



# **INTERNAL AUDIT SHARED SERVICE**

## **Blaby District Council**

### **Internal Audit Progress Report 2023/24 Q3**

## 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 31 December 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 four final reports and one draft report has been issued.

The executive summaries for the final reports are included at Appendix B

- 2.2 The audits due to take place in Q4 are:

- Key financial systems audits
- Asset Management
- Building Control
- Sport & Physical Activity

## 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 | -       | -      | -        | -      | -       | -      |
| 21/22 | -       | -      | 2        | -      | -       | -      |
| 22/23 | -       | -      | 9        | 2      | -       | -      |
| 23/24 | -       | -      | -        | 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.

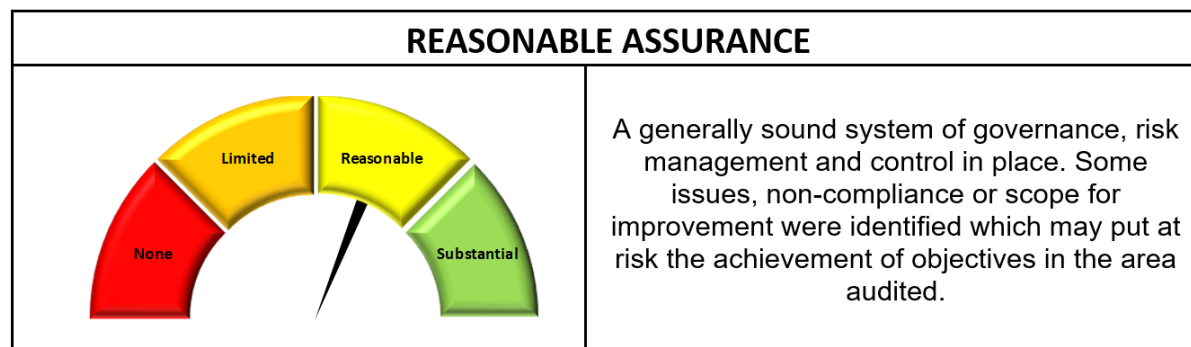
## Appendix A

## 2023/24 AUDIT PLAN PROGRESS TO 31 DECEMBER 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           |             | Postponed   |                 |                 |   |   |   | Postponed to 24/25 due to delay in finalising the strategy. |
| Disabled Facilities Grant Determinations | Grant                | 4            | 3           | Completed   | Not applicable  |                 |   |   |   |   |
| Building Control                         | Audit                | 10           |             | Q4          |                 |                 |   |   |   |   |
| Sport & Physical Activity                | Audit                | 7            |             | Q4          |                 |                 |   |   |   |   |
| Lightbulb                                | Advisory             | 5            |             | Q3          |                 |                 |   |   |   |   |
| Community Triggers                       | Audit                | 10           | 5           | Completed   | Reasonable      | -               | 1 | 2 | 3 |   |
| Temporary Accommodation                  | Audit                | 10           | 2           | Postponed   |                 |                 |   |   |   | Postponed until later in the year.                          |
| Budget Monitoring & Reporting            | Audit                | 8            | 6           | Completed   | Reasonable      | -               | - | 4 | - |   |
| Key Financial Systems                    |                      |              |             |             |                 |                 |   |   |   |   |
| Benefits                                 | Audit -- Full        | 9            | 10          | Completed   | Substantial     | -               | - | - | - |   |
| NNDR                                     | Audit – Key Controls | 3            | 2           | Completed   | Substantial     | -               | - | - | - |   |
| Council Tax                              | Audit – Key Controls | 3            | 3           | In progress |                 |                 |   |   |   |   |
| Income Collection                        | Audit – Key Controls | 3            | 1           | In progress |                 |                 |   |   |   |   |
| Creditors                                | Audit – Key Controls | 3            |             |             |                 |                 |   |   |   |   |
| Debtors                                  | Audit – Full         | 9            |             |             |                 |                 |   |   |   |   |
| Main Accounting                          | Audit – Key Controls | 3            | 3.5         | In progress |                 |                 |   |   |   |   |
| Payroll                                  | Audit – Full         | 9            | 9.5         | In progress |                 |                 |   |   |   |   |

