

27 July, 2017

REPORT TO THE CHAIR AND MEMBERS OF THE AUDIT COMMITTEE

INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER

EXECUTIVE SUMMARY

1. This report refers to the Internal Audit Strategy and the terms of reference for Internal Audit, which are set out in the Internal Audit Charter. The Audit Committee has responsibility for considering the Internal Audit terms of reference.
2. The Strategy and Charter were last produced in April 2015 and set the strategy for the period 2015-2018. The documents have been reviewed and updated annually to take into account and changes required. Following significant changes to Internal Audit Standards and recommendations made in the peer review carried out by Kirklees Council earlier in 2017, the Charter and Strategy have now been re-written to adopt the new requirements. The update version is applicable for the three years.

EXEMPT REPORT

3. The report does not contain exempt information

RECOMMENDATIONS

4. **The Audit Committee is asked:**
 - **To approve the Internal Audit Strategy for the period 2017 - 2020-2018**
 - **To approve the revisions to the Internal Audit Charter.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

6. Regular review of the Internal Audit Charter and Strategy ensures the service has considered the service it is offering to the Council and is operating to best current professional practice. The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners which adds value to the authority and the citizens of Doncaster

BACKGROUND

INTRODUCTION

7. The overall strategic direction of the Council's Internal Audit Service for 2017/20 is set out within the Internal Audit Strategy. This medium to long term perspective is required to give some indication of how assessed risk will be reviewed where all risks cannot, due to resource constraints, be subject to

review within any one year, within the 2017/20 years

8. The Internal Audit Charter sets out the Terms of Reference for the Internal Audit service. The Internal Audit Charter must comply with the United Kingdom Public Sector Internal Audit Standards and be consistent with the Mission of Internal Audit and the mandatory elements of the International professional Practices Framework (the Core Principles for Professional Practice of Internal Auditing, the Code of Ethics and the Definition of Internal Auditing). The Charter also confirms the authority and responsibility conferred by the Council on its Internal Audit Section with respect to carrying out its agreed functions.

INTERNAL AUDIT STRATEGY

9. The strategy has been reviewed in line with the requirements of the UK Public Sector Internal Audit Standards and current best practice and has been updated to reflect current practices.
10. The Key changes made to the Strategy in order to comply with the 2017 Standard changes are:
 - Section 4 has been updated to reflect current working practices in understanding the audit risk universe and the planning process. This has been revised in order to comply with the standards and to set the future direction.
 - Section 2 of the strategy details that UKPSIAS professional standards now provides a Mission Statement for Internal Audit which articulates what internal audit aspires to accomplish within an organisation.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”
 - Section 3 of the strategy, what this means we need to do, has been updated to reflect standard 2050 Reliance and 2100 Nature of work.
 - Section 6 of the strategy, resources and prioritisation has been updated detailing Internal Audits annual planning process and how it has evolved during the period of the strategy in line with changes in the UKPSIAS professional standards. The methodology for 2017/18 incorporates the recent changes in the standards with a risk based plan being fully adopted.
11. The Strategy has also been reviewed to address changes suggested and highlighted during the external assessment of the Internal Audit Service earlier this year. The key change made to the Strategy in order to comply with the external assessment is that it has been updated to reflect the end of the audit provision for the Children’s Services Trust.

INTERNAL AUDIT CHARTER

12. The terms of reference for Internal Audit comply with the UKPSIAS requirements. The strategy remains largely unchanged and only minor amendments and terminology changes have been made to the Charter to ensure that it is consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing).
13. Key changes made to the Charter in order to comply with the 2017 Standards changes are:
 - The charter has been updated in line with the UKPSIAS professional standards and is consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing. The Charter confirms the authority and responsibility conferred by the Council on its Internal Audit Section with respect to the carrying out of its agreed functions.
 - Section 2.1 of the Charter has been updated to include the Mission. Internal Audit's mission statement per UKPSIAS is defined as "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight." Clearly Internal Audit's achievement of its mission will help the organisation achieve its objectives.
 - Section 2.6 of the Charter has been updated to comply with a new standard requirement 1130. Internal Audit may provide assurance services where it has previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement
 - Section 7 of the Charter, Audit Plan has been updated to comply with the 2010 Planning standard. The methodology for 2017/18 incorporates the recent changes in the standards with a risk based plan being fully adopted.
 - Section 9 of the Charter, Audit Standards has been updated to comply with standard 1311 confirming that the QAIP is an aid to evaluate conformance with the Code of Ethics and the Standards
 - Section 9.4 of the Charter has been revised to reflect the external assessment process undertaken in 2017.
14. The Charter has also been reviewed to address changes suggested and highlighted during the external assessment of the Internal Audit Service earlier this year. Key changes made to the Charter in order to comply with the external assessment are:

