HUNTINGDONSHIRE DISTRICT COUNCIL

Subject Matter: Internal Audit Plan 2023/24

Meeting/Date: Corporate Governance Committee – 12th July 2023

Executive Portfolio: Executive Councillor for Corporate Services Councillor Martin Hassell

Report by: D Moss, Internal Audit Manager

Ward(s) affected: All Wards

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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 plan, based on a list of assurance activities, has been prepared showing areas where audit activity is planned. It shows audit activities which will support an audit opinion covering:

- key financial core systems;

- areas that form the basis of good governance;

- operational audits which are risk-based and are subject to movement based on new risks/priority.

It is anticipated that as new risks emerge the plan can be adjusted to allow for higher-priority reviews to be included. The Council's risk register is undergoing a significant update and it is anticipated that new risks will feed in for consideration. It is suggested that as resources are undetermined at this stage and given that service risks are still being identified, a new updated plan is brought to Committee later for the second half of the year.

The Internal Audit Charter has already been reviewed and approved by CCG in March 2023 (and is still subject to decisions on some duties as to whether Internal Audit should no longer be undertaking them). It is attached to the plan for information purposes.

Recommendation:

That the Corporate Governance Committee:

- Review and approve the Internal Audit Plan.

- Authorise the Chair of the Committee to make changes to the Internal Audit Plan, in consultation with the Internal Audit Manager and Section 151 Officer.

1. PURPOSE OF THE REPORT

1.1 To recommend to the Committee that the Internal Audit (IA) Plan for 2023/24 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'

2.2 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit 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.

2.3 The development of a risk-based plan takes into account the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. 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.

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

Internal Audit Plan

2.5 The audit plan should not be a static document, produced only once a year. It needs to be able to reflect the changing risk and control environment. There has always been a need to advance, defer, add or remove audit reviews throughout the year. It is proposed that a more flexible planning approach is used.

2.6 A flexible risk-based audit plan allows for audit reviews to be moved up or down based on a revised assessment of risk and importance to the Council.

2.7 Changes to the internal audit plan will be agreed by the IAM after consultation with the Head of Finance and the Chair of the Corporate Governance Committee. They will also be reported to Committee.

2.8   The Audit Plan for 2023/24 is attached at Appendix 1. It comprises the following audit activity:

- Assurance activities in support of the annual audit opinion (reviews in areas of governance, financial key controls and service areas).

- Other assurance or consultancy activities - for consideration and inclusion in the year.

- Audit activities that need to be undertaken but do not support the audit opinion.

2.9   In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that its major business risks are being managed appropriately, along with providing assurance over the system of internal control, governance and risk management processes.

2.10   Risk-based internal audit planning starts with the Council's Corporate Plan, linking through to the priority areas and related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of those objectives. The approach also focuses on the upcoming projects and developments for the Authority.

2.11   The approach ensures better and earlier identification of risks and increased ability to control them. The key distinction with establishing plans derived from a risk-based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.

2.12   The plan has been prepared after considering the aims and priorities of the Corporate Plan, the progress made in delivering the last few years' annual governance statements, the requirement to review key financial and significant internal control systems and procedures. The plan is designed to show audit activities that relate to: key financials, governance, finance, contracts, and operational areas, and shows alignment to the Council's new priorities and its high scoring risks. The Council's risk register is still under review and update at service level and once this has been done the Audit Plan will need to be reassessed to ensure it aligns with the significant risks that have been identified.

Internal Audit staffing/resourcing

2.13   The audit service provision is a small in-house team supported by a contracted IT audit provision. Since the beginning of 2023, there have been more staff movements within the Internal Audit team: the trainee auditor went on maternity leave, and the long-standing and experienced auditor moved internally within HDC. An interim qualified auditor was appointed on a part-time basis to cover part of the maternity leave, and recruitment is in progress to appoint a replacement auditor.

2.14   In a tightly-resourced team, any vacancy or change will have a significant impact on delivery.

2.15   The planned internal audit staff resources for 2023/24 are:

0.80 FTE Internal Audit Manager
0.80 FTE Internal Auditor (Fixed term 6 months until end July 23)
1.00 FTE Trainee Internal Auditor (on maternity leave until January 2024).

