

**MEETING TITLE AND DATE:**

Audit and Risk Management  
Committee  
- 5 March 2020

**REPORT OF:**

Director of Law and Governance

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<b>Agenda - Part:</b>	<b>Item: 13</b>
<b>Subject: 2020/21 Draft Internal Audit Plan and Internal Audit Charter</b>	
<b>Wards: ALL</b>	
<b>Cabinet Member consulted:</b>	

**1. EXECUTIVE SUMMARY**

This report sets out the Draft 2020/21 Internal Audit Plan and Internal Audit Charter for review and comment. The Internal Audit Plan remains under discussion with Executive Directors and Directors.

**2. RECOMMENDATIONS**

- 2.1 To note the 2020/21 Draft Internal Audit Plan and Internal Audit Charter
- 2.2 To provide comment and feedback on the contents of the Draft 2020/21 Draft Internal Audit Plan
- 2.3 To endorse the Head of Internal Audit and Risk Management to agree the plan with Executive Directors and Directors and to report the final plan to the Audit and Risk Management Committee in June 2020
- 2.4 To endorse the Head of Internal Audit and Risk Management to proceed with audits planned for Q1 2020/21

**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 Draft 2020/21 Internal Audit Plan is found in Annex A, Section 2.

3.4 The model of delivery for 2020/21 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

3.5 Discussions to finalise the 2020/21 Internal Audit plan are continuing with Directors and Executive Directors. The finalised plan will be brought to Audit and Risk Management Committee in June 2020. In the meantime, endorsement is sought to continue such discussions and to make progress on audits planned for Q1 2020/21.

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

There are no other options that can be considered due to 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**

There are no specific legal implications related to this report.

##### **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 2020/21 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**

## ***Draft for Discussion:***

### **2020/21 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 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.

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 2020/21 internal audit plan has been formulated by a risk-based approach. The Corporate Risk Register and Departmental 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 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 and Risk Management Committee.

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

## 2. Draft Internal Audit Plan for 2020/21

The draft internal audit plan for 2020/21 is set out in the following tables. A proposed scope for each auditable area is detailed, along with the estimated requirement of audit days. Additionally, links are made to the Council's objectives as well as to the Corporate Risk Register. The Risk Rating is based on the risk rating of the individual items in the Corporate Risk Register.

At present a total of 907 audit days are planned – 102 days for schools and 805 days for the remainder of Council services. This is consistent with previous years. The number of audit days relates to planning, fieldwork and drafting of reports but excludes managerial time, reporting and time spent on following up agreed audit actions.

Schools' audits have been discussed with the Head of Schools and Early Years Improvement Service. The Department of Education (DfE) is currently undertaking a consultation process regarding schools' audits. When the consultation is finalised, it may be necessary to revisit our schools' plan to comply with any new guidelines.

### Key for LBE Objectives:

Abbreviation	Objective
Homes	Good Homes in Well Connected Neighbourhoods
Community	Sustain Strong and Healthy Communities
Economy	Build our Local Economy to Create a Thriving Place

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)	LBE Objective	Corporate Risk Register Ref.	Risk Rating
<b>CROSS CUTTING</b>						
Schools Financial Monitoring	15	TBC	To ensure that appropriate controls and processes are in place so that the Council has good financial oversight of schools, is assured of schools' financial resilience and is able to react promptly to any changes in schools' circumstances.	Community	CR01	<b>HIGH</b>
Procurement Social Value	15	TBC	To confirm that procurement undertaken by the Council follows the requirements of the Public Service (Social Value) Act	Homes Community Economy	CR13	<b>MEDIUM</b>

