

AUDIT AND GOVERNANCE COMMITTEE

Report subject	Internal Audit – Audit Charter 2019/20, Audit Plan 2019/20 and Quarterly Audit Plan Update Qtr1 2019/20
Meeting date	25 July 2019
Status	Public Report
Executive Summary	<p>This report sets out the Internal Audit Charter and Audit Plan for 2019/20. Approval of these documents by the Audit and Governance Committee is a requirement of the Public Sector Internal Audit Standards (PSIAS).</p> <p>The report also details progress made on delivery of the 2019/20 Audit Plan for the period April to June (inclusive) 2019. The report highlights that:</p> <ul style="list-style-type: none"> • Three audit assignments have been completed (all ‘Reasonable’ audit opinion); • Twenty audit assignments are in progress; • Implementation of audit recommendations is satisfactory; • There are no other significant issues to report.
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>Audit and Governance Committee are asked to:</p> <ul style="list-style-type: none"> • approve the Internal Audit Charter and agree the Chair signs the document to record this approval; • approve the Internal Audit Plan 2019/20. <p>Audit and Governance Committee are also asked to:</p> <ul style="list-style-type: none"> • note the budget for the Internal Audit service which has been previously approved by Council; • note progress made and issues arising on the delivery of the 2019/20 Internal Audit Plan.
Reason for recommendation(s)	<p>To comply with Public Sector Internal Audit Standards</p> <p>To communicate progress on the delivery of the 2019/20 Internal Audit Plan.</p> <p>To ensure Audit Committee are fully informed of the significant issues arising from the work of Internal Audit during the quarter.</p>

Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	Nigel Stannard (Head of Audit & Management Assurance) Simon Milne (Deputy Chief Internal Auditor)
Wards	All Wards
Classification	For Recommendation/Decision/Update and Information

Background

1. The Public Sector Internal Audit Standards (PSIAS) provide a consistent framework for Internal Audit Services operating across public sector. The Public Sector Internal Audit Standards require Internal Audit to:
 - periodically review its Charter;
 - produce a risk based Audit Plan; and to
 - obtain approval for the Internal Audit service budget.
2. Audit & Governance Committee are requested to approve the Internal Audit Charter and Audit Plan for 2019-20, and also note the Internal Audit service budget (as previously approved by Council).
3. This report details Internal Audit's progress against the 2019/20 Audit Plan for the period April 2019 to June 2019, and reports the audit opinion of the assignments completed during this period.
4. The report also provides an update on any significant issues arising and implementation of internal audit recommendations by management.

INTERNAL AUDIT CHARTER 2019/20

5. The Internal Audit Charter (see Appendix A) describes the purpose, authority, responsibilities and scope of the Council's Internal Audit Section.
6. The Charter has been previously agreed by the BCP Programme Board and approval is now sought from the Audit & Governance Committee to align with Public Sector Internal Audit Standards.

INTERNAL AUDIT PLAN 2019/20

7. The summary BCP Internal Audit Plan 2019/20 is detailed below:

AUDIT ACTIVITY	2018/19 PLAN DAYS(legacy Councils)	2019/20 PLAN DAYS BCP	Difference (Days)	Difference %
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CORE AUDIT & ASSURANCE WORK				
KEY ASSURANCE FUNCTIONS	334	190		
HIGH LEVEL RISKS	533	665		
COUNTER FRAUD RISKS	172	160		
KEY FINANCIAL SYSTEMS	291	255		
SCHOOLS	37	75		
ADVICE & FOLLOW UP & C/FWD	292	270		
TOTAL	1,659	1,615	-44	-3%
OTHER AUDIT WORK				
SPECIAL INVESTIGATIONS	190	120		
CONTINGENCY AUDITS	120	75		
FINANCIAL REGULATIONS COMPLIANCE	40	25		
TOTAL	350	220	-130	-37%
CORPORATE ASSURANCE WORK				
CORPORATE FRAUD	104	125		
FREE EARLY EDUCATION FUNDING AUDITS	60	60		
TOTAL	164	185	+21	+13%
VFM/BCP WORK				
VFM/EFFICIENCY/MTFP	65	45		
BCP IMPLEMENTATION	68	65		
TOTAL	133	110	-23	-17%
GOVERNANCE WORK				
CORPORATE MANAGEMENT & LIAISON	42	28		
MEMBER LIAISON	76	52		
AGS (Annual Governance Statement)	80	75		
TOTAL	198	155	-43	-22%
SERVICE MANAGEMENT WORK				
MANAGEMENT & SUPERVISION	217	215		
AUDIT DEVELOPMENT	77	77		
AUDIT PLANNING	71	58		
PERFORMANCE MANAGEMENT	66	61		
TOTAL	431	411	-20	-5%
NON PRODUCTIVE TIME				
LEAVE	518	490		
SICK	55	70		
TRAINING	187	171		
VACANCY CONTINGENCY	0	50		
TOTAL	760	781	+21	+3%
TOTAL DAYS	3,695	3,477	-218	-6%

8. The 'Core Audit & Assurance Work' (1,615 days) is detailed further at Appendix B and shows all planned work across each individual Service Area.
9. Consultation has been carried out with Corporate and Service Directors and External Audit. The Head of Financial Services has approved the final plan.
10. The proposed work in the 2019/20 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual opinion on the adequacy and effectiveness of the Council's control environment.

