

# MUNICIPAL YEAR 2019/2020 REPORT NO. 32

## MEETING TITLE AND DATE:

Audit and Risk Management  
Committee  
- 19 June 2019

## REPORT OF:

Director of Law and Governance

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<b>Agenda - Part:</b>	<b>Item: 12</b>
<b>Subject: 2019/20 Internal Audit Plan and Internal Audit Charter</b>	
<b>Wards: ALL</b>	
<b>Cabinet Member consulted:</b>	<b>N/A</b>

## 1. EXECUTIVE SUMMARY

This report sets out the 2019/20 Internal Audit Plan and Internal Audit Charter for review and comment. The Internal Audit Plan has been discussed with Executive Directors, Directors and their teams.

## 2. RECOMMENDATIONS

- 2.1 To provide comment and feedback on the contents of the 2019/20 Internal Audit Plan
- 2.2 To agree the 2019/20 Internal Audit Plan and Internal Audit Charter
- 2.3 To note that the plan will be subject to change during the year as the Council business and priorities change.

## 3. BACKGROUND

3.1 The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' (who, in Enfield Council, is the Head of Internal Audit and Risk

Management), to determine the priorities of the internal audit activity from a risk-based plan, which is consistent with the Council's goals.

3.2 Internal Audit work is planned to support the goals of the Council from an objective assessment of the system of internal controls. The aim is to provide assurance to the Audit and Risk Management Committee, Section 151 officer, Executive Management Team and other senior managers that an appropriate system of internal control is in place to mitigate key risks that may impact on the achievement of the Council's services and priorities.

3.3 The 2019/20 Internal Audit Plan is found in Annex A, Section 2.

3.4 The model of delivery for 2019/20 will continue to utilise the core in-house team supplemented by resources from the co-sourced partner, PwC. This will enable the service to obtain the skills needed to deliver the wide range of audits set out in the Plan and respond to assurance requirements for the diverse and changing risk environment in which the Council is operating.

3.4. The PSIAS also require that an Internal Audit Charter is approved annually by the Audit and Risk Management Committee. This is found at Annex A, Section 3

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

There are no other options that can be considered given the Audit and Risk Management's commitments under the Public Sector Internal Audit Standards.

#### **5. REASONS FOR RECOMMENDATIONS**

In accordance with the Public Sector Internal Audit Standards, the Audit and Risk Management Committee must approve the annual Internal Audit Plan and review and agree the Internal Audit Charter annually.

#### **6. COMMENTS FROM OTHER DEPARTMENTS**

##### **6.1 Financial Implications**

There are sufficient resources to carry out the Internal Audit Plan as detailed in Annex A

##### **6.2 Legal Implications**

The Council's chief finance officer (the 'Section 151 officer' – section 151 Local Government Act 1972) has statutory status and is responsible for financial administration. The chief finance officer is also under a statutory duty to issue a formal report if s/he believes that the Council is unable to set or maintain a balanced budget (the 'section 114 report' (section 114 Local Government Finance Act 1988)).

The Accounts and Audit Regulations 2015 (the '2015 Regulations') places an obligation on local authorities to maintain a system of internal audit whereby it:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

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

Each financial year the Council must conduct a review of the effectiveness of the system of internal control required by regulation and prepare an annual governance statement.

This report addresses the statutory obligations under the statutory obligations for local audit processes in compliance with the 2015 Regulations.

### **6.3 Property Implications**

There are no specific property implications related to this report.

## **7. KEY RISKS**

Any large, complex organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the many risks it may face. Enfield Council has such a system, and the planned internal audit work plays a key role in ensuring the adequacy and effectiveness of the risk management framework in place. The 2019/20 Internal Audit Plan is geared towards providing assurance as to the management of significant risk.

## **8. IMPACT ON COUNCIL PRIORITIES - CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

### **8.1 Good Homes in Well-Connected Neighbourhoods**

An effective Internal Audit Service helps to provide assurance over any risks that might adversely affect the delivery of good homes in well-connected neighbourhoods.

### **8.2 Sustain Strong and Healthy Communities**

An effective Internal Audit Service will help the Council achieve its objectives to sustain strong and healthy communities

### **8.3 Build our Local Economy to Create a Thriving Place**

An effective Internal Audit Service will help the Council achieve its objectives in building the local economy and creating a thriving place.

