

**Public
Key Decision – No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Internal Audit Plan 2019/20 and Internal Audit Charter
Meeting/Date:	Corporate Governance Committee 2 October 2019
Executive Portfolio:	Cllr J Gray (Resources)
Report by:	Internal Audit Manager
Wards affected:	All Wards

Executive Summary:

The Committee has responsibility under its terms of reference for ensuring that the Council undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account the Public Sector Internal Audit Standards (PSIAS).

In January 2019 the Committee agreed that the internal audit plan for 2019/20 should be prepared on a six-monthly basis. The internal audit plan for the period October 2019 to March 2020 is attached for review and approval.

Details of the work completed from the audit plan for the period April – September 2019 is also provided. This is significantly less than anticipated as 70 days were lost in the period due to delays in the introduction the Resources restructure and staff sickness. This is of concern. If the audit plan does not get delivered a robust annual audit opinion may not be able to be provided.

The Committee also approve the Internal Audit Charter. Changes have been introduced to reflect the move from internal audit of the insurance and risk management services to another team in Resources.

The internal audit service has also not commissioned an external independent review as required by PSIAS. This is due to the loss of the 70 days and the need to deliver the audit plan. An external independent assessment will be commissioned during 2020/21.

Recommendation

That the Corporate Governance Committee review and approve:

1. The Internal Audit plan for the period October 2019 to March 2020; and
2. The Internal Audit Charter.

1. PURPOSE OF THE REPORT

1.1 To update the Committee on:

- the proposed Internal Audit (IA) plan for the period October 2019 to March 2020;
- progress in delivering the IA plan for the period April to September 2019;
- the failure to commission an independent external assessment of the IA service as required by the Public Sector Internal Audit Standards (PSIAS); and
- changes required to be made to the IA Charter following the Resources restructure.

2. BACKGROUND

2.1 The Accounts and Audit Regulations 2015 require that the Council ‘...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Audit Standards (PSIAS) or guidance’. The Council have adopted the PSIAS through the Committees Terms of Reference.

2.2 The Council requires the Internal Audit Manager (IAM) to “establish risk-based plans to determine the priorities of internal audit activity, consistent with the organisations goals”. The risk-based plan must also:

- take into account the requirement to produce an annual internal audit opinion;
- incorporate a strategic high-level statement of how the internal audit service will be delivered and developed and how it links to the Council’s objectives and priorities;
- explain how internal audit’s resource requirements have been assessed; and
- include the approach to using other sources of assurance and any work required to place reliance upon those other sources.

Furthermore, the IAM must review and adjust the plan as necessary, in responses to changes in risks, operations, programs, systems, and controls.

3. ANALYSIS

Available resources and evaluation

3.1 A formal restructure of the Resources Service commenced in October 2018. The outcome of which took effect from 22 July 2019 for the Internal Audit team. The posts within the team were downgraded following formal re-evaluation. However, staff resources have increased by 0.14 full time equivalent (fte), from 1.86 fte to 2.0 fte, the equivalent of 20 days. These additional days will be delivered by the current internal audit team.

3.2 When the audit plan was considered by the Committee in March 2019, no time was included in the plan for the Internal Audit Managers continued involvement in insurance and risk management. This was due to both service areas, as part of the restructure, being transferred to two new posts (created to manage several service areas including insurance and risk).

- 3.3 The implementation of the restructure took longer than anticipated. Appointments to the two newly created posts have only recently been made. Consequently, the Internal Audit Manager has spent unplanned time dealing with insurance matters. In addition, the Internal Audit Manager was absent from work for eight weeks. Both these matters reduced the time available to deliver the agreed audit plan during the first half year by some 70 days. To ensure that there were sufficient days available for completing reviews in the second half of the year, the Internal Audit Manager has mitigated the loss of the 70 days through the following actions:
- Not allocating any time to prepare for the PSIAS external review (see para 3.16 – 3.19 below)
 - Reducing the time allocated for general advice and assistance,
 - Reducing the time allocated for undertaking follow-up reviews
 - Stopping a new initiative to identify themes and trends from suggested audit actions proposed.
- 3.4 The audit plan for March/September 2019 contained nine reviews. The loss of 70 days in the period has meant that three reviews have not been delivered and they have been carried forwarded into the second half of the year. One audit, IT system administration, will not be done. This is due to other reviews taking priority.
- 3.5 It is anticipated that the Internal Audit team will have 150 days to deliver the internal audit plan in the second half year. In addition, BDO will also deliver 57 days covering IT related areas. A summary explaining how the 150 days total has been reached is included below.