11. Monitoring of the Audit Plan completion will be brought to this committee on a quarterly process (Quarter 1 is included in this report below).
12. During 2019/20 there will be unprecedented change as services transform and therefore the Audit Plan will need to be very flexible and may require amendment during the year.
13. Audit & Governance Committee are asked to agree the proposed 2019/20 Audit Plan and acknowledge that should any significant changes be required these will be brought back to future Audit & Governance Committee meetings for agreement.

Delivery of the 2019/20 Internal Audit Plan

14. Three audit assignments have been fully completed in this quarter of 2019/20 (April-June 19) as outlined below.

2019/20 Audits Completed

	Service Area	Audit	Assurance Opinion
1	Family & Learning	St Edwards School	Reasonable
2	Family & Learning	Hillbourne School	Reasonable
3	Adult Social Care	No Recourse to Public Funds	Reasonable

Key:

- **Substantial Assurance** - There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
- **Reasonable Assurance** - Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
- **Partial Assurance** - There are weaknesses in the control framework which are putting service objectives at risk
- **Minimal Assurance** - The control framework is generally poor and as such service objectives are at significant risk

15. There were no 'Partial' or 'Minimal' assurance audit reports issued during the quarter.

16. The status of other audits in progress (April-June 2019) is outlined below:

2019/20 Audits In Progress

	Service Area	Audit	Progress
1	Environment	Governance of Charities	Fieldwork
2	Housing	Governance of Companies	Fieldwork
3	All Service Areas	Income Systems	Fieldwork
4	All Service Areas	Petty Cash	Fieldwork
5	Family & Learning	Christchurch Learning Centre	Fieldwork
6	Family & Learning	Christchurch Infant School	Fieldwork
7	Family & Learning	Mudford Junior School	Fieldwork
8	Family & Learning	Mudford Community Infants School	Fieldwork
9	Family & Learning	Somerford Primary Community School	Fieldwork
10	Family & Learning	St Joseph's Catholic VA Primary School	Fieldwork

11	Family & Learning	Highcliffe St Mark Primary School	Fieldwork
12	Family & Learning	Burton CE Primary School	Fieldwork
13	Family & Learning	The Priory CE VA Primary School	Fieldwork
14	Family & Learning	Treasury Management	Fieldwork
15	Adult Social Care	Mosaic System Review	Scoping
16	Children's Social Care	Out of Hours Service	Scoping
17	Children's Social Care	Aspire Adoptions Services	Scoping
18	Destination & Culture	Arcade Cash Income	Scoping
19	Destination & Culture	Adult Education	Scoping
20	Financial Services	Debtors	Scoping

17. In summary, good progress is being made on completion of the 2019/20 Audit Plan. No issues are currently identified which would prevent the Audit Plan being materially delivered as planned.

Significant Issues Arising/ Other Work

18. One Whistleblowing referral was received during the first quarter and is being investigated. This related to arrangements in place prior to BCP Council and the outcome will be reported, along with all other investigations, in the legacy Councils' 'Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2018/19' (to this Committee) in October 2019.

19. There are no other significant issues arising from work during the first quarter of 2019/20 to bring to the attention of Members.

20. A significant amount of transformation work has been carried out moving from legacy Councils arrangements to BCP arrangements during the first quarter of 2019/20.

21. The Head of Audit & Management Assurance is the lead officer for the 'Financial Governance' workstream which includes:

- Financial Regulations, Fraud & Corruption & Whistleblowing, Emergency Planning, Business Continuity, Insurance, Risk Management, Fire Safety/Health & Safety, Internal Audit, External Audit.

Recommendations Implementation

22. All high priority recommendations followed up during the period (in line with the agreed action plan) were found to have been satisfactorily implemented by management. No recommendations are required to be escalated to Audit & Governance Committee.

Summary of Financial Implications

23. The BCP Internal Audit Team budgeted cost is £699,600 which is inclusive of all direct costs including apportioned corporate accommodation costs and supplies & services but does not include the apportionment of central support costs (which are budgeted in aggregate and apportioned to services as a separate exercise). These numbers are also inclusive of the Head of Audit & Management Assurance who manages several other teams.

24. This allocated budget resource is adequate to deliver the Internal Audit Charter and Plan as described in this report. Audit & Governance Committee are asked to note the budget for the Internal Audit service which has been previously approved by Council.

25. The Internal Audit Team is currently at full establishment. There are no anticipated projected year end budget variances to report for 2019/20.

Summary of Legal Implications

26. This report gives an opinion on the adequacy and effectiveness of the risk, control and governance systems in place.

Summary of Human Resource Implications

27. The BCP Internal Audit Team consists of 13.55 FTE.

Summary of Environmental Impact

28. There are no direct environmental implications from this report

Summary of Public Health Implications

29. There are no direct public health implications from this report.

Summary of Equality Implications

30. There are no direct equality implications from this report.

Summary of Risk Assessment

31. The risk implications are set out in the content of this report.

Background Papers

None.