|   |                      |    |    |                     |             |   |   |   |   |   |
|---|----------------------|----|----|---------------------|-------------|---|---|---|---|---|
| Treasury Management                               | Audit – Key Controls | 3  | 4  | Completed           | Substantial | - | - | - | - |   |
| IT Asset Management                               | Audit                | 8  | 1  | Postponed           |             |   |   |   |   |   |
| Transformation projects                           | Advisory             | 5  |    | As required         |             |   |   |   |   |   |
| Corporate Project Management                      | Audit                | 10 |    | Engagement Planning |             |   |   |   |   |   |
| 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 |    | Engagement Planning |             |   |   |   |   |   |
| UKSPF   | Audit                | 8  |    | Q3                  |             |   |   |   |   |   |
| Capital Programme Management                      | Audit                | 10 | 7  | Draft               |             |   |   |   |   |   |
| Grant assurance work                              | Assurance            |    | 1  | In progress         |             |   |   |   |   |   |

### Budget Monitoring & Reporting



### Key Findings

Areas of positive assurance identified during the audit:

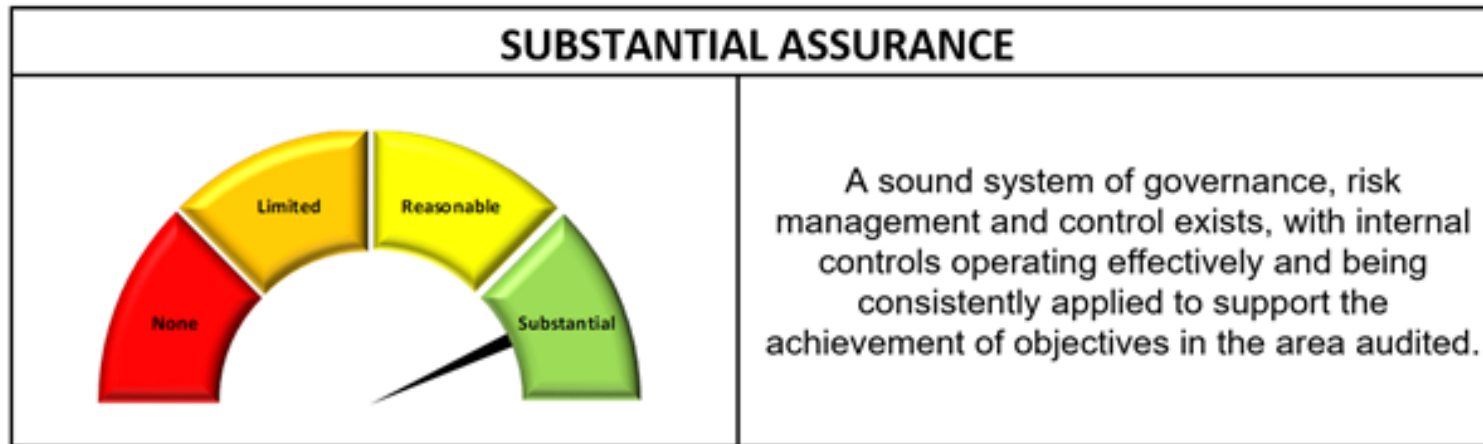
- Key procedures are available to all relevant staff.
- Budget monitoring information is reported to members on a regular basis.
- Managers have continual access to budget information through the Collaborative Planning system.
- Significant variances had been highlighted and explanatory notes added for all five of the budgets checked.

