

DATE: 4 October 2023
MY REF: Supplemental Item - Internal Audit
Progress Report Q2 2023/24
Appendix 1

YOUR REF:
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To Members of the Audit and Corporate Governance Committee

Cllr. Mark Jackson (Chairman)
Cllr. Mike Shirley (Vice-Chairman)

Cllr. Lee Breckon JP
Cllr. Alex DeWinter

Cllr. Richard Holdridge
Cllr. Dillan Shikotra

Cllr. Roger Stead

Dear Councillor,

A meeting of the **AUDIT AND CORPORATE GOVERNANCE COMMITTEE** will be held in the Council Chamber - Council Offices, Narborough on **TUESDAY, 10 OCTOBER 2023** at **5.30 p.m.** Please find attached a number of supplemental items that are required for the meeting and are in addition to the agenda and report pack that has already been circulated.

Yours faithfully



Louisa Horton
Corporate Services Group Manager and Monitoring Officer

SUPPLEMENTAL ITEMS

7. Internal Audit Progress Report Q2 2023/24 (Pages 3 - 26)

To consider the report of the Shared Service Audit Manager (enclosed).



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INTERNAL AUDIT SHARED SERVICE

Blaby District Council

Internal Audit Progress Report 2023/24 Q2

1. Introduction

- 1.1 Internal Audit is provided through a shared service arrangement led by North West Leicestershire District Council and delivered to Blaby District Council and Charnwood Borough Council. The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight progress against the 2023/24 Internal Audit Plan up to 30 September 2023.

2 Internal Audit Plan Update

- 2.1 The 2023/24 audit plan is included at Appendix A for information and shows the audits in progress. Since the last update report one final report and two draft reports have been issued and the DFG certification work has been completed.

The executive summary for the final report is included at Appendix B

- 2.2 The audits due to take place in Q3 are:

- Key financial systems audits
- Parks & Open Spaces
- Corporate Project Management
- UKSPF
- Democratic Services

3 Internal Audit Recommendations

- 3.1 Internal Audit monitor and follow up all critical, high and medium priority recommendations. Further details of extended recommendations are detailed in Appendix C for information.

Year	Not Due		Extended		Overdue	
	High	Medium	High	Medium	High	Medium
20/21	-	-	-	3	-	-
21/22	-	-	2	-	-	-
22/23	2	1	7	1	-	-
23/24	1	2	-	-	-	-

4 Internal Audit Performance Indicators

- 4.1 Progress against the agreed Internal Audit performance targets are documented in Appendix D. There are no areas of concern at this stage.

5.0 Internal Audit Charter

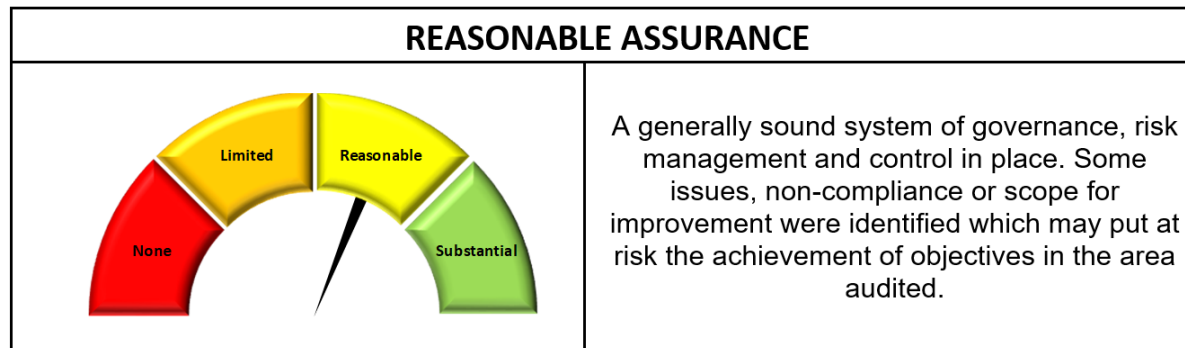
- 5.1 The Audit Manager has completed the annual review of the Charter, detailed in full in Appendix E.

