HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Internal Audit Plan 2021/22
Meeting/Date:	Corporate Governance Committee – 24 March 2021
Executive Portfolio:	Cllr J Gray (Resources)
Report by:	Acting 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).

The Internal Audit team is reconfiguring its resourcing at present and therefore resource time is undefined for the coming year. Rather than present an overly-optimistic Plan that is not eventually delivered, a Plan based on a priority list of assurance activities has been prepared showing areas where audit activity is planned (green) and areas that are aspirational and resource/time dependent at this stage (amber).

It is anticipated that as new risks emerge the Plan list can be adjusted to allow for higher-priority reviews to be inserted. The Council's risk register is undergoing an update and will feed in new risks for consideration. Furthermore, following an unprecedented year, Services are reviewing the ways in which they operate and the Plan needs to be flexible enough to deal with new requests as systems and processes are adjusted.

In addition, the Internal Audit Charter (Charter) was last approved by the Committee in October 2019. The Charter has been reviewed and requires only minor updates and additions relating to the nature of audit reviews that may be carried out.

Recommendations

That the Corporate Governance Committee:
- reviews and approves the Internal Audit Plan
- agrees that changes can be made to the Internal Audit Plan following consultations between the Internal Audit Manager and S.151 officer and the Chairman of Corporate Governance Committee.
- Reviews and approves the Internal Audit Charter 2021.

1. PURPOSE OF THE REPORT

1.1 To recommend to the Committee that the Internal Audit (IA) Plan for 2021/22 be approved.

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 has adopted the PSIAS through the Committee's 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 The IA service is currently reorganising following the retirement of the former IAM in March 2020 and the creation of the Council's Risk & Control Group and Board in Summer 2020. The planned internal audit staff resources for 2021/22 are intended to be:

 0.67 fte: Internal Audit Manager (currently fulfilled by acting up)
 0.44 fte Internal Auditor
 1.00 fte: Internal Auditor (– vacant post)
 0.27 fte: Computer audit (externally contracted)

3.2 Risk management was moved from Internal Audit to a new Exchequer Service within Finance in the last restructure 2019 to enhance the independence of Internal Audit from day-to-day business activity. With the creation of the Risk & Control Group to take on the role of Risk Management, it is planned that Audit will also support the risk management function by facilitating and assisting managers to self-administer the 4Risk risk management system and embed risk management into the Council's business operations. This will use the risk skills currently held in the Audit team and will use some resource time of both the manager and auditor(s) to facilitate this. After risk management has been fully embedded, then an Internal Audit review can be

undertaken either by Audit (internal) or as a fully independent review commissioned by our external IT internal audit contractor, who can also perform general non-IT reviews on our behalf. Once the risk register update has been completed, it will be used to influence and feed the Audit Plan to ensure that the reviews are both risk-based and support corporate objectives.

3.3   Moving to a more flexible and fully risk-based Audit process, planning resource days at the outset of the Audit Plan to any level of detail gives no real benefit nor assurance that the Plan is sound. There is no intention to present the Audit Plan in this manner going forward.

Internal Audit Plan

3.4   Annual internal audit plans have been prepared for many years based on an audit universe that contained details of all systems and significant processes, maintained and updated with risks recorded on the risk register. A significant amount of time is spent preparing the annual plan and scheduling audits across the year, only for the plan not to be fully delivered due to the need to advance, deter, add or remove audits throughout the year.

3.5   The Audit Plan for 2021/22 is attached at Appendix 1. It comprises three sections:

- assurance activities in support of the annual Audit opinion on internal control.
- other assurance activities for later consideration and inclusion in the Plan
- audit activities that need to be undertaken but which do not support the audit opinion.

3.6   The plan has been prepared after considering the aims and outcomes of the Corporate Plan, the progress made in delivering the 2019/20 annual governance statement, the requirement to review key financial and significant internal control systems and procedures. Once the Council's risk register has been reviewed and updated the Audit Plan will need to be revisited to ensure it is in line with the significant risks identified. Corporate Governance Committee members and the Senior Leadership Team have also been asked for ideas or suggestions of areas that could be considered for inclusion in the plan.

Other sources of assurance

3.7   The PSIAS requires that the audit plan planning process takes into account other sources of assurance that will be available during the year. Managers have been requested to provide details of any planned independent reviews from which assurance could be obtained to avoid/minimise duplication of effort. It is intended that these external or third-party assurances will be captured and used to support the audit opinion.

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.

4.2   The internal audit team is small and any reduction in resources (ie staff leaving, sickness) would quickly have an impact on the deliverability of the audit plan.

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 2021/22 service budget will be adjusted to support the internal audit establishment detailed at 3.1.

