

Council Report

Audit Committee – 21 September 2016.

Title

Internal Audit Charter.

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)

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Ward(s) Affected

All wards.

Executive Summary

Public Sector Internal Audit Standards (PSIAS) state:-

“the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, Code of Ethics and Standards.”

Additionally, the Standards require the “chief audit executive” (in Rotherham’s case, the Head of Internal Audit), to periodically review the Internal Audit Charter and present it to the Audit Committee for approval.

The current Charter was produced in September 2015 and, following the recent review of Internal Audit by PWC, they evaluated the Charter as fully compliant with PSIAS. The attached revised Charter has been updated following the recent restructure in Internal Audit and the work Internal Audit has carried out in order to comply with the PSIAS in other areas.

Following the presentation of the PWC review of Internal Audit in February 2016, Veritau Ltd was commissioned to independently review and provide commentary on reports presented to Audit Committee. A copy of the draft revised Charter was reviewed by Veritau Ltd, who have concluded that in their opinion the Internal Audit Charter is compliant with the PSIAS.

Recommendations

The Audit Committee is asked to approve the Internal Audit Charter as attached in Appendix A.

List of Appendices Included:-

Appendix A – Internal Audit Charter

Background Papers

UK Public Sector Internal Audit Standards.

Accounts and Audit (England) Regulations 2015.

Committee on Standards of Public Life's Seven Principles of Public Life

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No.

Title: Internal Audit Charter.

1. Recommendations

The Audit Committee is asked to approve the Internal Audit Charter.

2. Background

2.1 Internal Audit produced the current Charter in September 2015, at that time reflecting not only the standard approach / template recommended by CIPFA, but also including additional best practice relating to anti-fraud arrangements and arrangements for carrying out non-audit duties.

2.2 Since September 2015 Internal Audit has been subjected to an external review by PWC following which they evaluated the Charter as being fully compliant with Public Sector Internal Audit Standards (PSAIS).

2.3 Following the review, and to address recommendations arising from it, the Internal Audit team has been reviewed and restructured. Most crucially in this respect, is the appointment of a Head of Internal Audit. In addition, further work has been carried out to ensure that the Internal Audit function can demonstrate compliance with all elements of PSIAS, which were updated in April 2016, specifically with respect to the mission of Internal Audit and ten core principles.

2.4 The revised Charter, attached at **Appendix A** reflects the new reporting structure for Internal Audit, the creation of a Head of Internal Audit post, and compliance with PSIAS.

3. Key Issues

3.1 The main changes made to the current version of the Charter are:

- The Charter has been updated throughout to reflect the appointment and responsibilities of the new Head of Internal Audit
- The Mission of Internal Audit has now been incorporated in line with changes to the auditing standards introduced in April 2016 (Section 2.1 of the Charter refers)
- New core principles introduced by the April 2016 changes to the standards have been added to the Charter at Section 2.3
- Requirements for auditor independence from activities they may have previously been involved in have been set out explicitly at Section 3.1
- Section 6.9 of the Charter specifies the limits and purposes of any internal audit work done for external bodies, for example academies. Possible work includes providing assurance relating to the bodies' systems of internal control, consultancy work and investigations into suspected irregularities
- The Charter specifies Internal audit's responsibilities relating to risk management (10.3 and 10.4 of the Charter)
- Internal auditor requirements to comply with ethical standards have been extended in Sections 11.4 and 11.5 of the Charter

- Section 14.4 makes extended reference to Internal Audit's involvement in dealing with suspected cases of fraud and corruption, and its liaison with others as appropriate
- A new Section 18 explains how the Charter absorbs the former separate audit strategy and audit terms of reference.

3.2 Veritau Ltd has independently reviewed the Internal Audit Charter and they have concluded that in their opinion the Internal Audit Charter is compliant with the PSIAS.

4. Options Considered and Recommended Proposal

4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit.

5. Consultation

5.1 The Strategic Director Finance and Customer Services has been consulted during compilation of the Internal Audit Charter.

6. Timetable and Accountability for Implementing this Decision

6.1 The Audit Committee is asked to receive this report at its September 2016 meeting.

7. Financial and Procurement Implications

7.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

8. Legal Implications

8.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“each principal authority must undertake 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.”

8.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

9. Human Resources Implications

9.1 There are no direct Human Resources implications arising from this report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 The scope of Internal Audit's work, as defined in the Charter, will extend to all areas of the Council and its key risks, including CYPS and Adult Services.