Appendices

Appendix A – Internal Audit Charter 2019/20

Appendix B – Core Audit Plan 2019/20



INTERNAL AUDIT CHARTER 2019/20

Document Control

Policy title	Internal Audit Charter
Policy Owner	Chief Internal Auditor
Policy author	Deputy Chief Internal Auditor
Current Version	1
Effective from date	April 2019
Approval body	BCP Programme Board
Approval date	4th January 2019
Review Frequency	Annually
Next review due	March 2020

Consultees

The following individuals/groups have been consulted during the development of this policy:

Name	Organisation	Date Consulted

Equalities Impact Assessment

Assessment date	11th December 2018 (screening tool - no formal assessment required)
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Freedom of Information Act Exemption

FOI Exempt	No
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Revision History

Date	Version	Summary of changes	Section(s) Changed

Minor Amendments and Editing Log

The Chief Internal Auditor has primary responsibility for developing, maintaining and implementing the Internal Audit Charter. Where changes affect the powers or responsibilities of members, approval of the Audit & Governance Committee is required.

It is recognised there may be a need to clarify or update certain elements of the Internal Audit Charter from time to time, this may require minor amendments or editing. The Chief Internal Auditor has delegated Authority to make minor amendments and editing changes. Any such changes will be logged in the table below.

Date	Description of amendments or editing	Page
-	-	-

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1 INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require all internal audit activities to implement and retain an 'Internal Audit Charter'.
- 1.2 The PSIAS are supplemented with a Local Government Application Note (LGAN) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors (CIIA). The LGAN provides sector-specific requirements for local government organisations within the UK Public Sector.
- 1.3 The PSIAS encompass the mandatory elements of the CIIA's International Professional Practices Framework (IPPF) as follows:
 - Definition of Internal Auditing,
 - Code of Ethics, and
 - International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).
- 1.4 The headings of each section of the Charter refer to specific sections of the PSIAS for reference purposes.

2 DEFINITION (Standard 1010)

- 2.1 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.

3 PURPOSE (Standard 1000)

Internal Audit Charter

- 3.1 The purpose of the Internal Audit Charter is to formally define the Internal Audit Service's purpose, authority and responsibility.

Internal Audit Purpose

- 3.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.
- 3.3 The Council's Internal Audit Service should lead to the strengthening of the control environment and therefore contribute to the achievement of the organisation's objectives.
- 3.4 This is achieved through Internal Audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

Scope & Objectives of Internal Audit

- 3.5 The Internal Audit Service is carried out under the Audit & Management Assurance Section within Financial Services.
- 3.6 The scope and objectives of the Internal Audit Service is to:
- Appraise and report on the adequacy of internal controls across the whole organisation as a contribution to the proper, economic, efficient and effective use of resources. This includes:
 - i. the completeness, reliability and integrity of information, both financial and operational,
 - ii. the systems established to ensure compliance with policies, plans, procedures, laws and regulations,
 - iii. the extent to which assets and interests are accounted for and safeguarded from loss,
 - iv. the economy, efficiency and effectiveness with which resources are employed and;
 - v. Whether operations are being carried out as planned and objectives and goals are being met.
 - Promote good governance arrangements and monitor progress made against governance actions.
 - Support the risk management process within the Council.
 - Advise on internal controls, risks or governance arrangements.
 - Support where necessary on relevant corporate / service projects or reviews.
 - Add value through advice, facilitation and training (subject to there being no impact on core assurance work, the maintenance of independence and the availability of skills and resources).
 - Be proactive in countering fraud and corruption.
 - Provide a corporate fraud investigation service.
 - Support the work of the Audit and Governance Committee.
 - Provide assurance over the financial operation of the Council's maintained schools.
 - Provide assurance on government funds allocated to nurseries, pre-schools and childminders.
 - Provide an Internal Audit service for partnerships as directed by the Council.
 - Provide grant certification work as directed by the Council and/or external bodies.
- 3.7 The detailed work of Internal Audit is set out within the risk based Internal Audit Plan which is designed to support the Chief Internal Auditor's Annual Internal Audit Opinion and Council's Annual Governance Statement (AGS).
- 3.8 In conducting its work, and if appropriate to do so, Internal Audit may choose to place reliance on the work of other assurance providers (e.g. External Audit, Inspection Agencies etc), to avoid duplication of effort and to maximise resources.

4 AUTHORITY (Standards 1000, 1010)

Accounts and Audit Regulations (England) 2015

- 4.1 Regulation 5 of the Accounts and Audit Regulations (England) 2015 requires the Council to "*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.*" The

Regulations also add that authorities are to “*make available such documents and records and supply such information and explanations as are considered necessary by those conducting the internal audit*”.

Local Government Act 1972

4.2 Internal Audit also assists the Section 151 Officer (Chief Finance Officer) in discharging their delegated responsibilities under Section 151 of the Local Government Act 1972 which requires the Council to;

“Make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

Financial Regulations

4.3 Part E (Internal Control, Audit and Risk Management) of the Council’s Financial Regulations support the authority given by Accounts and Audit Regulations (England) 2015 and the Local Government Act 1972.

4.4 Part B Section 12 of the Financial Regulations states that *“The CIA has rights of access to information and data held by officers or Members of the Council at all reasonable times and is responsible for the overall co-ordination and deployment of external and internal audit resources at the Council. He/she also has the right to report on any relevant matter of concern to senior management and Members of the Council outside normal line management arrangements should he/she deem this necessary in protecting the interests of the Council and/or local tax payers.”*

4.5 For clarity, the above authority may extend to partner organisations if required.

5 RESPONSIBILITIES (Standard 1000)

Chief Internal Auditor (CIA)

5.1 The CIA is defined by PSIAS as the role of a person in a senior position responsible for effectively managing the Internal Audit Service in accordance with the Internal Audit Charter and the mandatory elements of PSIAS.