Proposed changes:

Interim auditor - (0.5 FTE starting September 2023).
Trainee Auditor post – currently under recruitment.
Computer audit (externally contracted)

Internal Audit Charter

2.16   It is usual practice for the Internal Audit Charter to be presented for review and approval alongside the new Internal Audit Plan. However, the revised Charter was approved by Committee at its March meeting. There remains the issue of whether certain responsibilities are to be removed from Internal Audit, which will allow independence in auditing those areas and also free up some time that can be redirected back to assurance activities.

Other sources of assurance

2.17   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 independent reviews from which assurance could be obtained to avoid/minimise duplication of effort. These external or third-party assurances are captured and used to support the audit opinion. It is intended that internal sources of assurance will also be used, for example, where the service has undertaken a self-assessment. Whilst this does not allow for the same level of independence as an external source it is still considered valuable source of assurance that can be used to assist the audit process.

3.   RISKS

3.1   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 internal control) may affect the ability of the Internal Audit Manager to provide the Committee with a robust annual internal audit opinion.

3.2   The internal audit team is small and any reduction or diversion of resources (such as staff leaving, sickness, non-audit activities) would quickly have an impact on the deliverability of the audit plan.

3.3   Low level of resource and recruitment ability issues remain critical risks to the Internal Audit Service.

3.4   Provision of IT audit is considered a specialism and HDC uses a contracted service. At time of writing, the contract awarded remained unsigned by the provider due to

management changes/issues; this offer has now been rescinded and a new offer is being made to the second-placed tenderer who has confirmed they have capacity.

4. LINK TO THE CORPORATE PLAN

4.1 The Internal Audit Service through the audit plan contributes to the corporate priorities 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.

5. CONSULTATION

Senior management, members of Corporate Governance Committee, the Assurance Board and certain key officers in Services have been consulted on the content of the Plan, with requests for proposal areas for review. The Chief Finance Officer has also been consulted. Opportunity for proposals has also been given to the Strategic Board.

6. LEGAL

The Accounts and Audit Regulations 2015 require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account PSIAS.

7. RESOURCE IMPLICATIONS

7.1 The 2023/24 service budget does not fully support the posts proposed but these have been approved by senior management as the service cannot function with one auditor. Expenditure for maternity leave cover will be an overspend where it is exceeds the permanent salary provision in the budget.

7.2 It is essential that the Internal Audit Plan is duly flexible. Therefore, it is considered that there should be appropriate delegation to the Director of Finance & Corporate Resources /S.151 officer to permit such changes, in consultation with the Chairman of Corporate Governance Committee.

8. REASONS FOR THE RECOMMENDED DECISIONS

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

9.   LIST OF APPENDICES INCLUDED

Appendix 1 Internal Audit Plan 2023/24.

BACKGROUND PAPERS
The Public Sector Internal Audit Standards
Internal Audit Strategic Plan
HDC Risk Register
Record of other assurances

CONTACT OFFICER

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Internal Audit Plan
2023 - 2024

The Internal Audit plan for the period April 2023 to September 2023 has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS require Internal Audit to provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should inform the annual statement of assurance on corporate governance (AGS). The plan has been developed to take account of this requirement and reviews of corporate governance, risk management and operational controls are to be undertaken as well as the more traditional financial areas.

All the risks present in the risk register as 1 June 2023 have been included within the 'audit universe' for assessment, although not all those risks, when considering the service issues identified or alternative assurance available, require review. Audits that have clear links to high risks within the risk register are identified in the audit plan. They will consider the effectiveness of the controls that are in place to manage the risks identified.

The identification of any new risks or significant changes to residual risks may require changes to the proposed plan to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of the Councils objectives. The Director of Finance and Chair of the Corporate Governance Committee will be informed of all changes. Changes to the plan will be (retrospectively) reported to the Audit Committee.

The internal audit annual assurance opinion will be based primarily upon the findings of the reviews carried out. Independent external assurance from other sources will also be considered and used to support the internal audit processes.

In addition to undertaking the audits detailed in the plan, time is also available for internal audit to provide advice and assistance to managers as well as a range of other tasks, such as investigations. The outcomes from this work will also inform the annual assurance opinion.