11. Equalities and Human Rights Implications

11.1 There are no direct Equalities and Human Rights Implications arising from this report.

12. Implications for Partners and Other Directorates

12.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Corporate Improvement Plan and Children's Services Improvement Plan.

13. Risks and Mitigation

13.1 The following risks have been identified with regard to the implementation of the Charter:

Risk	Likelihood	Impact	Mitigation
Internal Audit may not deliver sufficient audit work to enable an opinion to be provided on the Council's control environment.	Low	High	Likelihood has been downgraded from medium to low, following the recruitment of a Head of Internal Audit and a senior auditor, and the retention of temporary auditor, along with projections of work that will be completed by 31 March 2017.
Audit recommendations may not be implemented, leaving the Council exposed to risk.	Low	High	Internal Audit has an established process for the follow up of agreed audit recommendations. This includes escalation to the appropriate Assistant Director and Strategic Director in cases of non-compliance. Management response to and implementation of audit recommendations is currently good.

14. Accountable Officer(s)

Colin Earl, Assistant Director of Audit, Procurement and ICT.



Internal Audit Charter

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Appendix A

1. Background

- 1.1 This Charter, produced in line with the United Kingdom Public Sector Internal Audit Standards (UKPSIAS), confirms the authority and responsibility conferred by the Council on its Internal Audit Section with respect to the carrying out of its agreed functions. Incorporated within it, this document sets out the overall strategy for the Council's Internal Audit Service. It also includes objectives, how an opinion on a client's control environment is determined and how the audit plan will be delivered.
- 1.2 The PSIAS sets out certain terms which require definition and application within Rotherham Council and its Internal Audit Service. For the purposes of Internal Audit activity:
- 'chief audit executive' is the Head of Internal Audit
 - 'board' refers to the Audit Committee;
 - 'senior management' refers to the Chief Executive, Strategic Directors and Assistant Directors.
- 1.3 The PSIAS anticipates the role of 'senior management' not to be linked to a specific job title or pay grade, but to include the following key duties:-
- Input to the risk based internal audit plan (Standard 2010);
 - Receive periodic reports from the Head of Internal Audit on internal audit activity (Standard 2060); that includes follow-up reports (Standard 2500); and
 - Receive the results of the quality assurance and improvement programme from the Head of Internal Audit (Standard 1320).
- 1.4 The PSIAS lays out the role of a "board" in relation to specific standards, with the key duties being as follows:
- Approve the internal audit charter (Standard 1000);
 - Approve the risk based internal audit plan, including the approval of the internal audit budget and resource plan (Standard 1110);
 - Receiving communication from the Head of Internal Audit on internal audit performance relative to its plan and other matters (Standard 2020);
 - Receive an annual confirmation from the Head of Internal Audit with regard to the organisational independence of the internal audit activity (Standard 1110);
 - Receive the results of the quality assurance and improvement programme from the Head of Internal Audit (Standard 1320);
 - Make appropriate enquiries of the management and the Head of Internal Audit to determine whether there are inappropriate scope or resource limitations.
- 1.5 It is essential that the Council adopt a common approach to internal audit to:
- Ensure compliance with proper practice

- Deliver audit work of a consistently high standard to clients.

1.6 This does not mean that every audit plan will be identical, but it does mean that a consistent approach should be adopted to determining how Internal Audit plans and decides what type of audit work is appropriate for inclusion in the audit plans.

2. Roles and Objectives of Internal Audit

2.1 The Mission of Internal Audit articulates what internal audit aspires to accomplish within the organisation and PSIAS defines this as:

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

This mission is central to Rotherham’s Internal Audit Charter.

2.2 The standards require the mandatory nature of the PSIAS to be recognised (Specifically the Definition of Internal Auditing; Code of Ethics and Standards themselves). Rotherham recognises the mandatory PSIAS definition of Internal Auditing as:-

‘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’.