5.2 The CIA is designated by the Chief Finance Officer (CFO) as part of his/her Service Unit Scheme of Delegation further to Part 3 (Schedule 1) of the Council’s Constitution and plays a key role in providing assurance to Members, the CFO, the Head of Paid Service (HPS) and the Statutory Officers Group about the probity, practical deployment and effectiveness of financial management of the Council.

The CIA is responsible for:

- Managing the Internal Audit Service and determining the scope and methods of audit activity.
- Ensuring that Internal Audit staff operate within current auditing and ethical standards of the professional bodies of which internal audit are members.
- Ensuring Internal Audit staff have an impartial, unbiased attitude and avoid conflicts of interest.

- Preparing an Internal Audit Charter and annual Internal Audit Plan in consultation with the Audit and Governance Committee for approval.
- Ensuring that the Internal Audit Service is appropriately resourced in terms of numbers, grades, qualification levels and experience to meet its objectives.
- Ensuring a system of audit work supervision is in place.
- Ensuring effective liaison between Internal and External Audit functions.
- Providing an annual opinion on the overall adequacy and effectiveness of the Council's control environment for Members' consideration.
- Notifying External Audit of any matter that they would rightly expect to be informed of in order to support the function of an effective and robust external audit service.
- Determining the nature of any investigation work required in respect of any allegation of wrong doing, and/or any other action required.
- Requiring any Member or staff of the Council to provide any information or explanation needed in the course of an investigation subject to the lawful limits set out in relevant legislation.
- Referring investigations to the Police in consultation with the CFO and Monitoring Officer (MO); under normal circumstances the relevant service manager would also be consulted.
- Referring cases directly to the Police, in consultation with the CFO and MO, if it is believed an internal enquiry would compromise the integrity of the investigation and /or otherwise prejudice the interests of the Council or the general public.

Audit and Governance Committee

5.3 For the purpose of the PSIAS, the Council's Audit and Governance Committee will act as the 'Board' defined by the standards. The Audit and Governance Committee is defined as the Committee charged with the responsibility to direct and/or oversee the organisation's audit and governance activities and hold senior management accountable. The Audit and Governance Committee provides oversight of the Internal Audit Service within the Council.

The Audit and Governance Committee is responsible for:

- Approving the Internal Audit Charter and Audit Plan including the relevant resources on an annual basis.
- Considering the annual report and opinion of the CIA, including a summary of Internal Audit activity (actual and proposed in the relevant accounting period) and the level of assurance that can be given over the risk and control environment and corporate governance arrangements.
- Receiving regular Internal Audit progress reports, the results of audit activities and any management responses to risks that have been highlighted.
- Endorsing the annual audit budget.
- Approving the appointment or removal of the CIA.
- Considering reports from Internal Audit on agreed recommendations that have not been implemented within agreed timescales.
- Commissioning work from Internal Audit and External Audit (with due regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee).
- Considering any reports of the CIA referred to the Committee for consideration.

- Considering arrangements for counter-fraud and corruption, including ‘whistle-blowing’ including approval of the Anti-Fraud & Corruption Policy and the outcomes of any investigations in relation to this policy.
- Considering the External Auditor’s annual Audit Findings Report, Financial Resilience Report and all other relevant reports as scheduled in the forward plan for the Committee as agreed with the External Auditor or otherwise requested by Members.
- Liaising with the national body (currently Public Sector Audit Appointments (PSAA) Ltd) over the appointment of the Council’s External Auditors.

Chief Finance Officer, Section 151 Officer (CFO)

5.4 The CFO (S151) will be responsible for:

- Advising on effective systems of internal control to ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with statutes, regulations and other relevant statements of best practice.
- Conducting an annual review of the effectiveness of the system of internal control and publishing the results of this within the AGS for inclusion in the Council’s Annual Statement of Accounts.
- Maintaining an adequate and effective Internal Audit Service in accordance with the Accounts and Audit Regulations Act 2015 and further to Section 151 of the Local Government Act 1972.
- Ensuring that the rights and powers of internal and external auditors and fraud investigators are upheld at all times across the organisation.
- Ensuring that the statutory requirements for External Audit are complied with and that the External Auditor is able to effectively scrutinise the Council’s records.
- Ensuring that audit plans and resulting activities are reported to the Audit and Governance Committee.
- Developing, maintaining and implementing an Anti-Fraud and Corruption Policy and Whistleblowing Policy that stipulates the arrangements to be followed for preventing, detecting, reporting and investigating suspected fraud and irregularity.
- Advising on the controls required for fraud prevention and detection.
- Appointing a Money Laundering Reporting Officer and Deputy to ensure that systems are in place to counter opportunities for money laundering and that appropriate reports are made.
- Ensuring that effective preventative measures are in place to reduce the opportunity for bribery occurring in accordance with statutory requirements of the Bribery Act.

Managers and employees

5.5 Managers and employees are responsible for:

- Implementing effective systems of internal control including adequate separation of duties, clear authorisation levels, and appropriate arrangements for supervision and performance monitoring.
- Maintaining sound systems of internal control and implementing agreed Internal and External Audit recommendations within agreed timescales.
- Taking corrective action in respect of any non-compliance by staff with relevant rules, regulations, procedures and codes of conduct.
- Planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their objectives, standards and targets.