- The Standards require that the Audit Charter includes details of assurance services provided to parties external to the Council. Internal Audit provides an audit service to St Leger Homes and supports other partners such as the Internal Drainage Board based within the Borough, where the Council appoint persons to their Board.

OPTIONS CONSIDERED & RECOMMENDED OPTION

15. The Head of Internal Audit has considered the environment in which the internal audit service operates as well as regulatory requirements on and for the internal audit service in the Council. He has incorporated these into the documents presented to the Committee for consideration and recommendation.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

16.

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>All families thrive.</p>	

	<ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	Council services are modern and value for money.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council.
	Working with our partners we will provide strong leadership and governance.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners.

RISKS & ASSUMPTIONS

17. The operation of an effective internal audit service provides assurance on the effective management of risks and internal controls. The adherence to an appropriate service strategy with the right terms of reference allows the service to fulfil this assurance role as well as contribute to other Council outcomes.

LEGAL IMPLICATIONS

18. There is a statutory obligation on the Council to provide an adequate and effective internal audit of its accounts and supporting systems of internal control.

FINANCIAL IMPLICATIONS

19. There are no direct financial implications associated with this report.

HUMAN RESOURCES IMPLICATIONS

20. There are no specific human resources issues associated with this report.

TECHNOLOGY IMPLICATIONS

21. There are no specific technological implications resources issues associated with this report.

EQUALITY IMPLICATIONS

22. We are aware of the Council's obligations under the Public Sector Equalities Duties and there are no identified equal opportunity issues within this report.

CONSULTATION

23. This report consults with members of the Audit Committee over the Internal Audit Strategy and Internal Audit Charter for the period 2015 -2018.

BACKGROUND PAPERS

The United Kingdom Public Sector Internal Audit Standards.

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DONCASTER COUNCIL, INTERNAL AUDIT SERVICES - INTERNAL AUDIT STRATEGY 2017 TO 2020

1. Introduction

- 1.1 This document sets out the overall strategy for the Council's internal audit service for the period 2017 to 2020.
- 1.2 This medium – long term perspective is necessary to give some indication of how assessed risk will be reviewed where all risks cannot, due to resource constraints, be subject to review within any one year, within the 2017/20 years.

2. Main Drivers in Direction Setting

- 2.1 The work of the internal audit team responds to a number of needs, some of a statutory nature, some related to supporting others, and some arising from within the Council itself. In summary, the main service drivers are:
 - a) The corporate responsibilities for Section 151 of the 1972 Local Government Act and the requirement to provide assurance and support to the appointed Section 151 Officer.
 - b) The Accounts and Audit (England) Regulations 2015.
 - c) The requirement to meet the service scope and standards set out in the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) which came into force on the 1st April 2013 and as updated in March 2016 and March 2017.
 - d) The dependencies of the External Auditor on the internal audit function.
 - e) The desire to contribute to the achievement of the Council's goals, targets and objectives.
 - f) The desire and need to meet the needs of the organisation and internal and external customers.
 - g) The contributory role in assisting in the embedding and informing of risk management across the Council.
 - h) Seeking to be more efficient and effective in service provision in accordance with good practice and Council policy.
 - i) The need for the council to maintain both an effective counter-fraud culture and counter-fraud and corruption arrangements.
- 2.2 Statute, in the form of the Accounts and Audit (England) Regulations 2015, sets out the requirements for local authorities for internal audit;

The Accounts and Audit Regulations 2015 include a requirement for local authorities to:

“...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” Reg 5 (1) and

“conduct a review of the effectiveness of the system of internal control ...” Reg 6 (1) (a).