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)	LBE Objective	Corporate Risk Register Ref.	Risk Rating
			2012.			
Public Health Grant	15	Q2	To confirm that the public health grant is spent in accordance with grant conditions with quantified outcomes and is properly accounted for.	Community	CR01	<b>HIGH</b>
SEN Commissioning	15	TBC	To ascertain the effectiveness of the SEN Commissioning function especially in terms of external placements, outcomes and costs.	Community Economy	CR05 CR13	<b>MEDIUM</b>
Climate Change	15	TBC	To ensure appropriate plans, policies and controls are in place to enable LBE to deliver its commitment for the borough to be carbon neutral by 2030 or sooner.	Community	CR05	<b>MEDIUM</b>
Effectiveness of Business Partnering Models	15	TBC	Brought forward from 2019/20. To provide assurance that business partnering is working effectively across the Council and that the needs of internal customers are being met.	Homes Community Economy	CR01 CR07 CR11 CR12 CR13 CR15	<b>MEDIUM</b>
Adult Social Care/Financial Assessments	15	TBC	Extended follow up to 2019/20 Limited Assurance Financial Assessment Team audit	Community	CR01 CR05	<b>MEDIUM</b>
Contract Management Follow Up	10	TBC	Follow up to the 2019/20 Limited Assurance Contract Management audit	Homes Community Economy	CR13	<b>MEDIUM</b>
Organisational Development	15	Q3	To ensure that best practice processes and procedures are in place regarding Organisational Development. The audit will include benchmarking against other Councils.	Homes Community Economy	CR15	<b>MEDIUM</b>
<b>CHIEF EXECUTIVE</b>						
Tell Us Once	15	TBC	To confirm that the process is working effectively, that relevant	Community	CR01	<b>HIGH</b>

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)	LBE Objective	Corporate Risk Register Ref.	Risk Rating
			areas of the Council and other relevant organisations are promptly informed of changes and that good data security controls are in place.			
Legal	15	TBC	To provide assurance that Legal Service processes are in line with best practice as advocated by Lexcel reviews.	Homes Community Economy	CR04	<b>MEDIUM/LOW</b>
Energetik	15	TBC	To provide assurance that the Council exercises appropriate governance over the business, monitors performance and is able to react promptly to any issues.	Homes	CR14	<b>MEDIUM</b>
Mayor's Accounts	5	TBC	The audit is designed to support the independent examination of the accounts for the Mayoral charity.	Community	N/A	N/A
Members' Ethics	15	TBC	To provide assurance that the new members' code of conduct has been embedded and is working appropriately	Homes Community Economy	CR03	<b>MEDIUM</b>
Recruitment	15	Q1	To provide assurance that the processes for TUPE-ing staff into and out of the Council are working properly	Homes Community Economy	CR15	<b>MEDIUM</b>
IR35	10	TBC	Extended follow up to the 2019/20 Limited Assurance audit.	Homes Community Economy	CR01 CR03 CR15	<b>MEDIUM</b>
<b>RESOURCES</b>						
Accounts Payable	20	TBC	To provide assurance that key financial processes are well controlled, operate effectively and that processes are understood by internal customers.	Homes Community Economy	CR01 CR16 CR03	<b>HIGH</b>
Council Tax	20	TBC	To provide assurance that key financial processes are well controlled,	Homes Community Economy	CR01 CR02 CR16	<b>HIGH</b>

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)	LBE Objective	Corporate Risk Register Ref.	Risk Rating
			operate effectively and processes are understood by internal customers.		CR03	
National Non-Domestic Rates (NNDR)	20	TBC	To provide assurance that key financial processes are well controlled, operate effectively and processes are understood by internal customers.	Homes Community Economy	CR01 CR02 CR16 CR03	<b>HIGH</b>
Treasury Management	20	TBC	To provide assurance that key financial processes are well controlled, operate effectively and processes are understood by internal customers.	Homes Community Economy	CR01 CR16 CR03	<b>HIGH</b>
Pensions Administration	15	TBC	To provide assurance that processes are well controlled, operate effectively and are understood by internal customers.	Homes Community Economy	CR01 CR16 CR03	<b>HIGH</b>
General Ledger	10	Q1/2	Extended follow up to the 2019/20 audit.	Homes Community Economy	CR01 CR16 CR03	<b>HIGH</b>
Supplier Resilience	15	TBC	To confirm that there are processes and controls in place to ensure key suppliers have the financial resilience to fulfil their contracted services with the Council	Homes Community Economy	CR13	<b>MEDIUM</b>
Direct Payments	15	TBC	To confirm that appropriate and effective procedures and controls are in place in relation to direct payments ensuring payments are made to the correct beneficiary, at the right time and for appropriate reasons.	Homes Community Economy	CR01 CR03	<b>HIGH</b>
Webcontent Accessibility Guidelines 2.1 (WCAG 2.1) (IT)	20	TBC	To ensure that all LBE websites are compliant with the requirements of WCAG 2.1 which define how to make web content more assessible to people with disabilities.	Community Economy	CR03 CR04	<b>MEDIUM</b>
Cloud Management (IT)	20	TBC	To provide assurance that systems housed in the	Homes Community	CR04 CR07	<b>MEDIUM</b>

