

Internal Audit Plan 2022/23

To: Audit Committee

Date: 14th March 2022

From: Chief Internal Audit

[W152]

1. ISSUE

- 1.1. To present the draft Internal Audit plan for 2022/23 and the Internal Audit Charter to the Committee for review and formal approval.

2. RECOMMENDATION

- 2.1. The Committee is asked to review and approve the proposed Internal Audit plan for 2022/23 and the Internal Audit Charter.
- 2.2. The Committee is asked to approve the delegation of authority to the Council's s151 Officer to approve in year amendments to the audit plan between Committee meetings, this in consultation with the Chair of the Audit Committee.

3. BACKGROUND/OPTIONS

- 3.1. The Public Sector Internal Audit Standards (PSIAS) state that the Chief Internal Auditor must "establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals" and "must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management (Corporate Management Team) and the board (Audit Committee) for review and approval".
- 3.2. Internal Audit will provide 210 days of audit and assurance work in 2022/23. A two year plan has been prepared to illustrate how assurance can be provided over the longer term.
- 3.3. The risk based Internal Audit plan should provide the Committee and senior management with the assurances required over key risks for the year ahead. A copy of the draft Internal Audit plan is provided in Appendix 1. Where the plan coverage has been amended from that initially suggested in the two year audit plan reviewed in 2021, this is summarised in Table 1, below, and is due to changes in the risk assessment of the areas and/or in year changes agreed during 2021/22.

Table 1: Amendments to 2022/23 coverage since initial two year plan

Audit	Days added	Days removed	Comments
Asset related audits - follow up	6		New follow up audit added, to provide assurance over actions implemented since the Asset Management audit in 2020/21 and the Fixed Asset audit in 2021/22.
Risk management	2		Increased days - for assurance work, as detailed below.
IT asset management	8		Audit postponed from 2021/22.
Performance management	7		Audit postponed from 2021/22.
Grant claims	5		For verification of Disabled Facilities Grants and homelessness grants.
Financial management		-8	Added to 2021/22 audit plan, so follow up work postponed until 2023/24.
Food safety		-8	Postponed from 2022/23 to 2023/24 due to lower risk profile.
Fees and charges		-5	Postponed from 2022/23 to 2023/24 due to lower risk profile.
Agency staff		-7	Postponed from 2022/23 to 2023/24 due to lower risk profile.
Totals	28	-28	

- 3.4. The plan includes a range of audit assignments which seek to add value and provide assurance. The fundamental coverage of key financial controls and procurement policy compliance is included on an annual basis as these inform the annual Audit Opinion and provide the necessary assurances to the Council's s151 Officer.
- 3.5. In providing risk based assurances over the Council's processes and controls, a range of audits have been proposed which relate to key risk areas identified through consultation and review of risk registers. These will provide targeted reviews of areas where assurance over the design and effectiveness of controls is a priority.
- 3.6. Included within the plan is an allocation of time for risk management. Risk management and compliance with the Risk Management Strategy is the responsibility of the Council's management. In the last year, Internal Audit has sought to clarify its role in relation to adding value to risk management

processes and it is proposed to develop this further in 2022/23 with the introduction of rolling assurance reviews. It is proposed that Internal Audit will select a sample of controls listed within the risk register on a quarterly basis and conduct targeted testing to confirm these controls are in place and operating as expected. Given that there is a reliance upon these controls to manage the key risks and achieve the residual risk scores, the validity and effectiveness of the controls listed will be verified and reported back to the Audit Committee. In order to resource this wider role, it is proposed that an additional two days per year be assigned to this work.

- 3.7. The plan will remain subject to ongoing review during the financial year to ensure it continues to address the Council’s key risks and adds value. Should the risk environment change during the year, the audit plan should be updated accordingly. To enable the Internal Audit service to be responsive in addressing risks, it is recommended that delegated authority be given to the Section 151 Officer, in consultation with the Chair of the Audit Committee, to approve audit plan changes between meetings should this be necessary. Any such changes would be reported to the subsequent meeting of the Audit Committee.

4. INTERNAL AUDIT CHARTER

- 4.1. The Internal Audit Charter is also brought to Committee for annual approval. This document sets out how the Internal Audit service will be delivered for the year ahead. This document was last formally approved by the Finance and Assets Committee in 2021. No material amendments to the body of the Charter are proposed for this year with the exception of amending references to the Finance and Assets Committee to the Audit Committee and reflecting the updated job title of the Chief Internal Auditor throughout.