The main areas identified for improvement are:

- The review and development of existing procedures to improve consistency and provide all budget managers with adequate tools, training and support.
- The regular review and closure of outstanding commitments.

| <b>Recommendation</b>  | <b>Priority</b> | <b>Response/Agreed Action</b>   | <b>Officer Responsible</b>   | <b>Implementation Date</b> |
|--|-----------------|---|------------------------------|----------------------------|
| 1. Procedures are reviewed and updated to clarify the roles and responsibilities of both budget managers and Finance staff and ensure that officers are provided with adequate tools, training and support to effectively manage and monitor their budgets.<br>This should include regular budget monitoring meetings. | Medium          | Agreed, discussions have already taken place with the Finance Team on this issue. Regular budget monitoring meetings already take place and are usually held monthly subject to the complexity of the budget. | Accountancy Services Manager | 30.11.23                   |
| 2. Consideration is given to offering annual refresher training to relevant officers.  | Medium          | Agreed. To be considered alongside the previous recommendation.   | Accountancy Services Manager | 30.11.23                   |
| 3. The Collaborative Planning system submission and approval process for individual budget periods is clarified and communicated to all relevant staff.  | Medium          | Agreed.   | Accountancy Services Manager | 30.11.23                   |
| 4. All relevant staff are reminded of the requirement to review outstanding commitments on a regular basis and managers are provided with appropriate support to facilitate this if required.  | Medium          | Agreed. This should be happening as part of budget monitoring meetings.   | Accountancy Services Manager | 31.10.23                   |

## Benefits

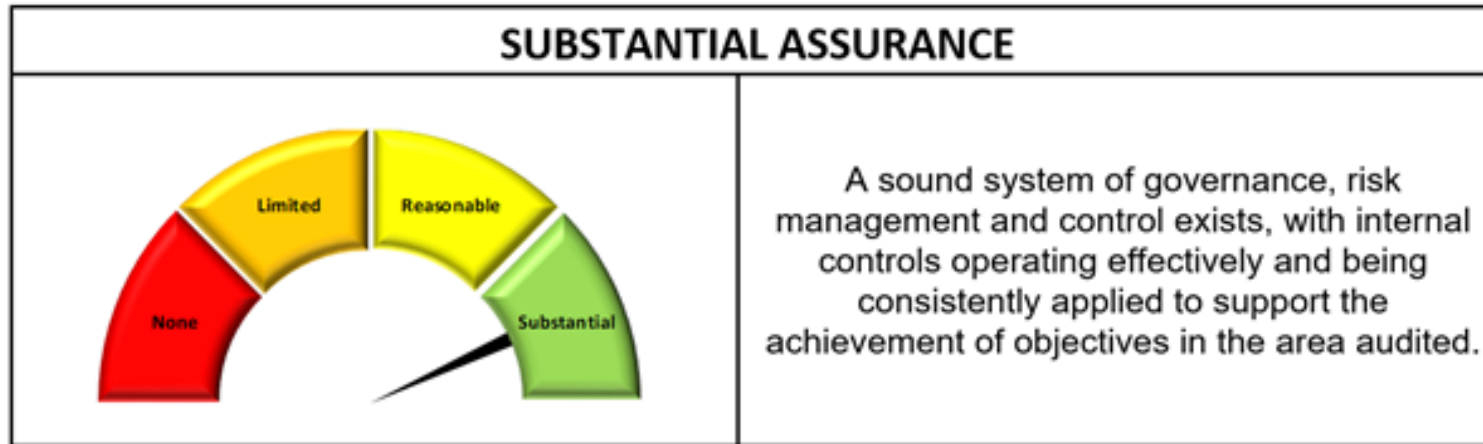


## Key Findings

Areas of positive assurance identified during the audit:

- Key procedure notes are up to date and accessible to all relevant staff.
- System parameters were updated for 2023/24 as expected.
- All new claims checked had been verified prior to payment.
- Control account reconciliations are up to date.
- Discretionary payments are administered in accordance with procedures.
- System access is appropriately managed.
- Performance information is adequately recorded, monitored and reported.