Time Allocation: October 2019 to March 2020

Total days available		283
Less Leave, sick, elections etc.	45	
Staff development & training	11	
Management	32	88
		195
Less Risk Management & Insurance	5	
General advice	7	
Corp Gov Cttee support & review	9	
Follow-up reviews	15	
Action – reporting	6	
Ann. Gov. Statement & Code	3	45
Delivery of the audit plan		150

Internal audit plan - October 2019 to March 2020

- 3.6 The 150 days available for delivery of the audit plan for the six-month period October 2019 to March 2020 will allow 12 audit reviews to be undertaken by the in-house team together with quarterly reviews of the main financial systems. A small amount of time has also been included for dealing with any whistleblowing allegations that may be received and oversight of the Cabinet Offices' national fraud initiative.
- 3.7 The audit plan consists of reviews in the following areas:

- 1 Budget monitoring and control (b/fwd review)
- 2 Delivery of CCTV capital schemes
- 3 Corporate enforcement policy (b/fwd review)
- 4 Delivery of staff survey actions
- 5 Disabled facilities grants
- 6 Embedding icare values (b/fwd review)
- 7 Evaluation of performance clinics
- 8 Homelessness initiatives – follow-up review
- 9 GDPR – delivery of May 2018 action plans
- 10 Management of cash-flow
- 11 Sickness monitoring
- 12 Staff recruitment

3.8 In addition to the audit reviews noted above, BDO will also undertake five audit reviews together with follow-up reviews on a sample of agreed audit actions. The audit reviews planned are:

- 1 Protocol policy management system
- 2 Maintenance schedule planning
- 3 Network system resilience and availability
- 4 Network access control
- 5 Software and hardware asset management

3.9 Appendix 1 provides more information on each of the 17 audits above.

3.10 In line with the approach agreed by the Committee in March 2019. The plan continues to focus on current and future risks rather than the more traditional backward-looking approach that focused on how risks had been managed. The plan has been discussed with the Corporate Management Team

3.11 The plan has been prepared after considering the aims and outcomes of the Corporate Plan, the progress made in delivering the 2018/19 annual governance statement, the requirement to review key financial and significant internal control systems and procedures and the significant risks recorded in the risk register.

Internal audit plan - April to September 2019

3.12 The audit plan for the period April to September 2019 consisted of nine audit reviews. Progress against each review is set out below:

Position as at 17 September 2019	Audit area
1 Underway	Delivery of Capital schemes
2	Key performance indicators
3	Purchase order compliance
4 Not started. Carried forward.	Corporate enforcement policy
5	Budget monitoring and control
6	Embedding icare values
7 Not started. Not carried forward.	IT systems administration

3.13 Two draft reports have been issued.

8 Audit area	T1 (FMS) Post-implementation review
Opinion	Adequate assurance
Key findings	The system specification was developed primarily by the lead local authority, Cambridge City Council. Whilst a 3C joint project, each Council had different needs that needed to be delivered. Not all variances in need were identified. User Acceptance Testing sign-off was well documented. Due to exit clauses not being included in the legacy suppliers' contract, data migration was delayed. Risk management was in place throughout the project, but did not consider at the outset resource issues, such as staff turnover or availability.
9 Audit area	Lone working
Opinion	Limited assurance
Key findings	No current corporate protocol for lone working New staff are not informed of lone working responsibilities and procedures at induction. Managers are not aware of expectations and responsibilities. The Council Anyway project is not addressing lone working. Lone worker risks assessments are not in place.

3.14 Reviews have also been completed on the key controls with the main financial systems (Accounts payable and receivable, Council tax and business rates, housing benefit and the main accounting system). There are no matters of concern arising from these reports that need to be brought to the Committee's attention.