5. ARGUMENTS/CONCLUSIONS

- 5.1. The attached draft audit plan should provide appropriate coverage for the Council.

6. FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

- 6.1. There are no additional financial implications arising from this report. An Equality Impact Assessment is not required.

7. APPENDICES

- Appendix 1 – Draft Internal Audit plan 2022/23
- Appendix 2 – Internal Audit Charter

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
None	Internal Audit, Room 207 The Grange, Ely	Rachel Ashley-Caunt Chief Internal Auditor RAshley-Caunt@rutland.gov.uk



**Internal Audit Plan
2022/23 & 2023/24
EAST CAMBRIDGESHIRE DISTRICT COUNCIL**

Table 1: Draft Internal Audit Plan 2022/23 and 2023/24

Audit	2022 /23	2023/24	Service area	Corporate Objectives	Corp Risk ref	Assurances to be sought
Anglia Revenues Partnership						
Council Tax	10	10	Revenues and Benefits	<i>Sound Financial Management</i>	B1	To provide assurance over the controls operating in the management of revenues and benefits services – given the high volume and value of transactions.
Benefits & Overpayments	15	15				
National Non Domestic Rates	10	10				
Counter Fraud and Corruption						
Counter Fraud Procedures	5	5	Cross-cutting	<i>Sound Financial Management</i>	<i>Fraud risks</i>	To review the Council’s counter fraud policies and procedures against best practice and to review their robustness in light of latest trends/developments.
National Fraud Initiative	10	10	Cross-cutting		<i>Fraud risks</i>	Support with reviewing and investigating matches identified by the National Fraud Initiative.
Key Financial Systems						
Bank reconciliation	6	6	Finance	<i>Sound Financial Management</i>	B1	To review the design of, and compliance with, key controls within the Council’s financial systems - working on a cyclical basis. Providing assurance over the controls to prevent and detect fraud and error.
Creditors	7	7	Finance		B1	
Debtors	6	6	Finance		B1	
Payroll	7	7	Finance		C5	
Treasury management	5	5	Finance		B1	
Budgetary control	5	5	Cross-cutting		B1	
Fixed assets	-	7	Finance		B1	
Risk management						
Risk management support	14	14	Cross-cutting	<i>All</i>	All	Administration and reporting of corporate risk register, supporting documents and review of the framework against best practice. To include quarterly testing of a sample of controls.
Making every penny count						
Procurement compliance	9	9	Cross-cutting	<i>Sound Financial Management</i>	B1	Selection of a sample of transactions over £500, to be checked against the published list, to ensure compliance with contract procedure rules and achievement of value for money.
Key policy compliance						
Fees and Charges	-	5	Cross-cutting	<i>Sound Financial Management</i>	C3	To provide assurance over compliance with key Council policies and procedures, based on sample testing.
Use of agency staff	-	7	Cross-cutting			

Audit	2022 /23	2023/24	Service area	Corporate Objectives	Corp Risk ref	Assurances to be sought
Staff claims – overtime / travel	6		Cross-cutting			
Insurance	-	5	Finance			
Safeguarding	8	-	Cross-cutting			
Enforcement policy compliance	7	-	Cross-cutting			
Risk Based audits						
Asset related audits - follow up	6	-	Corporate	<i>Sound Financial Management</i>	C3	To follow up on strengthening of controls following the audit of Asset Management in 2020/21 (relating to lease agreements, EPC ratings and tenant management) and the Fixed Assets audit from 2021/22 (relating to fixed asset records and verifications).
Performance management	7	-	Cross-cutting	<i>All</i>	C3	A Council service-wide audit that will seek to provide assurance that the following areas are sufficiently controlled: a) Use of performance indicators across the Council; b) Reporting of performance indicators including both positive and negative performance; c) Deriving value from performance indicators.
Financial management	-	7	Corporate	<i>Sound Financial Management</i>	B1	To assess the Council's financial management arrangements against the latest CIPFA Financial Management Code.
Assets of community value	6	-		<i>Social and Community Infrastructure</i>	C3	To provide assurance over the Council's consistent and compliant handling of applications for community right to bid.
PCI DSS compliance	-	6	Corporate	<i>Sound Financial Management</i>	C6	To review the Council's compliance with the Payment Card Industry Data Security Standard (PCI DSS) in handling of customer payments across the organisation.
Food safety	-	8	Commercial	<i>Social and Community Infrastructure</i>	C3	The audit will provide assurance on the processes and procedures for supporting the Food Standards Agency's Rating Scheme, including businesses food safety management systems and people fitness to work arrangements.
Information governance	-	8	Corporate	<i>Corporate</i>	C4	To provide assurance over compliance with the data protection legislation and pro-active management of the associated risks in handling, storing, processing and sharing of information.

