

Internal Audit Strategic Plan 2023-24

A. Introduction and Objectives

The Internal Audit Strategic Plan sets out how Internal Audit resources will be utilised and deployed in 2023-24. It is underpinned by the Internal Audit Charter, as seen at *Appendix A*, which defines the purpose, role, mission, responsibility and position of the Internal Audit function at Brent Council.

Our primary objective is to support the achievement of the Council's objectives by bringing a systemic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes. We aim to achieve this through a planned programme of work based on an annual assessment of the major risks facing the Council. We also seek to support and promote continuous improvement across the Council, via a combination of assurance, consultancy/advice and follow-up work.

B. Approach to Developing the Plan

The 2023-24 Internal Audit Plan has been developed using a risk-based, assurance mapping approach, which is aligned to the Council's corporate objectives and priorities and the key risks which may prevent them from being achieved. The Plan has been drafted from a number of information sources (as shown in the table).

In developing the Plan, we have taken into account the requirement to produce an annual Internal Audit opinion to summarise the overall adequacy and effectiveness of internal control arrangements operating during the year. Audits identified during the planning process will focus on areas with a high assurance requirement, and as such, the Internal Audit Plan does not purport to address all risks facing the Council. The level of internal audit activity therefore represents a deployment of limited audit resource and in approving the Plan, the Council Management Team and Audit and Standards Advisory Committee recognises this limitation.

Information Sources used to develop the plan:

- ✓ Review of the Borough Plan and other relevant strategies.
- ✓ An Internal Audit risk assessment.
- ✓ Review of strategic and departmental risk registers.
- ✓ Intelligence from previous audit and counter-fraud work.
- ✓ Expectations of Senior Management and DMTs.
- ✓ Benchmarking against plans of other local authorities.
- ✓ Networking and audit planning days with partner authorities.
- ✓ Guidance and publications from professional bodies, including the Institute of Internal Auditors and CIPFA.

C. Delivery and Resourcing

The Head of Audit and Investigations is responsible for identifying the resources necessary to deliver the Audit Plan and to fulfil the Council's requirements and expectations as to the robustness and scope of the annual Internal Audit opinion. To this end, the Head of Audit and Investigations is satisfied that adequate resources are available for the provision of an effective internal audit function. The service continues to operate a co-sourced model, with a small portion of the Plan (c200 days) delivered by our co-sourced partner, PwC. The 2023-24 Plan will deliver c800 audit days across the following four areas:

The Plan and strategy has been drawn up to address the statutory requirements and key risks for the Council, taking into account the available resources within the Internal Audit service. To this end, it should be recognised that the planned audits, and their scope, may need to be adjusted in-year to respond to any changes to the Council's priorities, risks or needs. Where such changes are required, details of these, along with supporting rationale, will be reported to the Council Management Team and the Audit and Standards Advisory Committee. Delivery of the Plan will be prioritised (internally) to ensure that all critical audit work is completed and to enable the preparation of the annual Internal Audit opinion.

An element of contingency time has also been allocated for the provision of consultancy and advice work. By its nature, this work will vary its terms of its complexity and the level of resources required. To this end, any consultancy/advice work that will require more than 10 days will be formally reported to the Council Management Team and Audit and Standards Advisory Committee for information, and where relevant, approval.

Approx. time %	
Risk-based assurance:	60%
Follow up reviews:	20%
School reviews:	10%
Contingency:	10%

D. Follow-up Work

All planned audit work is subject to a formal follow-up process to ensure that all agreed actions have been implemented. The timing of each follow-up review is agreed with the auditee and via DMTs, with priority given to following up actions that are of high risk. Where actions remain outstanding beyond their agreed implementation date, these are reported routinely to relevant Departmental Management Teams. The focus of follow-up work in 2023-24 will be on actions that were agreed as part of the completion of audit work in 2022-23.

E. Reporting

All audits are subject to a Terms of Reference, agreed with the auditee, which set out the key risks and objectives of the audit. All audits will be undertaken in accordance with risk-based methodology and per the protocols set-out within the Internal Audit Charter.