External independent review of the Internal Audit service

3.15 The PSIAS require an external independent review of the Internal Audit Service to be completed at least once every five years. This is overdue. The last independent review was completed in February 2014 and reported to the former Corporate Governance Panel in May 2014.

3.16 A member of the internal audit team completed both a self-assessment review against the PSIAS in May 2018 and prepared an action plan, in readiness for the external review due by February 2019. However due to the need to concentrate efforts on delivering the audit plan and so ensure that the Internal Audit Manager would have sufficient work against which to prepare their annual opinion, the external review was postponed until December 2019.

3.17 The December 2019 date is also not going to be achieved. The loss of 70 audit days, outlined at paragraph 3.3 above, has again meant that the time allocated for preparing and participating in the external review process has had to be lost, due to the need for the internal audit plan to be delivered. This will mean that the requirements of PSIAS are not met. Whilst the external auditors may be critical of this, postponement is considered the only practical solution.

3.18 Delivering an internal audit service with two fte staff is a challenge. Both in respect of ensuring that the audit plan covers sufficient work across the whole of the internal control environment, but also allowing internal audit to contribute to new initiatives

and developments, an area where often the greatest benefit and value can be added. The Internal Audit Manager is of the opinion that full compliance with PSIAS will be difficult to achieve. An external independent assessment will be commissioned during 2020/21.

Internal Audit Charter

3.19 The Internal Audit Charter (Charter) was last approved by the Committee in March 2018. Due to removal of the management of risk and insurance services from the Internal Audit Manager as a result of the Resources restructure, the Charter needs to be revised to reflect the current position.

3.20 It is proposed that the Charter be amended as follows.

	Section	Proposed amendment
4	Independence & Objectivity 5 th & 6 th paragraph.	Delete the text that refers to the IAM being responsible for insurance and risk management services and references to the Institute of Internal Auditors position paper on risk management.
6	Internal audit management 1 st bullet.	Remove the requirement to prepare a quarterly audit plan and replace with a half yearly audit plan.
	Post title changes	Replace all references to the Internal Audit and Risk Manager, with Internal Audit Manager.
	Post title changes	Replace the Head of Resources with the Head of Corporate Resources. This change will only occur when the Senior Leadership Team restructure has been completed.

3.21 The IA Charter is included at Appendix 2.

4. RISKS

4.1 Non delivery of the internal audit plan, or not undertaking sufficient work across the Council's control environment (the framework of governance, risk management and control) may affect the ability of the Internal Audit Manager to provide the Committee with a robust annual internal audit opinion. With the loss of 70 audit days, such a position may be reached in 2019/20.

4.2 The Internal Audit Service will not be able to conform to the PSIAS until an external review has been completed. Non-conformance with PSIAS would suggest that the

Council isn't providing an effective internal audit, as required by the Accounts and Audit Regulations 2015.

- 4.3 Whilst internal audit staff resources have increased following the restructure, the restructures overall effect on the team may lead to current staff looking for employment opportunities elsewhere. Internal audit consists of two full time equivalent staff. As events of the last six months have shown, it has little resilience to cope with the loss of staff even for a short period of time. Any further loss this financial year would have a detrimental effect on the delivery of the audit plan. Whilst BDO, our current suppliers of IT audit, would be able to deliver part of the plan, this is not a long-term solution due to the costs involved.

5. LINK TO THE CORPORATE PLAN

- 5.1 The Internal Audit Service through the audit plan contributes to all the strategic themes and outcomes. Specifically, it supports the Senior Leadership Team by undertaking reviews that provide assurance that:
- significant risks identified in the risk register are managed effectively;
 - laws and regulations are being met,
 - business and financial processes and systems are managed effectively; and
 - assets are safeguarded.

It also improves the performance of the Council by assessing current risks, considering emerging risks, identifying efficiency gains and process improvements.

6. RESOURCE IMPLICATIONS

- 6.1 The 2019/20 service budget is sufficient to support the internal audit establishment.

7. REASONS FOR THE RECOMMENDED DECISIONS

- 7.1 The Committee's terms of reference require it to approve the internal audit plan and Charter.

