completed in 2017.</p>	Yes

	<p>4 Ensure the audit committee provides support for and participates in the quality assurance and improvement programme as set out in PSIAS. <i>Notes: No outstanding actions on the QAIP.</i></p>	Yes
	HIA responsibilities	Conclusion
	<p>1 Lead and direct the internal audit service so that it meets the needs of the organisation and external stakeholders and fulfils professional standards; <i>Notes: The HIA delivers the service in line with professional standards and undertakes an annual self assessment to confirm this against PSIAS. Feedback is sought following every assignment and, on an annual basis, from leadership team on the quality of services.</i></p>	Yes
	<p>2 Demonstrate how internal audit adds value to the organisation; <i>Notes: The annual report includes a section specifically on 'value added by internal audit to the organisation' - this sets out the additional value delivered through planned work, presence on site, engagement with management and shared of advice/assistance.</i></p>	Yes
	<p>3 Determine the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives; <i>Notes: Resource planning takes place across LGSS and the HIA is responsible for performance appraisals of all staff members and linking these to the service's objectives.</i></p>	Yes
	<p>4 Inform the leadership team and audit committee as soon as they become aware of insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given; <i>Notes: Resource planning takes place across LGSS and the HIA is responsible for highlighting any insufficiencies in resources or inadequate days commissioned to provide an informed assurance opinion.</i></p>	Yes
	<p>5 Ensure the professional and personal training needs for staff are assessed and that these needs are met; <i>Notes: The HIA is responsible for performance appraisals of all staff members and ensuring a suitable skills mix.</i></p>	Yes
	<p>6 Establish the quality assurance and improvement programme that includes: - ensuring professional internal audit standards are complied with; - reviewing the performance of internal audit and ensuring the service provided is in line with the expectations and needs of its stakeholders; - providing an efficient and effective internal audit service - demonstrating this by agreeing key performance indicators and targets with the line manager and audit committee, annually reporting achievements against targets; - putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence based and of good quality; - seeking continuous improvement in the internal audit service; <i>Notes: LGSS monitored and implemented a full QAIP following the last external assessment and have conducted an internal update in 2019.</i></p>	Yes
	<p>7 Keep up to date with developments in governance, risk management, control and internal auditing, including networking with other HIAs and learning from them, implementing improvements where appropriate. <i>Notes: The HIA meets monthly with the LGSS management team of HIAs and attends conferences, where possible, to keep up to date with latest developments.</i></p>	Yes
Principle 5	The HIA must be professionally qualified and suitably experienced.	
	Organisational responsibilities	Conclusion

	1 Appoint a professionally qualified HIA whose core responsibilities include those set out in the PSIAS as well as under the other principles in this statement and ensure these are properly understood across the organisation;	Yes
<i>Notes: The HIA is a fully qualified member of CIPFA and the expectations of the role are set out in the delegation agreement between HDC and LGSS.</i>		
	2 Ensure the HIA has the skills, knowledge and internal audit experience, together with sufficient resources to perform effectively in this role;	Yes
<i>Notes: The HIA is CIPFA qualified and HIA for six local authorities, with ten years experience in local government audit and finance. All members of the audit team are either professionally qualified or studying for a professional qualification.</i>		
	3 Support continuing professional development of the HIA.	Yes
<i>Notes: The HIA is not an employee of HDC and appraisals are the responsibility of LGSS. HDC does, however, provide days within the audit plan for development of the IA service in line with PSIAS.</i>		
	HIA responsibilities	Conclusion
	1 Be a full member of an appropriate professional body and have an active programme for personal professional development;	Yes
<i>Notes: The HIA is CIPFA qualified and HIA for six local authorities, with ten years experience in local government audit and finance. The HIA is subject to annual performance appraisal and development plan under LGSS - with a rating of 'Exceeding expectations' given each year, including in 2019.</i>		
	2 Adhere to professional internal audit and ethical standards (and where appropriate accounting and auditing standards).	Yes
<i>Notes: The HIA has a robust awareness of relevant standards and conducts an annual self assessment of the service against these.</i>		