## Treasury Management (Key Controls)



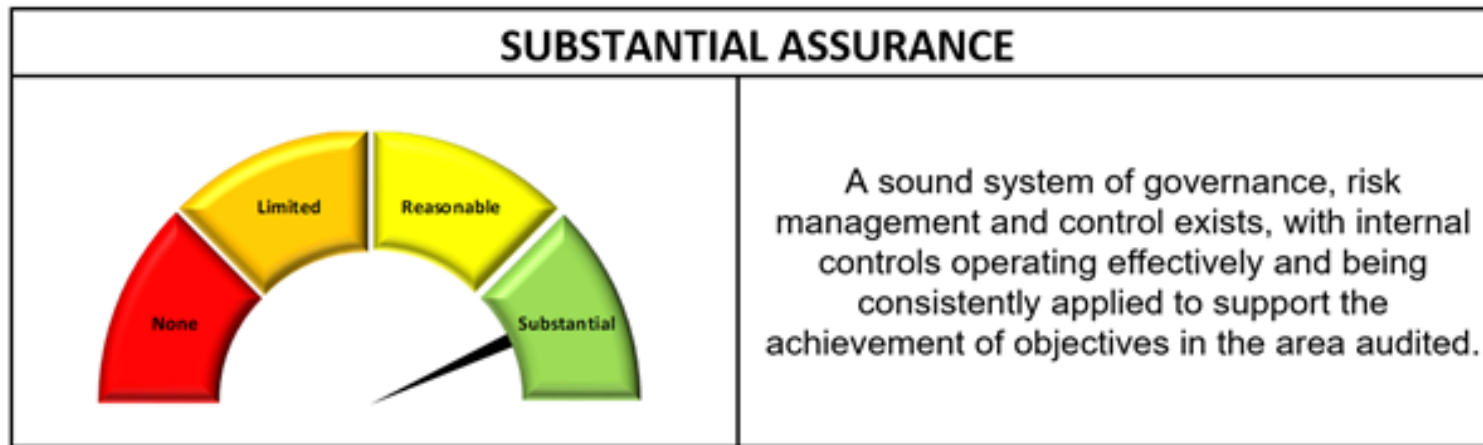
## Key Findings

Areas of positive assurance identified during the audit:

- Policies and procedures are in place, up to date and accessible to staff.
- All five investments reviewed had been authorised and processed in accordance with procedures.
- Reconciliations have been completed and authorised as expected.
- Access to the banking system is adequately controlled.



## NNDR (Key Controls)



## Key Findings

Areas of positive assurance identified during the audit:

- Policies and procedures are up to date and accessible to staff.
- The system parameters were updated for 2023/24 in accordance with legislation.
- The NNDR system is regularly reconciled to Valuation Office records.
- The suspense account is regularly monitored and transfers are actioned promptly.
- Reconciliations in respect of cash and refund transactions have been completed as required.
- System access is appropriately managed.

## RECOMMENDATIONS TRACKER – EXTENDED RECOMMENDATIONS AS AT 31 DECEMBER 2023

[illegible]