On conclusion of an audit, a closing meeting is held and an audit report is shared that sets out the audit findings, rated as either critical, high, medium or low risk. The report will also include recommendations as to how the findings may be addressed, which will be agreed with management and accompanied with target dates and action owners.

Summary findings emanating from planned internal audit work as well as levels of implementation of agreed actions will be reported to the Audit and Standards Advisory Committee as part of routine progress reports. As part of these updates, we will highlight any significant risk and control deficiencies and potential areas for improvement in the Council's governance, risk and control arrangements.

F. Measuring Success

The Public Sector Internal Audit Standards are clear that Internal Audit should add value to the organisation. This will be achieved through the delivery of this Plan, and also via the provision of consultancy services and risk and control advice.

The following Key Performance Indicators (KPIs) have been established to measure the ongoing performance and value of the Internal Audit Service, which will demonstrate achievement of the objectives that support our mission statement:

- ✓ **KPI1** – 90% of the Annual Internal Audit Plan completed by 31st March (conclusion of fieldwork).
- ✓ **KPI2** – 100% of the Annual Internal Audit Plan completed by 30th April (conclusion of fieldwork).
- ✓ **KPI3** – 100% acceptance of all Critical and High risk recommendations.
- ✓ **KPI4** – Follow-up of all Critical and High risk recommendations within (at least) 12 months of the final report being issued.
- ✓ **KPI5** – 90% of client satisfaction surveys rated the service as good or better.

Other factors of success will also be evident and monitored over time, including the rate of implementation of recommendations, and a reduction in the number of Critical and High risk recommendations raised.

G. 2023-24 Internal Audit Plan

The below table presents the proposed Internal Audit Plan for 2023-24.

Audit	Objective / Indicative Scope	Planned Quarter
CROSS-CUTTING		
Recruitment and Retention	A risk-based review of Recruitment and Retention. Scope to focus on the effectiveness of mitigating actions and controls in place to address this area of strategic risk, including the use/cost of agency staff.	Q4
Performance Reporting	A risk-based review of Performance Reporting. Scope to include data integrity, monitoring and reporting	Q2
Climate Change and Sustainability	<i>Review carried-forward from 2022-23.</i> To provide assurance regarding the delivery of the Council's climate change strategies and action plan.	Q3
RESIDENT SERVICES		
Housing Compliance	On-going programme of assurance across all areas of Housing Compliance. Scope to be refined/agreed in-year.	Q4
Tenancy Management Organisation	A risk-based review of Watling Gardens TMO. Scope to include governance, financial, management and contract management.	Q1
Resident Support Fund	A risk-based review of the Resident Support Fund. The scope to consider income/funding management, fund allocation, need identification, monitoring and reporting.	Q4
Parking Services	A risk-based review of key controls in Parking Services. Scope to be refined/agreed in-year.	Q3
Discretionary Housing Payments	A risk-based review of Discretionary Housing Payments. The scope to consider policies and procedures, inspections, applications and approvals, reconciliations and monitoring.	Q1

Audit	Objective / Indicative Scope	Planned Quarter
Housing Revenue Account	A risk-based review of Housing Revenue Account. The scope to consider rent collection/ service charge collections and repayment plans.	Q2
IT Application Review	A deep-dive review into a key IT application (tbc). Scope to provide assurance over the design and operation of key IT controls, including user access/ permissions, and risks related to the availability and integrity of data.	Q2
FINANCE AND RESOURCES		
Key Financial Systems - Accounts Receivable	Key financial systems review of Accounts Receivable. The scope to provide assurance over the design and operation of key controls.	Q2
Key Financial Systems - Pension Fund	A risk-based review of Pension Fund. The scope to provide assurance over the design and operation of key controls.	Q1
Key Financial Systems - Accounts Payable	A risk-based review of Accounts Payable. The scope to provide assurance over the design and operation of key controls.	Q3
MTFS/Savings Delivery and Capital Programme – Extended Follow-up	Extended follow-up review to evaluate the implementation of recommendations arising from the 2022-23 reviews of the MTFS and Capital Programmes.	Q4
Barham Park Accounts	Annual independent certification of accounts.	Q2
Emergency Planning/ Business Continuity	A risk-based review of / Emergency Planning/Business Continuity. The scope to consider governance arrangements, risk assessments, response strategy and planning, training and awareness.	Q3
IT Audits (tbc)	Allocation of time for 3x risk-based IT audit reviews. Audits to be agreed in year on completion of a risk-assessment exercise, in conjunction with the Shared Digital Service and partner boroughs.	Q1-4