Deborah Moss
Internal Audit Manager (IAM)
July 2023

Risk-based Planning

Risk-based internal audit planning starts with the Council's Corporate Plan, linking through to the priority areas and related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of those objectives. The approach also focuses on the upcoming projects and developments for the Authority.

The approach ensures better and earlier identification of risks and increased ability to control them. The key distinction with establishing plans derived from a risk-based internal audit approach is that the focus should be to understand and

analyse management's assessment of risk and to base audit plans and efforts around that process.

The plan has been prepared after considering the aims and priorities of the Corporate Plan, the progress made in delivering the last few years' annual governance statements, the requirement to review key financial and significant internal control systems and procedures. The Plan is designed to show audit activities that relate to: key financials, governance, finance, contracts, and operational areas, and shows alignment to the Council's new priorities and its high scoring risks. The Council's risk register is still under review and update at Service level and once this has been done the Audit Plan will need to be reassessed to ensure it aligns with the significant risks that have been identified.

Training and Development

The effectiveness of internal audit is dependent upon the quality and experience of its staff. The internal audit establishment is currently under review and recruitment, but the intention is to be under 2.6fte posts (from September 2023). All staff (existing and new) will be hold or be studying towards professional internal audit qualifications. It is intended that a skills and training assessment will be introduced during the year to identify and support training needs for individuals and to support the Service provision.

The IAM is supportive of and understands the need for internal auditors to continually build upon and enhance their current skills and knowledge. Time and resources are available within both the internal audit plan and budget requested to allow for training to be undertaken.

Quality and Performance

The IAM is required to deliver the internal audit service in accordance with the Public Sector Internal Audit Standards (PSIAS). This includes a requirement to develop and maintain a quality assurance and improvement programme (QAIP) which needs to be sufficiently comprehensive to encompass all aspects of internal audits operation and management. It is intended to review and formalise our QAIP during the year to document what is in place. The internal audit service also reviews its own performance through an end of audit quality survey. This includes performance measures on clarity and accuracy of the internal audit report, performance of the auditor, scope of the audit, and overall value of the audit.

Audit Plan 2023/24 – Assurance Activities that support the Annual Audit Opinion (Internal Control, Governance & Risk Management):

Internal Audit Annual Plan 2023.24

Audit Area	Council Priority	Associated Risk & Score (Inherent / Residual)	Rationale for Plan	Est'd days
People Capacity	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations	Risk 024: High: People: lack of people capacity or limited supply of key capabilities…. The departure of key staff exacerbated by impacts of Covid and increased and unanticipated turnover.	High Risk and continued emerging risks associated with human capital and capacity specifically. Retirement risk emergent risk from pandemic. HDC risk also of number of key roles with retirement age staff and succession planning risks. To support the newly drafted Workforce Planning Strategy and make suggestions to support its improvement.	15
Business Continuity Plan	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations	Risk 317 Very high (Score 16/12) Power outages. Risk 295 High (score 9/6) Corporate Business Continuity plans are inadequate resulting, over both the short and medium term, in the Council's inability to provide an appropriate service.	The BCP has not been looked at by Internal Audit for a significant time, and given the impact and lessons learned from Covid, assurance is needed that it is has been refreshed (incl lessons learnt review) and is still fit for purpose, and covers all likely emerging risks identified (incl cyber and power outage), and is supported by a suitable communications plan. It will review internal BCP arrangements and will not cover disaster recovery plans. The audit will also consider and provide assurance on obligations under new legislation: 'Protect Duty' (Martyn's Law*) which the Council is obligated to comply with in respect of its public buildings. *It is likely this will take the form of an advisory position statement on assurance.* To support CGC: they have expressed that they "Receive assurance that business continuity plans are in place and up to date."	12