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)	LBE Objective	Corporate Risk Register Ref.	Risk Rating
			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	Economy		
Cyber Security (IT)	20	TBC	Annual audit to confirm controls in place remain appropriate, up to date and effective to minimise the impact of cyber attacks	Homes Community Economy	CR03 CR04 CR07	<b>MEDIUM</b>
Digitalisation (IT)	20	TBC	To review the Council's digitalisation policy ensuring appropriate resource and controls are in place.	Homes Community Economy	CR07	<b>MEDIUM</b>
<b>PEOPLE</b>						
Troubled Families Grant Claims	30	Q1-4	To certify monthly grant claims	Community	CR01	<b>HIGH</b>
Unregulated Placements	15	Q1	To ensure that there are appropriate policies, processes and controls in place over the use of Unregulated Placements and that necessary assessments of the child and accommodation are made prior to placements taking place.	Community	CR05	<b>MEDIUM</b>
Disproportionality in Out of Court Disposals	15	Q1	To ensure that decisions made with respect to Out of Court Disposals are in line with the guidance issued by the Youth Justice Board and are consistent and fair. Additionally, to ensure that management information of decisions made is produced, reviewed and action taken	Community	CR05	<b>MEDIUM</b>

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)	LBE Objective	Corporate Risk Register Ref.	Risk Rating
			where necessary.			
Mental Health Act 1983 s75 Arrangements	15	TBC	To ensure that arrangements in place under Mental Health Act 1983 s75 are in line with the act and operate effectively.	Community	CR05	<b>MEDIUM</b>
Primary Behaviour Support Service	15	TBC	To confirm that appropriate processes and procedures are in place and are working effectively.	Community	CR05	<b>MEDIUM</b>
Bridgewood House	15	TBC	To ensure processes and procedures in place effectively deliver desired outcomes.	Community	CR05	<b>MEDIUM</b>
Health Checks and Health Prevention Substance Misuse and Sexual Health	15	TBC	To confirm that appropriate processes and procedures are in place and are working effectively to deliver public health aims.	Community	CR05	<b>MEDIUM</b>
Substance Misuse and Sexual Health	15	TBC	To confirm that appropriate processes and procedures are in place and are working effectively to deliver public health aims.	Community	CR05	<b>MEDIUM</b>
Eclipse	15	TBC	To confirm that appropriate process and procedures are in place and are working effectively especially around access and workflows	Community	CR04 CR05 CR07	<b>MEDIUM</b>
<b>PLACE</b>						
Capital Works and Building Control (as per phase 1 outcome of Grenfell enquiry)	25	3	Audit carried out in 2018/19 (Limited Assurance) and Place has requested that this area is looked at again.	Homes	CR12	<b>MEDIUM</b>
Cleaning Contract	15	TBC	Following the insourcing of the cleaning contract, this audit is to ensure that appropriate processes and controls are in place to ensure effective	Homes Community Economy	CR1 CR10 CR15	<b>MEDIUM</b>