Audit	Objective / Indicative Scope	Planned Quarter
Project Management (Property)	A risk-based review of Project Management. The scope to consider project governance and reporting, benefits identification, risk and issue management and post evaluation/ lessons learned processes.	Q3
GOVERNANCE		
Procurement (including Contract Management follow-up)	A risk-based review of Procurement to focus on areas of key/high risk. Scope to include a follow-up of recommendations arising from the Contract Management review undertaken in 2022-23.	Q3
Starters and Leavers	A risk-based review of key controls surrounding starters and leavers. Scope to consider key controls with HR, and also wider controls/processes, including allocation/return of IT equipment.	Q3
ADULT SOCIAL CARE AND PUBLIC HEALTH		
Adult Social Care Commissioning	A risk-based review of the Commissioning arrangements in place to ensure/monitor compliance with PAN London Safeguarding procedures.	Q2
Direct Payments	A risk-based review of Direct Payments. The scope to provide assurance over the design and operation of key controls, including payments, monitoring, reviews and claw-backs.	Q3
Public Health - Contract Management	A deep-dive review into the contract management of a key Public Health Contract. Scope to be agreed/refined in-year.	Q3
CHILDREN AND YOUNG PEOPLE		
No Recourse to Public Funds (NRPF) and Intentionally Homeless	A risk-based review of the NRPF process. Scope to include governance arrangements, acceptance process, screening, financial support and property procurement.	Q1
Increase in Dedicated Schools Grant High Needs	A risk-based review around the Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit. Scope to provide assurance over this area of strategic risk.	Q2

Audit	Objective / Indicative Scope	Planned Quarter
Block (HNB) Deficit.		
Financial Support for Schools (with Finance and Resources)	A risk-based review of Financial Support for Schools. Scope to include governance arrangements, financial support, roles and responsibilities, scheme of financing, finance monitoring, schools in deficit and information sharing.	Q2
School Reviews	Risk based review of up to seven schools during 2023/24.	Q1-4
COMMUNITIES AND REGENERATION		
Section 106/CIL	A risk-based review of Section 106/CIL. The scope to consider policies and procedures, roles and responsibilities, income management, reconciliation and fund allocation.	Q2
Planning Enforcement	A risk-based review of Planning Enforcement. The scope to consider policies and procedures, roles and responsibilities, inspections, complaints and enforcement.	Q4
Grants Management	Ongoing programme of internal audit support/ assurance regarding the award and payment of community based grants.	Q1-4
CORPORATE SUPPORT		
Council Companies	Audit plans to be agreed separately with FWH/i4B. Audits to focus on areas on high risk and to include follow-up of recommendations raised in 2022-23 reviews.	Q1-4
Grant Certifications	To undertake grant certifications where required.	Q1-4
Risk/Control Advice	Provision for ad-hoc internal audit advice.	Q1-4
Risk Management Support	To aid and facilitate the Council's risk management framework.	Q1-4

H. Alignment to Strategic and Key Inherent Risks

The below table provides a mini-assurance map against the Council's strategic/inherent risk. It is provided to demonstrate how Internal Audit provides assurance over areas of key risk.