The UKPSIAS now provides a Mission Statement for Internal Audit which articulates what internal audit aspires to accomplish within an organisation

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

2.3 The UKPSIAS provides a new definition of Internal Audit:

“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”.

2.4 Further, UKPSIAS set out “Core Principles for the Professional Practice of Internal Auditing” and these are achieved through individual auditors and the audit function working to the defined standards set out within UKPSIAS. The Core Principles are:

- 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-focused.
- Promotes organisational improvement.

Standards state “For an internal audit function to be considered effective, all Principles should be present and operating effectively but failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit’s mission”

2.5 This Mission Statement and definition encourages a collaborative style of audit review which focuses on adding value and improving an organisation’s operations evaluating and improving the effectiveness of risk, control and governance processes and therefore goes beyond basic compliance. The Internal Audit Service continues to face a challenging agenda to deliver the services the Authority requires and to ensure it does so by providing added value. The Service needs to be able to react and adapt to the rapid pace of change which is taking place both locally and nationally. Accordingly, the Charter has been extended to include the

aspirations of the Internal Audit Service, which are to:

- Understand the whole Authority, its needs and objectives
- Understand its position with respect to the Authority's other sources of assurance and plan its work accordingly.
- Be seen as a catalyst for change at the heart of the Authority
- Add value and assist the Authority in achieving its objectives
- Be forward looking – knowing where the Authority wishes to be and aware of the national agenda and its impact
- Be innovative and challenging
- Help to shape the ethics, governance and standards of the Authority
- Ensure the right resources are available, recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly
- Share best practice with other auditors
- Seek opportunities for joint working with other authorities' auditors.

2.6 The UKPSIAS sets out certain terms which require definition and application within Doncaster Council and its internal Audit Service

- For the purposes of Internal Audit activity, the term "board" refers to the Audit Committee.
- The term "senior management" refers to the Chief Executive and the Directors.
- The UKPSIAS refers to the officer responsible for the Internal Audit function as the Chief Audit Executive. This role is undertaken by the Head of Internal Audit (HoIA) Section 151 of the Local Government Act requires the Authority (through the chief financial officer) to ensure the proper administration of the its financial affairs. The work of the internal audit function supports the appointed S151 Officer in this, as the internal audit function assists managers to administer the Authority's finances in a sound manner related to the associated risks, and it provides information and assurance to the Chief Financial Officer (Section 151) on the extent of proper administration.

2.7 The External Auditor seeks to place reliance on the work of the internal audit function in discharging his legal responsibilities, although the level of work reviewed by the External Auditor has fallen since the external auditors have changed the scope and approach to their work. With internal and external audit still working in a coordinated manner, the Council receives a more efficient, effective and economic audit. The External Auditor, whilst still undertaking risk based audits of their own, will place reliance on work done by Internal Audit Services where appropriate.

- 2.8 The service will continue to strive to be responsive to customers and their individual needs and to add value to the organisation. It largely does this through acting as a control assurance function providing assurance, to managers and to the organisation as a whole, on the state of its internal control arrangements. It also adds value by pointing out inefficiencies and by supporting managers in the management of risk, increasing the overall likelihood of successful, joined up and customer responsive Council services.
- 2.9 Advice - Internal audit staff continuously provide advice on internal control, and the management of risks, as risk and control experts. They do this when in the field on matters not part of their designated audit, or in response to direct approaches to the Internal Audit office by clients seeking help and support. This helps to ensure the sound and effective control of business, strategic and operational risks within the Council.
- 2.10 Investigations – The Council’s Anti-Fraud, Bribery and Corruption Framework states that:

Directors and Managers have a duty to inform the Head of Internal Audit of any potential fraud, bribes, corruption or other suspected irregularities. The Head of Internal Audit will ensure that a log is maintained of all reported incidents. A decision will then be made as to who is best placed to investigate any concerns raised. In many cases it will be the appropriate service manager who will have the responsibility of carrying out the investigation and undertaking any necessary disciplinary action in conjunction with the Assistant Director of Human Resources. The investigating officer also has the responsibility to report all findings to the Head of Internal Audit. Details of all reported frauds, bribery, corruption and other irregularities are to be recorded by the Head of Internal Audit.