- Ensuring that auditors (internal and external) have access to all documents and records for the purposes of the audit and are afforded all facilities, co-operation and explanation deemed necessary.
- Cooperating in the production of annual audit plans by highlighting any areas of risk that may benefit from audit review.
- Ensuring the proper security and safe custody of all assets under their control.
- Report any suspected financial irregularities for investigation to the CIA.
- Complying with the Council's Anti-Fraud and Corruption Policy.
- Reporting any vulnerabilities or suspicions of money laundering in accordance with guidance issued by the Money Laundering Reporting Officer.
- Maintaining local staff registers of interest within their service areas.

6 REPORTING LINES (Standard 1000)

- 6.1 The CIA reports directly to the CFO (S151). Section 7.5 of this document also applies to the CIA's reporting lines.
- 6.2 The CIA will report to the Audit and Governance Committee on a regular basis.

7 CODE OF ETHICS AND INDEPENDENCE & OBJECTIVITY (Standard 1100)

Code of Ethics

- 7.1 All Internal Auditors will conform to the CIA's Code of Ethics. Where members of the Internal Audit Service have attained membership with other professional bodies such as: the Institute of Chartered Accountants in England and Wales (ICAEW) or CIPFA, those officers must also comply with their relevant bodies' ethical requirements. In addition to this, all Internal Auditors will have regard to the "Seven Principles of Public Life", known as the Nolan Principles. (www.public-standards.gov.uk)
- 7.2 Each member of the Service will receive a copy of the Code of Ethics and sign up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as the Council's standards and policies such as the Council's Codes of Conduct. Where potential areas of conflict may arise during the year, the Auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.
- 7.3 Where an Internal Auditor's conduct does not comply with these standards or codes, disciplinary action may be taken, either by the Council or by the individual's professional body.

Independence and Objectivity (1100)

- 7.4 Other functions such as Emergency Planning, Health & Safety, Fire Safety, Business Resilience, Risk Management and Insurance operate within the Audit & Management Assurance Section and are managed by the CIA. However, Internal Audit engagements of these areas will be overseen by the Deputy Chief Internal Auditor (DCIA).

- 7.5 The CIA (and DCIA when overseeing the areas outlined in 7.4) has direct access and freedom to report in his/her name and without fear or favour to all officers, Senior Management and Members (including the Chair of the Audit and Governance Committee) and particularly to those charged with governance.
- 7.6 Internal Auditors must remain independent; therefore Auditors will be independent of the activities audited to enable staff to perform their duties in a way that allows them to make impartial, objective and effective professional judgements and recommendations. As such, Audit staff will not ordinarily have any operational responsibilities or involvement in system design unless approved by the CIA. Further to this, audit staff will not assess specific operations for which they have had any responsibility within the previous year.
- 7.7 The CIA will report annually to the CFO (S151) and the Audit and Governance Committee that independence and objectivity has been maintained. If this is not the case, disclosure will be made, this for example may be as a result of resource limitations, conflicts of interest or restricted access to records.

8 PROFICIENCY AND DUE PROFESSIONAL CARE (Standard 1200)

Proficiency (1210)

- 8.1 Each job role within the Internal Audit structure will detail skills and competencies within the approved job description and person specification. In line with Council policy and the PSIAS, each member of the Service will be assessed against these predetermined competencies and annual objectives. Any development and training plans will be regularly reviewed, monitored and agreed with officers. This assessment will also take into account competency changes as needed i.e. to reflect changing technology and legislation.
- 8.2 Auditors are also required to maintain a record of their continual professional development in line with their professional body.
- 8.3 The CIA will hold a professional qualification from the Chartered Institute of Internal Auditors, Consultative Committee of Accountancy Bodies or equivalent.

Due professional care (1220)

- 8.4 Internal Auditors must exercise due professional care by considering the:
- Extent of work needed to achieve the engagement's objectives;
 - Relative complexity, materiality or significance of matters under review;
 - Adequacy and effectiveness of governance, risk management and control processes;
 - Probability of significant errors, fraud, or non-compliance; and
 - Cost of assurance in relation to potential benefits.

9 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (Standard 1300)

- 9.1 To enable the CIA to assess the Internal Audit Service's conformance to the PSIAS and to aid in the annual assessment of Internal Audit's efficiency and effectiveness and identify opportunities for improvement, a Quality Assurance and Improvement Programme (QAIP) has been developed. The QAIP includes both internal and external assessments.
- 9.2 Assessment against the QAIP will form part of the annual assessment of the effectiveness of internal audit (contained within the Annual Auditors Report) which is published to the CFO (S151) and the Audit and Governance Committee.
- 9.3 Where there are instances of non-conformances to the PSIAS this is reported to the CFO (S151) and Audit and Governance Committee. Any significant deviations will be detailed within the AGS.