Strategic Risk Assurance Map	2019-20	2020-21	2021-22	2022-23	2023-24 (Planned)
Cost of Living Crisis	<i>Strategic Risk not introduced until 2022.</i>			✓	✓
				Ad-hoc Risk/Control support (energy support grants)	<ul style="list-style-type: none"> Resident Support Fund Discretionary Housing Payments
Increased demand from migration and people movement	<i>Strategic Risk not introduced until 2022.</i>			-	-
				No direct assurance work provided in this area of strategic risk. Risk/control advice is provided where requested/required.	
Increase in Dedicated Schools Grant HNB Deficit	-	-	-	-	✓
	No direct assurance provided in this area of strategic risk. Risk/control advice provided where requested.				<ul style="list-style-type: none"> DSG HNB
Lack of supply of affordable accommodation	✓	✓	✓	✓	✓
	<ul style="list-style-type: none"> Housing Allocations 	<ul style="list-style-type: none"> Introductory Tenancies Housing Successions GLA Affordable Housing Programme 	<ul style="list-style-type: none"> Voids Management 	<ul style="list-style-type: none"> Housing Compliance TMO review 	<ul style="list-style-type: none"> Discretionary Housing Payments Housing Compliance TMO review
Cyber Attacks	✓	✓	✓	✓	✓
	<ul style="list-style-type: none"> Access and ID Management 	<ul style="list-style-type: none"> Cyber Security 	<ul style="list-style-type: none"> Cyber Remote Working 	<ul style="list-style-type: none"> Maturity Assessment Cyber – Website Review 	<ul style="list-style-type: none"> Via IT audit plan (tbc)
Financial Resilience and Sustainability	✓	✓	✓	✓	✓
	<ul style="list-style-type: none"> Annual Key Financial Systems Work (KFS) Budget Monitoring Capital Programme Projects 	<ul style="list-style-type: none"> Annual KFS Work 	<ul style="list-style-type: none"> Annual KFS Work 	<ul style="list-style-type: none"> Annual KFS Work Financial Strategy/Savings Capital Programme FM Code 	<ul style="list-style-type: none"> Annual KFS Work Financial Strategy / Capital Programme follow-up

Strategic Risk Assurance Map	2019-20	2020-21	2021-22	2022-23	2023-24 (Planned)
Recruitment and Retention	✓	-	✓	-	✓
	<ul style="list-style-type: none"> Apprenticeships Recruitment and Retention Staff Benefits 	Follow-up work.	<ul style="list-style-type: none"> Workforce Planning. Flexible Working 	Follow-up work.	<ul style="list-style-type: none"> Recruitment and Retention Starters and Leavers
Contract Management	✓	-	✓	✓	✓
	<ul style="list-style-type: none"> Procurement 	Follow-up work.	<ul style="list-style-type: none"> Commercial Supplier Set-up 	<ul style="list-style-type: none"> Contract Management 	<ul style="list-style-type: none"> Procurement Contract Management Follow-up
Inherent Risk Assurance Map					
Safeguarding Children	✓	-	✓	✓	✓
	<ul style="list-style-type: none"> Disability Placements 	Follow-up work.	<ul style="list-style-type: none"> Early Years Fostering 	<ul style="list-style-type: none"> Demand for Services Family well-being 	<ul style="list-style-type: none"> NRPF
Safeguarding Adults	✓	-	✓	✓	✓
	<ul style="list-style-type: none"> Disabled Facilities Grants Residential and Nursing Care 	Follow-up work.	<ul style="list-style-type: none"> ASC Budget Monitoring Homecare 	<ul style="list-style-type: none"> Better Care Fund 	<ul style="list-style-type: none"> ASC Commissioning
Business Continuity	-	✓	-	-	✓
	No direct assurance work.	<ul style="list-style-type: none"> IT Disaster Recovery 	Follow-up work.	No direct assurance work.	<ul style="list-style-type: none"> Business Continuity / Emergency Planning
Information Governance	✓	✓	✓	✓	✓
	<ul style="list-style-type: none"> Robotic Process Automation 	<ul style="list-style-type: none"> GDPR 	<ul style="list-style-type: none"> Cyber Security Remote Working 	<ul style="list-style-type: none"> Digital Strategy Data Breaches 	<ul style="list-style-type: none"> IT Application review
Legislative Compliance	✓	✓	-	✓	✓
	<ul style="list-style-type: none"> Case Management 	<ul style="list-style-type: none"> PCI DSS H&S Legionella 	Follow-up work.	<ul style="list-style-type: none"> Housing Compliance Licensing 	<ul style="list-style-type: none"> S106/CIL Planning Enforcement
Fraud and Corruption	✓	✓	✓	✓	✓
	Assurance provided through delivery of Annual Counter Fraud Plan.				