Corporate Governance - AGS improvement plans	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations		A review based around the outcome of the 22.23 assurance statements and supporting the improvement plans for governance.	10
Corporate Governance - Scheme of delegations	P3	Audit-assessed risk.	Assurance is required to be provided on corporate governance to support the annual opinion. This audit will provide assurance that the council is acting in accordance with its Constitution, in terms of its Scheme of Delegation.	8
Disabled Facilities Grants annual declaration	Priority 1: Improving quality of life for local people: Improving the happiness and wellbeing of residents	Risk 309 High (Score 9/9) Morbidity/growing number of years ill health - impacting on peoples' ability to be self-reliant and generating additional cost through support needs (impacting DFGs). Risk 254 Very High (Score 20/20): The DFG budget is not sufficient to meet statutory requirements to award qualifying DFGs.	Statutory requirement: An annual review of DFGs will be undertaken to ensure that funding is administered correctly under the DFG conditions. Risk of funding being potentially withdrawn/taken out of our control if conditions not met.	3
GDPR	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations	Risk 217 Very High (score 25/6!) Personal data is not processed in accordance with the rights of data subjects and the Council's Notification of processing purposes to the Info Commissioner and the DPA resulting in complaints or litigation against the Council.	Review of progress against service improvement plan to seek assurance that GDPR is compliant and well managed to mitigate the risk of data breach, financial penalty and reputational damage. Register shows last assurance entered 2017 (this is pre GDPR).	12-15
Code of Procurement - awareness	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations	Risk 294 Very High (score 16/6) Procurement breach/non-adherence and failure to follow agreed procurement policies and procedures.	Very High inherent risk Given the high turnover of staff since covid times, this review will look at officer training and awareness of the rules around procurement.	12

Corporate H&S - safeguarding	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations	Risk 31 & 312 Very High (score 16/9): Arrangements and procedures are insufficiently robust or managed and result in harm to a vulnerable person including children.	New safeguarding arrangements have recently been introduced together with a new safeguarding lead (MD). The audit will review that the arrangements are sufficiently robust, communicated and understood by all relevant personnel. New Safeguarding Policy/Strategy introduced. New Safeguarding Lead since change of MD.	12
Risk Management	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations	Risk C3 / 305 High (score 12/9) Unforecast risk strikes the organisation or area. Risk 299 High (score 12/9) Inadequate Risk Management exists within the org at a project, service or corporate level leading to effort being spent dealing with the wrong things and issues developing that could have been avoided.	Following a limited opinion in 2022.23, this will review progress towards implementation of the agreed actions and development of the risk management framework to provide assurance to mgt and committee.	6
Partnership Working *It is likely that either Partnerships or Housing to be deferred to 24.25 Plan*	Priority 2: Creating a better Huntingdonshire for future generations	Risk C 6 & 308 Very High (score 16/16) Partner agency operational pressures - Financial challenges of partners impacting on demand for our services or reducing existing support.	To review that we have good governance arrangements within our Partnerships. The CIPFA Framework for Corporate Governance places a high degree of emphasis on partnership working. In practice, the Council takes a collaborative approach to working, recognising that there are a variety of means to engage with third parties.	15

Financials				
Key controls - 7 areas plus consider extension to include of Payroll and Treasury key controls	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations		To support the annual Internal Audit opinion.	42

Code of Financial Management	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations		To review and verify the assessment of our financial management arrangements in accordance with the CIPFA Code. S.151 Officer has undertaken a Self assessment against the CIPFA Code. This audit will seek to verify that the arrangements listed are actually in place and thereby give assurance that we are compliant with the Code. Risk: poor financial mgt processes in place.	12
RESERVE: Debtors Accounts Receivable - Recovery Process/Legal	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations		Fundamental system audit focused on procedures in place to maximise recovery of income due specific scope of referral of cases to Legal and how these are pursued. To consider PIs on recovery of income and aged debt profiling.	10
Service Areas				
Estates - follow up		Risks not yet identified /assessed in register	To follow up on the actions undertaken from the last audit to ensure that they are operating effectively and on the management of Estates.	4
Minor Works Contract follow up	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations	Audit risk: Risks: breach of code of procurement, uncontrolled spend, and supplier challenge.	A follow up review of the audit 20.21 to confirm that the agreed actions have been implemented and are working effectively. Risks: breach of code of procurement, uncontrolled spend, and supplier challenge.	2
Estates/Commercial Investment Strategy	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations	Audit risk. Estates risks not yet identified in register	Management of voids is high priority especially for those commercial investment properties, the return on which is a critical income source. Risk: Council 's significant income source.	12
Budget Management	Priority 3: Delivering good quality, high value-for-money services with good control and compliance with statutory obligations	Financial Sustainability Risk 306 High (score 12/12) : Economic uncertainty Risk 287 High (score 16/9): significant reduction in or redirection of central govt funding/lack of certainty.	Financial sustainability is critical and so great reliance is placed upon those responsible for budgetary control and management. The review will seek to ensure that all officers involved in the system (decision takers, finance officers, budget holders, and those holding them to account/challenge) are all suitably trained and aware of process responsibilities.	12