Audit	2022 /23	2023/24	Service area	Corporate Objectives	Corp Risk ref	Assurances to be sought
Grant claims	5	-		<i>Sound Financial Management</i>	N/A	Including verification of homelessness grant monies and disabled facilities grants.
IT						
IT asset management	8	-	ICT	<i>All</i>	C2	To provide assurance over the Council's IT asset records and management – including both hardware and software.
Cyber security	10	10	ICT	<i>All</i>	C2	To provide assurance over the robustness of critical IT systems, including review of user access controls, disaster recovery and preventative and detective controls against attacks.
Client Support						
Advice and guidance	5	5	Cross-cutting			
Follow up of agreed actions	5	5	Cross-cutting			
Annual report and Head of Internal Audit opinion	5	5	Cross-cutting			
Audit plan development	3	3	Cross-cutting			
Committee and Management reporting	10	10	Corporate			
Annual Governance Statement	10	10				
Total	210	210				

INTERNAL AUDIT CHARTER AND STRATEGY

1. INTRODUCTION & CONTEXT

1.1 Internal Audit is required to maintain an Internal Audit Strategy and Charter. The core governance context for Internal Audit is summarised below:

The Accounts and Audit Regulations (2015) set out that:

A relevant authority must ensure that it has a sound system of internal control which—

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective;

and

(c) includes effective arrangements for the management of risk.

And that:

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

A relevant authority must, each financial year—

*(a) conduct a review of the effectiveness of the system of internal control required by regulation 3;
and*

(b) prepare an annual governance statement

1.2 The Public Sector Internal Audit Standards (PSIAS) include the need for risk-based plans to be developed for internal audit and to receive input from management and the 'Board' (usually discharged by the Council's equivalent Audit Committee). The work of Internal Audit therefore derives directly from these responsibilities, including:

PSIAS : 2010 - "The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

PSIAS : 2450 – "The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

1.3 The purpose of the audit charter and strategy is to put in place an approach that will enable Internal Audit to deliver a modern and effective service that:

- Meets the requirements of the Public Sector Internal Audit Standards and the Accounts and Audit Regulations;
- Ensures effective audit coverage and a mechanism to provide independent and objective overall assurance in particular to Councillors and management;

- Provides an independent Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment;
- Identifies the highest risk areas of the Council and allocates available internal audit resources accordingly;
- Adds value and supports senior management in providing effective control and identifying opportunities for improving value for money; and
- Supports the S151 officer in maintaining prudent financial stewardship for the Council.

1.4 The following definitions apply throughout the Charter and Strategy:

- The Audit Committee – acts as the PSIAS defined Council 'Board';
- The Chief Internal Auditor – is the PSIAS defined 'Chief Audit Executive';
- East Cambridgeshire Council's Corporate Management Team (CMT) – is the PSIAS defined 'senior management' team;
- Internal Audit – 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;
- Assurance Services – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. E.g.s include financial, performance, compliance, system security and due diligence; and
- Consulting Services – Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility - examples include counsel, advice, facilitation and training.

2. STRATEGY & VISION

2.1 Internal Audit will provide the public, Councillors and Council officers with confidence that Council operations are properly governed and controlled, risks are effectively managed and service delivery meets customer need. Where confidence is not possible the service will ensure that the implications and risks are understood to ensure proportionate action is taken. Internal Audit will be responsive to the Council's needs and the risks to which the Council is exposed. The 'Mission' for Internal Audit is therefore:

'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

2.2 Internal Audit is not responsible for the control systems it audits. Responsibility for effective internal control rests with the management / executive of the Council. Directors and Service Leads are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.