I. Key Financial Systems Three-Year Plan

The below table summarises the rolling three-year plan intended to provide regular assurance over the Council's key financial systems.

Key Financial System	Last Year Audited	2023-24	2024-25	2025-26
Accounts Payable / P2P	2020/21	✓		
Accounts Receivable	2018/19	✓		
General Ledger	2019/20		✓	
Payroll	2022/23			✓
VAT	2019/20		✓	
Pension Fund	2019/20	✓		
Insurance	2018/19		✓	
Budgetary Control/Management	2018/19		✓	
Supplier Registration	2021/22	✓		
Fixed Assets	2022/23			✓
Income and Debt Management	2022/23			✓
Treasury Management	2020/21			✓
Purchasing Cards	2022/23			✓
Northgate	2021/22	✓		

Internal Audit Charter

February 2023



1. Introduction

In accordance with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), and the Public Sector Internal Audit Standards (PSIAS), the purpose, authority and responsibility of the internal audit function must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing).

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

The Charter will be reviewed and presented to the Audit and Standards Advisory Committee for comment before approval every two years, or more frequently in response to changes in the Standards.

2. Definitions

The PSIAS requires that the terms 'Board' and 'Senior Management' are interpreted in the context of the governance arrangements for each organisation. For the purposes of this Charter, the following definitions apply:

The Board	The governance group charged with independent assurance on the adequacy of the Council's governance, risk management and internal control environment (including the integrity of financial reporting). The term 'Board' refers to the Council's Audit and Standards Committee, which also meets as the Audit and Standards Advisory Committee with additional independent members.
Senior Management	Those responsible for the leadership and direction of the Council. This refers to the Council Management Team (CMT) and respective Department Management Teams (DMT).

3. Purpose and Mission

The Chartered Institute of Public Finance and Accountancy (CIPFA) states that a professional, independent and objective internal audit function is one of the key elements of good governance in local government.

The **purpose** of the Council's Internal Audit function is to therefore provide independent, objective assurance and consulting services, via the Audit and Standards (Advisory) Committee, Chief Executive, Chief Financial Officer and senior management, in order to add value and improve operations.

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The **mission** of the Internal Audit function is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight. Internal Audit helps the Council to accomplish its objectives by bringing a systemic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes.

The purpose and mission are achieved through providing a combination of risk-based assurance and consulting activities. The assurance suite of work involves assessing how well the systems and processes are designed and operating in order to effectively mitigate risk, while consulting activities aid with the improvement in systems and processes where necessary.

The response of the Council to the activity of Internal Audit should also lead to the strengthening of governance arrangements and the control environment, and therefore, contribute to the achievement of strategic objectives.

It is important to note that Internal Audit is not responsible for designing and implementing control systems and managing risks. It is the responsibility of senior management to establish and maintain appropriate risk management processes, control systems, accounting records and governance arrangements.

Statutory Requirements

The Council has a statutory duty to maintain an adequate and effective Internal Audit function in accordance with the proper Internal Audit practices of the Accounts and Audit Regulations (2015).

Section 151 of the Local Government Act 1972 also states that *'every local authority shall make arrangements for the proper administration of the financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'*. To this end, the CIPFA Statement of the Role of the Chief Financial Officer in Local Government also states that the Chief Financial Officer must:

- Ensure an effective Internal Audit function is resourced and maintained;
- Ensure that the authority has put in place effective arrangements for the Internal Audit of the control environment and systems of internal control, as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom;
- Support the authority's internal audit arrangements, and
- Ensure that the Audit and Standards (Advisory) Committee receives the necessary advice and information, so that both functions can operate effectively.

