

# East Staffordshire Borough Council

## Strategic Internal Audit Plan – 2022/23 to 2024/25

February 2022

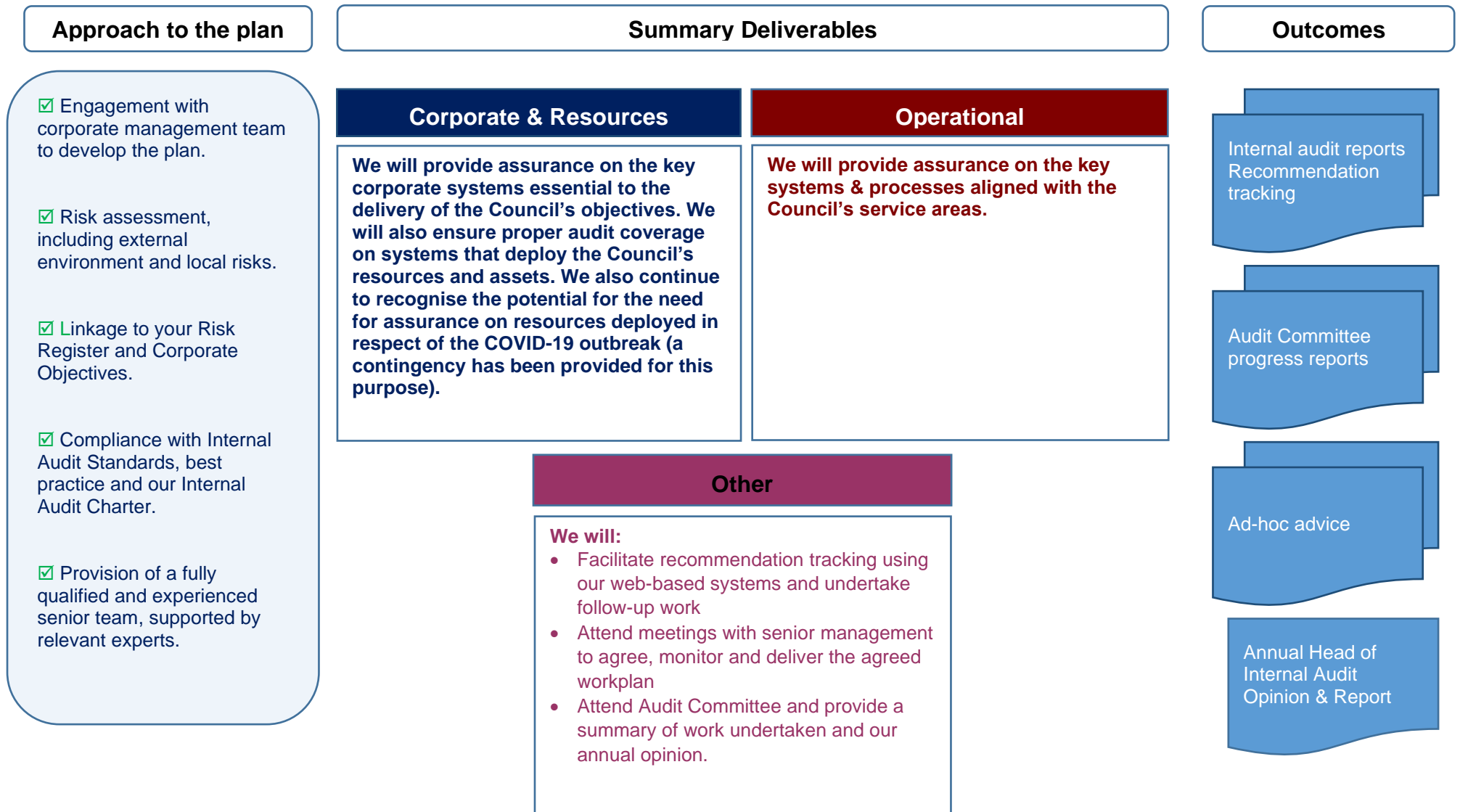


Bringing public value to life

**cw audit**  
Internal Audit services

# 1. Your Plan on a Page

The diagram below summarises how the plan has been developed and outlines the approach to be taken to deliver the plan.