2.3 Internal Audit will provide a robust high quality audit service that delivers honest, evidenced assurance, by:

- Focusing on what is important. Deploying its resources where there is most value aligned to the corporate objectives and priorities, the processes to facilitate these and the key risks to their achievement, whilst ensuring sufficient assurance to support the Annual Governance Statement.
- Being flexible and responsive to the needs of the Council. The Annual Plan will be reviewed quarterly enabling Audit resources to be redeployed as new risks emerge, with the agreement of senior management and the board.
- Being outward looking and forward focused. The service will be aware of national and local developments and of their potential impact on the Council's governance, risk management and control arrangements.
- Providing Assurance. There is value in providing assurance to senior managers and members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.
- Balancing independent support and challenge. Avoiding a tone which blames, but being resolute in challenging for the wider benefit of the Council and residents.
- Having impact. Delivering work which has buy-in and which leads to sustained change.
- Enjoying a positive relationship with and being welcomed by the 'top table'. Identifying and sharing organisational issues and themes that are recognised and taken on board. Working constructively with management to support new developments.
- Strengthening the governance of the Council. Being ambassadors for and encouraging the Council towards best practice in order to maximise the chances of achieving its objectives, including the provision of consultancy and advice.

2.4 The Internal Audit Service maintains an ongoing and comprehensive understanding of:

- Local Government / Public Sector;
- The Council and its community; and
- Professional Audit and Corporate Governance standards.

- 2.5 All staff within the audit service hold a relevant professional qualification, part qualification or are actively studying towards a relevant qualification. All participate in continuing professional development, both in relation to specific audit skills e.g. contract audit, and softer skills e.g. communication skills.

3. AUTHORITY

- 3.1 In accordance with PSIAS, the Chief Internal Auditor has full responsibility for the operation and delivery of the Internal Audit function including the production and execution of the audit plan and subsequent audit activities. The annual audit plan will be agreed in consultation with relevant officers, the Resource & Finance Committee, and the senior management team.
- 3.2 Internal Audit's authority is documented and defined within the Council's Constitution and Financial Regulations. Internal Audit's remit extends across the entire control environment of the Council.
- 3.3 Internal Audit has unrestricted access to all Council and partner records and information (whether manual or computerised systems), officers, cash, stores and other property, it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers and councillors without prior notice if necessary.
- 3.4 All Council contracts and partnerships shall contain similar provision for Internal Audit to access records pertaining to the Councils business held by contractors or partners.
- 3.5 All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.
- 3.6 The Audit Committee (as the Board) shall be informed of any restriction unduly placed on the scope of Internal Audit's activities which in the opinion of the Chief Internal Auditor prevent the proper discharge of Internal Audit functions.
- 3.7 The Chief Internal Auditor and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 3.8 To provide for independence the day to day management of the Internal Audit Service is undertaken by the Chief Internal Auditor who report to the Audit Committee. This accords with the Public Sector Internal Audit Standards which requires the Chief Internal Auditor to report to the very top of the organisation.
- 3.9 The Chief Internal Auditor has direct and unrestricted access to the Council's Chief Executive, Section 151 Officer, Directors, External Audit and equivalent Governance and Audit Committees at his/her discretion, including private meetings with the Chair of the Audit Committee.

4. INDEPENDENCE & OBJECTIVITY

- 4.1 Independence is essential to the effectiveness of the internal audit service; so it will remain free from interference in all regards. This shall include, but not be limited to, matters of audit selection, scope, procedure, frequency, timing or report content.
- 4.2 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 4.3 In addition to the ethical requirements of the various professional bodies, each auditor is required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest and declare any potential 'conflict of interest' on allocation of an audit. Any potential impairments to independence or objectivity will be declared prior to accepting any work.

- 4.4 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, 'approve' procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment. Where auditors have previously been involved in any of these activities or consultancy work they will be prohibited from auditing those areas for at least 2 years. Where appropriate, audits are rotated within the team to avoid over-familiarity and complacency.
- 4.5 The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit service.