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)	LBE Objective	Corporate Risk Register Ref.	Risk Rating
			delivery of the service.			
Repairs and maintenance	15	TBC	Following the insourcing of the contract, this audit is to ensure that appropriate processes and controls are in place to ensure effectively delivery of the service.	Homes Community	CR1 CR10 CR15	<b>MEDIUM</b>
Burial Service	15	TBC	Following the insourcing of the contract, this audit is to ensure that appropriate processes and controls are in place to ensure effective delivery of the service.	Community	CR02 CR06	<b>MEDIUM</b>
Housing Compliance - Safety Checks and Management of Lift Maintenance	25	TBC	To confirm appropriate controls are in place and are working effectively to ensure all safety checks and maintenance is carried out promptly and to best standards.	Homes Community	CR10	<b>MEDIUM</b>
Community Infrastructure Levy (CIL)	15	TBC	To confirm that the collection of CIL is optimised in line with the Community Infrastructure Levy (Amendment) (England) (No.2) Regulations 2019 and that funds collected are utilised to the benefit of the borough in line with the same regulations.	Homes Community Economy	CR02 CR06	<b>MEDIUM</b>
Waste Collection Services	15	TBC	To confirm that residents are receiving the services paid for following the implementation of changes during 2019/20.	Community Economy	CR02 CR06	<b>MEDIUM</b>
Insurance Claims - Waste	15	TBC	To ensure that remedial actions are put in place in response to insurance claims made by the Service	Community Economy	CR01 CR03	<b>HIGH</b>
Meridian Water	15	TBC	To ensure appropriate processes and controls are in place to ensure proper monitoring and approval over the use of	Homes Community Economy	CR11 CR12	<b>MEDIUM</b>

Auditable Area	Audit Days	Qtr.	Proposed Scope (Control Objectives)	LBE Objective	Corporate Risk Register Ref.	Risk Rating
			Housing Infrastructure Fund (HIF).			
Meridian Water	15	TBC	To confirm that appropriate processes and controls are in place to ensure effective contract management across the Meridian Water project.	Homes Community Economy	CR11 CR12	<b>MEDIUM</b>
Meridian Water	15	TBC	To confirm that an appropriate Procurement strategy is in place and is being followed and that appropriate client-side capability is in place to ensure effective project delivery.	Homes Community Economy	CR11 CR12	<b>MEDIUM</b>
Grants	15	TBC	BEGIN Bus Service Operators Grant (BSOG) Local Transport Capital Funding	Community	CR02	<b>MEDIUM</b>
<b>LOCAL AUTHORITY TRADING COMPANIES</b>						
LATC Audits	20	TBC			CR14	<b>MEDIUM</b>
<b>TOTAL</b>	<b>795</b>					

## Schools' Draft Audit Plan 2020/21

School	Audit Days	Qtr.	Audit Coverage	Corporate Risk Rating	Risk Rating
West Grove Primary School	6	Q1	Light	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
De Bohun Primary School	7	TBC	Full	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
Oaktree School	6	Q1	Light	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
Capel Manor Primary School	7	TBC	Full	CR01, CR02, CR03, CR04, CR07, CR08	<b>MEDIUM</b>

School	Audit Days	Qtr.	Audit Coverage	Corporate Risk Rating	Risk Rating
				CR13, CR15, CR16	
Chase Side Primary School	7	TBC	Full	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
Prince of Wales Primary School	7	TBC	Full	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
St. Michael at Bowes Church of England Junior School	6	Q1	Light	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
Starks Field Primary School	7	Q1	Full	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
Broomfield School	8	Q1	Full	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
George Spicer Primary School	7	Q3	Full	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
St. Paul's Church of England Primary School	7	TBC	Full	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
Firs Farm Primary School	6	TBC	Light	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
Hazelwood Schools	7	TBC	Full	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
St. Andrews Southgate Primary School (CE)	6	TBC	Light	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
St. Ignatius College	8	Q1	Full	CR01, CR02, CR03, CR04, CR07, CR08 CR13, CR15, CR16	<b>MEDIUM</b>
<b>TOTAL</b>	<b>102</b>				

### **3. London Borough of Enfield Internal Audit Charter 2020/21**

## **London Borough of Enfield Internal Audit Charter**

### **Purpose and scope**

This Internal Audit Charter provides the framework for the conduct of the Internal Audit function in the London Borough of Enfield and has been approved by the Audit Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of the Internal Audit function.

#### ***Purpose***

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

#### ***Scope***

All of London Borough of Enfield activities (including outsourced activities and shared service arrangements) 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 programme 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 the Audit Committee, senior management and regulators.