## 2. Risk Assessment

The plan has been prepared as follows:

- review of the current Corporate and Strategic Risk Register;
- review of the Council's corporate priorities;
- an assessment of the assurance required on work associated with the Council's COVID-19 response;
- input from members of the Corporate Management Team;
- Assessment of any risk areas emanating from Internal Audit reviews conducted in the 2021/22 financial year.

The strategic plan, showing the links to corporate risks, strategic risks and where applicable, the Council's corporate priorities, is attached at Appendix One, with the 2022/23 operational plan at Appendix Two. Appendix Three provides a summary of the corporate and strategic risks as reported to the December 2021 Audit & VFM Committee.

## 3. The Team

Mark Watkins (ACMA) will remain as your nominated Head of Internal Audit and will be supported by your existing Audit Manager, Ruby Deo (IIA). Mark and Ruby will lead a team of auditors that have a wealth of experience in delivering audit services to local government organisations. Specialist auditors will also be utilised as appropriate, for example in respect of IT audit.

## 4. Public Sector Internal Audit Standards (PSIAS).

In conducting our work as your Internal Auditors we are required to adhere to the Public Sector Internal Standards (PSIAS). We have in place suitable policies and procedures to ensure full compliance against these standards. Our procedures include a comprehensive quality assurance programme to confirm that each audit assignment is delivered in accordance with PSIAS. The PSIAS require us to explicitly detail and agree the terms under which we deliver your internal audit plan in an Internal Audit Charter, which is attached at Appendix Four.

## 5. Conclusion

This internal audit plan has been designed to meet the Council's assurance requirements and comply with Public Sector Internal Audit Standards. We therefore present it to the Audit Committee for final consideration and approval.

**Paul Capener, Consortium Director, CW Audit Services**

## 2022/23 – 2024/25 Strategic Internal Audit Plan

Area	Audit Assignment	Corporate & Strategic Risks / Corporate Priorities	22/23	23/24	24/25
Corporate Reviews	Anti-Fraud & Corruption	SR4, SR11, CP1	-	10	-
	Complaints	CR9, CR14, SR3	10	-	-
	Democracy & Elections	CR8	10	-	-
	Health & Safety	CR8, SR7, CP3	-	-	10
	National Fraud Initiative	SR11, CP1	8	8	8
	Performance Management	CR14, SR4, SR10	-	10	-
	Risk Management	All corporate & strategic risks	7	7	7
	Financial Management & Reporting	CR4, CR9, SR4, SR11, CP1	10	10	10
	IT / Data Protection Audit*		10	10	10
	<b>Sub-total</b>		<b>55</b>	<b>55</b>	<b>45</b>
Chief Executive	Commercial Property Management	CP2	-	-	10
	Creditor Payments	SR11	5	10	5
	Disposals	CR9, CR14, SR11	5	-	-
	Human Resources**	CR8, SR4, SR7, SR10, CP1	10	10	10
	Payroll	SR11	10	-	10
	Stronger Towns Fund	SR4, CP1, CP2	-	10	-
	<b>Sub-total</b>		<b>30</b>	<b>30</b>	<b>35</b>
Head of Service – Sal Khan	Benefits	CR13, CP1, CP3	10	15	10
	Building Control	CR8, CP2, CP3	-	-	10
	Business Continuity/Emergency Planning	CR11, CR12, SR2	-	-	10
	Homelessness	CR8, SR4, CP1, CP3	10	-	-
	Housing Allocations	CR8, SR4, CP3	10	-	-
	Planning	CR8, SR4, SR9, SR14	-	10	-
	Procurement & Contract Management	CR8, SR4, CP1	-	-	10
	Revenues***	CR2, CR9, SR5, SR11	20	20	10
	S106 Agreements	CR8, SR4, SR9, SR11, CP2, CP3	-	-	10
	Street Cleaning	CR8, CP1, CP3	-	10	-
	Treasury Management	CR10, SR14	-	-	10
	Waste Management	CR8, CP1, CP3	10	-	-
	<b>Sub-total</b>		<b>60</b>	<b>55</b>	<b>70</b>