Internal Assessments (1311)

- 9.4 Annual self-assessments will be carried out on the Internal Audit Service to confirm that it adheres to the PSIAS. The Local Government Application Note will be used to assist the self-assessment. The self-assessment will be included in the Annual Internal Audit Report and will be annually reported to the Audit and Governance Committee.
- 9.5 All Auditors have access to an up to date electronic audit manual, the Internal Audit Charter, Council policies, the PSIAS and LGAN as well as other references such as TIS Online. In addition the CIA shares journals, publications and other relevant articles. Where staff are members of bodies such as the CIIA further guidance is available.
- 9.6 Targets and performance indicators are set for individual auditors as well as for the team. These are agreed with the CFO (S151) and the Audit and Governance Committee.
- 9.7 In addition to the QAIP, progress made against the annual Audit Plan and any emerging issues (i.e. fraud risks or governance issues) are reported regularly to the CFO (S151) and the Audit and Governance Committee.
- 9.8 Ongoing assessment of staff is carried out through regular one to one meetings, stakeholder feedback from post audit questionnaires and formally in the annual appraisal process.

External Assessments (1312)

- 9.9 The PSIAS stipulates that external assessment must be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 9.10 The arrangement and scope of any such review must be agreed with the CFO (S151), the Audit and Governance Committee and the Independent Assessor.

10 MANAGING THE INTERNAL AUDIT ACTIVITY (Standard 2000)

10.1 Internal Audit adds value to the Council by considering strategies, objectives and risks to offer ways to enhance governance, risk management, control processes and by providing objective assurance on these activities.

Planning (2010)

10.2 The CIA develops an annual risk based Internal Audit Plan, which can be updated to reflect changing risks and priorities of the organisation, to enable the production of the annual internal audit opinion.

10.3 The plan will consider:

- The need for specialist auditor skills, where they are not available already.
- Contingency time for ad hoc reviews or fraud investigations.
- Sufficient time for audit management including audit planning, development of the annual opinion and attendance at meetings and maintenance of audit policies and procedures (Standard 2040).
- Staff training and development needs.
- Liaison time with other assurance providers to share information (standard 2050), such as the External Auditor.
- Assurances provided by other bodies (as detailed in the Council's Assurance Framework).

10.4 The CIA reports the risk based Internal Audit Plan and resource requirements to the CFO (S151) and the Audit and Governance Committee annually for review and approval.

Resource Management (2030)

10.5 For the Internal Audit Service to fulfil its responsibilities, it must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources must be effectively deployed to achieve the approved risk based plan. The mix of available knowledge, skills and other competencies will be considered once the risk based plan is drafted to ensure they are sufficient to deliver the plan.

10.6 It is the responsibility of the CIA to report to the CFO (S151) and the Audit and Governance Committee on any resource concerns that may impact upon the delivery of the annual audit opinion.

10.7 If necessary the CIA will agree with the CFO (S151) additional (specialist) resources.

10.8 Employment of staff will be in compliance with the Council's Human Resources policies. External resources will be procured in line with the Council's Financial Regulations.

Policies and Procedures (2040)

10.9 The CIA will establish and maintain an audit manual which will outline the policies and procedures to guide the Internal Audit Service.

11 NATURE OF THE WORK (Standard 2100)

Governance (2110)

11.1 Internal Audit will assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management, accountability and improvements to strategic and operational processes to meet the Council's objectives;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information among the Audit and Governance Committee, External and Internal Audit and management.

Risk Management (2120)

11.2 Internal Audit evaluates the effectiveness and contributes to the improvement of risk management processes.

11.3 In accordance with the PSIAS, Internal Audit:

- Evaluates risk exposures relating to the Council's governance, operations and information systems regarding the:
 - Achievement of the organisation's strategic objectives;
 - Reliability and integrity of financial and operational information;
 - Effectiveness and efficiency of operations and programmes;
 - Safeguarding of assets; and
 - Compliance with laws, regulations, policies, procedures and contracts.
- Addresses risk consistent with the engagement's objectives and are alert to the existence of other significant risks.
- Incorporates knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.
- Assists management in establishing or improving risk management processes, but refrain from assuming any management responsibility by actually managing risks.

Internal Control (2130)

11.4 Internal Audit assists the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

11.5 Internal Audit evaluates the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;

- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

11.6 Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.

12 ENGAGEMENT PLANNING (Standard 2200)

Planning Considerations & Engagement Objectives (2201 & 2210)

- 12.1 Audit work is undertaken using a risk based audit approach, which will consider the probability of significant errors, fraud and non-compliance. A preliminary risk assessment will be prepared for each audit engagement to consider the activity's strategies and objectives, the risks of the activity not meeting its objectives, the effectiveness of governance, risk management and control processes. The engagement objectives will be based on the results of this assessment.
- 12.2 For all audit engagements (including engagements for external parties and consulting engagements) a terms of reference will be prepared, discussed and agreed with relevant managers. The terms of reference should establish the objectives, scope and timing for the audit assignment and its resources and reporting requirements.

Engagement Scope & Engagement Resource Allocation (2220 & 2230)

- 12.3 The scope prepared in the terms of reference will consider the relevant systems, records, personnel and premises.
- 12.4 The scope of any engagements will be sufficient to address the objectives. However, if there are any reservations regarding the scope during an engagement, these will be raised with the client and the CIA (or delegated officer) to determine if the scope needs to be amended.
- 12.5 Engagements will be allocated and carried out by Internal Auditors with the right mix of knowledge and skills to effectively complete the engagement. Auditors will be given sufficient resources to undertake the engagement.

Engagement Work Programme (2240)

- 12.6 Work programmes will be developed based on the engagement's objectives. Work programmes will include the process for identifying, analysing, evaluating and documenting the audit work during the engagement.