Tree Management		Risk 126 Medium Inherent (score 6/6) Damage is caused to third party property due to inadequate maintenance of trees damaging our reputation and increasing expenditure.	Concern over risk of injury , cases in press, reputational damage also. MD asked for this to be reviewed. Oversight to assure ourselves that adequate inspection and action plans are in place and followed. Third party assurance: Tree Claim Defensibility Review (by Zurich insurers) - 'triggered' by us recognising the increase in number of claims related to subsidence caused by Tree Roots / Vegetation. Considered that report does not provide sufficient assurance. Scope to include real potential for claim based on liabilities for trees on HDC land and maintained on non-HDC land.	8
Climate - Biodiversity	Priority 2: Creating a better Huntingdonshire for future generations	No risks entered and assessed yet. HDC will have a Climate Adaptation Risk Register soon - action of the Climate Strategy.	Biodiversity proposed by AD Strategic Insights & Delivery. An audit of the biodiversity for all programme, this is external funding to deliver defined outcomes and an audit verification of the project, project organisation, funding process and use of money up to £1.3m is sought part way through delivery in advance of final year delivery.	12
Climate - carbon data	Priority 2: Creating a better Huntingdonshire for future generations	No risks entered and assessed yet.	Verification of our carbon data calculations to ensure they are correct and we are on trajectory for achieving net zero by 2040 objective. Given HDC has declared a climate emergency - verification of processes adopted to baseline and then measure carbon emissions across the council is important with any recommendations improving the on-going process.	3
HR - Recruitment follow up	P3	Risk 300 High (Score 12/6): People - lack of people capacity or limited supply of key capabilities caused by the challenging recruitment environment.	To follow up on the Recruitment Audit undertaken in 2019.20 to review the effectiveness of the actions undertaken and whether recruitment risk is managed.	5

Housing *It is likely that either Partnerships or Housing to be deferred to 24.25 Plan*	Priority 2: Creating a better Huntingdonshire for future generations	changes in govt policy affects building. Land supply. Risk 290 High (Score 12/8): failure to effectively plan for and deliver sustainable development resulting in unplanned growth. Risk 311 High (score 12/9): Housing Affordability - Leading to homelessness and constraining growth. Risk 296 High (Score 12/8): Out of date Local Plan, too many consents being granted 9at appeal)?? . Presumption for all planning apps for new homes will be in favour of approval, so called tilted balance.	Review around the management of the existing controls on Local Plan, land supply and projects in place to ensure best chance and opportunities for sustainable development.	12
Home Improvement Agency	Priority 1: Improving quality of life for local people	Internal Audit risk: over the delays in the process and whether residents are receiving grants in appropriate and timely manner. Risk 309 High (Score 9/9) Morbidity/growing number of years ill health - impacting on peoples' ability to be self-reliant and generating additional cost through support needs (impacting DFGs).	Concern over delays with Disabled Facilities Grants being delivered to residents in need. Joint piece of work with City to ensure that the HIA is operating to its obligations, and whether there are capacity issues causing delay - to ensure our residents are receiving grants and work is completed in a timely manner. The DFG declaration work will be undertaken in Q1 to establish whether this audit is still required.	2
RESERVE: Market Towns - Governance and Delivery *- this review may be moved to 24.25 Plan.*		Risk 291 High (Score 12/8) Failure to deliver the Market Town Programme due to inflationary pressures and/ or challenging spend deadlines resulting in no delivery of the programme or delivery of a smaller number of projects and/ or a loss of secured external funding.	This review will continue the work undertaken by audit in 21.22 to ensure that governance is still in place to ensure we meet grant conditions and deadlines.	12
RESERVE: Starters, Movers & Leavers Process *(This is subject to risk assessment)*	P3		Raised previously, this area needs to assurance that new processes are operating effectively and starters and leavers are being updated within access rights in IT systems (and equipment handling/returns). Additionally	10

			that managers and Payroll are handling the notifications in timely manner and ensuring Payroll is correct.	
Follow ups of selected actions	P3		Limited assurance and red actions as minimum subject to Internal Audit resource.	5