Area	Audit Assignment	Corporate & Strategic Risks / Corporate Priorities	22/23	23/24	24/25
Head of Service – Mark Rizk	Brewhouse	CP2, CP3	-	10	-
	Car Parking	SR11	10	-	-
	Cemeteries	CR8	10	-	-
	Community Safety (incl. Anti-Social Behaviour)	SR3, SR4, CR8, CP2, CP3	10	-	-
	Facilities – Statutory Compliance	CR7, CR8	-	-	10
	Food Safety	CR7, CR8, CP3	10	-	-
	Grounds Maintenance	CP3, CR7, CR8, CP3	-	10	-
	Licensing/Enforcement****	CR7, CR8, CP3	10	10	10
	Markets	CR8, CP2, CP3	-	10	-
	Partnerships	CP1, CP2, CP3	-	-	10
	Private Sector Housing – Enforcement	CR8, CP2, CP3	-	10	-
	Safeguarding	CR7, CR8, CP3	-	-	10
	<b>Sub-total</b>			<b>50</b>	<b>50</b>
Other	Recommendation Tracking/Follow up		10	10	10
	Grant Certifications (e.g. DFG, Homelessness, RSI, Arts)		10	10	10
	Contingency		-	5	5
	<b>Sub-total</b>		<b>20</b>	<b>25</b>	<b>25</b>
Management & Advice	Audit Needs Assessment, Planning & Annual Report		10	10	10
	Audit Committee/External Audit/Senior Team meetings		5	5	5
	Contract Management & ad hoc advice		5	5	5
	<b>Sub-total</b>		<b>20</b>	<b>20</b>	<b>20</b>
<b>Total</b>			<b>235</b>	<b>235</b>	<b>235</b>

**Notes**

\*Specific IT audit subject areas to be decided in consultation with management on an annual basis

\*\*HR processes to be audited on a cyclical basis over the course of the three year plan.

\*\*\*Includes business rates, council tax, & income & debtors

\*\*\*\*Licensing processes to be audited on a cyclical basis over the course of the three year plan, as well as enforcement activities undertaken by Environmental Services team.

## 2022/23 Operational Audit Plan

Area	Work outline
<b>CORPORATE REVIEWS</b>	
Complaints	To ensure that complaints are recorded, investigated and responded to in a complete and timely manner in accordance with a prescribed policy and supporting procedures.
Democracy & Elections	Focus on the arrangements for ensuring that an accurate and up-to-date electoral register is maintained and that preparations are made in advance for local elections to be held in May 2023.
National Fraud Initiative	To provide key contact, project management and overview support to ensure progression of the NFI process to meet Cabinet Office requirements.
Risk Management	The HOIA Annual Opinion requires an assessment of the Council's approach to managing risks.
Financial Management & Reporting	To consider the adequacy and robustness of the MTFs and managerial control processes regarding the medium term financial strategy, budget setting and reporting. Review of underlying controls to ensure accuracy of financial ledger upon which reporting is based.
IT Audit	In view of recent high profile cases in the media, the 22/23 IT audit will focus on cyber security arrangements
<b>CHIEF EXECUTIVE</b>	
Creditors	Review of key controls in place in respect of payments to suppliers.
Disposals	Council land/interests at Pennycroft Lane and Bargates are being disposed of subject to the relevant approvals. The potential capital receipts are expected to be a material sum and assurance is required that the disposal process is robust.
Human Resources – Staff Recruitment	Review of the Council's arrangements for recruiting staff in accordance with relevant employment legislation.
Payroll	Review of controls to ensure that employee pay and expenses are accurate, valid and timely.
<b>HEAD OF SERVICE – SAL KHAN</b>	
Benefits	Key public facing system requiring regular assurance over accuracy, validity and timeliness of benefits. Review of controls over Benefits, Universal Credit and Council Tax support.
Homelessness	Review the Council's arrangements to comply with the requirements of the Homelessness Reduction Act and action taken to increase the availability of affordable homelessness accommodation.