2.3 The standards advocate 10 core principles for the professional practice of internal auditing. These, taken as a whole, should be present and be operating effectively in an effective internal audit function. Failure to achieve any of the core principles would imply that an internal audit activity was not effective as it could be in achieving internal audit’s mission. The ten Core Principles are listed as follows and are embedded into the internal audit charter:-

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

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- 2.4 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council on the extent to which these arrangements are in place and operating properly. The Internal Audit Opinion, which informs the Annual Governance Statement, emphasises the importance of this aspect of internal audit work. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council's objectives.
- 2.5 To provide optimum benefit to the Council, Internal Audit works in partnership with management to improve the control environment and assist the organisation in achieving its objectives. This partnership must operate in such a way as to ensure that legal requirements and those of the UKPSIAS are met.
- 2.6 Internal Audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. It also undertakes consulting services at the request of the Council, subject to there being no impact on the core assurance work and the availability of skills and resources.
- 2.7 The attainment of the overall objective involves:
- Reviewing and appraising risks related to the achievement of objectives and business goals, and evaluating the adequacy and effectiveness of the system of internal control related to those risks;
 - Appraising the relevance, reliability and integrity of information;
 - Reviewing compliance with those policies, plans, procedures, statutory requirements and regulations which could have a significant impact on the achievement of the Council's objectives and business operations;
 - Reviewing the means of safeguarding assets and as appropriate verifying the existence of such assets;
 - Appraising the economy, efficiency and effectiveness with which resources are employed, and the delivery of services in a best value manner;
 - Reviewing operations or projects to ascertain whether results are consistent with the Council's established objectives and goals and whether the operations or projects are being carried out as planned;
 - Maintaining a program of review and assessment to enhance the integrity and usefulness of the Council's risk management processes;
 - Maintaining a program of development, review and audit in relation to quality improvement and assurance methodologies;
 - Assisting management in conducting special assignments and investigations into any matter or activity affecting the interests of the Council.

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2.8 Internal Audit also carries out income earning work for external bodies such as providing assurance over the internal controls for academy schools.

3. Independence

3.1 The Council's Internal Audit Services is an appraisal and advisory function having independent status within the Council. It is independent of all activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations without giving rise to conflicts of interest. Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop or install systems or procedures, prepare records, or engage in any other activity which would normally be audited. To ensure compliance with PSIAS Standards 1130A1 and A2, Internal Auditors will not be used on internal audit engagements where they have had direct involvement in the area within the last 12 months.

3.2 The Head of Internal Audit:

- Shall have direct access to the Commissioners, Leader, Chief Executive, the Strategic Director Finance and Customer Services, the Monitoring Officer, the External Auditor, the Chair and Members of the Council's Audit Committee and any other officer or member of the Council as the Head of Internal Audit shall determine.
- Shall be able to make appropriate provisions for the undertaking of an objective assessment of the resource requirements of Internal Audit Services.

3.3 Internal Audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

4. Authority

4.1 The authority of the Head of Internal Audit is derived from the Council, the Strategic Director Finance and Customer Services, the Monitoring Officer and the Council's Financial Regulations.

4.2 The Head of Internal Audit and Internal Audit staff have the authority to:

- Access Council records, assets, personnel and premises, including accounting records, documents, invoices, vouchers, correspondence and other data, whether held manually or electronically, the examination of which is necessary for the proper performance of internal audit duties.
- Enter any Council premises and receive prompt response, every assistance, all information and explanation from any Council employees or Council Members necessary for the internal auditors to carry out their audit duties.

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- Access as listed above, depending on the terms of the contract with the partner organisation, those items held by contractors / partner organisations that affect the business of Rotherham Council or its control environment.
- Monitor and follow-up on the requirement for managers to respond promptly to internal audit reports and requests for information relating to the implementation of recommendations. Financial Regulations state that it is the responsibility of Strategic Directors “To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner”.
- Report to the Audit Committee the failure of managers to respond to internal audit reports and requests for information relating to the implementation of recommendations within the set time limits.
- Report to Audit Committee on any agreed actions that are not implemented within two months of an audit report being issued.

5. Responsibilities

- 5.1 The Head of Internal Audit shall be responsible for the functional control of audit activities in relation to:
- Development, implementation and oversight of internal audit methods and procedures.
 - Development and control of an effective internal audit plan including those for which there are partnership arrangements.
 - Scope and boundaries of audits.
 - Fulfilling the objectives of internal auditing.
 - Utilising designated internal audit resources to maximise the efficiency and effectiveness of the internal audit function.
 - Maintenance of the appropriate auditing standards, currently those defined by the UKPSIAS.
- 5.2 The Audit Committee provides an independent oversight and advisory role in relation to governance, risk management and internal control practices. The Audit Committee plays a significant role in improving and providing transparency around these areas. It is not responsible for decision making. Responsibility for decision making rests with senior management.
- 5.3 The Head of Internal Audit reports periodically to the Audit Committee on the internal audit activity’s purpose, authority, responsibility and performance relative to its plan. Reporting includes the areas of significant risk exposure and control issues.
- 5.4 The Head of Internal Audit is responsible for ensuring that an effective internal audit function is resourced and maintained, ensuring that the authority has put in place effective arrangements for internal audit of the control environment, supporting the authority’s internal audit

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arrangements and ensuring that the audit committee receives the necessary advice and information so that it can function effectively.