5. HOW THE SERVICE WILL BE DELIVERED

Audit Planning

- 5.1 The audit plan guides the work of the service during the year. The planning principles are:
- Focusing assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects;
 - Maintaining up to date awareness of the impact of the external and internal environment on control arrangements;
 - Using a risk assessment methodology to determine priorities for audit coverage based as far as possible on management's view of risk in conjunction with other intelligence sources e.g. corporate risk register, audit risk scores;
 - Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising in a resource constrained environment there will be situations when not all needs can be met which is where risk management is key;
 - Being flexible so that the plan evolves through the year in response to emerging risks and issues;
 - Providing for the delivery of key commitments, such as work done in support of the External Auditor thus reducing the external audit fee, and to deliver governance and antifraud responsibilities; and
 - Including provision for responding to requests for assistance with special investigations, consultancy and other forms of advice from management and sources.
- 5.2 Annex A illustrates the Planning cycle and the processes through which individual assignments are undertaken, reports issued and opinions given.
- 5.3 The number of available audit days to the Internal Audit Service will be reviewed to be sufficient to enable the audit service to deliver the risk based plan in accordance with professional standards. This takes into account the fact that additional resource will be procured as and when necessary e.g. for technical IT audits, when significant resource is diverted through unplanned work. The focus on the high risk areas will reduce the overall coverage required.
- 5.4 In order to deliver the Annual Audit Plan at the required quality and professionalism we strive to ensure that the team has the required mix of skills and experience. The use of external experts e.g. IT auditors compared to employing or developing these expensive resources in house is constantly under review to ensure that the service delivers a high quality product at best value for money. Future recruitment will take into account the expertise and skills required to fill any gaps within the current service.
- 5.5 The breadth of coverage within the plan necessitates a wide range of high quality audit skills. The types of audit work undertaken include:
- Risk based system audit

- Compliance audit
- IT audit
- Procurement and contract management audit
- Project and programme audits
- Risk Management
- Fraud/investigation work
- Value for money audit
- Control self-assessment techniques
- Consultancy and advice

5.6 Internal Audit may procure external audit resource to enhance the service provision as necessary.

Internal Audit Annual Opinion

5.7 Each year the Chief Internal Auditor will provide a publicly reported opinion on the effectiveness of governance, risk and control, which also informs the Annual Governance Statement. This will be supported by reliable and relevant evidence gathered through all work undertaken by Internal Audit during the year.

Conduct of work

5.8 The principles of how Internal Audit conduct work are:

- Focusing on what is important to the Council and in the ultimate interests of the public;
- Striving continuously to foster buy-in and engagement with the audit process;
- Ensuring findings and facts reported are accurate and informed by a wide evidence base, including requesting information from ex-employees and other stakeholders where appropriate;
- Ensuring that risks identified in planning are followed through into audit work;
- Ensuring that the right skills and right approaches are in place for individual assignments;
- Suggesting actions that are pragmatic and proportionate to risk, tailored for the best result and take into account the culture, constraints and the cost of controls;
- Focusing as a rule on ensuring compliance with existing processes and systems and reducing bureaucracy rather than introducing new layers of control;
- Being resolute in challenging; taking account of views, escalating issues and holding our position when appropriate;
- Driving the audit process by agreeing deadlines, meeting these on our part, and escalating non-response promptly in order to complete our work; and
- Having high standards of behaviour at all times.

Reporting

5.9 The reports produced by the service are its key output. The reporting principles are:

- Providing balanced evidence-based reports which recognise both good practice and areas of weakness;
- Reporting in a timely, brief, clear and professional manner;

- Ensuring that reports clearly set out assurance opinions on the objectives/risks identified in planning work;
- Always seeking management’s response to reports so that the final report includes a commitment to action;
- Sharing reports with senior management and members, identifying key themes and potential future risks so that our work has impact at the highest levels; and
- Sharing learning with the wider organisation with a view to encouraging best practice across the Council.

5.10 A written report will be prepared and issued following the conclusion of each internal audit engagement, including follow up audits; unless, in the opinion of the Chief Internal Auditor and Client Lead / Management, a written report is unnecessary. Each report will:

- provide an evidenced opinion on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail agreed actions including explanation for any corrective action that will not be implemented;
- provide management’s response and timescale for corrective action;
- provide management’s explanations for any risks that will not be addressed; and
- identify individuals responsible for implementing agreed actions Senior Management shall ensure that agreed corrective actions are introduced.

5.11 All audits and follow ups receiving a limited audit opinion will be highlighted to the Corporate Management Team, and the Audit Committee. Regular reports to the Audit Committee shall highlight each limited report until controls have been restored to satisfactory levels at least.

5.12 To assist the manager/reader in easily identifying the areas that are well managed and the significance of areas of concern, actions, objectives and overall assurance opinions are categorised using three key elements as summarised below (and set out in detail at Annex B):

- 1) Assess and test the CONTROL ENVIRONMENT,
- 2) Test COMPLIANCE with those control systems, and
- 3) Assess the ORGANISATIONAL IMPACT of the area being audited.