6.2   It is essential that the internal audit plan is duly flexible Therefore, it is considered that there should be appropriate delegation to the Assistant Director of Corporate Resources and the Chief Finance Officer (as S.151 officer) to permit such changes, in consultation with the Chairman of Corporate Governance Committee.

7. REASONS FOR THE RECOMMENDED DECISIONS

7.1   The Committee's terms of reference require it to approve the Internal Audit Plan.

8. LIST OF APPENDICES INCLUDED

Appendix 1 – 2021/22 Internal Audit Plan.
Appendix 2 – Draft Internal Audit Charter (v.2021) with tracked changes highlighted.

BACKGROUND PAPERS

The Public Sector Internal Audit Standards

CONTACT OFFICER

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Internal Audit & Assurance Plan
2021 - 2022

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 take time to embed into the culture.

Corporate Governance Committee (CGC) members have also been contacted and asked for their thoughts on areas for inclusion in the plan. They will also be contacted during the year so their concerns continue to be heard.

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 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.
The IA report template is designed so that issues identified are reported with greater clarity and impact. Remedial actions are agreed in collaboration with the client Service to provide a practical and workable solution that can be implemented by the Service.

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 as being 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 agreed, 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 to confirm if the service is PSAIS-compliant. An external review was conducted in May 2014. A self-assessment was carried out internally by the IA team in 2018 and an action plan prepared, but another external review was not commissioned due to the need to concentrate efforts on delivery of the audit plan.

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.

Internal Audit Plan 2021/22

The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation. *To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. [Public Sector Internal Audit Standards' (PSIAS) Definition of Internal Auditing]

The following core principles articulate internal audit effectiveness; for an IA function to be considered effective, all Principles should be present and operating effectively:
- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

Internal Audit Planning
The Public Sector Internal Auditing Standards (PSIAS) state:

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
Interpretation: To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

> *Public sector requirement: The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.*

2010.A1 The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2 The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

2010.C1 The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2020 Communication and Approval The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 Resource Management The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Interpretation: Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

Public sector requirement: The risk-based plan must explain how internal audit's resource requirements have been assessed.

Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.

Audit Plan 2021/22 – Assurance Activities that will support the Annual Audit Opinion:

Area	Service	Type of review	Scope/rationale	HDC Corporate Objective
Key Financial Systems: • Council Tax • NNDR • Main Accounting System • Creditors • Debtors • Housing Benefits Creditors • Housing Benefit Debtors	Corporate Key Financial Services	Quarterly continuous audit reviews	As per agreed Key Controls for each financial system	Becoming a more Efficient and Effective Council
Covid Account	Covid /Finance	System overview	To obtain assurance on the process for ensuring we capture and substantiate all covid-related costs and appropriately allocate them to the Covid emergency grant funding account. To ensure that all costs are supported by evidence (to avoid risk of it being refused/recovered; and to ensure that all cost are accurate, and nothing omitted).	Becoming a more Efficient and Effective Council
S.106 Agreements	Development Control / Planning	Follow-up review initially (potentially then a system review)	Review of new system implementation, then if all operational progress to full system review. If not operational then need to test a sample of agreements to obtain assurance on progress	Place – Support development of infrastructure to enable growth

			and action. Review amount of £ on account (risk: it could have to be returned to developer if no action). Possible "significant issue" if large monetary amount.	
Car Parking permits new system: MiPermit	Operations	Light touch review	An oversight review of the new process introduced in 2020 to provide assurance that it is appropriate, efficient and complied with.	Becoming a more Efficient and Effective Council
Enforcement Policy (from 19.20 Plan)	Corporate /Community	System review	Compliance with corporate Enforcement Policy across enforcement teams within HDC.	Becoming a more Efficient and Effective Council
Network Access (red Audit Action)	ICT	Follow up review	To ensure that user accounts are managed effectively, and network access is restricted and appropriate.	Becoming a more Efficient and Effective Council
Delivery of Capital Scheme (red Audit Action)	Corporate	Follow up review		Becoming a more Efficient and Effective Council
A contract review - Breheny & small works contract	Operations		– small works contract (expiry and use since); total spend with company; analysis of spend; usage outside of small works v competition (note waiver of CoP). To sure we are getting value for money from these works; allowing appropriate competition; not stretching the contract outside its remit.	Becoming a more Efficient and Effective Council