8. LIST OF APPENDICES INCLUDED

Appendix 1 – 2019/20 Internal Audit plan – October 2019 to March 2020.
Appendix 2 – Internal Audit Charter

BACKGROUND PAPERS

[The Public Sector Internal Audit Standards](#)

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Internal Audit & Assurance Plan
2019 - 2020

In delivering the Internal Audit (IA) Mission Statement -

to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight and to specifically support the Council successfully achieve its vision and priorities as set out in the Corporate Plan -

it is important that IA engagements not only consider and review internal control, risk and governance issues but also:

remain future focused,
positively influence and contribute to service developments and initiatives
lead to a strengthening of the control environment, and
are performed in accordance with professional standards.

Remain future focused

Traditionally IA have reviewed how risks and objectives have been delivered in the past, rather than consider how they are to be managed going forward. The audit plan is future focused, considering the risks that lie ahead of the Council, and so allow IA to provide advice and insight that will help Corporate and Service Plan objectives be achieved. This is a step-change in approach and will require a new planning assessment model to be developed together with a greater input into the audit planning process from senior managers. The Resources restructure has reinforced this point by making an explicit statement that IA is expected to operate a business partnering model, supporting services to achieve their optimum performance.

In developing the plan, the requirements of both the Corporate Plan and 2018/19 annual governance statement have been considered. There are a number of new initiatives being taken to deliver the requirements set out in both of these documents and the audit plan has been devised to consider and respond to, amongst others, new areas of activity, priorities and emerging risks, issues of local significance and importance and the impact of change to existing controls.

Positively influence and contribute to service developments and initiatives

Due to the many challenges facing the Council, change remains a constant and all Services either have reviewed or will be reviewing how they deliver their services.

IA is able to add value at an early stage of service or transformational developments through contributing advice and assistance that influences how risks can be reduced through introducing appropriate controls. Providing assurance at an early stage will also allow IA to gain a fuller understanding as to how the changes proposed will assist in delivering service objectives and their consequential impact elsewhere across the Council. This approach should lead to a strengthening of the overall control environment and time will be made available in the audit plan for IA to undertake this type of advisory work. IA strives to be trusted advisor to senior management and the Corporate Governance Committee (CGC). Contributing positively to service developments and initiatives is one way in which that trust can be gained.

Lead to a strengthening of the control environment

The results of IA work are communicated to Managers and Members via IA reports. Arising from the external LEAN review undertaken within IA in 2017, changes have been made to the audit 'wash-up' and reporting process. The aim being to improve the discussions and feedback provided to Managers and the speed by which they respond to IA reports. In addition, the IA report template has been redesigned so that issues identified are reported with greater clarity and impact.

Managers agree to implement actions that will strengthen the control environment and IA will continue to use the 4Action software to monitor and report upon their introduction. IA will undertake follow-up reviews at least twice a year on a sample of actions that managers have indicated are fully introduced. The results of the follow-up work will be one of the factors that inform the annual IA opinion and time will be made available in the audit plan for follow-up reviews to be completed.

CGC will receive a summary update on the delivery of the audit plan, be informed of any issues of concern and the progress being made with the implementation of agreed audit actions. Such a summary will allow the CGC to receive timely and relevant information and allow them to question IA whilst issues remain relevant.

Performed in accordance with professional standards.

The Public Sector Internal Audit Standards (PSIAS) require an external independent review of the IA service to be completed at least once every five years. The last review was completed in February 2018. Whilst an internal review against the PSAIS was conducted in May 2018 by a member of the internal audit team and an action plan prepared, an external review was not commissioned. This was due to the need to concentrate efforts on delivery of the audit plan.

The internal audit and assurance plan for the first half of the year proposed that an external review be commissioned by December 2019. This date will not be achieved. The time allocated for preparing and participating in the external review process cannot be delivered due to the need for the internal audit plan to be delivered. This will mean that the requirements of PSIAS are not met.

Whilst the external auditor may have a view on this matter, the lack of an external review will mean that the Council is unable to state that its Internal Audit Service is delivered in conformance with PSIAS.