Appendix A

2023/24 AUDIT PLAN PROGRESS TO 18 SEPTEMBER 2023

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Workforce Planning	Advisory	4		As required						
ITrent	Advisory	2		As required						
Asset Management	Audit	10		Q4						
Parks & Open Spaces	Audit	10		Q3						
Disabled Facilities Grant Determinations	Grant	4	2	Q2	Not applicable					
Building Control	Audit	10		Q4						
Sport & Physical Activity	Audit	7		Q4						
Lightbulb	Advisory	5		Q3						
Community Triggers	Audit	10	5	Completed		-	1	2	3	
Temporary Accommodation	Audit	10	2	Postponed						Postponed until later in the year.
Key Financial Systems	Audit	44	2	Planning						
Budget Monitoring & Reporting	Audit	8	6	Draft						
IT Asset Management	Audit	8	0.5	Postponed						
Transformation projects	Advisory	5		As required						
Corporate Project Management	Audit	10		Q3						
Service Planning including Performance Management	Audit	10	14	Completed						Memo issued and changed to advisory time due to the changes in the corporate strategy
Democratic Services	Audit	10		Q3						
UKSPF	Audit	8		Q3						
Capital Programme Management	Audit	10	5	Draft						
Grant assurance work	Assurance		1	In progress						

Community Triggers



Key Findings

Areas of positive assurance identified during the audit:

- Internal process documentation has been updated as expected following a recommendation by the Ombudsman.
- Information sharing agreements are in place.
- Officers involved in the process are suitably experienced and trained.

The main areas identified for improvement are:

- The existing protocol and policy documents require updating but are centrally managed by Leicestershire County Council as they cover the local authorities throughout Leicester, Leicestershire and Rutland.

The Community Safety and Resident Support Manager has obtained assurance from County that the documents are due to be reviewed and updated to reflect the Government's ASB action plan which is due to be formally introduced later in 2023, and the review will incorporate any other changes to legislation and best practice as required.

- The promotion and publication of the process.
- The retention of full records for each case review.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. A standard paragraph advising customers of their right to request a case review and providing brief details of the process is added to all relevant correspondence.	Low	Agreed. Work is underway to liaise with other LLR CSPs on a standard paragraph to include in letters. This has also been discussed at County ASB meetings.	Community Safety and Resident Support Manager	31.10.23
2. The leaflets produced by the Community Safety Team are updated to include details of the case review process.	Low	Agreed. This work has already commenced.	Community Safety and Resident Support Manager	31.10.23
3. Community Trigger case reviews are fully documented and records retained on file.	High	Agreed. A template checklist for folder completion has been developed pending the next ASB case review request.	Community Safety and Resident Support Manager	30.09.23
4. Checks are put in place to ensure that each stage of the review process is completed within the target timescale.	Medium	Agreed. A new mechanism for working out deadlines has been developed and shared with the team. A procedure note will be developed.	Community Safety and Resident Support Manager	30.09.23
5. The Council's website is updated to provide access to the latest version of the Sentinel Information Sharing Agreement.	Medium	Agreed. This action is underway.	Community Safety and Resident Support Manager	30.09.23

Audit Opinion Definitions

Opinion	Definition
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Recommendation Priority

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made,
Low	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed or potential opportunities for management to improve the operational efficiency and/ or effectiveness of the system.