- 2.11 However, it is clear that senior managers require assistance and support with investigations where they cannot themselves undertake a sufficiently adequate and independent investigation. The team will endeavour to respond to situations where:
- there are risks to council assets and interests where Internal Audit are best placed to investigate or where it is more appropriate that they do so rather than line managers
 - there is a possibility that criminal or civil action will be required either during or at the conclusion of an investigation
 - the investigation requires the use of investigative powers under the law for which specialist knowledge is required
- 2.12 The team will endeavour to provide effective support to managers so that they themselves can deliver effective investigations into irregularities where the Head of Internal Audit deems that it is appropriate that local managers or an independent investigator undertake this role. Internal Audit Services will also provide advice and practical support, as much as they are able to,

where the local manager undertakes this investigative role.

- 2.13 Counter fraud culture - the work of internal audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. The service will also contribute to the Anti-Fraud Bribery and Corruption Framework and will participate in activities as identified in the Internal Audit Plan and periodic assessments of best practice as released by the Government and professional bodies.

3. What This Means We Need To Do

- 3.1 In meeting these drivers and organisational needs, the Council's Internal Audit Service will:

- Provide an assurance on the Council's internal control systems. This includes the audit of areas of financial risk, non-financial risk and reviews of key governance areas and systems.
- Audit the main financial systems and other systems related to possible material mis-statements, regardless of comparative risk.
- Deliver risk based assurance on those controls that manage significant risks.
- Fully comply with the mandatory United Kingdom Public Sector Internal Audit Standards.
- Better Integrate the outcomes and other information gathered as part of the internal audit process, with the risk management processes of the Council.
- Maintain ongoing effective relationships with the External Auditor and deliver complimentary plans of work so as to deliver an efficient audit service collectively, for the Council.
- Ensure that appropriate resources, suitably experienced, and with skills to deliver the whole plan of work are maintained within the Internal Audit Team.
- Improve the efficiency and effectiveness of operations of the Internal Audit Service and of the services that it audits.
- Promote good corporate governance and control practices and contribute to a good governance culture.
- Work in a positive manner alongside clients, supporting them in the effective management of risk and service delivery.
- Provide support to managers in the undertaking of investigations into irregularities whether they be proven or suspected.
- Support and develop an anti-fraud culture within the Council and its partners.
- Provide audit services to schools and partner organisations (such as the audit of St Leger Homes and schools if required).
- Support good governance and good risk management in the

monitoring of strategic partnerships and strategic contracts.

- Share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service provider to ensure proper coverage and minimise duplication of efforts.
- Ensuring Auditors are proactive with evaluations, offering new insights and consider future impact will ensure the credibility and value of Internal Audit is enhanced.

4. How We Will Do This

4.1 Review of the whole internal control environment -

We will deliver a comprehensive plan of work such that the key elements of the internal control environment, including non-financial areas are covered. This coverage will be on a risk basis and will take into account:

- risk management arrangements
- the Council's strategic and, where available, operational risk registers
- the Council's risk appetite
- financial information from key financial systems
- other sources of assurance on which reliance can be placed
- consultations with the Council's Directors and Assistant Directors
- known upcoming significant changes to internal control environments or changes in key systems and key governance arrangements
- known upcoming changes to the law or external environment
- external demand for services (including requirements to audit and sign off of grant claims for the government)
- the development of best practice from regulatory or other bodies
- work requested by the Council's External Auditor.

This will be evidenced through our audit plans which will change throughout the year to reflect changes in the level of perceived risk to ensure that we concentrate limited resources on the right areas. We will use this evidence to deliver an annual opinion on the internal control environment.

4.2 Review of Main Financial & Material Systems - As part of our joint working protocol with the External Auditor we will deliver the review of controls in the Council's main financial systems. This forms part of the audit plan on an annual basis.

4.3 A system of Risk-Based Auditing - is fundamental to our ability to comply with the assurance framework requirements that must be in place to comply with professional standards. We will continue to develop our risk based approach so as to ensure it is effective in providing assurance to managers within the Council and to members.