The relationship between the Head of Internal Audit (HIA) and the Chief Financial Officer (Corporate Director Finance and Resources - S151) is therefore of particular importance. To this end, the HIA had direct access to the CFO and holds regular 1:1s where Planned internal audit activities and outcomes are discussed and reviewed as appropriate.

4. Standards for the Professional Practice of Internal Auditing

The Internal Audit function adheres to the PSIAS, which encompass the mandatory elements of the IIA's IPPF, these being: the Core Principles for the Professional Practice of Internal Auditing, the Standard and the Definition of Internal Auditing; and the Code of Ethics (seen at Appendix A).

In addition, the following standards and codes of practice are also adhered to:

- CIPFA Role of the Head of Internal Audit in the Public Sector; and

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- CIPFA Local Government Application Note

Internal Audit will also have due regard to the Seven Principles of Public Life (seen at Appendix B).

5. Authority

Internal Audit is responsible for providing assurance to its key stakeholders, including the Chief Executive, Chief Financial Officer, Senior Management and Audit and Standards (Advisory) Committee to assist them with discharging their statutory responsibilities.

The Head of Internal Audit reports functionally to the Audit and Standards (Advisory) Committee, and organisationally to the Council's Corporate Director Finance and Resources (S151).

The Corporate Director Finance and Resources (S151).will provide the Head of Internal Audit with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Head of Internal Audit also has direct and unfettered access to the Chief Executive (who carries the responsibility for the management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements); and any other member of the Council's Senior Management Team.

Where it is considered necessary to the proper discharge of internal audit activity, the Head of Internal Audit will also have direct access to elected Members of the Council, and in particular, those who serve on the Audit and Standards (Advisory) Committee. The Head of Internal Audit will also communicate and interact directly with the Independent Chair of the Audit and Standards Committee in between Committee meetings, as deemed appropriate.

The above presents the safeguards in place to preserve the independence of the HIA and the Internal Audit function. In addition, and where deemed appropriate, the organisational reporting line of the HIA will be reviewed regularly, and where relevant, rotated to ensure ongoing independence.

The Internal Audit function shall:

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

Any officer obstructing the internal audit function may be subject to disciplinary action. Right of access to other bodies funded by the Council should be set out in the conditions of funding, and officers agreeing such conditions must ensure that such rights allow similarly unrestricted access.

Internal Audit will consider requests from the External Auditors for access to any information held by the service, files or working papers obtained or prepared during audit work that has been finalised, which External Audit would need to discharge their responsibilities.

Audit and Standards (Advisory) Committee

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To establish, maintain and ensure that Internal Audit has sufficient authority to fulfil its duties, the Audit and Standards (Advisory) Committee will:

- Approve the Internal Audit Charter;
- Approve the risk-based Internal Audit Plan;
- Receive communications from the Head of Internal Audit on the performance of Internal Audit, related to its Plan and other matters.

6. Independence and Objectivity

The Head of Internal Audit will ensure that Internal Audit remains free from conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal Auditors will maintain an unbiased attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year;
- Performing any operational duties for the Council or its affiliates;
- Initiating or approving transactions external to the Internal Audit function; and
- Directing the activities of any employee of the Council not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Head of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. The independence of the HIA is further safeguarded by ensuring that their annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that the Chair of Audit and Standards Advisory Committee reviews the appraisal of the HIA. Furthermore, periodic Corporate Governance Meetings are held between the Chief Executive, Head of Internal Audit, Chief Financial Officer and Monitoring Officer to ensure that any governance issues remain high on the Council's agenda.

All staff within Internal Audit are required to make an annual 'declaration of interest' to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed. In addition, Internal Auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to the Head of Internal Audit and appropriate parties;
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- Make balanced assessments of all available and relevant facts and circumstances; and

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- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- Not accept any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties;
- Not use information obtained during the course of duties for personal gain; and
- Ensure compliance with the Bribery Act 2010.