Potential Consultancy Areas

Workforce Strategy	Risk 024: High: People: lack of people capacity or limited supply of key capabilities….	Internal Audit to assist by providing advice and feedback on new Workforce Strategy following People Capacity review.	
Revised project management process	Risk 297 (score 16/12) Very High Poor delivery of projects and management of benefit realisation	The gateway project management process is being reviewed with a view to being easier and more efficient, with a need to develop a defined process for significant reviews (healthchecks) for in-flight projects.	
Charging for Green Bins	NEW AREA - NOT ON RR: reputation, efficiency, costs/income, financial sustainability, lost opportunity for £.	A new area of operation and risk to the Council which needs to be delivered efficiently and with minimum risk to efficiency, costs and effect on reputation. Significant priority to HDC for next financial year, and risk to financial sustainability.	
Civil Parking Enforcement	NEW AREA - NOT ON RR	This could be consultancy on set up arrangements prior to go-live, or a post implementation review following half/one year of operation to give assurance on operations, costing, and compliance with legislation.	

ICT Audits - Plan areas still to be determined

Immutable Back ups	P3	The immutable backups were put in last year. ICT had an independent audit to ensure that backups were separated enough from our network that should there be a cyber incident the immutable backups would not be impacted. What was not audited was processes for recovery, schedule for testing authenticity of backups and independent storage of username & passwords. ICT Management has suggested they need to ensure that we have all this in place to provide assurance that the data is protected and can be recovered when required.	8

Cyber Security	P3	**Risk 33/301** **Very High: Cyber security breach/cyber attack**	This was last audited in 20.21 and actions are advised as implemented. Given the high risk attached this area this should be audited regularly to provide assurance that the Council is up to date with its protection arrangements.	15
IT Governance, Strategy , etc ?	P3		To provide overall governance assurance for IT and provide assurance over strategy, risk and performance management.	15
Follow ups - IT	P3			
Areas covered by other providers				
Building Control			2Cs to advise coverage.	
Legal Services			2Cs to advise coverage.	

Shared Services:
Audit assurance activity for Services under the Shared Service Partnership is the responsibility of the hosting Authority. Any activity in this area will be shared and used in the Annual Opinion.

IT Audits:
These are yet to be decided but will be considered by all 3Cs Councils.

Follow- up reviews:
Where resources allow, every effort will be made to carry out follow up verification reviews on implemented actions. As a minimum this will cover those actions categorised as a 'red priority' or where a limited opinion was issued.

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

Area	Area
Compliance Declarations	Annual declaration for DFG spend Compliance Declaration for govt grants on request
Audit Governance	Improvement Plan actions 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
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/April 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 any AGS significant issues – 6 months after. Annual Audit Opinion on internal control – June CGC
AGS	Governance issues included in the Council's AGS. Progress monitoring and reporting on all significant issues in AGS. Senior Mgt Governance Assurance Statements.
Governance	Internal Code of Governance - annual review; stated v actual? Attendance at Risk & Controls Group and Board Meetings Attendance at Information Governance Meetings Governance /assurance work on identified Council projects
IT audit contract	IT audit contract has expired and will be retendered in 2022.
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 & Projects 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.
Training and Mentoring	Support for Trainee Auditor(s) (both internal training and mentoring time and professional Auditing qualification)

Internal Audit Charter

2023

Version	V.1 March 2023
Next Review Date	March 2024
Officer responsible for review	Internal Audit Manager
Approval by	Corporate Governance Committee April 2023

INTERNAL AUDIT CHARTER   *Effective April 2023*

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 and mission 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.

   - The purpose of Huntingdonshire District Council's (HDC's) internal audit service is to provide independent, objective assurance and consulting services designed to add value and improve HDC's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit service helps HDC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

2. **Mandatory Guidance and Professional Standards**

   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 (the Local Government Application Note) 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.

   The Internal Auditors are also governed by the policies, procedures, rules and regulations established by the Council. These include, but are not limited to, the Codes of Financial Management and Procurement, the Anti-Fraud and Corruption Policy and the Code of Conduct.

   The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS and will also demonstrate due professional care in the course of their work.