RECOMMENDATIONS TRACKER – EXTENDED RECOMMENDATIONS AS AT 30 SEPTEMBER 2023

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	Due Date	1st Follow up comments	Ext Date	Second Follow up comments	Ext Date	Further Management update	Further Ext Date
2020/21	Safeguarding	16. The process for obtaining and checking references should be strengthened in accordance with the Guidance for Safer Recruitment produced by the Leicester, Leicestershire and Rutland Safeguarding Children Partnership Board and the Council's Recruitment Procedure should be updated to reflect this.	Medium	Agreed.	Transformation Group Manager and HR Services Manager	Dec-21	08.11.21 - The HRSM provided the following update: Will update along with action 12 above.	Jan-22	Jan.22: Undertaking review and review started Jan 2022. March 22 - Draft almost finished of DBS process and guidance. Feedback obtained from HR. Next steps feedback from Safeguarding Lead and Audit as agreed.	Mar-22	Following DBS Policy finalising practice re safer recruitment will be implemented. Sept-23 Recruitment and DBS policies and procedures, within which the resolve for this recommendation will be reflected, will be finalised by Dec-23	Apr-23 Sept-23 Dec-23
2020/21	Safeguarding	17. Consideration should be given to adding DBS requirements to the relevant position within the HR/Payroll system to ensure that all posts that require a DBS check have been identified and that requirements for mandatory DBS checks are not overlooked.	Medium	Agreed.	Transformation Group Manager and HR Services Manager	Dec-21	08.11.21 - The HRSM provided the following update: Will review January 2022 along with policy updates.	Jan-22	Mar-22: iTrent procurement underway. Will review ability to record in iTrent when procurement and any related changes confirmed.	Mar-22	iTrent procurement being finalised. No implementation dates available yet. Sept-23 This will form part of iTrent project implementation Phase 2 following system lift and shift to the cloud (phase 1). Timeline tbc	Sep-23 Dec-23
2020/21	HR and Payroll	1. The Recruitment Policy and procedure notes should be reviewed and updated in order to provide for applicants that have previously worked for the Council through an agency or those with non-traditional work histories.	Medium	Agreed.	Transformation Group Manager and HR Services Manager	Sept-21	08.11.21 - HR provided the following update: Reviewed approach to references in the depot where agency/non-traditional work histories have been more prevalent. Trialled a different reference process (noted in email). Review efficacy and where relevant update corporate policy by end January 2022.	Jan-22	27.01.22: To be allocated within HR team to review actions in depot and update policy if relevant. Timeframe and person undertaking work to be updated at next month's review. 31.03.22: Allocated within HR team. Timeframe tbc.	Feb-22	To form part of the policy work that is a priority for the incoming HR Transformation Manager. June-23 This point is being incorporated in the overall review of the Recruitment Policy. Sept-23 Recruitment Policy and procedures, within which the resolve for this recommendation will be reflected, will be finalised by Dec-23	Sep-23 Dec-23

2021/22	Hospital Housing Enablement	1. A formal procurement process should be completed for the clean and clear service in order to comply with the contract procedure rules and legislation.	High	Agreed.	Housing Enablement Team Leader	Nov-21	07.12.21: Due to recent issues of low staffing numbers within the team it was agreed with the Group Manager that the action for the procurement should be delayed until the new year.	Feb-22	March 22: The formal procurement process is ongoing and is a shared procurement framework between HET, Lightbulb and the Safespaces Project. The HET Service Team Leader is leading on this and working with Welland. An exemption form to cover HET for the interim period whilst this process is ongoing will be submitted shortly.	May-22	An exemption agreement has been put in place with current provider while a full procurement exercise is undertaken with a view to having a new contract in place from April 2023. March 23 - It is planned to start work on the procurement exercise from April 2023, the HET Service Manager will be leading on this and will need to secure input from colleagues working on safespaces to do this. July 23 – It is expected that the contract will be in place by April 2024.	April-23 Sept-23 April 24
2022/23	Policy Management	5. The Democratic Services Report Writing Toolkit should be reviewed and updated, and training provided to staff if required to ensure compliance.	High	Agreed The Toolkit will be updated.	Senior Democratic Services & Scrutiny Officer	May-23	June 23: The SDSO provided the following update: the Toolkit has not yet been updated due to staff sickness and post-Election workload. She will come back to me with a revised implementation date after speaking to the CSGM and the SESO. Jul 23: Revised timeline not yet agreed - it will depend on staffing levels within the team. Extended to Sep-23.	Sep-23				
2022/23	Environmental Permits	5. The system records for each permit should be reviewed in full and updated as required to correctly reflect the current status of each permit, all other relevant details, and ensure that all supporting documentation is attached.	High	Agreed.	Performance and Systems Officer	Dec-22	Jan 23: Update received from ESM - Records have been updated by the team following training given by the system team but there are still queries over some of the data due to the setup of the system which will be addressed in the training on March 23. Extended implementation date agreed.	Mar-23	Mar-23: Advised that the inspection updates are still in progress and completion date set for this with the team. Apr-23: A number of records have now been updated but some supporting docs are still outstanding. The next inspection due is not being recorded on the IVA so that the process can be monitored using the workflow system. May-23: Confirmed that some officers have now fully updated their records, but others still have work to do. Further extension agreed.	May-23	June-23: All records updated by officers to include inspections completed, unable to risk assess and add fees until the risk assessment is working correctly. Sept 23: Work is continuing to be undertaken with the supplier on the risk assessment section of the module to ensure the scoring matrix is accurately uploaded.	Jul-23 Oct 23
2022/23	Business Continuity	4. Business continuity arrangements for critical services are tested periodically and the details and outcome of each exercise together with any lessons learned are recorded in full.	High	Agreed.	Neighbourhood Services and Assets Group Manager	June-23 (for a programme to be in place)	July-23 No response received.	Aug-23	Sept 23: The BC plans have been reviewed and communicated with service managers. All plans have been tested e.g. loss of ICT in a live environment and on an ongoing basis, these are yet to be recorded. The Resilience	Mar-24		