13 PERFORMING THE ENGAGEMENT (Standard 2300)

- 13.1 Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. This evidence supports their conclusions, professional judgements and recommendations and therefore must be factual and accurate. This data is held in compliance with the Councils' retention policies.

- 13.2 Access to the engagement records will be controlled. The MO will be consulted on the release of all records to external parties.
- 13.3 Each audit engagement will be overseen by the relevant Audit Manager.

14 COMMUNICATING RESULTS (Standard 2400)

Criteria for Communication (2410)

- 14.1 The results of all engagements are reported, including the objective, scope, all material facts, conclusions, recommendations, action plans, and any limitations and where appropriate contain the Internal Auditor's opinion. Reports will be issued in a timely manner, in accordance with the Terms of Reference, subsequent to the completion of the work programme. Any significant variance in the timeframe for the report being issued will be agreed by the CIA or DCIA.
- 14.2 Where results of engagements are realised to external parties a description of the limitations on distribution and use of the results will be included.
- 14.3 The CIA has the overall responsibility for reviewing and approving the final engagement communication. However, other experienced auditors may be delegated this duty. The CIA must communicate the final reports to the correct officers/Members to ensure that the results are given due consideration.
- 14.4 Table 1 provides the levels of opinion that can be provided for an audit engagement, with a short description:

Table 1

Opinion	Description
Substantial Assurance	There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
Reasonable Assurance	Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
Partial Assurance	There are weaknesses in the control framework which are putting service objectives at risk.
Minimal Assurance	The control framework is generally poor and as such service objectives are at significant risk.

- 14.5 Table 2 provides a description of the three priority levels given to recommendations, together with an expected timeframe for implementation; the framework for scoring recommendations is contained within the audit manual.

Table 2

Priority	Description
High	High priority recommendations have actual / potential critical implications for achievement of the Service Unit's objectives and/or a major effect on service delivery.

	Agreed actions should be urgently implemented by the Service Unit and the associated risk(s) added to the Service Unit Risk Register. <i>Recommendations will be followed-up by Internal Audit as they fall due.</i>
Medium	Medium priority recommendations have actual / potential significant implications for achievement of the Service Unit's objectives and/or a significant effect on service delivery. Agreed actions should be implemented by the Service Unit within the agreed timescales and formal consideration should be given to adding the associated risk(s) to the Service Unit Risk Register. <i>Recommendations will be followed-up by Internal Audit as part of the next audit review.</i>
Low	Low priority recommendations have actual / potential minor implications for achievement of the Service Unit's objectives and/or a minor effect on service delivery. It rests with the Service Unit to monitor and implement these actions as deemed appropriate.

- 14.6 Contents of draft reports are discussed with managers to confirm factual accuracy. Significant issues will be brought to the attention of management during the course of engagements to allow for immediate action.
- 14.7 Managers are required to give timely responses to each recommendation, detailing the responsible officer for each action and the target date for completion. Where there is disagreement over the actions to be taken, this is recorded in the action plan with the residual risks highlighted.
- 14.8 All audit opinions are reported to the Audit and Governance Committee. Audit reports with 'Minimal' assurance will be provided in full to the Audit and Governance Committee and 'Partial' assurance audit reports will be provided in a summary format.
- 14.9 Irrespective of the audit opinion, where highlighted risks are deemed to be high, they will be reported to the Statutory Officers Group and the Audit and Governance Committee and where relevant risk registers will be updated.

Errors or Omissions (2421)

- 14.10 If final audit reports contain a significant error, the CIA will communicate the corrected information to all parties who received the original communication.

Engagement Disclosure of Non-conformance (2431)

- 14.11 Where a non-conformance to either the Code of Ethics or the PSIAS impacts on a specific audit engagement, then the communication of the results must disclose the:

- Principle or rule with which full conformance was not achieved.
- Reasons for non-conformance.
- Impact of non-conformance on the engagement and the results.

14.12 Instances of non-conformance will be reported to the Audit and Governance Committee.

Annual Internal Audit Opinion (2450)

14.13 The CIA will prepare an Annual Internal Audit Opinion Report that will be used by the Council to inform the AGS.

14.14 The Annual Internal Audit Opinion Report will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control by giving an overall opinion, summary of the work undertaken to support this opinion (including any reliance place on work by other assurance providers).

14.15 The Annual Internal Audit Opinion Report will include a statement on the conformance with the PSIAS and the results of the QAIP.

15 MONITORING PROCESS (Standard 2500)

15.1 The CIA will establish a follow-up process to ensure that management actions have been effectively implemented or that Senior Management has accepted the risk of not taking action.

16 COMMUNICATING THE ACCEPTANCE OF RISKS (Standard 2600)

16.1 All accepted risks will be reported to the Statutory Officers Group.

16.2 Where the CIA concludes that management have accepted a risk that may be deemed unacceptable to the Council or have not implemented a high risk action, the CIA must discuss this with the Statutory Officers Group. If the matter has still not been resolved then this must be escalated to the Audit and Governance Committee.

16.3 It is not the CIA's responsibility to resolve the risk.

17 REVIEW OF THE INTERNAL AUDIT CHARTER

17.1 In accordance with the PSIAS this Charter will be reviewed and updated (annually as a minimum) to meet the Council's changing risks and priorities.