- 4.4 **Compliance with Best Practice** – we have developed a methodology to measure our achievement of compliance with mandatory United Kingdom Public Sector Internal Audit Standards. We will monitor ourselves against these professional standards and rectify any gaps that are within our control.
- 4.5 **Relationship with Risk Management** – Internal Audit is not responsible for the management of the Council's risks; this is the responsibility of managers. However, all of our audits consider risk and report on risks to managers. Issues and recommendations are risk assessed according to the Risk Management Framework to give comparative implementation priorities to managers and so that they can be taken into account in their risk management activities. These risk assessments form the basis of the audit opinion given at the end of an audit. We will continue to emphasise the importance of risk management to all managers in the Council as part of the delivery of our service.
- 4.6 We recognise that through our work we are assisting managers to better understand risk management. This is an important educational / informative role that adds value to the organisation. We will submit information through our routine audit and from all other forms of work on risks to risk owners for inclusion on the Council's risk registers.
- 4.7 **Relationship with External Auditor** – we will endeavour always to work with the External Auditor and share plans so as to deliver an effective corporate assurance service to the Council. We will maintain a process of regular liaison meetings with the External auditor.
- 4.8 **Efficiency Improvements** – Internal Audit uses an electronic audit package to improve efficiency of both individual audits and for the management of the service. This includes all aspects from audit planning to carrying out audits to tracking the implementation of agreed management actions. Internal Audit also make use of assistive technologies, specifically computer based auditing techniques to analyse raw data to inform our audits. These techniques and packages allow us to analyse and give opinions using large volumes of data which is statistically more significant than opinions based on traditional audit sampling techniques. We continue to develop our application of this and other technologies to save on administration, management and audit time and hence deliver as much resource as possible to front line audit work.
- 4.9 We will seek to minimise the time spent on audits whilst at the same time delivering effective audits. We also aim wherever possible to arrange our audit work to minimise disruption and distraction to our clients' normal service delivery, by carrying out work at convenient times and by specifying in advance our information needs.
- 4.10 We will comment on the efficient, economic and effective use of resources, where appropriate, in our internal audit work.

- 4.11 **Promoting Good Corporate Governance** – in all we do we will seek to promote good corporate governance, including in the giving of advice and the assessment of internal controls. We review the Council's Corporate Governance Framework as part of our audit planning process and provide coverage of elements of corporate governance within our annual audit plan, Improving governance is an integral aspect of many reviews we undertake. We will also contribute to both the Council's counter fraud culture. How we will deliver this is covered in the Council's Anti-Fraud, Bribery and Corruption Framework. Audits applicable to the prevention and detection of fraud and error and the improvement of the Council's counter fraud culture will continue to be part of the Internal Audit Plan. We will promote this culture via our work, on our intranet site, in coordination with the External Auditor and also through our contribution to the Council's Governance Group.
- 4.12 **Provide Training and Support** - We will provide continue to provide training as required on the Council's Anti-Fraud, Bribery and Corruption Arrangements and Fraud Awareness. We will also develop training on promoting good corporate governance

5. Other Work

- 5.1 The business of local authorities is becoming increasingly diverse, with a broader range of delivery methods, increasingly relying on partnership working. Internal Audit aims to help the Council safeguard its interests by carrying out work as appropriate where various delivery methods are employed. Examples might include joint working with the Health Service and Police. Whilst considerable support has been provided to key partners of the Council including well established arrangements with St Leger Homes it has also supported other partners such as Internal Drainage Boards based within the Borough where the Council appoint persons to their Boards.
- 5.2 A similar, although more autonomous, arrangement relates to the provision of housing related services which, in Doncaster, have been devolved to St Leger Homes; a 100% owned subsidiary company. St Leger Homes could appoint its own internal auditor, but has so far chosen to use the services of the Council's Internal Audit Team. This is helpful to the Council as it enables joint pieces of work, for example on housing strategy or joint governance arrangements, to be commissioned from the Council's Internal Audit team.
- 5.3 Internal Audit also carries out audit of schools within the LEA. Many schools have achieved academy status with the remainder to follow. Such academies make their own arrangements for Internal Audit, although, Council audit functions are promoted and available should any academy request it.