									Partnership are in the progress of recruiting to a dedicated business Continuity Officer to be in post by end of Q3 where further reviews of the current BCP's will take place in Q4.			
2022/23	Policy Management	2. HR policies reflecting current legislation, corporate values and industry best practice should be produced for all key employment areas. These should be supported by relevant procedure documents	High	Agreed. A process and timetable to produce the key documents will be in place within six months.	Human Resources Strategic Manager	Jul-23	Aug-23 No response received		Sep-23 All HR policies have been imported to iPlan. A timeline for reviewing/producing (including prioritisation) the HR policies for all key employment areas with supporting procedure documents will now be agreed.	Mar-24		
2022/23	Policy Management	3. A review of all HR documentation is carried out and, where appropriate, these are updated to reflect the purpose of the document, i.e. strategies are in place which are supported by policies which in turn are implemented using procedures, with consideration being given to the definitions within the Report Writing Toolkit.	High	Agreed. This will form part of the action detailed in recommendation no. 2.	Human Resources Strategic Manager	Jul-23	Aug-23 No response received		Sept-23 As above for recommendation no.2 (inextricably linked)	Mar-24		
2022/23	Policy Management	8. Policies and procedures are updated on a regular basis and correspond to the relevantly published documents.	High	Agreed. This will be incorporated into the process and timetable to be developed as part of recommendation no. 2	Human Resources Strategic Manager	Jul-23	Aug-23 No response received		Sept-23 As above for recommendation no.2 (inextricably linked)	Mar-24		
2022/23	Policy Management	9. A process is introduced that requires officers to accept relevant policies throughout the authority on a regular basis.	High	HR have concerns regarding this process as some staff may refuse to sign up to policies. An alternative could be to publicise / remind staff of policies on a regular basis and following any review / change.	Human Resources Strategic Manager	Jun-23	No response received.		Sept-23 As above for recommendation no.2 (inextricably linked)	Mar-24		
2021/22	S106 Agreements	1. The existing SPD should be reviewed and updated to ensure that contributions sought are in accordance with current legislation, guidance, local policies and construction costs.	High	Agreed.	Development Strategy Manager	May-22 (review to be completed) Oct-22 (revised SPD to be adopted)	09.06.22: The DSM advised IA that the timescale has slipped due to reduced capacity within the team. The revised timetable is: • Internal consultation with Planning & Legal starting this week and running for 3-4 weeks. • Report to September Council with 6-week external consultation to follow • Adoption at January Council at earliest	30.09.22 (report to Council) 31.01.23 (SPD to be adopted)	Oct-22: Report did not go to Sep-22 Council. Timetable has slipped due to vacancies within the team and additional workload due to several new Neighbourhood Plans, the timing of which is outside of the Council's control. Jan-23: A workshop is scheduled to discuss the SPD internally but it is expected that they will not be consulting ahead of the local elections so it will be June-23 at the earliest. Sept -23: The draft SPD has been reviewed in light of significant planning reform	Jul-23 Dec-23		