Area	Work outline
Housing Allocations	To ensure that the Council's responsibilities for the Housing Allocation Policy in East Staffordshire are being effectively delivered by Trent & Dove Housing.
Revenues	Key financial and public facing systems requiring regular assurance. Review of key controls over Council Tax, Business Rates and collection other Council income through the debtors system.
Waste Management	Review of processes to ensure that waste and recyclables are collected in a cost effective and efficient manner in accordance with relevant legislation.
<b>HEAD OF SERVICE – Mark Rizk</b>	
Car Parking	To review the arrangements for collecting car park income, including a review of the impact that the Covid-19 pandemic has had on overall levels of income and the extent to which this has now recovered.
Cemeteries	Review of the controls and processes in place to comply with relevant legislation, collect income and keep burial records in the light of recent staff and manager turnover. Review of plans in place to extend Stapenhill Cemetery.
Community Safety	Review of the Council's role in the Community Safety Partnership and delivery of the Community Safety Plan. Review of arrangements in place to upgrade CCTV to digital format.
Food Safety	Review of the arrangements for inspecting and rating premises licensed to serve/sell food, with particular emphasis on arrangements to recover following Covid-19 lockdown restrictions.
Licensing/Enforcement	Review of the existing Selective Licensing Scheme in Anglesey Ward and plans to extend the scheme to adjacent streets.

## Corporate Risks, Strategic Risks & Corporate Priorities

	Risk	Description	Treatment
<b>CORPORATE RISKS</b>			
CR1	Brexit	Consequences of decision to exit the EU has a negative impact. (Economic consequences impacting on resources, both central and local, additional strain on pension fund, value of council assets, impact on procurement and VFM etc.). Potential for operational/service delivery disruption.	Monitoring of Economic conditions / external forecasts, horizon scanning by CMT and Senior Officers.  Prudent and Robust rolling MTFS.  Understanding and acting on any intelligence forthcoming from the local and central government bodies.
CR2	Business Rates Retention Scheme	Impact of the scheme on funding, including scale of reliefs/appeals, economic impact of Covid-19, the impact of revaluation, business rates reset and the potential transition to 75% retained by the LA sector.	Regular in year monitoring of the scheme.  Keeping abreast of latest developments with Business Rates Retention and feeding onto the consultations.  Proactive monitoring of potential and lodged appeals and accounting for likely outcomes.  Robust MTFS to provide provision for financial resilience to changes in scheme.
CR3	Covid-19	The potential to impact on business, communities, resources and the delivery of council services.	The Council has adapted well to the Covid-19 Pandemic with minimal service disruption. Services are largely operating as business as usual, with a large proportion of office staff working on a hybrid basis.  The Council will continue to work with its partners on preparedness for and prevention of future lockdowns to mitigate the impact on the ongoing recovery of the area, as well as ensuring the recovery process continues should a lockdown occur.  The Council has moved into a recovery phase, focusing on supporting the local economy and business, as well as supporting local communities adapt to new norms of behaviour – with further details outlined in the Covid Update Report to Cabinet in September 2021.
CR4	Central Government Funding	Uncertainty surrounding the future government funding, including the impact of the business rates changes, New Homes Bonus, Fair Funding Review, the impact of the next Spending Review and potential fallout from Brexit and Covid-19 on national finances.	Robust MTFS with flexibility to respond to changes in government proposals.  Financial modelling/impact assessment.  Keep abreast of Govt developments and pro-actively responding to consultations.
CR5	Climate Change	Failure to deliver climate change action plan approved by the Council 17 <sup>th</sup> August 2020	Annual monitoring and reporting. Additional staffing resource to support implementation.  Regular reviews by the Deputy Leader.
CR6	Financial: Pensions Scheme	Increasing pension liabilities result in the need to increase employer contributions above those assumed within MTFS.	Realistic provision within MTFS for cost and changes.  Keeping abreast of updates from the actuary and pension fund.