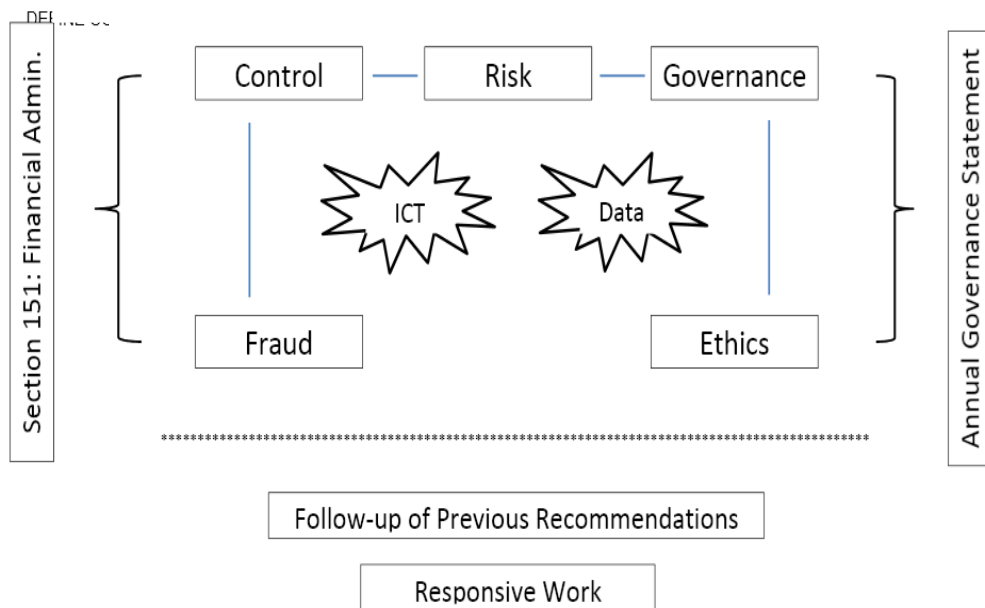
6. Resources and Prioritisation

- 6.1 Internal Audit will endeavour to maintain an effective number of staff to undertake the required workload and will be supported by effective systems

of operation. We will deploy staff in the most effective way in accordance with their experience and skills and in accordance with the UKPSIAS.

- 6.2 Internal Audits annual planning process has evolved and been updated in line with changes in the UKPSIAS professional standards
- 6.3 Internal audit work is identified following a full assessment of risks across the Council (the audit universe) 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). These considerations were identified in paragraph 4.1.
- 6.4 The methodology for 2017/18 incorporates the recent changes in the standards. It is a risk based plan that has been compiled following a risk assessment of the Council's functions and services and risk, control and governance arrangements supplemented by discussions with key officers, Assistant Directors and Directors throughout the Council. This risk assessment was then used to compile a list of audit needs.
- 6.5 Visually, our approach to audit planning is: -

DONCASTER MBC INTERNAL AUDIT: UK STANDARDS PLANNING MAP



- 6.6 Our work that we identify as an audit need falls generally into the areas of governance, risk and control. Audits that concentrate on controls generally support our audit work in providing assurance to the Council's S151 Officer (the Chief Financial Officer), whilst audits concentrating more on the governance elements support the Council's annual governance statement. It should be noted that our audits can and do cover more than one of these areas (governance, risk and control). Wherever we look at control work, we will consider fraud as a matter of

course and will consider ethics during any of our governance work. In all of our work we seek to examine ICT and data / information management risks wherever they are applicable to our work, as ICT and data underpin all of the Council's activities.

- 6.7 Where there are any deficiencies arising in resources at any stage, the Head of Internal Audit and Chief Financial Officer (Section 151) will firstly try to provide additional audit support to the section. Where resources are limited it may be necessary to limit the work undertaken for external parties, risk related work or responsive work as necessary to ensure that resources are focused on mandatory activities.
- 6.8 Internal Audit annually carries out a review of the skills within the team and any development needs as linked to operational requirements. This is undertaken as part of the PDR (appraisal) process. Training and development needs are prioritised to reflect the needs of the service and individual auditor needs. This enables the service to maintain appropriate expertise for the delivery of the audit plan and strategy and to continuously adapt to new developments. These arrangements are being enhanced through the production of a formalised Team Development Plan which identifies development areas at both an individual and team level.