|         |                     |  |      |  |   |  |                               |        |  |        |  |        |
|---------|---------------------|--|------|--|---|--|-------------------------------|--------|--|--------|--|--------|
|         |                     |  |      |  |   |  |                               |        | the process can be monitored using the workflow system.<br>May-23: Confirmed that some officers have now fully updated their records, but others still have work to do. Further extension agreed.  |        | module to ensure the scoring matrix is accurately uploaded.<br><br>Nov-23: Work is continuing and approx. 70% of the risk assessments are complete but there are issues with the revised assessments for 3 specific processes so further work is required. | Feb-24 |
| 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 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. | Mar-24 |  |        |
| 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.<br>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   |        | Sep-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 relevant 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   |        | Sep-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:<br>• Internal consultation with Planning & Legal starting this week and running for 3-4 weeks.<br>• Report to September Council with 6-week external consultation to follow<br>• 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.<br>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.<br>Sept -23: The draft SPD has been reviewed in light of significant planning reform announcements and the emerging new Local Plan. It will be taken to Council for consideration in November 23. | <del>Jul-23</del><br>Dec-23 | Nov-23 The SPD has been reviewed and updated. It will be taken to Council in January 2024.   | Feb-24 |
| 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                      |  |        |
| 2022/23 | Environmental Permits | 12. Performance should be formally monitored and recorded.  | High   | Agreed.  | Environmental Services Manager                       | Jan-23  | Feb 23 Action is still in progress, officers are undertaking a number of joint inspections to train some of the newer team members and are checking on quality and consistency of inspections at the same time.   | May-23  | Jun 23: Procedure has been issued to the team and a number of joint visits have taken place to ensure consistency across the team. Extend until end of July to allow for risk assessment information to be included.  | Jul-23                      | Aug 23: The team are undertaking more joint inspections to allow redistribution of the processes due to sickness and team members leaving. After these inspections they are risk rating together to check consistency.<br><br>Nov 23: Awaiting evidence to support the performance work that is ongoing. |        |

|         |                                 |   |        |   |  |          |  |        |   |        |  |                   |
|---------|---------------------------------|---|--------|---|--|----------|--|--------|---|--------|--|-------------------|
| 2022/23 | Environmental Permits           | 2. The ongoing development of the IDOX module should include the facility to record the annual subsistence charge and invoicing details.                | Medium | Agreed.   | Senior Technical Officer and Performance and Systems Officer | Dec-22   | Jan.23: The team are continuing to work with the Uniform team on configuration of the system.  | Mar-23 | Mar.23: Following the training the Team Assistant is working on a full IDOX procedure manual for the EPR process.<br>May 23: Advised that the annual subsistence charges could not be correctly imported onto the system. Further extension agreed. | May-23 | Jun 23: Still working with uniform team to finalise risk assessment to ensure end score is correct.<br>Aug 23: The fees added to the uniform code list and are now being added to each process, taking longer than expected.<br>Nov 23: Approx. 70% of the cases have been updated to reflect the fees but further work is required to complete the remaining cases. This will require additional input from the Systems officers. | Jul-23<br>Feb-24. |
| 2022/23 | Contaminated Land               | 2. A proactive inspection programme is developed to support the Contaminated Land Strategy.   | High   | Agreed  | Environmental Services Manager                               | Dec-23   | Nov 23: Currently no contaminated Land Officer in post therefore extension requested.  | Mar-24 |   |        |  |                   |
| 2023/24 | Budget Monitoring and Reporting | 2. Consideration is given to offering annual refresher training to relevant officers.   | Medium | Agreed. To be considered alongside the previous recommendation. | Accountancy Services Manager                                 | 30.11.23 | Dec-23 Advised that further work is required regarding the CP system and training for officers. A meeting is planned for Jan-24 to discuss the CP system/ challenges, as the supplier will need to make those changes. | Jan-24 |   |        |  |                   |
| 2023/24 | Budget Monitoring and Reporting | 3. The Collaborative Planning system submission and approval process for individual budget periods is clarified and communicated to all relevant staff. | Medium | Agreed.   | Accountancy Services Manager                                 | 30.11.23 | Dec-23 As per recommendation 2 above.  | Jan-24 |   |        |  |                   |

## Appendix D

### 2023/24 INTERNAL AUDIT PERFORMANCE

| Performance Measure   | Position as at 31.12.2023 | Comments   |
|---|---------------------------|--|
| Achievement of the Internal Audit Plan  | 45%                       |  |
| 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 five returns 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<br>Audit Manager  | May 2020       | Aligned Charter for all authorities.   |
| Lisa Marron<br>Audit Manager  | September 2021 | Reference to Seven Principles of Public Life added.<br>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).<br>9.4 added to confirm approach to work for organisations outside of the shared service. |
| Kerry Beavis<br>Audit Manager | September 2022 | Change of audit committee name.  |
| Kerry Beavis<br>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](http://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.