	<b>Risk</b>	<b>Description</b>	<b>Treatment</b>
CR7	ICT Security	Unintentional or intentional introduction of malware, resulting impacts on normal service delivery and/or breach of data protection, via: <ol style="list-style-type: none"> <li>1) Prevention of access to systems or data</li> <li>2) Physical destruction of hardware</li> <li>3) Data exposure or leaks</li> <li>4) Data alteration</li> </ol>	<p>ICT Security Policy.</p> <p>Access controls and permissions within system applications.</p> <p>Protective defences such as antivirus software.</p> <p>Perimeter protection with hardware firewalls.</p> <p>Regular patching.</p> <p>Access controls and permissions within the system applications.</p> <p>Prevention of access to unnecessary physical facilities e.g., CD drives and USB ports.</p>
CR8	Litigation – General	Failure to comply with the law on a range of services, including the New General Data Protection Regulations (GDPR)	<p>Managers/Heads of Service, with Legal support, keep abreast of new and changed law.</p> <p>Monitoring Officer role to oversee legal compliance.</p> <p>Training rolled out in respect of GDPR requirements. Compliance oversight by Monitoring Officer and CMT.</p>
CR9	MTFS: Budget Assumptions	Assumptions made in the MTFS in relation to inflation, interest rates, pay awards etc. have a negative impact on financial plans/resources.	<p>Robust MTFS provides some degree of resilience to financial shocks.</p> <p>Proactive treasury management forecasting, monitoring and reporting.</p> <p>Budgeting based on prudent forecasts. Regular in-year monitoring, including scenario planning in relation to the impact of Covid-19.</p>
CR10	Treasury Management – Counter-party risk	Market volatility results in counter-party failure and financial loss to the Council.	<p>Robust Treasury Management Strategy and generally a low-risk approach to investments.</p> <p>Advice from professional treasury advisors, monitoring market developments.</p>
CR11	Unforeseen Environmental Impacts	Floods, fire, chemical, major disaster, terrorism.	<p>Major Incident/Emergency Plan.</p> <p>Test exercises ensure readiness for incidents.</p> <p>Internal resource and support from CSU.</p> <p>The Council is working closely with the Environment Agency in relation to extensive flood defence work on the Washlands and wider areas to prevent major flooding events in the future.</p> <p>County wide preventing violent extremism working group.</p>
CR12	Unforeseen Health Impacts	Pandemics/wider health issues impacting on council (more detail in relation to Covid-19 above).	<p>Succession planning/ability to access temporary staff.</p> <p>Major Incident/Emergency Plan.</p> <p>Robust, tested business continuity plans.</p>

	<b>Risk</b>	<b>Description</b>	<b>Treatment</b>
CR13	Welfare Reforms	Welfare Reforms. 1) Delivery/impact of Universal Credit 2) Financial impact of Council Tax Reduction, including demographic changes.  Financial impact of Universal Credit on subsidy levels, ability to recover overpayments and housing options funding.	Council Tax Reduction scheme approved and complied with.  Regular monitoring of scheme against financial provisions / MTFS.  Financial modelling/impact assessment. More frequent in year monitoring.  Robust MTFS generally provides some financial resilience to respond to changes.
CR14	Wider Public Sector Funding Reductions	Impact on the Council of the wider public sector funding reductions.	Seek and develop opportunities to increase income or reduce costs across all Council operations.  Senior level discussions may mitigate or prevent such cost shunts.
<b>STRATEGIC RISKS</b>			
SR1	GBSLEP/SSLEP	Failure to be adequately represented and therefore limited ability to influence. Opportunity risk of not maximising potential benefits from working within the LEPS.	Senior officers (CE and Heads of service) heavily involved in working with the LEP to represent Council's interests.  In the last 12 months accepted the invite to join SSLEP with a place on the board.  One member (Council) one vote, provides Council with a strong voice on GBSLEP.
SR2	Business Continuity	Failure to have effective plans in place.	Approach to business continuity revised during 2016, new streamlined and "fit for purpose" approach adopted, which focuses on key risk areas. Regular re-fresh of plans take place and further reviewed schedule for 2021/22.  BC's reviewed in preparation for recent Covid-19 events.  Approved, up to date BC policy in place.
SR3	Communication	Lack of community engagement and failure to take into account residents views in the decision-making process. Covid-19 has made this more challenging, in particular relation to ability to undertake face to face consultations.	Consultation strategy in force. Communications strategy scheduled for review in 2021/22.  Proactive social media work undertaken by the Corporate and Commercial Team.
SR4	Corporate Plan	Failure to deliver corporate plan objectives.	Corporate Plan is adopted at full council and refreshed at full council annually.  The CP is established with CO's and DL's working together to realign political manifesto into a series of objectives and SMART targets.  Performance of the CP is formally reported on a quarterly basis through Cabinet and all political groups as well as through quarterly scrutiny boards. Any slippage is identified at an early stage and preventative and/or corrective actions are taken as necessary. Delivery of the Corporate Plan for 2021/22 was significantly more challenging due to the impact of the Covid-19 Pandemic and it is likely that further disruption will impact of delivery for the current year.
SR5	Council Tax Reduction Scheme	Failure to adopt a scheme that is fit for purpose.	Scheme suitably approved and adopted, budget set based on forecasts and reviewed; CTR correctly applied per scheme.
SR6	Devolution	Forthcoming white paper, with potential for mayoral combined authorities / unitary authorities or other opportunities/outcomes.	Opportunities kept under review with county council and other districts.  Monitored by the executive.