Notwithstanding Internal Audit's responsibilities to be alert to indications of the existence of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity will not undertake specific fraud-related work. Fraud-related work is carried out by the London Borough of Enfield Counter Fraud Team.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

### **Authority, responsibility and independence**

#### ***Authority***

The Internal Audit function of the London Borough of Enfield derives its authority from the Board through the Audit Committee. The Chief Audit Executive is authorised by the Audit Committee and the Council's Financial Regulations (which are part of the Constitution) to

have full and complete access to any of the organisation's records, properties and personnel. The Chief Audit Executive is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities.

### ***Responsibility***

The Chief Audit Executive is responsible for preparing the annual audit plan in consultation with the Audit Committee and senior management, submitting the audit plan, internal audit budget, and resource plan for review and approval by the Audit Committee, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Audit Committee and senior management.

The Chief Audit Executive is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Audit Committee should make appropriate inquiries of senior management and the Chief Audit Executive to determine whether there are any inappropriate scope or resource limitations.

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 programmes, 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.

### ***Independence***

Internal Audit staff will remain independent of the business and they shall report to the Chief Audit Executive who, in turn, shall report functionally to the Audit Committee and administratively to the Director of Law and Governance.

Internal Audit staff 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 Chief Audit Executive as soon as these issues become apparent so that appropriate safeguards can be put in place.

Internal separation of duties within the Audit and Risk Management Service are managed through the roles of the Audit and Risk Manager, the Counter Fraud Manager and the Insurance Manager. Any internal audit review of Counter Fraud, Risk Management or Insurance will be undertaken by an external provider to enhance independence and objectivity in this area.

## **Professional competence, reporting and monitoring**

### ***Professional competence and due care***

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).

### ***Reporting and monitoring***

At the end of each audit, the Chief Audit Executive or designee will prepare a written report and distribute it as appropriate. Internal Audit will be responsible for appropriate follow-up of audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the Chief Audit Executive on behalf of the Audit Committee.

The Audit Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Chief Audit Executive shall prepare reports of audit activities with significant findings along with any relevant recommendations and provide periodic information on the status of the annual audit plan.

Where necessary, the Chief Audit Executive will meet with the Chair of the Audit Committee in private to discuss internal audit matters.

The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme, the results of which will be reported periodically to Senior Management and the Audit Committee.

### ***Consulting and Advisory Services***

Internal Audit may perform consulting and advisory services related to governance, risk management and controls as appropriate for the Council. Internal Audit may also evaluate specific operations at the request of senior management. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to senior management.

### ***Third Parties***

Internal Audit may carry out assurance work for third parties (i.e. organisations outside of the Council). Assurances provided to third parties are provided in line with the assurance standards provided to the Council, as described within this document.

### ***Major Projects***

Internal Audit will be informed of major projects and their progress through continued discussion with management and attendance at project working groups, where invited to attend. Where a project team seeks advice or further support from Internal Audit, we will treat the request as one for consultancy support and make appropriate arrangements to ensure future objectivity is not impaired.

## ***Risk Management***

Internal Audit is guided by the Institute of Internal Auditors' position paper on *The Role of Internal Auditing in Enterprise-Wide Risk Management* and therefore Internal Audit will not undertake any roles defined as inappropriate by that guidance. Inappropriate roles include setting the Council's risk appetite, imposing a risk management process and taking on full accountability for risk management.

The position paper lists the following as legitimate roles (with safeguards):

- Co-ordination of risk management activities;
- Consolidating risk reporting;
- Developing a risk approach for approval and its subsequent maintenance;
- Facilitating identification and evaluation of risks; and
- Coaching management in responding to risks.

Internal Audit work is largely limited to supporting working groups throughout the Council and facilitating the identification and evaluation of risks.

## **Definitions**

### ***Board***

The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. This body is also charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Throughout this document, the term 'Board' refers to Full Council.

### ***Audit Committee***

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Throughout this document, the term 'Audit Committee' refers to the Audit and Risk Management Committee.

### ***Senior Management***

The individuals at the highest level of organisational management who have day-to-day responsibility for managing the organisation.

Throughout this document, the term 'Senior Management' refers to the Executive Management Team.

***Chief Audit Executive***

Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity. The specific job title of the Chief Audit Executive may vary across organisations.

Throughout this document, the term 'Chief Audit Executive' refers to the Head of Internal Audit and Risk Management and this role is fulfilled by Gemma Young.

24 February 2020