The Head of Internal Audit will confirm to the Audit and Standards (Advisory) Committee, at least annually, the organisational independence of Internal Audit. The Head of Internal Audit will also disclose to the Audit and Standards (Advisory) Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

7. Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit and Standards (Advisory) Committee and senior management on the adequacy and effectiveness of the Council's governance, risk management, and control processes.

The Head of Internal Audit is also responsible for providing an annual audit opinion and report that can be used to inform the Annual Governance Statement. The annual opinion will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, and may be based on:

- A summary of internal audit work carried out for the relevant period;
- Follow-up on the implementation of recommendations;
- Any significant governance issues as reported within each Council's Annual Governance Statement;
- The annual review of the effectiveness of Internal Audit.

A range of Internal Audit services are provided to form the annual opinion. The approach is determined by the Head of Internal Audit and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of those objectives, and the level of confidence required that controls are well designed and operating as intended.

Internal audit assessments may include evaluating whether:

- Risks relating to the achievement of strategic objectives are appropriately identified and managed;
- The actions of officers, directors, employees, and contractors are in compliance with Council policies, procedures, and applicable laws, regulations, and governance standards;
- The results of operations or programmes are consistent with established goals and objectives;
- Operations or programmes are being carried out effectively and efficiently;
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact on the Council;

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- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity; and
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Head of Internal Audit will report periodically to senior management and the Audit and Standards (Advisory) Committee regarding:

- Internal Audit's purpose, authority, and responsibility;
- Internal Audit's Plan and performance relative to its Plan;
- Internal Audit's conformance with The IIA's Code of Ethics and Standards and, where apt, action Plans to address any significant conformance issues;
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit and Standards (Advisory) Committee;
- Results of audit engagements or other activities;
- Any response to risk by management that may be unacceptable to the Council.

The Head of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Consultancy and Advisory Services

Internal Audit may perform consulting and advisory services related to governance, risk management and control as appropriate. It may also evaluate specific operations at the request of the Audit and Standards (Advisory) Committee or senior management, as appropriate. Before any consultancy work is agreed, the Head of Internal Audit will ensure that Internal Audit has the appropriate skills, resources and approval to undertake the review. The Head of Internal Audit will also ensure that appropriate safeguards are in place to preserve objectivity in areas subject to future internal audit activity.

Counter Fraud

The primary responsibility for the prevention and detection of fraud lies with management who are also responsible for the management of fraud risks. Managers are required to report all suspicions of theft, fraud and irregularity to the Head of Audit. The Head of Audit manages and controls all investigations and will ensure that investigators are fully trained in carrying out their responsibilities.

Internal Audit's role in any fraud or corruption related work will be in accordance with the Council's Anti-Fraud and Corruption Strategies and with resources approved by the Audit and Standards (Advisory) Committee in the annual audit Plan. However, Internal Auditors will have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation. In addition, the service may assist or lead, as needed, in the identification and investigation of suspected fraudulent activities within the Council and notify senior management and the Audit and Standards (Advisory) Committee of the results.

Risk Management

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Internal Audit is responsible for maintaining the Council's Risk Management strategy and framework. This includes advice and guidance to services on best practice and collating and reporting risk information to key stakeholders. Safeguards will be put in place to ensure that functions deemed as inappropriate in the IIA's guidance on *The Role of Internal Auditing in Enterprise-Wide Risk Management*, are not undertaken by Internal Audit. Safeguards will be put in place to ensure that the Audit and Standards (Advisory) Committee and senior management receive separate, clear and objective messages from each function.

Third Parties

Internal Audit may carry out assurance work for third parties (i.e. organisations outside of the Council), where requested and deemed appropriate to do so. This may include Council subsidiaries, charitable, voluntary sector and other community-based organisations.

All internal audit, consultancy and advisory, and assurance work provided to third-party organisations is carried out in accordance with the standards and requirements set out within this Charter.

Internal Audit also operates a co-sourced delivery model, with a portion of the annual Plans delivered by an external provider. The provider is required to work to the same standards and audit methodology as detailed within this Charter.

8. Responsibility

The Head of Audit will be professionally qualified (CMIIA, CCAB or equivalent) and will have wide internal audit and management experience.