	<b>Risk</b>	<b>Description</b>	<b>Treatment</b>
SR7	Health & Safety	Failure to deliver/comply with H&S policy/strategy.	The strategy/policy is adopted following consultation with all relevant internal stakeholders and approved by the Leader.  H&S team advises, educates and reviews risk assessments etc and has direct reporting access to Chief Executive.  Incident/accident reporting process in place.
SR8	Levelling Up	Potential impact of central policy to be set out in forthcoming white paper and the potential for missed opportunities.	Developments and opportunities monitored.  Monitored by the executive.
SR9	Local Plan Implications	Monitoring of the local plan and maintenance of a five year land supply.	Regular monitoring/compliance.  Planning decisions complying with approved plan/existing planning law/policy.  Ongoing work between Members and Officers.
SR10	Managing Change	Ineffective change management resulting in a reduction in the quality of services.	Workforce Planning Strategy in place.  Effective track record of performance management – via Corporate Plan, Service Planning, Staff Performance Appraisals.  Effective Communications – Corporate Management Team, Managers Forum, Team Meetings, Staff 1-1s, Staff Briefings.
SR11	Medium Term Financial Strategy	Failure to adopt and implement an effective and robust MTFS impacting on the Council's ability of the Council to meet its objectives.	The MTFS is established with Cos and DLs working together to realign political manifesto into a series of objectives and financial targets.  Financial support and challenge to proposals with financial implications, minimising risks of a budget shortfall.  The MTFS is adopted at full council and refreshed at full council annually. Performance of the MTFS is formally reported on a quarterly basis through Cabinet and all political groups as well. Any slippage is identified at an early stage and preventative and/or corrective actions are taken as necessary.
SR12	Member Training/Awareness	Lack of awareness/understanding of key responsibilities.	Consultation.  Member induction programme, member training and regular briefings.  Open door policy with Heads of service; discussions/briefings with officers.
SR13	Planning Appeals	Appeals against planning decisions arising from failure to take account professional and legal advice leading to financial loss from cost of appeal and potentially new homes bonus.	Member training.  Financial provision/contingency to meet potential costs of appeals.  Legal advice at committee.

	<b>Risk</b>	<b>Description</b>	<b>Treatment</b>
SR14	Treasury Management Strategy	An ineffective TM Strategy does not protect the Council adequately against the risks associated with this activity resulting in potential significant financial loss and possible reputational damage. The associated opportunity risk of ineffective cashflow management, resulting in returns lower than might be realised, taking into account the Council's risk appetite or the need for unexpected borrowing.	<p>The TMS reflects statutory and non-statutory guidance and is adopted at full council annually, following scrutiny by the Audit and Value for Money Council Services Committee. Performance of the TMS is formally reported on a quarterly basis through the Financial Outturn report to Cabinet and all political groups as well as through the Audit Committee. Mid-year performance and Outturn is formally reported through to full council.</p> <p>Adequate and suitably trained staff. Regular member training/briefings.</p> <p>The appointment of professional treasury management advisors.</p>

<b>Corporate Priorities</b>	
CP1	Value For Money Council
CP2	Community Regeneration
CP3	Environment and Health & Wellbeing

## INTERNAL AUDIT CHARTER

### 1. Definition

Internal Audit is an independent and objective appraisal service within the organisation:

- Internal Audit primarily provides an independent and objective opinion to the Accountable Officer (Chief Executive), the Council and the Audit Committee\* on the degree to which risk management, internal control and governance arrangements support the achievement of the organisation's agreed objectives. In addition, Internal Audit's findings and recommendations are beneficial to senior management in the audited areas. Senior management is defined as any manager with responsibility for the system under review by Internal Audit. Risk management, internal control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the organisation.
- Internal Audit also provides an independent and objective consultancy service specifically to help senior management improve the organisation's risk management, control and governance arrangements. The service applies the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that management have put in place to ensure the achievement of the organisation's objectives, and through recommendations for improvement. Such consultancy work contributes to the opinion, which Internal Audit provides on risk management, control and governance. Approval for any significant additional consulting services not already included in the audit plan will be sought from the Audit Committee prior to accepting the engagement.