									announcements and the emerging new Local Plan. It will be taken to Council for consideration in November 23.			
2022/23	Policy Management	7. The Equality and Human Rights Policy should be reviewed, updated and published and arrangements made to review and update at appropriate intervals going forward.	Medium	Agreed.	Transformation Group Manager and HR Services Manager	Jun-23	28.06.23: Work in progress - expected to be completed during Jul-23.	Aug-23	Sept 23 – The organisation now has a new EDI lead. Further work is required prior to updating the policy. This will be included with the work outlined for Policy Management recommendation no. 2.	Mar-24		

2023/24 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 18.09.2023	Comments
Achievement of the Internal Audit Plan	22%	
Quarterly Progress Reports to Management Team and Audit and Standards Committee	On track	
Follow up testing completed in month agreed in final report	On track	
Annual Opinion Report	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on one return for 2023/24
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried November 2020 which confirmed that we conform to the Public Sector Internal Audit Standards.



INTERNAL AUDIT CHARTER

Blaby District Council

Version Control

Author	Date	Action
Lisa Marron Audit Manager	May 2020	Aligned Charter for all authorities.
Lisa Marron Audit Manager	September 2021	Reference to Seven Principles of Public Life added. Section 13 changed from Consulting and Advisory work to Nature of Services, assurance definition added (13.1) and the purpose of our work explained (13.2). 9.4 added to confirm approach to work for organisations outside of the shared service.
Kerry Beavis Audit Manager	September 2022	Change of audit committee name.
Kerry Beavis Audit Manager	September 2023	No changes required

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1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 place a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), Attribute Standard 1000, require that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter (hereafter referred to as the 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 chief audit executive is required to periodically review the Charter and present it to senior management and the 'board' for approval. Final approval of the Charter resides with the 'board'.
- 1.3 The Charter establishes the Internal Audit activity's position within the Council, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

2 Definitions

- 2.1 In line with the PSIAS:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 For the purpose of this charter the following definitions shall apply:

The Board – 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.

At this Council this shall mean the Audit and Standards Committee.

Senior Management – those responsible for leadership and direction of the Council.

At this Council this shall mean the Senior Leadership Team.

Chief Audit Executive –the person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the PSIAS. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications.

At this Council the Chief Audit Executive is the (Shared Service) Audit Manager.

3 Mission and Purpose of Internal Audit

3.1 In line with the PSIAS the mission of Internal Audit is:

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

3.2 The purpose of Internal Audit is to review, appraise and report on the adequacy of risk management, control and governance processes across the Council.

4 Professionalism

4.1 The Internal Audit activity will govern itself by adherence to the PSIAS. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

4.2 The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member in addition to the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics from the International Professional Practices Framework. The Core Principles are:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).

4. Aligns with the strategies, objectives and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

4.3 Internal Auditors who work in the public sector must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk.

5 Scope of Internal Audit

5.1 There are no restrictions placed upon the scope of Internal Audit's work. Internal Audit work will usually include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risk associated with areas under review and making proposals for improving the management of risks;
- appraising the effectiveness and reliability of the risk management framework and recommending improvements where necessary;
- assisting management and members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations and programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned; and
- reviewing the operations of the Council in support of the Council's Anti-Fraud and Corruption policy.

6 Authority of Internal Audit

- 6.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, this Charter and the Council's Constitution. Internal Audit staff have the authority to:
- enter any Council owned or occupied premises or land at all reasonable times (subject to any legal restrictions outside the Council's control);
 - have access at all times to the Council's records, documents and correspondence;
 - require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
 - require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.
- 6.2 The Audit Manager shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.
- 6.3 All employees and members are requested to assist the Internal Audit activity in fulfilling its roles and responsibilities.