Actions / Recommendations

5.13 Actions are categorised dependent on the risk as follows:

Importance	What this means
Essential	Action is imperative to ensure that the objectives for the area under review are met
Important	Requires actions to avoid exposure to significant risks in achieving objectives for the area
Standard	Action recommended to enhance control or improve operational efficiency

Follow up

5.14 All Essential and Important actions are followed up in accordance with the agreed action implementation dates. Further follow ups are undertaken as required. The Internal Audit Service will review their role in this area with the aim of promoting the action owner to proactively inform Internal Audit and provide evidence when an action has been fully implemented to inform the follow up process. Such an approach emphasises the need for managers to deliver required improvements without prompting, reinforcing their accountabilities

Quality Assurance

5.15 The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All Council Policies and Procedures;
- Professional standards and Code of Ethics required by auditor's respective professional bodies;
- Internal Audit Strategy, Charter and Audit Manual; and
- All relevant legislation.

5.16 The Chief Internal Auditor maintains an appropriate Quality Assurance Framework and reports on this annually. The framework includes:

- An audit manual documenting methods of working;
- Supervision and review arrangements;
- Customer feedback arrangements;
- Quality Standards;
- Annual Internal review;
- Periodic external reviews;
- Performance measures, including:
 - i) Proportion of Plan completed, including spread of areas covered
 - ii) Proportion of agreed actions implemented
 - iii) Proportion of Weak / Limited Assurance opinion reports that improve to at least satisfactory as at follow up
 - iv) Productive/direct time as a % of total time
 - v) Customer satisfaction levels

5.17 The completion of every assignment shall be monitored against:

- end to end time
- days taken to complete
- time between key audit stages e.g. draft issue to final report issue
- customer satisfaction

5.18 The Audit Committee, Corporate Management Team and the Section 151 Officer receive regular updates on audits completed, the assurance opinions and actions implemented. Limited opinion

reports and key actions not implemented are discussed in more detail as appropriate with CMT, the Section 151 Officer and / or the Audit Committee.

5.19 Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of:

- ongoing performance monitoring;
- an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards;
- an external assessment at least once every five years by a suitably qualified, independent assessor;
- a programme of Continuous Professional Development (CPD) for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies;
- the Chief Internal Auditor holding a professional qualification (current Chief Internal Auditor is a member of CIMA) and being suitably experienced; and
- encouraging, and where appropriate acting on, customer feedback.

6. *AUDIT COMMITTEE OVERSIGHT*

6.1 The Chief Internal Auditor will provide regular update reports to the Audit Committee to advise on the progress in completing the audit plan, the outcomes of each internal audit engagement, and any significant risk exposures and control issues identified during audit work.

6.2 The Chief Internal Auditor will also present an annual report giving an opinion on the overall adequacy and effectiveness of the control environment which will be timed to support the Council's Annual Governance Statement. In addition the Audit Committee will:

- approve any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken;
- approve, but not direct, the draft audit plan and subsequent changes so that internal audit independence is maintained, and to ensure that coverage reflects the key risks of the Council;
- be informed of results from the quality assurance and improvement programme; and
- be informed of any instances of non-conformance with the Public Sector Internal Audit Standards.