**\*In this case the VFM and Audit Scrutiny Committee**

### 2. Standards and Ethics

Internal Audit acknowledges the mandatory nature of the Definition of Internal Audit, the Code of Ethics and the Standards contained in the Public Sector Internal Audit Standards. Internal Audit shall also work in accordance with any performance measures agreed with the Audit Committee.

### 3. Independence, Objectivity and Conflicts of Interest

All internal audit activities shall remain free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports. CW Audit does not accept any roles that involve executive or direct operational responsibility or authority over any of the activities it reviews. The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting does not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

Individual auditors will have an impartial, unbiased attitude, characterised by integrity and an objective approach to work, and should avoid conflicts of interest. Individual auditors must declare any conflict of interest to the Head of Internal Audit. Any conflicts of interest encountered by the Head of Internal Audit must be declared to the Section 151 Officer. Internal Auditors will have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

#### **4. Authority & Accountability**

Internal Audit derives its authority from the Council, the Accountable Officer and Audit Committee. The Head of Internal Audit reports on a functional basis to the Council via the Audit Committee. For administrative purposes, the Head of Internal Audit reports to the Section 151 Officer via the Chief Accountant. The Head of Internal Audit has a direct right of access to the Chair of the Audit Committee and the Leader of the Council if deemed necessary. The Audit Committee shall have regular private meetings with the Head of Internal Audit if required. The Audit Committee approves all Internal Audit plans and may review any aspect of its work.

#### **5. Internal Audit Team**

The Head of Internal Audit is responsible for ensuring the team is adequately staffed and that there is access to the full range of knowledge, skills, qualifications and experience to deliver the Internal Audit Plan in line with the PSIAS. The team will undertake regular assessments of professional competence through an on-going appraisal and development programme (i.e. Personal Development Plans and Continuing Professional Development) with training provided where necessary. Auditors also have responsibilities for applying due professional care when performing their duties. The Head of Internal Audit must hold a professional qualification.

If the Head of Internal Audit, Chief Executive, Section 151 Officer or the Audit Committee consider that the level of Internal Audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing, they should advise the Council accordingly.

#### **6. Scope**

The Head of Internal Audit is responsible for developing and maintaining an Internal Audit Strategy for providing the Chief Executive, economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the organisation's risk management, control and governance arrangements. The Head of Internal Audit's opinion is a key element of the framework of assurance the Chief Executive needs to inform the completion of the Annual Governance Statement. This strategy will be realised through the delivery of a considered and approved annual risk based plan. To develop the risk based plan, the Head of Internal Audit consults with senior management and the Council and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The Head of Internal Audit reviews and adjusts the plan as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

The audit plan will systematically review the policies, procedures and operations in place to:

- Establish, and monitor the achievement of, the organisations objectives.
- Identify, assess and manage the risks to achieving the organisations objectives.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.
- Safeguard the organisation’s assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

## 7. Approach

To ensure delivery of its objectives, Internal Audit will develop and implement an Audit Strategy. This will be prepared each year and will describe arrangements for the delivery of the internal audit service based upon knowledge of the organisation’s objectives, risk assessment, and appropriate management consultation. The allocation of resources between assurance and consultative work will be set out. A detailed Annual Operational Plan will be prepared designed to implement the audit strategy. The audit strategy and annual plans shall be prepared to support the audit opinion to the Accountable Officer on the risk management, internal control and governance arrangements within the organisation. Both the strategy (where required) and annual plans will be approved by the Audit Committee and reported to the Council.

## 8. Reporting

Internal Audit will report formally to the Audit Committee through the following:

An annual report will be presented to confirm completion of the audit plan and will include the Head of Internal Audit opinion provided for the Accountable Officer that will support the Annual Governance Statement. The opinion must take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the Council and other stakeholders. The Head of Internal Audit opinion will:

- a) State the overall adequacy and effectiveness of the Council’s risk management, control and governance processes;
- b) Disclose any qualification to that opinion, together with the reasons for the qualification;
- c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues internal audit judge as being particularly relevant to the preparation of the Annual Governance Statement;
- e) Compare work actually undertaken with the work which was planned and summarise performance of the internal audit function against its performance measures criteria; and
- f) Comment where necessary on compliance with the Public Sector Internal Audit Standards and internal quality assurance arrangements.