Internal Audit Charter proposed by:

CIA Date

Internal Audit Charter approved by:

CFO (Section 151 Officer) Date

Chair of the Audit and Governance Committee Date

GLOSSARY & ACRONYMS

Annual Governance Statement – The purpose of the annual governance statement is for the Council to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for. This includes how the authority has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Annual Internal Audit Opinion - The rating, conclusion, and/or other description of results provided by the Chief Internal Auditor addressing, at a committee level, governance, risk management, and/or control processes of the Council. An overall opinion is the professional judgment of the CIA based on the results of a number of individual engagements & other activities for a specific time interval.

Assurance activity - An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the Council. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Audit Engagement - A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Chartered Institute of Internal Auditors - The professional association for internal auditors in the UK and Ireland.

Code of Ethics - The Code of Ethics of The Institute of Internal Auditors (IIA) are principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

CCAB – Consultative Committee of Accountancy Bodies.

CFO – Chief Finance Officer.

CIA – Chief Internal Auditor.

CIIA – Chartered Institute of Internal Auditors.

CIPFA – Chartered Institute of Public Finance and Accountancy.

CMIIA – Chartered Member of the Institute of Internal Auditors.

Consultancy activity - Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve the Council's governance, risk management, and control processes without the internal auditor assuming management responsibility.

Control Environment - The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Controls - Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

DCIA – Deputy Chief Internal Auditor.

Governance - The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the Council toward the achievement of its objectives.

HPS – Head of Paid Service.

ICAEW - Institute of Chartered Accountants in England and Wales.

Internal Audit Charter - The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The Internal Audit Charter establishes the internal audit activity's position within the Council; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

LGAN – Local Government Application Note.

MO – Monitoring Officer.

Public Sector Internal Audit Standards (PSIAS) - The Public Sector Internal Audit Standards:

- define the nature of internal auditing within the UK public sector.
- set basic principles for carrying out internal audit in the UK public sector.
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

QAIP – Quality Assurance and Improvement Programme.

Risk Assessment - A preliminary assessment of the risks relevant to the activity under review.

Risk Management - A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the Council's objectives.

Risks - The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

S151 – Section 151 Officer.

Work programme - The process of collecting, analysing, interpreting, and documenting audit testing during an audit engagement.

Appendix B

2019/20 Core Audit Plan

	Audit	(Lead) Area	Adult Social Care			Children's Services			Regeneration & Economy			Environment & Community			Resources					2019/20 Total Days
			Adult Social Care Services	Adult Social Care - Commissioning & Improvement	Public Health	Children's Social Care	Family & Learning Services	Quality & Commissioning	Growth & Infrastructure	Development	Destination & Culture	Environment	Housing	Communities	Finance	SVPP	Organisational Development	Law & Governance	IT & IS	
Key Assurance Functions (core functions)	Asset Management	Development							20										20	
	Business Continuity	Finance												10					10	
	Business Planning & Performance Management	Organisational Development														10			10	
	Financial Management (inc MAS)	Finance												50					50	
	Health & Safety (incl. Fire Safety)	Communities											10						10	
	Human Resources	Organisational Development														10			10	
	ICT	IT & IS																10	10	
	Information Governance	Law & Governance																20	20	
	Procurement	Finance												20					20	
	Project & Programme Management	Organisational Development														10			10	
	Risk Management	Finance												10					10	
	Partnerships	Finance												10					10	
	Total			0	0	0	0	0	0	20	0	0	0	10	100	0	30	20	10	190
Key Financial Systems	Council Tax/NDR	Finance/SVPP												15	15				30	
	Housing Benefit	Finance/SVPP												15	15				30	
	Debtors	Finance/SVPP												15	15				30	
	Cashiering Services	Finance/SVPP												10	10				20	
	Social Services Financial Assessments	Adult Social Care/SVPP	10													10			20	
	Creditors	Finance												30					30	
	Payroll	Finance												50					50	
	Treasury Management	Finance												30					30	
	Housing Rents	Housing											15						15	
	Total		10	0	0	0	0	0	0	0	0	0	15	0	165	65	0	0	0	255
High Level Risks	Corporate/Service Risk Register & other risks	-	60	55	30	45	45	45	40	40	40	40	40	10	5	10	10	30	585	
	Key Assurance Function risks	-	5	5	-	5	5	5	5	5	5	5	5	5	5	5	5	5	80	
	Total		65	60	30	50	50	50	45	45	45	45	45	45	15	10	15	15	35	665
Schools	Schools	Family & Learning Services																	75	
Counter Fraud	Corporate Work (inc. NFI)	Finance												50					50	
	Duplicate Payments	Finance												24					24	
	Income (Service Unit checks)	All Service Units	5	5	-	5	5	5	5	5	5	5	5	-	-	-	-	-	55	
	Petty Cash (Service Unit checks)	All Service Units	1	1	-	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16
	Recourse to Public Funds	Adult Social Care	15																	15
Total		21	6	0	6	6	6	6	6	6	6	6	6	75	1	1	1	1	160	
Other	Advice, Follow Ups & Carry Forwards	-	20	20	0	20	20	20	20	20	20	20	20	15	5	10	10	10	270	
Total	Total Days 2019/20		116	86	30	76	151	76	71	91	71	71	86	81	370	81	56	46	56	1615
	Overall Total Days 2019/20		232			303			233			238			609					