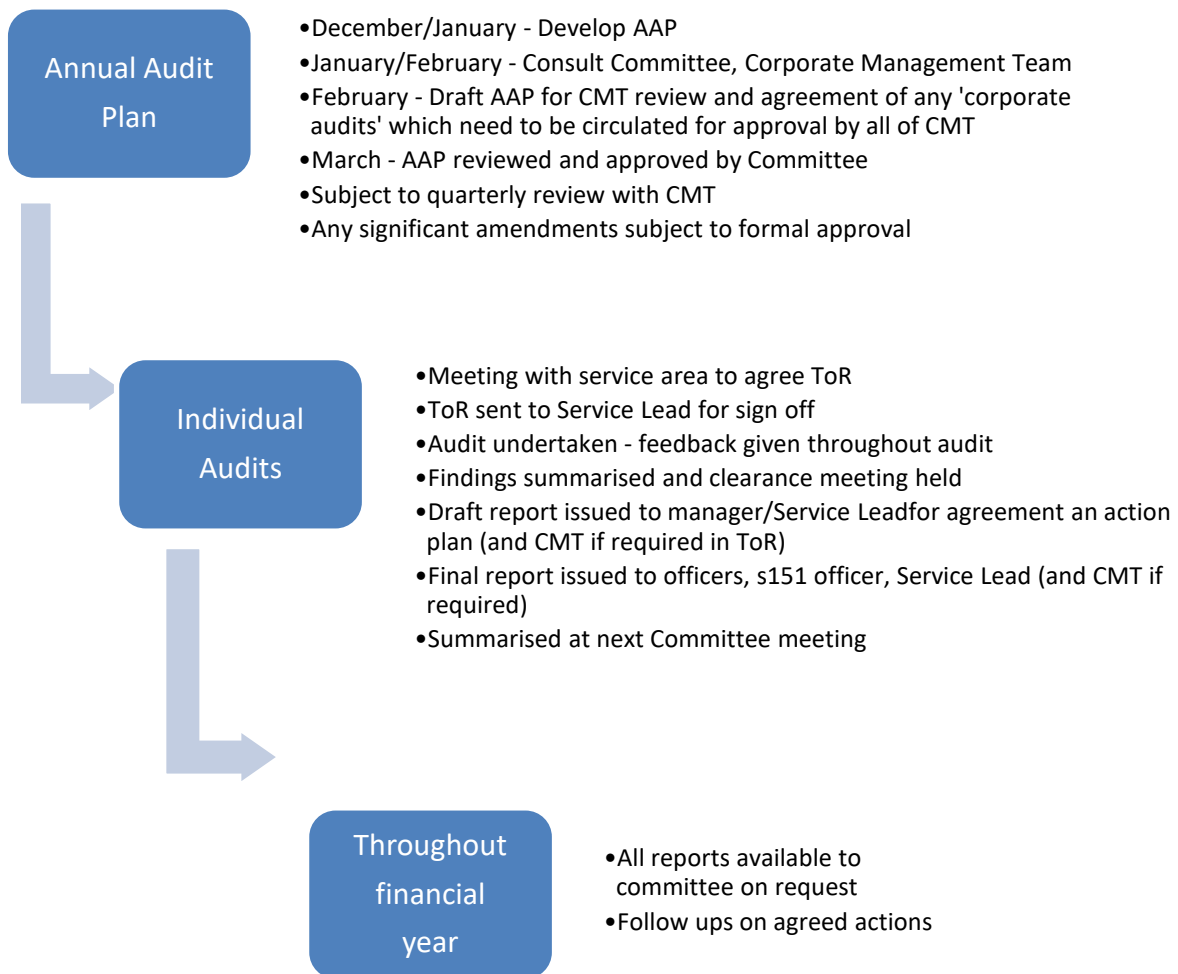
7. *ANTI-FRAUD AND ASSOCIATED ISSUES*

7.1 The Chief Internal Auditor will ensure that all work is undertaken and all staff are conversant with the Council's Anti-Fraud policies and culture, including:

- Anti-Fraud and Corruption policy
- Whistleblowing policy
- Anti-Money Laundering Policy

7.2 All Internal Audit staff will be alert to possibility of fraud during all work but are not responsible for identifying fraud.

Annex A – Audit Planning & Delivery Process



Annex B – Audit Definitions

There are three elements to consider when determining an assurance opinion as set out below.

Control Environment / System Assurance

The adequacy of the control environment / system is perhaps the most important as this establishes the key controls and frequently systems ‘police/ enforce’ good control operated by individuals.

Assessed Level	Definitions
Substantial	Substantial governance/control measures are in place that give confidence the control environment operates effectively.
Good	Governance/control measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant governance/control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental governance/control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance

Strong systems of control should enforce compliance whilst ensuring ‘ease of use’. Strong systems can be abused / bypassed and therefore testing ascertains the extent to which the controls are being complied with in practice. Operational reality within testing accepts a level of variation from agreed controls where circumstances require.

Assessed Level	Definitions
Substantial	Testing has proven that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.

Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to the Corporate Management Team along with the relevant Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks arising from the control weakness found, as set out in the Management Action Plan.

For ease of reference, we have used a system to prioritise our recommendations, as follows:

Essential	Important	Standard
<p>Failure to address the weakness has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/ reputational loss.</p> <p>The improvement is critical to the system of internal control and action should be implemented as quickly as possible.</p>	<p>Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/ reputational loss.</p> <p>The improvement will have a significant effect on the system of internal control and action should be prioritised appropriately.</p>	<p>The finding is important to maintain good control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently.</p> <p>Management should implement promptly or formally agree to accept the risks.</p>