For each relevant Audit Committee meeting a progress report will be presented to summarise progress against the plan. The findings arising from individual audit reviews will be reported in accordance with Audit Committee requirements. The Audit Committee members will be provided with copies of individual audit reports for each assignment undertaken unless the Head of Internal Audit is advised otherwise. The reports will include an action plan with target dates for completion.

Following the closure of fieldwork, Internal Audit will discuss findings with operational/local managers. Operational/Local management will receive draft reports which will include the action plans they have agreed following the discussion of findings. A copy of the draft report will also be provided to the relevant Head of Service. The draft report will give an "assurance" opinion on the area reviewed. The draft report will also indicate action ratings for individual report findings and recommendations.

Operational management will be required to respond to the draft report, stating their agreement or otherwise to the content of the report, identifying action, staff with responsibility for implementation and the dates by which action will be taken. Final reports inclusive of management comments will be issued by Internal Audit to the relevant Head of Service within 5 working days of management responses being received. The final report will be placed on the agenda for the next available Audit Committee.

Internal Audit will make provision to review the implementation of agreed action within the agreed timescales. However, where there are issues of particular concern provision maybe made for follow up review within the same financial year. Issue and clearance of follow up reports shall be as for other assignments referred to above.

## **9. Irregularities, Fraud and Corruption**

It is the responsibility of management to maintain systems that ensure organisation's resources are utilised in the manner and on activities intended. This includes the responsibility for the prevention and detection of fraud and other illegal acts.

Internal Audit shall not be relied upon to detect fraud or other irregularities. However, Internal Audit will give due regard to the possibility of fraud and other irregularities in work undertaken. Additionally, Internal Audit shall seek to identify weaknesses in control that could permit fraud or irregularity.

If Internal Audit discovers suspicion or evidence of fraud or irregularity, this will immediately be reported to the organisation's Counter Fraud Specialist in accordance with the organisation's Counter Fraud Policy & Fraud Response Plan.

## **10. Relationships**

In order to maximise its contribution to the Council's overall framework of assurance, Internal Audit will work closely with the organisation's Section 151 Officer and Chief Accountant in planning its work programme. Co-operative relationships with senior and line management enhance the ability of internal audit to achieve its objectives effectively. Audit work will be planned in conjunction with management as far as possible, particularly in respect of the timing of audit work.



Internal Audit will meet regularly with the external auditor to consult on audit plans, discuss matters of mutual interest, discuss common understanding of audit techniques, method and terminology, and to see opportunities for co-operation in the conduct of audit work. In particular, internal audit make available their working files to the external auditor for them to place reliance upon the work of Internal Audit where appropriate

The Head of Internal Audit will establish a means to gain an overview of other assurance providers' approaches and output as part of the establishment of an integrated assurance framework. In addition the Head of Internal Audit shall make provision to form an opinion where key systems are being operated by organisation's outside of the remit of the Accountable Officer, or through a shared or joint arrangement.

## 11. Access

Internal Audit shall have the authority to access all the organisation's information, documents, records, assets, personnel and premises that it considers necessary to fulfil its role. This shall extend to the resources of the third parties that provide services on behalf of the organisation. All information obtained during the course of a review will be regarded as strictly confidential to the organisation and shall not be divulged to any third party without the prior permission of the Accountable Officer. However, open access shall be granted to the organisation's external auditors. In any instances of conflict this will be referred for resolution to the Section 151 Officer, Chief Accountant, Chief Executive or Chair of Audit Committee as appropriate.

## 12. Quality Assurance

The work of internal audit is controlled at each level of operation to ensure that a continuously effective level of performance, compliant with the Public Sector Internal Audit Standards is being achieved. The Head of Internal Audit will establish a quality assurance programme designed to give assurance through internal and external review that the work of internal audit is compliant with the PSIAS and to achieve its objectives. A commentary on compliance against the Standards will be provided in the annual audit report to Audit Committee.

## 13. Approval, Review and Interpretation of the Charter

This Internal Audit Charter shall be reviewed annually and approved by the Audit Committee\*.

\* The Public Sector Internal Audit Standards require the Charter to be approved by the Board, however, for the Public Sector the following definition of Board is provided: *Audit Committee – the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. In this case the 'Audit Committee' is the Scrutiny (VFM Council Services and Audit) Committee.*