7 Responsibility of Internal Audit

- 7.1 The Chief Audit Executive will be responsible for maintaining an adequate and effective internal audit function. The Internal Audit function will operate in accordance with the Public Sector Internal Audit Standards.
- 7.2 Internal Audit will have the responsibility to review, appraise and report as necessary on:
- the adequacy and effectiveness and application of internal controls, governance and risk management processes and systems;
 - the extent of compliance with financial regulations and standing orders and approved policies and procedures of the Council plus the extent of compliance with external laws and regulation; and
 - the extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from waste, inefficient administration, poor value for money, fraud or other cause.

8 Reporting Lines

- 8.1 Day to day management of the Internal Audit team will be performed by the Chief Audit Executive. The Chief Audit Executive reports to the Board for organisational purposes but will report significant audit findings and audit progress directly to the Section 151 Officer. The Chief Audit Executive will keep the Section 151 Officer and the Board informed of progress and developments on a regular basis.
- 8.2 The Internal Audit team is employed by North West Leicestershire District Council and sits within the Legal and Commercial Services Team reporting to the Head of Legal and Support Services. The performance of Internal Audit is also monitored by the Strategic Director who is the contract manager.
- 8.3 The Chief Audit Executive has free and unfettered access to the Chief Executive, Section 151 Officer, Monitoring Officer and Chair of the Audit and Corporate Governance Committee. The Chief Audit Executive will communicate and interact directly with the Board, including in and between Board meetings as appropriate.

9 Independence and Objectivity

- 9.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice. Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that Internal Auditors do not subordinate their judgement on audit matters to others.
- 9.2 To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the Internal Audit activity:
- retains no executive or operational responsibilities;
 - operates in a framework that allows unrestricted access to senior management and the Board;
 - reports in their own name;
 - rotates responsibilities for audit assignments (where possible) within the Internal Audit team;
 - completes individual declarations confirming compliance with rules on independence and conflicts of interest; and
 - has a planning process which recognises and addresses potential conflicts of interest through Internal Audit staff not undertaking an audit for at least two years in areas where they have had previous operational roles.

- 9.3 If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to senior management and the Board. The nature of the disclosure will depend upon the impairment.
- 9.4 There may be times when Internal Audit are asked to provide audit services for other organisations outside of the shared service. The nature of this work will be formally set out and agreed in advance and, in line with the shared service inter-authority agreement, all partners will be consulted to ensure there are no conflicts of interest or objections to the work.

10 Accountability

- 10.1 The Chief Audit Executive shall be accountable to the Board and the S151 Officer for:
- providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
 - reporting significant issues related to the processes for controlling the activities of the Council and its affiliates, including recommendations and status of implementation of improvements;
 - periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit's function's resources; and
 - co-ordination with other significant assurance functions.

11 Internal Audit Resources

- 11.1 The Chief Audit Executive will be professionally qualified (CIMA, CCAB or equivalent) and have wide Internal Audit and management experience, reflecting the responsibilities that arise from the need to liaise with Members, senior management and other professionals, both internally and externally.
- 11.2 The Strategic Director (Section 151 Officer) will provide the Chief Audit Executive with the appropriate resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.
- 11.3 The Chief Audit Executive will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan.

- 11.4 The annual plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Audit Executive can propose an increase in audit resource or reduction in the coverage if insufficient resources are available.

12 Management Responsibilities

- 12.1 An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Board and Senior Management are mandating management to co-operate with Internal Audit in the delivery of the service by:

- agreeing audit engagement plans no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
- sponsoring each audit at senior management level;
- providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
- responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the audit team;
- implementing agreed management actions in accordance with the agreed timescales; and
- updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in processes and systems, newly identified significant risks and cases of a criminal nature.