- 5.5 It should be noted that internal audit is not responsible for the operation of control functions within the Council; these responsibilities rest with management. Internal audit should not be regarded as a substitute for good management.

6. Scope of Internal Audit Work

- 6.1 The scope of internal audit work shall be sufficiently comprehensive to meet the needs of management, the Council and the PSIAS. Work areas for review are determined using a risk-based process based upon a risk assessment, which may be derived from the Council's Risk management arrangements.
- 6.2 The Head of Internal Audit, where appropriate, will seek to use the results of the Council's Risk management assessments to inform the scope of internal audit work to be undertaken. Where the results are not judged to be of sufficient quality or scope to allow their use, then the scope of Internal Audit work shall be based upon a risk assessment undertaken by Internal Audit itself.
- 6.3 The internal audit coverage will embrace the entire control environment of the Council, and will extend to all areas of the Council and its controlled entities.
- 6.4 Particular attention will be given to any aspects of the control environment affected by significant changes to the Council's risk environment.
- 6.5 In accordance with Accounts and Audit England Regulations 2015, the Authority will undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 6.6 Internal Audit provides advice and practical support to service management in investigating fraud. Any allegation of fraud and corruption received is followed-up in accordance with the agreed procedures of the Anti-Fraud and Corruption Policy and Disciplinary Procedures.
- 6.7 The Council requires that where an employee suspects or detects any instance of fraud or corruption, that they must report it. The Council has a Whistleblowing Policy which is intended to encourage employees to raise serious concerns.
- 6.8 The Council also participates in the biennial National Fraud Initiative.
- 6.9 Internal Audit may undertake work for new clients by extending its work to third parties including Academies. All engagements will be performed in accordance with this Charter to an agreed schedule of audit days. The

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scope of Internal Audit's work for external bodies is primarily to provide assurance relating to the bodies' systems of internal control, although the bodies might also ask for additional consultancy work to be conducted. Where appropriate, Internal Audit might also be asked to assist in or carry out investigations into suspected irregularities. Example of this work is where internal audit carry out work for Academies.

7. Audit Plan

7.1 An audit plan providing for the review of significant operations of the Council, based on an assessment of risk pertaining to the achievement of Council objectives, shall be prepared for the approval of the Chief Executive and Strategic Director Finance and Customer Services, and the consideration of the Council's Audit Committee.

8. Audit Reports

8.1 Reports on individual audit activity will be made on a timely basis.

8.2 Reports will also be submitted to the respective Strategic Director and as appropriate to the Audit Committee, in summary form, by the Head of Internal Audit. The reports will contain significant findings and issues arising from the internal audit work undertaken.

8.3 All reports that give an overall audit opinion of either "Partial Assurance" or "No Assurance" will be presented to SLT and DMT meetings to inform all Strategic and Assistant Directors of areas of concern within the Council.

8.4 The Head of Internal Audit will submit an annual report to the Audit Committee timed to support the Annual Governance Statement which includes:

- An annual Internal Audit Opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This should also include the following:-
 - Any qualifications to the opinion, together with the reasons for those qualifications
 - Disclosure of any impairments to independence or objectivity
 - A comparison of work undertaken against planned work and a summary of performance of internal audit against performance targets
 - Any particular control weaknesses judged to be relevant to the preparation of the annual governance statement.
- A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies).
- A statement on conformance with PSIAS and the results of the Internal Audit Quality Assurance and Improvement Programme.

9. Audit Standards

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- 9.1 Internal auditing standards shall be consistent with the PSIAS. Compliance with these will be assessed through a 'Quality Assurance and Improvement Programme' (QAIP). The current QAIP comprises:
- A system of quality controls and the Internal Audit Manual.
 - Lead auditors reviewing finished audit report files for quality compliance.
 - Analysis of the results of the debrief process carried out for all audit assignments.
 - Analysis of customer feedback from individual jobs.
 - Feedback from Strategic and Assistant Directors following regular Relationship Management review meetings.
 - Utilising External Audit's review of Internal Audit.
 - A periodic self-assessment using the checklist provided in the Local Government Advisory Note supporting the PSIAS.
 - A comprehensive external assessment to be carried out as a minimum every five years.