**Colin Earl,
Head of Internal Audit.
July 2017**

INTERNAL AUDIT CHARTER

1. THE CHARTER

- 1.1 This charter, updated in line with the United Kingdom Public Sector Internal Audit Standards, and is consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The Charter confirms the authority and responsibility conferred by the Council on its Internal Audit Section with respect to the carrying out of its agreed functions.
- 1.2 This charter covers the following areas relating to the nature, activity and scope of internal audit within Doncaster Council.
- Role and objectives
 - Independence
 - Authority
 - Responsibilities
 - Scope of work
 - Plans
 - Reports
 - Standards
 - Relationships
 - Ethical standards
 - Contribution to Corporate Objectives
- 1.3 This charter should be read in conjunction with the Internal Audit Strategy and Anti-Fraud, Bribery and Corruption Strategy which both give details about how the responsibilities within this charter are discharged.

2. MISSION, ROLES AND OBJECTIVES OF INTERNAL AUDIT

- 2.1 Internal Audit's mission statement per UKPSIAS is defined as "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight." Clearly Internal Audit's achievement of its mission will help the organisation achieve its objectives.
- 2.2 As defined by the United Kingdom Public Sector Internal Audit Standards (UKPSIAS): *"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 organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the

organisation whether these arrangements are in place and operating properly and efficiently. The annual internal audit opinion, which informs the annual governance statement, both emphasises and reflects the importance of this aspect of internal audit work. The organisation's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

2.4 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 UKPSIAS are met.

2.5 Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation's 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.

2.6 Internal Audit may provide assurance services where it has previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement

2.7 The attainment of the overall objective will normally involve: -

- 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 and with due regard to the management of risk.
- Maintaining a program of review and assessment to enhance the integrity and usefulness of the Council's risk management processes.

- Conducting special assignments and investigations into any matter or activity affecting the interests of the Council. It should be noted that it is normally management's responsibility to undertake such investigations and Internal Audit's involvement is governed by UKPSIAS and the Council's financial rules.
 - Reviewing the Council's corporate governance arrangements with appropriate input from other professional services including HR and Legal.
- 2.8 Section 6 of the Internal Audit Strategy identifies the approach to internal audit planning and the way in which Internal Audit resource requirements are considered and managed in response to emerging needs and priorities.

3. INDEPENDENCE

- 3.1 The Council's Internal Audit Services are an appraisal and advisory function having independent status within the Council. These arrangements have been reviewed and assessed against (UKPSIAS) audit standards and are considered to be compliant with these standards
- The Head of Internal Audit: -
Shall have direct access to the Mayor, Deputy Mayor, Chief Executive, Chief Financial Officer (Section 151), the Monitoring Officer and any other officer or member or external body, including the External Auditor, as the Head of Internal Audit shall determine.
 - Shall have access to the Chair and Vice-Chair of the Council's Audit Committee.
 - Shall not be involved in the day-to-day operations of the Council.
 - Shall be able to make appropriate provisions for the undertaking of an objective assessment of the resource requirements of Internal Audit Services.

4. AUTHORITY

- 4.1 The authority of the Head of Internal Audit is derived from the Council, the, Chief Financial Officer (Section 151) the Monitoring Officer and the Council's Financial Procedure Rules. It is based on what is required to discharge the statutory obligations of the Council through the establishment of an effective internal audit function.
- 4.2 The Head of Internal Audit and his audit staff shall: -
- Have access at all reasonable times to the records, assets, personnel and premises of the Council including accounting records, documents, invoices, vouchers, correspondence and other data, whether held manually or electronically, of the Council which are necessary for the proper performance of internal audit duties.
 - Have the right at all reasonable times to enter any premises of the Council to request any employee to furnish all information and explanation deemed necessary for them to form an opinion on the

adequacy of systems and/or controls or to complete required investigations. The employee concerned shall respond promptly to such enquiries.