## **9. EQUALITIES IMPACT IMPLICATIONS**

Corporate advice has been sought regarding equalities and an agreement has been reached that it is not relevant or proportionate to carry out an equalities impact assessment/analysis for this report.

## **10. PERFORMANCE AND DATA IMPLICATIONS**

An effective Audit and Risk Management Service is an essential part of the performance management of the Council's services and activities.

## **11. HEALTH AND SAFETY IMPLICATIONS**

There are no direct health and safety implications arising directly from the Audit and Risk Management Service reports.

## **12. HR IMPLICATIONS**

There are no direct HR implications arising from this report.

## **13. PUBLIC HEALTH IMPLICATIONS**

Items summarised in this report do not have a direct impact on the health and well-being of the public in Enfield.

## **Background Papers**

None

## **Annex A**

# **2019/20 Internal Audit Plan and Internal Audit Charter**

## **1. Introduction and Approach**

### **Introduction**

The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' (who, in Enfield Council, is the Head of Internal Audit and Risk Management), to determine the priorities of the internal audit activity from a risk-based plan, which is consistent with the Council's goals.

Internal Audit work is planned to support the goals of the Council from an objective assessment of the system of internal controls. The aim is to provide assurance to the Audit & Risk Management Committee, section 151 officer, Executive Management Team and other senior managers that an appropriate system of internal control is in place to mitigate key risks that may impact on the achievement of the Council's services and priorities.

Whilst it is management's responsibility to develop and maintain a sound system of internal control, and to prevent and detect fraud, bribery and corruption, the overall aim of internal audit work is to seek out areas requiring improvement and recommend solutions that will enable the Council to better achieve its objectives. Therefore, the planning approach is based on achieving coverage over a reasonable period of time, of the Council's main risks and core processes where there is a reasonable expectation of detecting significant control weakness and fraud.

This report summarises the context within which the internal audit plan has been developed and the methodology by which the programme of audit work has been identified.

### **Our approach to developing the audit plan**

To ensure objective coverage of the control framework for the Council, the internal audit plan has been developed through identification of 'auditable units' related to the Council's objectives, and the key risks that are likely to affect the achievement of those objectives. Auditable units are the lowest level of auditable subject area, process or location within departments and across the organisation.

The auditable units have been identified to enable evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems for:

- Achievement of strategic and operational objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

In line with PSIAS, the 2019/20 internal audit plan has been formulated by a risk-based approach. Service delivery and service enabling risk registers have been reviewed and directors and departmental management teams have been, or are scheduled to be consulted to ascertain the key concerns. We have then sought to assess the audit requirement within each auditable unit, taking into consideration:

- The impact and likelihood of inherent risk;
- The timing of and findings from previous audit work and other known sources of assurance, as an indication of management control, along with the occurrence or likelihood of change; and
- The extent of review by other review bodies and assurance providers.

## **Other considerations**

The Audit and Risk Management Service is conscious of the significant pressure on resources that the Council is facing. This Plan has been developed with this in mind and, wherever possible, the Internal Audit team will provide support to management by looking to identify potential inefficiencies and making recommendations for fewer but smarter controls. Therefore, the Internal Audit team will look for opportunities to improve and enhance processes that will support the Council's change programme, advising the Council how to maintain a robust control environment with fewer resources.

Internal audit work to achieve the Plan will be undertaken to evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach. This activity assists the organisation to maintain effective controls by evaluating their adequacy and effectiveness and by promoting continuous improvement. The principles underpinning the Council's internal audit approach are summarised in the Internal Audit Charter (See Section 3).

The audit plan needs to be flexible to enable a responsive service in the face of changing risks and priorities that may impact upon the Council's services. Therefore, it should be recognised that planned audits and their scope may need to be adjusted in response to changes in the Council's business, risks, operations, systems and controls as the year progresses. Where such changes are required, details will be reported to management and the Audit & Risk Management Committee.

The draft plan, including potential scope for each audit is detailed in Section 2.

## **2. 2019/20 Internal Audit Plan**

The internal audit plan for 2019/20 is set out in the following tables. A proposed scope for each auditable area is detailed, along with the estimated requirement of audit days. At present a total of 859 audit days is planned. The Schools' audit plan is shown separately following the main table.