- 12.2 Whilst the annual Internal Audit report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit will be agreed with the Board at the beginning of the year and presented in the annual Internal Audit plan (and subsequent agreed amendments). As such, the annual Internal Audit opinion does not replace responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

13 Nature of Services

13.1 The Public Sector Internal Audit Standards define assurance as

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

13.2 In general the main purpose our work will be to provide assurance services to report to the shared service Councils and their Audit Committees. There may be times when our assurance is required by others for example it may be relied upon by partners of the shared service Councils or by Central Government for grant certification work. In all cases this will be clearly set out through engagement plans or grant declarations as appropriate.

13.3 The Public Sector Internal Audit Standards allow that Internal Audit may sometimes be more usefully focussed towards providing advice rather than assurance of core controls. Where appropriate, Internal Audit will act in a consultancy/advisory capacity by providing guidance and advice for strengthening the control environment, providing:

- the objectives of the consulting/advisory engagement address governance, risk management and control processes to the extent agreed upon with the Council;
- the scope of the consulting/advisory engagement has been clearly defined;
- Internal Audit is considered to have the rights skills, experience and available resource;
- management understand that the work being undertaken is not Internal Audit work; and
- Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.

13.4 When performing consultancy/advisory services, the auditor must maintain objectivity and not take on a management responsibility. The Chief Audit Executive is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Board.

14 Role of Internal Audit in Fraud-Related Work

- 14.1 The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with senior management. An annual programme of internal audits is designed to assist this process by highlighting areas where controls are inadequate or are not operating.
- 14.2 All fraud investigations will be conducted in accordance with the Council's Constitution, Anti-Fraud and Corruption Policy and the Confidential Reporting (Whistleblowing) Policy.
- 14.3 All cases of suspected fraud and/or irregularity should also be reported to the Chief Audit Executive, with the exception of benefit fraud which should be reported to the Department of Work and Pensions. This is to ensure that appropriate action is taken and to enable the Chief Audit Executive to fully answer External Audit queries relating to the International Standard on Auditing (ISA) 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements".

15 Relationships

- 15.1 The Chief Audit Executive and Internal Audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.
- **Relationships with Management**
The Chief Audit Executive and Internal Audit staff will maintain effective relationships with managers of the Council. Regular meetings will be held with key stakeholders and management will be consulted with during the audit planning process. Timing of audit engagements will be in conjunction with management.
 - **Relationships with External Audit**
Internal Audit have an established working relationship with the current external auditors which includes periodic meetings and plans and reports are shared.
 - **Relationships with Regulators and Inspectors**
The Chief Audit Executive and Internal Audit staff will take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Chief Audit Executive will establish a dialogue with representatives of the appropriate inspection agencies.
 - **Relationships with Elected Members**
The Chief Audit Executive will establish a working relationship with members, in particular members of the Audit and Standards Committee. The Chief Audit Executive has the opportunity to meet with the Chair of the Audit and Standards Committee if required.

16 Quality Assurance

- 16.1 The Public Sector Internal Audit Standards require that the audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. The results are included in the Internal Audit Annual Report.

16.2 Internal Assessments

All Internal Audit engagements are subjected to a thorough internal peer review of quality, to ensure that its work meets the standards expected from the Internal Audit staff. For example, the internal file quality reviews cover the following:

- the work is planned and undertaken in accordance with risks associated with areas under review;
- sampling is undertaken in accordance with the agreed methodology; and
- the conclusions are fully supported by detailed work.

- 16.3 Internal Audit performance is also monitored in the following ways:

- quarterly progress reports to the Board and senior management team;
- customer satisfaction surveys following each audit;
- monthly meetings with the S151 Officer; and
- monthly meetings with the Strategic Director.

16.3 External Assessments

An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive will discuss options for the assessment with senior management including the S151 Officer and the Board.

17 Records Retention

- 17.1 Audit engagement records will be retained for six years. This is in line with Local Government Association guidance.

18 Review

- 18.1 The Internal Audit Charter will be reviewed annually by the Chief Audit Executive and presented to Senior Management and the Board for approval if any significant changes are identified.