Sickness dashboard	HR/Corporate	follow-up review	Agreed in the audit report 2020 that a follow up would be undertaken to ensure compliance that all sickness is being recorded. (reconciliation of timesheets to dashboard to check that input is happening in real time; look at extra guidance given to managers; delegation usage; does it work properly, loopholes, etc).	Becoming a more Efficient and Effective Council
CCTV	Operations	Light touch review	To follow up on written procedures and processes for the lawful capture of recordings for transference to Police etc.	
NNDR Northgate system	Customer Services/ NNDR	Light-touch review	Following on from Grants, the database risks holding inaccurate data as businesses fail to notify of any property vacations. To review what can be carried out to ensure the accuracy/currency of the Northgate system.	Becoming a more Efficient and Effective Council
IT equipment inventory	ICT	System review	To ensure adequate inventory and controls over physical security and location/custodianship of hardware. To include	Becoming a more Efficient and Effective Council

			movements in/out of ICT handling.	
Brexit requirements (EU citizens applying for jobs – extra requirements after Brexit)	Corporate Resources /HR	Light review of process & Compliance review	To obtain assurance that we have an adequate process in place and compliance.	People – Develop a flexible and skilled local workforce
Towns Programme	Planning / Economic Development	Oversight and assurance review	To obtain assurance that there are robust governance arrangements surrounding this high value programme.	Place – Support development of infrastructure to enable growth
Overtime	Corporate – All Services	Compliance with policy/procedure and overview of usage	Review of spend on overtime and assurance on compliance. Analyse the spend on overtime; trends by Service/job; capacity issues. Compliance with the policy (usage and approval).	
Land Charges fee income review	Corporate Resources/Land Charges	Follow-up review	To ensure there is an adequate system in place; appropriate calculation; signed off.	Becoming a more Efficient and Effective Council
DFG certification	Planning	- oversight & compliance	Certification required to be given to County Council; to ensure that funds are spend in accordance with the rules of the grant.	Becoming a more Efficient and Effective Council People – Support people to improve their health and well-being.

Procurement Cards	Corporate Resources	risk-based system review – & compliance review	Review of procedure and usage during 2020/21.	Becoming a more Efficient and Effective Council
Risk Management (AGS issue)	Corporate Resources	oversight & progress reporting for AGS 20/21

Late 21/22 or 22/23: risk-based system review | 2021/22 follow-up progress review for AGS significant issue.

Late 21/22 or 22/23: Once the RM process has been redesigned and the Risk Register relaunched then an Audit can be programmed (potentially by our audit contactor for independence). | Becoming a more Efficient and Effective Council |
| Lone Working (red Audit Action) (AGS issue) | Corporate | follow up review – progress reporting for AGS 20/21 | To review operational compliance with the new system introduced to ensure adhered to and overview on how well it is working. | Legal obligation - H&S at Work Act |
| GDPR | Corporate & ICT/IG | follow up review – progress reporting for AGS 20/21 | AGS issue: To review progress and report. | Becoming a more Efficient and Effective Council |
| HR & Payroll System (go live due May 2021) | Corporate Resources / HR, Payroll | System testing and/or Consultancy

Systems review | New HR/Payroll system: IA involvement in testing stage; consultancy if requested. Systems review later in 21/22: scope determined by cyclical programme. | Becoming a more Efficient and Effective Council |

			Seeking assurances from Sponsor or lead that internal controls are same or enhanced compared to old system. Cyclical review of Payroll to commence later in 20/22 or 22/23.	
IT Audit reviews	ICT	Systems reviews & follow up reviews	The IT audit plan has not yet been prepared.	
RESERVE AUDITS OR EXTRAS DEPENDENT ON RESOURCES AVAILBLE:				
BCP covid response: review and update of BCP	Corporate		lessons learnt and action plan, how project team operated; BCP review, update; reissue… (IA suggested)	Becoming a more Efficient and Effective Council
IG / IT policies	ICT	System review	Review of compliance enforcement procedure introduced, plus MetaCompliance operation (if introduced).	Becoming a more Efficient and Effective Council
Grants assurance work	Corporate – COVID		risk assessments; full process documentation and evidence; reconciliations of T1 and Master record maintained; consider risks within Finance Team (IA); recovery in respect of incorrect/fraudulent claims; govt returns and reconciliations submitted to BEIS.	Place – Support development of infrastructure to enable growth Becoming a more Efficient and Effective Council

"Project reviews"	Corporate		Based on 'HDC workload priorities list'; Sample projects and review governance, progress etc.	All objectives
Leisure Centres membership discounts	Leisure	System review	– viability; process for equity and approval; compliance	Becoming a more Efficient and Effective Council
Manager Training	Corporate Resources /HR	Systems review	Review of systems in place to ensure manager posts are supported. Consider within scope: succession planning, key person dependency risk, approval, bitesize training, capability.	People – Develop a flexible and skilled local workforce
Starters & Leavers	HR &/or ICT	System review	– incl induction, probation, succession planning - process for notification to ICT for network access and removal - Trust ID usage	Becoming a more Efficient and Effective Council
Remote working / Working From Home	Corporate	System review	Risks associated with homeworking, H&S, productivity/capacity, IT security, data security.	Becoming a more Efficient and Effective Council People – Develop a flexible and skilled local workforce
CCTV Project	Operations		CCTV needs a project closure on the capital spend which is concluded but we have been	

			given top marks on our desk top accreditation of the service for that work already. Other assurance?	
Stress Management	Corporate Resources /HR		– not just mental health offerings but actual management and after-care on return, changes.	People – Develop a flexible and skilled local workforce
Spot check on selected KPI results	Any of Services			
Environmental compliance checks eg energy usage statistics	Operations			
Covid compliance assurance – any relaxation of controls, impact assessment…	Any of Services			