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)
<b>CROSS CUTTING</b>			
Physical access to Council properties	15	Q3	To provide assurance that unauthorised individuals are prevented from entering non- public areas of Council buildings.
Contract Management	15	Q2	To provide assurance that consistent and best practice standards of contract management are employed throughout the Council.
Equality	15	Q2	To provide assurance that the Council is adhering to best practice with respect to equality, key equality standards are being monitored and steps are taken to improve equality gaps where they arise.
Risk Management	15	Q4	To provide assurance that there is an effective risk management protocol in place that is applied effectively and consistently across the Council.
Organisational Development	15	Q4	To assess how training is accessed across the Council and to compare to best practice in external organisations.
<b>CHIEF EXECUTIVE</b>			
IR35	15	Q1	To provide assurance that tax and NI is being accounted for accurately under the IR35 rules regarding contractors.
Members' Ethics	15	Q4	To provide assurance that processes and controls are in place to ensure the Members act in accordance with the Council's ethical standards.
Local Transport Capital Funding	5	Q2	To provide assurance to the Chief Executive and to the HIA that they can sign the required declaration to the Dept. of Transport.
Freedom of Information	15	Q3	To provide assurance that adequate controls are in place to ensure legislation and timetables are complied with when dealing with FOI requests and that information provided is correct and appropriate for public disclosure.
Complaints Handling	15	Q3	To provide assurance that complaints are being responded to and managed in line with the Council's protocols
Audit of the accounts	7	Q2	To provide assurance on the annual

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)
of The Mayor of Enfield's Charity Appeal Fund			accounts to allow S151 officer to sign as Independent Examiner.
Recruitment	15	Q4	To provide assurance that the process for agency staff moving to work with LBE directly is robust.
<b>RESOURCES</b>			
Outsourcing of DPO function	15	Q4	To provide assurance that the outsourced DPO function is adequately resourced, performs the duties of the previous inhouse DPO and covers all LBE activities.
Effectiveness of business partnering models	15	Q4	To provide assurance that business partnering is working effectively across the Council and that the needs of internal customers are being met.
Procurement Cards	15	Q4	To provide assurance that Procurement Cards are being used in compliance with the Council's policies and procedures and that the best benefit is being made of the cards.
Quality Team Follow Up Audit	10	Q3	To confirm that actions agreed following 2018/19 audit have been put in place appropriately.
Financial Assessments Team	15	Q2	To provide assurance that appropriate controls are in place to ensure financial assessments are carried out fairly, accurately and in line with relevant legislation/guidance.
Commercialism	15	Q3	To provide assurance that there is the required focus on income generating commercial activities and marketing, correct internal processes are applied and there is efficient financial monitoring of all commercial initiatives.
Financial Resilience	15	Q3	To provide assurance that the concept of financial resilience and its possible dimensions is understood across the Council; the Council has learned from previous risks and shocks and has implemented necessary improvements; and the financial health of the Council and its financial and non- financial goals are known and understood.
Resourcing and management of trading companies	15	Q3	To provide assurance that the Council is effectively managing its shareholder role in trading companies, that there are good communication lines in place and that the resourcing of trading companies is clearly evaluated.



Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)
Accounts Receivable (Key Financial Process)	20	Q2	To provide assurance as to whether adequate and effective processes and controls are in place in relation to management of the Accounts Receivable function for LBE.
Income Reconciliation (Key Financial Process)	20	Q3	To provide assurance that key financial processes are well controlled, operate effectively and processes are understood by internal customers.
General Ledger (Key Financial Process)	20	Q3	To provide assurance that key financial processes are well controlled, operate effectively and processes are understood by internal customers.
Payroll (Key Financial Process)	20	Q2	To provide assurance that key financial processes are well controlled, operate effectively and processes are understood by internal customers.
Housing Rents (Key Financial Process)	20	Q2	This audit is designed to provide assurance as to whether adequate and effective processes and controls are in place in relation to management of the Housing Rents function for LBE.
IT Project Delivery	15	Q2	To provide assurance that there is effective governance and project management of IT projects including financial appraisal and reporting; appraisal of suppliers and monitoring of suppliers.
Cloud Technology Management	15	Q3	To provide assurance that systems housed in the cloud are encrypted, are appropriately backed up, comply with all relevant legislation and that there is a formal cloud strategy. Additionally, to provide assurance that suppliers are properly managed and that appropriate disaster recovery plans are in place.
Data Quality	15	Q2	To provide assurance that senior stakeholders within the Council have access to accurate, complete and relevant data on a timely basis.
IT Follow Ups	5	Q1	To review the processes, procedures and controls that have been implemented concerning the previous year's Data Centre Migration and Business Continuity Management Internal audit reviews.
Part Owned Companies	15	Q1	To provide independent assurance over the Council's internal policies ensuring oversight of the three part owned companies and influence over the corporate governance frameworks at the