10. Relationships

- 10.1 The internal audit function, as part of an effective process of service delivery, shall maintain good and effective working relationships with its clients and with those charged with responsibility for partner organisations.
- 10.2 It shall also maintain effective working relationships with the Audit Committee or its equivalent, the Chief Executive, the Strategic Director Finance and Customer Services, the Monitoring Officer, the External Auditor, other inspection and agency teams, and the Council's Members, management and employees.
- 10.3 Internal audit is not responsible for the management of the Council's risks; this is the responsibility of the Council's management. However, internal audit will take account of the corporate risk management processes in the way it relates to managers in the control of risks. Emphasis will be placed on the importance of risk management to all managers in the Council as part of the delivery of the internal audit service.
- 10.4 Internal audit's work will assist managers to better understand risk management. This is an important educational / informative role that adds value to the organisation where appropriate. Information will be submitted, through routine audit and from all other forms of work on risks, to the corporate owner of the Council's risk register as well as the relevant managers to help keep the registers up-to-date and relevant. Internal Audit will regularly review the Council's risk management arrangements as an integral aspect of the definition of internal auditing.

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- 10.5 Where the Council has partnership arrangements, the Head of Internal Audit will ensure that there is effective and efficient control environment which takes account of the governance, risk and control framework of the partner body, and that the risks associated with such an arrangement are subject to internal audit review. Suitable protocols will be set in place where these safeguard the Council's interests for effective internal audit.
- 10.6 Where there are incidents of fraud the Head of Internal Audit will advise or intervene as appropriate in ensuring that there is suitable involvement with the Police or other agencies and will seek to maintain effective working relationships with them.
- 10.7 Internal audit will comment on the efficient, economic and effective use of resources, where appropriate, in both the routine internal audit work and also where specifically charged with evaluating value for money / efficiency improvements

11. Ethical Standards

- 11.1 Internal Auditors will behave at all times in accordance with the highest ethical standards and shall comply with the Council's Code of Conduct.
- 11.2 Where there are possible conflicts of interests in its undertaking of any individual audit or series of audits, individual auditors should bring such matters to the attention of their line manager in accordance with good practice.
- 11.3 Internal Auditors shall at all times fully comply with the requirement of the PSIAS in respect the ethical standards within it.
- 11.4 Internal Auditors should have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.
- 11.5 Where an individual auditor is a member of a professional body, they will comply with the relevant requirements of that organisation.

12. Contributions to Achieving Corporate Objectives

- 12.1 To provide optimum benefit to the organisation, internal audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives. This partnership must operate in such a way as to ensure that legal requirements and those of the PSIAS are met.
- 12.2 Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

13. Resources and Prioritisation

13.1 Internal Audit will endeavour to maintain an effective number of staff to undertake the required workload, supported by effective systems of operation. Internal Audit will apply staff in the most effective way in accordance with their experience and skills and in accordance with the PSIAS.

13.2 Internal Audit's annual planning process sets out clearly the range of work it expects to do. Internal Audit activity can be broadly split into two categories, namely value protection and value enhancement.

- Value Protection

This refers to the assurance we provide on the Council's internal control and governance arrangements. This includes our work on assessing the management of the key risks currently facing the Council. Internal Audit's programme of work continues to be significantly influenced by the Council's previous failings in Children's Services and the wider governance failures as referenced in the CGI report. Value Protection also includes mandatory work on fundamental financial systems that helps the s.151 officer to fulfil their statutory responsibilities for proper financial administration and control.

- Value Enhancement

This refers to our work on supporting the continuous improvement with regard to its corporate and service performance, delivering savings and more efficient ways of working as part of Council's Medium Term Financial Planning and, providing assurance on new significant change projects and systems developments, and helping with providing assurance on future plans and strategies.

13.3 Given the urgent need for the Council to secure major improvements in certain core services and develop its corporate capacity and future governance arrangements, the primary focus of our work will be directed more towards the Value Protection category.

13.4 Other work includes:

- Follow-up Work, 'Responsive' Work

This work includes responding to internal requirement to carry out investigations and give advice, and work to follow-up on the implementation of recommendations.

- Work for External Bodies

There is also some work arising that does not fall into these headings such as income earning work for external bodies such as audit work for academy schools.