The Internal Audit Manager reviews the work performed by internal auditors at key stages throughout the audit process and evidences the checks they have performed. The IA service aims to act in conformance with the PSIAS. An external review will confirm if that is the case or not.

Internal Audit performance measures

Performance measures agreed with the Head of Resources through the service planning process for 2019/20 are set out below.

Action	Performance Measure / Indicator	Internal Audit Managers comments
To prepare (following consultation with Senior Management Team (SMT)) an audit plan that is aligned to the key risks facing the Council.	Audit plan reviewed and agreed by SMT 6 monthly and CGC as per their meeting timetable.	Plan prepared and presented to CGC in March 2019 and October 2019.
Deliver the agreed internal audit plan.	Complete 2019/20 audit plan by 30 April 2020.	It is anticipated that the revised plan as set out in this report will be completed by 30 April. An update will be provided to CGC in January 2020.
Monitor the effectiveness of the internal audit service provided.	Results of end of audit survey forms (85% rating for service quality good or better).	The indicator is calculated on a rolling yearly basis. For the year ending 17 Sept 2019, only two survey forms had been received. The rating was 100%
To include within audit reports effective 'suggested actions' that will improve the internal control environment whilst taking account of the Council's risk appetite.	100% of suggested audit actions agreed or CMT agree to accept the risk identified	For the year ending 17 Sept 2019, all suggested audit actions have been agreed.

Internal Audit & Assurance Plan October 2019 to March 2020.

It is estimated that 150 days will be available in the period October 2019 to March 2020 for delivery of the plan. This time has been provisionally allocated to the following areas:

Create, protect and enhance our safe and clean built and green environment

Delivery of CCTV capital schemes (from April/Sept 2019 plan)

The CCTV service is a joint service with Cambridge City Council and the first commercialised service, working alongside a private sector partner. £490k has been allocated in the capital programme for works to upgrade the CCTV equipment. This review will examine the project management and delivery of the scheme.

Corporate enforcement policy (from April/Sept 2019 plan)

The CCTV service is a joint service with Cambridge City Council and the first commercialised service, working alongside a private sector partner. £490k has been allocated in the capital programme for works to upgrade the CCTV equipment. This review will examine the project management and delivery of the scheme.

Becoming a more efficient and effective Council

Budget monitoring and control (from April/Sept 2019 plan)

The T1 financial management system has introduced new 'self-service' procedures into the monthly service budget review process. Managers are now responsible for reviewing monthly budgets and forecasts. Significant staffing changes have been introduced into the accountancy team to reflect the increased 'self-service'. This audit will review the effectiveness of the new process, the accuracy of forecasts/budgets and level of support required from the accountancy team.

Management of cash-flow

This audit was postponed from 2017/18 due to the T1 implementation. The audit will review the process for cash-flow forecasting, the use of financial advisors, counterparty list and the Treasury Management strategy.

Evaluation of performance clinics

Monthly performance clinics are held between Corporate Leadership Team (CLT) and service managers within one team. The clinics are an opportunity for CLT to review performance against service plans and performance targets. This review will examine the 'why' element of the service plans and whether it is clear, so enabling CLT to quickly focus on how services are contributing to both the Corporate Plan and Annual Governance Statement requirements.

Staff recruitment

A review of the effectiveness of the staff recruitment process following interviews, ensuring that engagement with successful candidates is maintained and they take up the post offered, so stopping the need for a further recruitment round.

GDPR

All Services were required to prepare action plans to manage the GDPR process both pre and post the 25 May 2018, when GDPR took effect. This review will

consider the delivery of those action plans and the current state of data management and GDPR compliance.

Sickness monitoring

Paper based systems used for many years for recording staff sickness and informing HR/Payroll of staff absence were replaced in June 2018 (and February 2019 for Operational Services) by an electronic, real time system. Since the change, staff sickness levels have reduced from 10 to 7.8 days fte. This review will consider if this is linked to the change in recording procedures. The audit will also review the operation of the new recording procedure and effectiveness of absence trigger meetings to better manage sickness.