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)
			companies. The audit also aims to provide assurance over the monitoring and reporting of risk and performance information from the companies to the Council.
<b>PEOPLE</b>			
Troubled Families Grant Claims Phase 1	14	Q2	To certify grant claims
Troubled Families Grant Claims Phase 2	7	Q3	To certify grant claims
Troubled Families Grant Claims Phase 3	7	Q4	To certify grant claims
Guardianship	15	Q3	To provide assurance that there are appropriate controls in place to ensure the Council's Guardianship Service delivers according to legislation and in line with the Council's own protocols, to ensure that the assessment process is accurate and fair and that safeguarding issues are handled correctly.
Early Years Payments	15	Q1	To provide assurance that payments for 3-4-year olds are correctly processed and that appropriate controls are operating especially in view of move to monthly payments.
Disabled Facilities Grant	15	Q1	To provide independent assurance that the Disabled Facilities Grant is provided only to eligible applicants for eligible works, the Council's Contract Procedure Rules are followed in sourcing contractors, payments are authorised and made in line with Council guidelines and that where discretionary funding is provided, this is monitored in order to recover funds where the property is disposed of or sold.
Mental Health	15	Q1	To provide independent assurance over the adequacy and effectiveness of practices in place to ensure that the Mental Health Service is provided to service users in accordance with their assessment, budgets are closely monitored and the Service's performance is monitored and reported
<b>PLACE</b>			
Homelessness	15	Q3	To provide assurance that the Council is meeting its obligations under the Homeless Reduction Act
Management of	15	Q3	To provide assurance that temporary

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)
Temporary Accommodation			accommodation is being managed effectively with regards to quality and compliance with legislation
Compulsory Purchase Orders	15	Q1	To provide assurance that the processes and controls in place in LBE are sufficient to ensure that potential error, misuse and fraud is minimised within the CPO process.
BEGIN Grant Certification	5	Q1	To certify grant expenditure
Meridian Water - Project Governance	15	Q2	To provide assurance that appropriate governance is in place to enable the successful delivery of the Meridian Water project
Meridian Water - Consultancy Spend	15	Q3	To provide assurance that appropriate controls are in place to ensure all consultancy spend is adequately assessed in advance, is fairly and properly procured in line with Council guidelines and effective contract management is in place.
Building Council Homes for Londoners/RTB One for One Replacement Scheme	15	Q3	To provide assurance that there are appropriate controls in place to ensure spend against the GLA Building Council Homes for Londoners Programme and the Right to Buy One for One Replacement Scheme is correctly procured, authorised, allocated and reported such that the terms of the Programmes are met.
Land valuations	15	Q2	To provide assurance that appropriate controls are in place to ensure that land is correctly valued.
SEN Transport	15	Q1	In view of the service being brought in house, to provide assurance that the end to end process is working effectively and delivers value for money.
Youth Centres	15	Q3	To provide assurance that relevant health and safety checks are performed, that repairs and maintenance activities are identified and implemented and that services contract out are appropriately monitored and deliver the agreed outcomes. Additionally, to assure that income is complete and recorded correctly.
Planning	15	Q1	To provide independent assurance over the end to end planning process at the Council, covering the process of receiving, appraising and responding to planning applications and the Council's