3. **Authority**

   The Internal Audit Manager will report functionally to the Corporate Governance Committee (CGC) and administratively (ie day to day operations) to the Director of Finance and Corporate Resources (S.151 Officer).

   To establish, maintain and assure that HDC's internal audit service has sufficient authority to fulfil its duties, the CGC will:

   - Approve the internal audit services' charter

   - Approve the risk-based internal audit plan

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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.*

- Receive the annual audit opinion

- Receive communications from the Internal Audit Manager on the internal audit service's performance relative to its plan and other matters.

- Make appropriate inquiries of management and the internal audit manager to determine whether there is inappropriate scope of resource limitations.

The Internal Audit Manager (IAM) will have:
- free and unrestricted access to, and communicate and interact directly with, the CGC and the right to attend all of its meetings, and hold private meetings without management present.
- 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.

The CGC authorises the Internal Audit Service to:
- have full, free , and unrestricted access to all functions, records , property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies an Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of HDC, as well as other specialised services from within or outside HDC, in order to complete the engagement.

4. Organisation and Relationship with Members & Senior Management

Within the PSIAS, the terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. The following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council.

Chief Audit Executive

This is the Internal Audit Manager at HDC. They report to the S.151 Officer and has access to the Managing Director should it be required.

Board

This is the Corporate Governance Committee and oversees the work of Internal Audit. The Committee has delegated responsibility to be the Council's Audit Committee on behalf of the Council.

The internal audit service shall report functionally to the Corporate Governance Committee.

Senior Management

This is fulfilled by the Corporate Leadership Team (Managing Director/Head of Paid Service and the two Corporate Directors) and Senior Leadership Team (CLT plus other Directors, Assistant Directors and Heads of Service). To ensure effective

liaison between Internal Audit and senior management, Internal Audit has regular, free and unrestricted access to the Directors and Heads of Service.

The Council's Monitoring Officer is shared with two other councils, but the IAM has unrestricted access to him.

External Audit

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.

Other Internal Audit Service Providers

Internal Audit will also liaise with other Internal Audit Service providers, where shared service arrangements and contracting arrangements exist. An Internal Audit Shared Service Protocol is agreed and in place and regular communication with the other providers is held.

5. Independence & Objectivity

Independence and objectivity are essential to the effectiveness of the internal audit service and the assurance function. The Internal Audit Service 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. If the Internal Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

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.

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, including:
- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for HDC or its affiliates.
- Initiating or approving transactions external to the internal audit service.

- Directing the activities of any HDC employee not employed by the internal audit service, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Internal Audit has no operational responsibilities or authority over any of the activities audited. The IAM will confirm to the CGC, at least annually, the organisational independence of the internal audit service. They will disclose to the CGC any interference and its related implications in determining the scope of internal auditing, performing work and/or communicating results.

There are other activities with Internal Audit involvement that may be considered to impact on objectivity: assisting with the Annual Governance Statement, Whistleblowing Log and annual report, National Fraud Initiative work, and writing and review of the Local Code of Corporate Governance. Whilst internal audit are involved, these may be considered as other activities that they will not be able to provide independent assurance on.

6. 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 confidentially of the information they receive during the course of their work.

7. Scope and objectives of Internal Audit activities

Assurance activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Corporate Governance Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for HDC, based around the audit plan. This assists the Chief Audit Executive's responsibility to give an annual internal audit opinion based on an objective assessment of the Council's framework of governance, risk management and internal control.

Where the Council provides 'shared services' to, or receives 'shared services' from other organisations, the IAM shall liaise with the other organisations' internal audit service 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.

Consultancy and Advice

Internal Audit also has a secondary role, whereby it can provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.

A risk-based Audit Plan will be prepared each year to determine the appropriate level of audit coverage to allow for an annual audit opinion, which can then assist with the generation of the Council's Annual Governance Statement. Audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.

Managing the risk of fraud and corruption is the responsibility of management. The Council has a separate in-house Fraud Team. However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.

8. Audit Resource

The Internal Audit function is carried out by a small in-house team supported by a contracted-out IT audit provision.

Internal Audit Management

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

The IAM will be professionally qualified (CMIIA, CCAB, or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.