Becoming a more customer focused organisation:

Embedding the icare values (from April/Sept 2019 plan)

The icare values were launched in February 2018. This review will consider how well the values have become embedded and if team/staff culture is changing and delivering outcomes that are producing tangible improvements in service delivery

Homelessness

To consider the effectiveness of the homelessness prevention pilot and current initiatives that are looking to reduce longer term demand

Delivery of staff survey actions

Staff surveys have been run annually for a number of years. This review will consider the effectiveness of the actions introduced from the 2018 survey and the work being undertaken to deliver the 2019 action plan.

Disabled Facilities Grants

Cambridgeshire County Council passport from the Government's Better Care Fund, disabled facilities grants money to the Council. A first-time request was received last year from the County Council asking for a formal certification of the grant expenditure. This audit will examine the financial records maintained that support the grant certification.

Quarterly assurance reviews of the main financial systems:

- Accounts Payable
- Accounts Receivable
- Housing Benefit
- Council Tax / NDR
- Main accounting system

Computer audit reviews

The outline scope of each audit is listed below

Protocol Policy Management System

Benefit realisation against original business case
Governance arrangements (policy development, approval and roll out)
Extending scope of system to include non-ICT policies (Finance, HR, and Health & Safety)

Maintenance Schedule Planning

Policy and procedure for planned maintenance/ upgrades
Maintenance forward schedule monitoring and review
Performance indicators developed and reported on
Assess the effectiveness of communication arrangements

Network system Resilience & Availability

Policies and procedures
Network server capacity monitoring
IT Network staff and resource planning and capability
Data back-up process and control
System upgrade management
System resilience monitoring, IT DR planning, scenario testing

Software & Hardware Asset Management

Process for recording/updating hardware and software assets.
Software asset register review and monitoring
Issuing and receiving hardware to and from staff
Review software licensing monitoring

Access Management Control

Policy and procedures
Staff access to and removal from the network
HR processes for new starters, movers and leavers
Active directory setup
Administrator permissions and controls
Staff establishment monitoring and review

In addition to reviewing the areas listed above, time has also been made available in the IA work plan to provide for the following:

- Completion of reviews already underway
 1. Preparing key performance indicators underpinning Corporate Plan.
 2. Purchase order compliance.
 3. Lone working.
 4. Lean (Transformation).
- providing help and advice to managers
- Monthly 4Action reports, follow-up reviews of agreed audit actions introduced
- attendance at quotation openings
- managing whistleblowing allegations
- reviewing and investigating National Fraud Initiative output
- quality assessment of audit work undertaken and file review, and
- supporting the work of the Corporate Governance Committee through the delivery of training, preparation of the local code of governance, annual governance statement and its annual reporting.

David Harwood
Internal Audit Manager
September 2019



Internal Audit Charter

2019

The Council considers its Internal Audit Services to be a key component of its governance framework. This Charter provides a framework for the conduct of Internal Audit in Huntingdonshire District Council and has been approved by the Council's Corporate Governance Committee.

The key provisions of this Charter are set out below.

Internal Audit Service

The Council's internal audit service is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Independence & Objectivity

The internal audit service will remain free from interference by any element in the Council and its scope shall not be restricted in anyway. It shall be free to review the arrangements of any aspect of service delivery, finance or governance irrespective of whether those arrangements are provided directly or indirectly (via partnerships, contractually or any other business arrangement).

The objectivity, impartiality, integrity and conduct of all Internal Audit staff must be above reproach at all times.

Authority

Internal auditors are authorised to have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the Internal Audit Manager considers necessary to enable the Internal Audit Service to meet its responsibilities. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.

Confidentiality

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for the conduct of internal audit activities. The Internal Audit Manager and individual audit staff (including contractors and external service providers performing work on behalf of internal audit) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Reporting

The Internal Audit Manager shall submit to the Corporate Governance Committee, no later than the date at which the Council's annual governance statement is approved, an annual report and formal audit opinion.

1. Purpose of Internal Audit

The Internal Audit Service (IAS) has been established to:

- provide independent, objective assurance, advice and insight to the Council on its operations.
- enhance and protect value, by assisting management in improving the delivery of the Council's objectives and operations through evaluating, challenging and improving the effectiveness of risk management, control and governance processes.