Other areas for consideration/inclusion in Plan:
- Council Tax Support – increase in demand since lockdown began
- Licensing – change in rules re pavement licences and others
- Building Control (not reviewed since under shared services)
- Anti-tax evasion Policy and compliance
- Yotta (back office system in Waste & Streets)
- Sustainable Communities Pledge
- GIS Enterprise Mapping portal (live Jan 2021)
- Business CRM (Ec Dev purchase to capture business interaction & engagement – not yet rolled out)
- IR35 - From 6 April 2021 the way the rules are applied will change; All public sector authorities … will be responsible for deciding if the rules apply.
- IFRS 16 New CIPFA financial code (IFRS 9 & 15 too)
- Apprenticeship Levy utilisation – longer term audit

- Kickstart programme
- Climate Change Strategy / Environment Strategy

Internal Audit activities that will not be used to support the annual audit opinion

Area	Area
Audit Governance	Annual Audit Plan and risk assessment process review IA compliance with PSIAS – self assessment Quality assessment of audit work undertaken and file review (PSIAS) IA Charter Compliance with IIA Ethics policy Independent PSIAS review every 5 years
Assurance mapping	Assurance mapping of other sources of assurance (internal and external)
Whistleblowing & Fraud	Whistleblowing Policy and Guidance (review) Whistleblowing Log Advising on whistleblowing complaints received
Corporate Governance Committee	Reporting throughout the year on: IA Plan (for approval) – March CGC IA Service Interim Performance report (six monthly) IA Service Performance report (possibly including Annual Opinion) Implementation of Audit Actions – each CGC Annual Whistleblowing report Significant issues for inclusion in AGS – June CGC Progress reporting on AGS issues – 6 months after AGS. Annual Audit Opinion on internal control – June CGC
AGS	'Significant governance issues' log throughout year (via IA and R&C Group). Issues list included in the Council's AGS. Progress monitoring and reporting of all significant issues in AGS.

Governance	Internal Code of Governance - annual review; stated v actual? Attendance at Risk & Controls Group and Board Meetings Attendance at Information Governance Meetings
IT audit contract	IT audit contract expired 2020 (flexi year used 20/21) . Retender the contract in 2021.
Follow-up process & Management and monitoring of audit actions implementation	Review of our internal follow-up process and automation of reports from 4Action. Management of audit actions; reopening of actions found to be not fully implemented/compliant. 4Action outstanding actions reports to R&C Board and CGC.
Advice and assistance	By ad hoc requests from Services.
Consultancy work	By request from Services; acceptance will be dependent on resource and skills available.
National Fraud Initiative (NFI) work	Supporting the NFI initiative by assisting with investigation of matches found.

Deborah Moss
Acting Internal Audit Manager
March 2021

Reviewed by Assistant Director of Corporate Services and Chief Financial Officer (S.151 Officer).

Internal Audit Charter

2021

INTERNAL AUDIT CHARTER *Effective March 2021*

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 confidentially 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.

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[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 (People) and the Corporate Director (Place) fulfil the role of senior management as defined by the PSIAS. The Chief Financial Officer is not a member of the Senior or Corporate Leadership Teams but is an attendee at the SLT meetings. – *This is under review.*

The Chief Financial Officer shall support the CGC by ensuring that there are effective arrangements[3] for the internal audit of the control environment.

The IAM shall:
- report administratively to the Assistant Director of Corporate Services; 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.

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.

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

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[3] As outlined in the Cipfa publication "The Role of the CFO in public sector organisations".

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 confidentially 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 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:
  - o promote a counter-fraud culture within the Authority
  - o 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.

Thematic corporate reviews (potentially across all Services)

Risk Register specific risk

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

Fundamental financial systems. Reviews focusing on agreed key controls.

Follow up reviews focussing on revisiting an area or system previously found to have control weaknesses.

Light-touch agile reviews on areas where a full systems review may not be necessary. These do not preclude the review developing into a full system review.

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.

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

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 agreed corrective action and timescales for implementation;
- 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 the Internal Audit Charter each year 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 24 March 2021.