The IAM will ensure that the Internal Audit Service has access to staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include systems reviews, consultancy input to new / modified systems, and special investigations. In the event of special investigations being required, there is limited contingency in the Audit Plans to absorb this work. However, additional resources may need to be made available to the Internal Audit Service when such input is necessary.

9. Responsibility

The Internal Audit Manager has the responsibility to:

- Submit, at least annually, to senior management and the Corporate Governance Committee a risk-based internal audit plan for review and

approval. *They will have a comprehensive understanding of the Council's systems, structures and operations so allowing the preparation of a risk-based internal audit plan [each half year or at least annually] 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.
- Communicate to senior management and the CGC any significant interim changes to the audit plan.
- Ensure the engagements of the audit plan are executed, including objectives and scope, assignment of appropriate and adequately supervised resources, documentation of work programs and testing, and communication of results with recommendations to appropriate parties.
- Monitor the implementation of agreed corrective actions and report periodically to senior management and the CGC any corrective actions not implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit service collectively possesses or obtains the knowledge, skills and other competencies needed to meet the requirements of the internal audit charter.
- 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.

10. Reporting and Monitoring

Internal Audit Reports

The process followed for completing each audit is set out in Table 1 below.

At the conclusion of each audit assignment, where appropriate, a written Internal Audit report will be issued to the appropriate manager and Director/SLT Lead that:

- Provides an assurance opinion, but not provide absolute assurance, on the adequacy of the governance, risk and control processes of the area reviewed. This will contribute to the annual opinion on the internal control environment which, in turn, informs the Annual Governance Statement.
- identifies points arising from the audit and non-effective controls.

- details agreed corrective actions and timescales for implementation.
- identifies 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.

TABLE 1: Working Arrangements During Audits	
Stage	**Commentary**
Audit Brief	Set up and agreed with manager and SLT Lead/Assistant Director
Fieldwork	Assignment undertaking including interviews, testing.
Wash-up Meeting	At conclusion of fieldwork, a set of findings will usually be provided ahead of the wash-up meeting. Issues raised for reporting (if not already provided during course of fieldwork) are discussed and corrective actions and implementation dates agreed.
Draft Audit report	Produced following completion of fieldwork / wash- up meeting. Head of Service or equivalent / Line Manager to formally respond including acceptance of actions and timescales to implement.
Final Audit Report	Internal Audit incorporates any changes agreed from the draft and re-issues as a final for acceptance.
Final Closed Report	The final report is issued to the any action owners, Service Manager, relevant Head of Service &/or Director and S.151 Officer.

Internal Audit reports include actions which are agreed with management and given a priority rating, plus an overall audit assurance opinion. All reports with a limited or little assurance opinion are notified to SLT.

Audit Assurance Opinions	
Opinion	**Description**
Substantial	No weaknesses in the level of control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.
Adequate	minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives
Limited	weaknesses in the level of control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the

	system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.
Little	major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.

Reporting to senior management and the Corporate Governance Committee

The Internal Audit Manager will report periodically regarding:
- the internal audit services's purpose, authority and responsibility
- the internal audit services's plan and performance relative to its plan
- conformance with the IIA's Code of Ethics and Standards, and action plan to address significant conformance issues.
- Audit reports with a limited or little assurance opinion (reported to SLT)
- Resource requirements
- Any response to risk by management that may be unacceptable to HDC.
- periodic updates on the work of the IAS (provided to CGC). The updates will cover significant findings and actions and provide information on the status of the agreed audit work plan. Amendments and revisions to the audit plan will be reported and agreed by the CGC.
- Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

Final closed internal audit reports will be issued to CGC members on a request basis.

The IAM shall present an annual report to the CGC. 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.

11. Quality and assurance programme

The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the Internal Audit activity, and includes both internal and external assessments.

Internal Assessments:

Internal Assessments must include on-going monitoring of the performance of the internal audit activity and these are reported as part of the annual report.

The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the HoIA performing an annual self-assessment of the effectiveness of Internal Audit. Presenting this information enables members to be

assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the IAM.

External Assessments:

PSIAS requests that external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification.

The IAM will discuss with the Committee and the Section 151 Officer the form of the external assessment and the qualifications and independence of the external assessor or assessment team.

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

12. 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 by CGC on the 27 April 2023.