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- 13.5 The quantum of work is identified following a full assessment of risks across the Council and after taking into account other forms of assurance available to oversee and mitigate some risks identified (for example external audit work or improvement board activities).
- 13.6 Internal Audit prepares a plan of work each year. Resources to deliver the plan of work, in terms of the level of resources and the skills required, are identified at the planning stage of the audit. Both the Head of Internal Audit and the Strategic Director Finance and Customer Services will satisfy themselves at the start of the year that there is sufficient resources in place at least to deliver the plan and to give an opinion on the Council's system of internal control at the end of the year, and to ensure some coverage in other necessary areas in accordance with the PSIAS.
- 13.7 Where there are any deficiencies arising in resources at any stage, the Head of Internal Audit and Strategic Director Finance and Customer Services will, firstly, try to provide additional audit support to the section. Where it becomes necessary to limit the amount of work it is possible for the Service to do, work for external parties, risk related work, follow up and responsive work will be reduced.
- 13.8 Internal Audit annually carries out a review of the skills within the team and any development needs, linked to operational requirements. Training and development is prioritised to reflect the needs of the service and individuals. This enables the service to maintain appropriate expertise for the delivery of the audit plan and strategy and to continuously adapt to new developments. To facilitate this, a programme of topics for discussion at team training and development meetings has been formalised and will be delivered throughout the year.

14. Fraud and Corruption

- 14.1 Managing the risk of fraud and corruption is the responsibility of management; Internal Audit will assist management in the effective discharge of this responsibility. There is a need for the Council to maintain an effective counter-fraud culture and the work of Internal Audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. With public sector budgets generally, and local authority budgets specifically, being considerably reduced, there is an ever increasing public expectation for such monies to be spent wisely and safeguarded against fraudulent activity. Accordingly, the section's audit plans provide for counter fraud activity.
- 14.2 Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have the responsibility for the prevention or detection of fraud and corruption. Internal Audit will, however, be alert in all their work to risks and exposures that could allow fraud and corruption.

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14.3 In line with Financial Regulations, whenever any matter arises that involves, or is thought to involve irregularities concerning cash, stores or other property of the Council or any suspected irregularity in the exercise of the functions of the Council, including bequests, trust and client monies, it must be immediately brought to the attention of the respective Strategic Director. Where the irregularity is thought to involve fraud, corruption or impropriety the Strategic Director must ensure that the matter is reported to the Head of Internal Audit, who will then Inform the Chief Executive and, should the incident be of a significant magnitude, the Audit Committee. If the irregularity or suspected irregularity involves theft or suspected theft of assets, it must also be referred to the Police. In addition where a break-in is suspected, the Police must be informed immediately.

14.4 Council Policy requires that where there is detection of fraud or corruption by employees they report any suspected cases of fraud and corruption to the appropriate manager, or if necessary, directly to the Chief Executive, Assistant Director Legal and Democratic Services or the Head of Internal Audit. Depending on the nature and anticipated extent of the allegation(s), the Head of Internal Audit will normally work closely with management and other agencies, such as the Police, to ensure that the allegation(s) are properly investigated and reported so that maximum recoveries are achieved.

14.5 The Council is also required to adhere to the provisions of the Regulation of Investigatory Powers Act and Money Laundering Legislation.

15. Performance Reporting

15.1 Performance indicators for Internal Audit are reported to each Audit Committee meeting and the Strategic Director Finance and Customer Services

16. Review of the Effectiveness of Internal Audit

16.1 The Accounts and Audit Regulations 2015 [Reg 5 (1)] states that:

A relevant authority must undertake 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.

16.2 Internal Audit will continue to provide assurance on the effectiveness of the function through the annual reporting process.

17. Definition of Consulting Services

17.1 The standards define consulting services as follows: "Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal

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auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.”

17.2 The standards require that approval must be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement (Standard 1130.) Within RMBC any such significant requests will be submitted to the Audit Committee for approval.

18. Review of the Internal Audit Charter, Strategy and Terms of Reference

18.1 In accordance with the mandatory requirements of the PSIAS, the Internal Audit Charter will be reviewed on a regular basis and, where appropriate, presented to the Audit Committee for approval.

18.2 The requirement for a formal strategy ended when the PSIAS were introduced, this is now included within the Charter.

18.3 Similarly, the audit charter requirement in the PSIAS replaces the need for a Terms of Reference, and as such, a separate terms of reference will no longer be required.