2. Mandatory Guidance

The IAS will govern itself by adhering to the Public Sector Internal Audit Standards (PSIAS)¹ as required by regulation 5 of the Accounts and Audit (England) Regulations 2015.

Guidance issued and endorsed by the Relevant Internal Audit Standard Setters as applying to local government will also be adhered to along with the Council's relevant policies and procedures and the internal audit manual.

Non-conformance with the PSIAS shall be reported to senior management and the Corporate Governance Committee.

3. Relationship with Members & Senior Management

Corporate Governance Committee

The Accounts & Audit (England) Regulations 2015 require the Council to “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”.

The Council has established a Corporate Governance Committee (CGC) and specifically delegated to it responsibility for “fulfilling the Board responsibilities of the PSIAS and ensuring effective internal audit is undertaken in accordance with the PSIAS”² The internal audit service shall report functionally to the Corporate Governance Committee.

The Internal Audit Manager (IAM) shall have:

- free and unrestricted access to the CGC and the right to attend all of its meetings, and
- the right to meet with the Chairman of the CGC and/or the relevant Cabinet Portfolio Holder to discuss any matters or concerns that have arisen from internal audit work.

¹ The PSIAS are based upon the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*.

² Extract from Committee's terms of reference approved by Council on 29 March 2017.

Senior Management

The Managing Director and the Corporate Director (Services) and the Corporate Director (Delivery) together with the Head of Resources³ shall fulfil the role of senior management as defined by the PSIAS.

The Head of Resources shall support the CGC by ensuring that there are effective arrangements⁴ for the internal audit of the control environment.

The IAM shall:

- report administratively to the Head of Resources; and
- have free and unrestricted access to senior management.

4. Independence & Objectivity

Independence is essential to the effectiveness of the internal audit service; so it will remain free from all conditions or interference that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner. This shall include, but not be limited to matters of audit selection, scope, procedure, frequency, timing or report content.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They 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.

Internal audit staff with real or perceived conflicts of interests must inform the IAM as soon as these issues become apparent so that appropriate safeguards can be put in place.

The IAM will confirm to the CGC annually, the organisational independence of the internal audit service. They shall also disclose to the CGC any interference and its related implications in determining the scope of internal auditing, performing work and/or communicating results.

~~The IAM is responsible for the delivery of the Internal Audit, Insurance and Risk Management services. All three areas have a key part to play in mitigating the risks facing the Council. Responsibility for these operational areas is recognised by senior management and the CGC.~~

~~In respect of risk management activities, the IAM shall be guided by the Institute of Internal Audits position paper on *The Role of Internal Auditing in Enterprise-Wide Risk Management*. The IAM will not undertake any roles defined as inappropriate by that guidance. Inappropriate roles include setting the Council's risk appetite, imposing a risk management process and taking on full accountability for risk management. The position paper lists the following as legitimate roles (with safeguards):~~

- ~~• Co-ordination of risk management activities;~~

³ Fulfilling the duties of Section 151 of the 1972 Local Government Act

⁴ As outlined in the Cipfa publication "The Role of the CFO in public sector organisations".

- Consolidating risk reporting;
- Developing a risk approach for approval and its subsequent maintenance;
- Facilitating identification and evaluation of risks; and
- Coaching management in responding to risks.

Internal audit staff will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. They shall also not assess specific operations for which they had responsibility in the previous 12 months. Internal audit reviews of insurance and risk management services shall not be undertaken by the IAS. Internal audit reviews in these areas will be commissioned by the Head of Resources.

5. Authority & Confidentiality

Internal auditors (including contractors and external service providers engaged to perform work on behalf of the IAM) shall have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the IAM considers necessary to enable the IAS to meet its responsibilities. All employees and members are required to assist the internal audit activity in fulfilling its roles and responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. Individual internal auditors are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

6. Internal Audit Management

The Council shall appoint an IAM who shall determine the priorities of, manage and deliver the internal audit service in accordance with this Charter.