The Head of Internal Audit has the responsibility to:

- Submit, at least annually, to senior management and the Audit and Standards (Advisory) Committee, a risk based internal audit Plan for review and approval;
- Identify the resources required to deliver the audit Plan and communicate to senior management and the Audit and Standards (Advisory) Committee the impact of resource limitations on the internal audit Plan. The Head of Audit can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources;
- Review and adjust the internal audit Plan, as necessary, in response to changes to the Council's objectives, business, risks, operations, programmes, systems, and controls;
- Communicate to senior management and the Audit and Standards (Advisory) Committee any significant interim changes to the internal audit Plan. This includes advising, for whatever reason, where internal audit is unable to provide assurance on any significant risks within the timescale envisaged;
- Seek approval from the Audit and Standards (Advisory) Committee for any significant additional consulting services that are not already included in the audit Plan;
- Ensure each engagement of the internal audit Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programmes and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties;
- Follow up on findings and recommendations, as outlined in the Internal Audit Methodology, and report periodically to senior management and the Audit and Standards (Advisory) Committee any corrective actions not effectively implemented.

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- Deliver an annual audit opinion and report that can be used by the Council to inform its annual governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control;
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld;
- Ensure that Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter;
- Ensure trends and emerging issues that could impact on the Council are considered and communicated to senior management and the Audit and Standards (Advisory) Committee as appropriate;
- Ensure emerging trends and successful practices in internal auditing are considered;
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit function;
- Ensure adherence to the Council’s relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit and Standards (Advisory) Committee;
- Ensure conformance of the Internal Audit Service with the Public Sector Internal Audit Standards.

9. Reporting and Monitoring

For each audit engagement, Internal Audit will ensure that a terms of reference is prepared and agreed with the auditees and key stakeholders, setting out the scope of the audit.

On completion of the audit, a written report will be prepared and issued which, where appropriate, will summarise findings and identify areas where improvements are required to the Council’s control environment. The Internal Audit report will also include management’s response and action to be taken in regard to the specific findings and recommendations. Management’s response, whether included within the original audit report or provided thereafter by management of the audited area, should include agreed actions to be taken and an explanation for any recommendations that will not be implemented.

Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion. These may include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary. Where such work is undertaken, this will be set out as part of Internal Audit’s annual report. In order to protect Internal Audit’s independence and minimise the impact on the delivery of the overall Plan, and as set out in the sections above, the Head of Internal Audit will give due consideration to the appropriateness of undertaking such work.

Internal Audit will also be responsible for appropriate follow-up of agreed action. This includes monitoring progress in implementing audit recommendations in accordance with agreed timescales. Progress will be reported to management and to the Audit and Standards (Advisory) Committee on a periodic basis. Where progress is unsatisfactory, or management fail to provide a satisfactory response to follow up requests, Internal Audit will report this accordingly.

10. Quality Assurance and Improvement Programme

The PSIAS include ten Core Principles, which when taken as a whole, articulate internal audit effectiveness. For an internal audit service to be considered effective and achieve its mission, all Principles must be present and operating effectively:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Internal Audit will develop a Quality Assurance and Improvement Programme (QAIP) that covers internal audit activity. The QAIP will seek to provide reasonable assurance to stakeholders that Internal Audit:

- Conforms with the above principles;
- Performs its work in accordance with the PSIAS (including the Definition of Internal Auditing and Code of Ethics) and the CIPFA Statement on the role of the Head of Internal Audit;
- Understands the Council as an organisation, including its needs and objectives;
- Understands its role and position with respect to the organisation's other sources of assurance and Plans its work accordingly;
- Operates in an effective and efficient manner;
- Is perceived by stakeholders as adding value and continually improving operations; and
- Is forward thinking and strives for continuous improvement.

The Head of Internal Audit will communicate to senior management and the Audit and Standards (Advisory) Committee the outcomes of the QAIP, including results of ongoing internal self-assessments and external assessments conducted at least every five years by a qualified, independent assessor.

Author: Head of Internal Audit and Investigations

Date: February 2023

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