<b>Auditable Area</b>	<b>Audit Days</b>	<b>Qtr.</b>	<b>Proposed Scope (Control Objectives)</b>
			controls with regards to the appeals process. The process for the collection and distribution of revenues under Section 106 and the Community Infrastructure Levy will also be examined.
Housing Safety Checks	10	Q3	Follow up to previous audits to ensure actions have been implemented appropriately.
<b>LOCAL AUTHORITY TRADING COMPANIES</b>			
LATC Assets (IWE/LVHN)	15	Q1	To provide assurance that assets are correctly valued, and that appropriate cost capitalisation and depreciation policies are in place (IWE and LVHN)
IWE Procurement	15	Q3	To assess the suitability of the current procurement processes for IWE
EIL Business Plan	15	Q3	To ensure that lessons learnt from the 2018/19 property sales are identified and incorporated into the new business plan
HGL Refinancing Arrangements	15	Q4	To ensure that the necessary arrangements have been put in place to satisfy the conditions of planned refinancing
<b>TOTAL</b>	<b>755</b>		

## ***Schools Audit Plan 2019/20***

School	Audit Days	Qtr.	Audit coverage
Enfield County School for Girls - Grant Certification	5	Q4	Schools Direct Grant Certification
Oaktree School	5	Q3	Light
Merryhills Primary School	7	Q1	Full
Oakthorpe Primary School	7	Q3	Full
Honilands Primary School	7	Q4	Full
Southbury Primary School	7	Q2 -Q3	Full
St. Georges Enfield Catholic Primary School	7	Q4	Full
Suffolks Primary School	7	Q2-Q3	Full
West Grove Primary School	5	Q4	Light
Highlands School	6	Q1-Q2	Light
Waverley School	7	Q2	Full
The Raglan Schools	7	Q4	Full
St. Andrew's Enfield CofE Primary School	5	Q3-Q4	Light
Bishop Stopford's School	5	Q2-Q3	Light
Latymer All Saints CofE Primary School	5	Q3	Light
St John and St James CE Primary School	7	Q3	Full
Highlands School Grant Certification	5	Q4	Schools Direct Grant Certification
<b>TOTAL</b>	<b>104</b>		

### **3. London Borough of Enfield Internal Audit Charter 2019/20**

#### **1. Introduction**

This Charter sets out the purpose, authority and responsibilities of Enfield Council's internal audit service.

The relevant internal audit standard setter, the Chartered Institute of Public Finance and Accountancy, has adopted the Public Sector Internal Audit Standards (PSIAS) with effect from 1 April 2013. These apply to all internal audit service providers, whether in-house, shared service or outsourced.

#### **2. Purpose**

The Public Sector Internal Audit Standards define internal audit as '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.'

#### **3. Authority**

The Accounts and Audit (England) Regulations 2011 6(1) require that: '*A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.*'

Regulation 6 also establishes Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its powers to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Partner organisations may include, but will not be limited to, joint ventures, outsourced services and shared service arrangements.

#### **4. PSIAS terms**

The PSIAS refer to the terms 'Board' and 'Senior Management'. Within Enfield Council, for the purposes of internal audit activity, these terms are defined as follows:

- Board - the Audit and Risk Management Committee, an independent committee comprising elected members which reports direct to Council.
- Senior Management – the Chief Executive, the Director of Law and Governance and the Monitoring Officer.

#### **5. Independence and Reporting**

Internal Audit is an independent service within the Chief Executive's Department. To ensure independence, the Head of Internal Audit and Risk Management has a right of access to the Chief Executive and/or to the Leader of the Council, should circumstances warrant such access. In addition, there is a right of access to all members of the Council as a matter of last resort.

The Head of Internal Audit and Risk Management is responsible to the Director of Law and Governance.

The Council has an independent Audit and Risk Management Committee, comprising elected members, which reports direct to Council. The Audit and Risk Management Committee is charged with gaining independent assurance regarding the adequacy of the internal control environment. The Head of Internal Audit and Risk Management's responsibilities to the Audit and Risk Management Committee include:

- presenting and obtaining approval for the annual risk-based Audit Plan;
- delivering an annual Internal Audit opinion and report assessing the overall adequacy and effectiveness of the organisation's framework of governance,

risk management and control;

- reporting regularly on work undertaken by the Service;
- reporting any serious weaknesses found in the internal control systems, and any instances where corrective action has not been taken by the head of service concerned;
- reporting any instances where responses to audit reports have not been received within two weeks of the issue of draft audit reports, and any instances where agreed audit recommendations have not been actioned within an acceptable timescale;
- reporting at least annually on the Service's performance against the agreed performance indicators; and
- Meeting periodically with the Chair of the Audit and Risk Management Committee in private, to discuss internal audit matters.