The IAM shall:

- ensure they have a comprehensive understanding of the Council's systems, structures and operations so allowing the preparation of a risk based audit plan each ~~quarter~~ half year that is closely aligned to the need to provide assurance against the Council's strategic priorities, key business objectives and risks, as contained or identified within its Corporate Plan, Service Plans, risk register and framework of assurance.
- review and adjust the audit plan as necessary, in response to changes in the Council's risks, operations, programs, systems and controls.
- report annually the impact and consequence of any resource limitations to the CGC, who will then recommend to Cabinet whether or not to accept the consequence identified or seek an increase in internal audit resource.
- maintain a quality assurance and improvement programme to ensure that all audit work is completed to high standards and in accordance with the standards, practices and procedures as set out in the internal audit manual.
- undertake an annual review of the development and training needs of internal audit staff and arrange for appropriate training to be provided.
- put in place arrangements that ensure internal audit is notified of all suspected or detected instances of non-welfare fraud, corruption or impropriety and in conjunction with the Corporate Fraud Team Leader:
 - promote a counter-fraud culture within the Authority

- determine the most appropriate method of investigating allegations.
- establish effective relationships with managers at all levels.

7. Role and responsibilities

Internal audit reviews shall examine and evaluate the adequacy and effectiveness of the Council's governance, risk management, and internal control processes. This shall be achieved via:

Assurance activities: *results of which will influence the opinion on the adequacy and effectiveness of the control environment.*

Risk based system audit reviews. The documentation, evaluation and testing of financial, operational and management information systems.

Information technology reviews. Specialist evaluation of hardware, software and the IT environment.

Fundamental financial systems. Reviews focusing on agreed key controls.

Performance improvement. The economy, efficiency and effectiveness of business systems and processes.

Advisory activities: *results of which will contribute to the opinion on the adequacy and effectiveness of the control environment.*

Systems & processes. Control advice on new and developing systems.

Consulting services. Reviews at the request of management, that add value and improve governance, risk management and control processes and support management in their work.

Shared services

Where the Council provides 'shared services' to, or receives 'shared services' from other organisations, the IAM shall liaise with the other organisations IAS and agree the scope of the assurance that is to be provided or received and take account of that requirement when preparing the annual audit plan.

8. Reporting and Monitoring

Internal Audit Reports

At the conclusion of a review, a written report will be issued to the appropriate manager, that will

- include an overall assurance opinion, but not provide absolute assurance, on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail management's response and timescale for corrective action;

- identify issues of good practice

When corrective action has not been agreed, reporting will be escalated to a level consistent with the IAM's assessment of the risk.

The IAM shall regularly review and report to senior management, the progress made by managers in introducing the agreed corrective actions. Senior Management are responsible for ensuring that agreed corrective actions are introduced.

Reporting to the Corporate Governance Committee

The CGC will be provided with periodic updates on the work of the IAS. The updates shall cover significant findings and actions and provide information on the status of the agreed audit work plan. Amendments and revisions to the audit plan shall also be reported and agreed by the CGC.

Full copies of closed internal audit reports will be issued to CGC members on a quarterly basis.

The IAM shall present an annual report to the CGC that meets the requirements of the PSIAS. The annual report shall be timed to support the Council's annual statement of assurance on corporate governance and include an opinion on the overall adequacy and effectiveness of the control environment.

9. Quality and assurance programme

The IAM shall maintain a quality assurance and improvement programme that meets the requirements of the PSIAS. The results shall be reported to senior management and the CGC.

The IAM will arrange for an independent review of the efficiency and effectiveness of the internal audit service to be undertaken at least once every five years. The results of the review will be reported to senior management and the CGC.

Improvement plans arising from periodic reviews of internal audit shall be prepared as appropriate and reported to senior management and the CGC in the Internal Audit annual report.

10. Relationships with external audit and other assurance activities

Internal Audit will establish and maintain an open relationship with the external auditor and other assurance providers. Internal audit will plan its activity so that there is adequacy of audit coverage and to minimise duplication of assurance effort. However, the work of Internal Audit will not be driven by external audit's own priorities.

External audit will have full and free access to all internal audit strategies, plans, working papers and reports.

11. Review of the Charter

The IAM will review each year the Internal Audit Charter and report the outcome of that review to the CGC. Approval of the Charter shall be the responsibility of the CGC. This version was approved on the 2 October 2019.

End