## **6. Responsibilities and scope**

The Head of Internal Audit and Risk Management is responsible for the Council's Internal Audit service, including drawing up the annual risk-based Internal Audit Plan and providing an annual audit opinion.

The Head of Internal Audit and Risk Management is responsible for ensuring that the Internal Audit Service has the skills and experience commensurate with the risks of the organisation and that resources are sufficient and effectively deployed to achieve the approved plan.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud

prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control, which would permit fraud to occur or would impede its detection.

All the Council's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual Audit Plan by adopting an independent risk based approach. Internal Audit does not necessarily cover all potential scope areas every year. The Audit Program includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls.

Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of senior management.

It is the responsibility of Internal Audit to report to relevant managers following Internal Audit work to inform them of the outcome of the work and make recommendations to improve the effectiveness of the procedures under management's control. In particular the Internal Audit Service will evaluate risk exposures relating to the Council's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives
- Reliability and integrity of financial and operational systems, processes and information;
- Safeguarding of assets;
- Compliance with legislation, regulations, Council policies, procedures and contracts.

Management responses to audit recommendations are recorded in the final

reports, which are issued to the managers concerned, relevant directors and heads of service.

Internal Audit will follow up progress with managers' implementation of agreed recommendations after target dates have been reached, and the status of implementation will be reported to departmental management teams and Audit and Risk Management Committee.

The Head of Internal Audit and Risk Management is responsible for ensuring that the work of the Counter Fraud team, in investigations regarding allegations of irregularity, identifies areas where controls can be improved to prevent re-occurrence.

## **7. Conflicts of Interest**

The Council's Internal Audit Service comprises Council employees and may include staff from a co-sourcing partner or external organisation utilised as part of a framework agreement.

Internal Audit staff, whether internally or externally sourced, shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Head of Internal Audit and Risk Management and, if appropriate the Audit and Risk Management Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place.

## **8. Standards**

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal

Auditors.

Internal Audit will also adhere to the requirements of the Public Sector Internal Audit Standards (PSIAS) and the Councils rules, policies and procedures.

The work of internal audit will aim to achieve the following performance standards:

- draft audit reports to be issued within 15 working days of the completion of audit fieldwork;
- final audit reports issued within 10 working days of receiving management agreement to the draft audit report;
- 95% of the audit plan to be delivered to draft report stage by 31 March; and
- 80% of client satisfaction surveys score a high level of satisfaction with the audit work.

## **9. Relationships**

Internal Audit's main relationships are with officers of the Council, but also councillors and external agencies, including the Council's External Auditor.

The Council's External Auditor is BDO. It is the responsibility of external auditors to verify that the statutory accounts of the Council are accurate, that legal and corporate governance arrangements are adequate, that grants received from central government have been spent properly and that the Council's performance in delivering local services is efficient and effective.

Internal and External Audit work together to ensure audit resources are used most effectively for the benefit of the Council. The objective is to minimise duplication whilst maximising the assurance obtained. The work performed by Internal Audit is used, where relevant to their audit approach, by the external auditors in their auditing of grant claims, performance indicators and the final accounts.

Whether the Council has a strong Internal Audit function and good governance



arrangements is considered as part of annual risk assessment completed by External Audit. Having a strong Internal Audit function and good governance arrangements helps to reduce the risks from an External Audit perspective and therefore has a positive impact on the audit fees that are charged.

### **10. Requirements of management**

To facilitate the work of Internal Audit, management is required to:

- comment on and input to the scope of individual assignments as documented in the Terms of Reference, to ensure that attention is focused on areas of greatest risk or concern;
- Provide access to relevant personnel, records, documentation, properties and information relating to the area under review;
- Keep to planned appointments as far as is practicable, and to provide responses within acceptable timescales;
- Provide management comments within two weeks of the issue of a draft report;
- Provide feedback on the audit process, informally and via the client satisfaction survey, which will be issued with the final report;
- Implement recommendations within the agreed timescales;
- Respond to requests for follow-up status providing documentation with sufficient detail to evidence the implementation of recommendations.

10 June 2019