- Shall have rights of access to those items listed above where held by partner organisations as they affect the business of Doncaster Council or its control environment.
- 4.3 The Council's employees and members shall render every assistance to the auditors in carrying out their audit duties.
- 4.4 Managers shall respond promptly to internal audit reports and requests for information relating to the implementation of recommendations. Responses will normally be required within two weeks of the date of receipt of the report and by the date requested for any other information sought.

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 and including those for which there are partnership arrangements;
 - Scope and boundaries of audits;
 - Fulfilling the objectives of internal auditing;
 - Utilising designated audit resources to maximise the efficiency and effectiveness of the internal audit function;
 - Maintenance of the appropriate auditing standards, currently those defined by the United Kingdom Public Sector Internal Audit Standards (UKPSIAS).
- 5.2 It should be noted that internal audit is not responsible for control or control functions within the Council; these responsibilities rest with management. Internal audit should never 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 United Kingdom Public Sector Internal Audit Standards. Work areas for review will derive through a risk-based process based upon a risk assessment, which will be derived from the Council's risk registers where available and will be compatible with the Council's Risk Management arrangements.
- 6.2 Where the risk management processes are mature enough, the Head of Internal Audit will seek to use the results of these processes to

inform the scope of internal audit work to be undertaken. Where the registers 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 the Head of Internal Audit and his staff.

- 6.3 Internal audit coverage will embrace the control environment of the Council and will extend to all areas of the Council and its controlled / related 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.

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 respective Director and the Council's Audit Committee.
- 7.2 As appropriate, the plan will take account of the role and objectives of internal audit and shall provide for the work of the internal audit team on an annual basis, based upon an assessment of risk. The plan will be prepared in consultation with management to obtain an understanding of the organisation's strategies, key business objectives, and associated risks and risk management processes, for the approval of the Audit Committee. As is consistent with professional practice, the plan will have an annual dimension but may also reflect an intention to review risks over a longer time period. The plan will be reviewed on a regular basis during the year and adjusted as necessary in response to changes in the Authority, risks, operations, programmes, systems and controls.

8. AUDIT REPORTS

- 8.1 Reports on individual audit activity will be made on a timely basis. Reports on areas reviewed by Internal Audit, containing feedback to managers shall be issued promptly at the end of each audit review.
- 8.2 Reports will also be submitted to the respective director and as appropriate to the Chief Financial Officer (Section 151) and to the Audit Committee, in summary form, by the Head of Internal Audit. They will report on significant findings and issues arising from the internal audit work plan.
- 8.3 The Head of Internal Audit will submit an annual report to the Audit Committee timed to support the Annual Governance Statement which includes:-
 - a. An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control

framework (i.e. the control environment).

- b. A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies).
- and
- c. A statement on conformance with UKPSIAS and the results of the Internal Audit Quality and Assurance and Improvement Programme (see below).

9. AUDIT STANDARDS

9.1 Internal auditing standards shall be consistent with the United Kingdom Public Sector Internal Audit Standards. These standards define how the “Core Principles for the Professional Practice of Internal Auditing” are delivered which ultimately contribute to the function delivering to the Mission Statement of Internal Audit which is “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”

9.2 Compliance with these will be assessed through a “Quality Assurance and Improvement Programme”. (QAIP) The QAIP is an aid to evaluate conformance with the Code of Ethics and the Standards

Internal Audit maintains appropriate ongoing quality processes designed to ensure that internal audit work is undertaken in accordance with relevant professional standards. These arrangements include:

- The maintenance of detailed audit procedures
- Detailed job descriptions for each internal audit post
- Regular performance appraisals
- Regular 1:2:1 meetings to monitor progress with audit engagements
- Training plans and associated training activities
- Agreement of the objectives, scope and expected timescales for each audit engagement with clients before detailed work commences (audit specification)
- The results of all audit testing work documented using the Service’s automated working paper system (Teammate)
- File review by supervising officer and sign-off of each stage of the audit process
- A debrief is carried out for each piece of completed work. This identifies any means of improving future reviews of that or similar areas in the future and also any development opportunities for the auditors

- Final sign-off of each job by an audit manager
- Post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- Performance against agreed targets reported to the Audit Committee on a regular basis
- As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge. Where necessary, training and/or support will be provided to address any development needs
- Team meetings are held frequently and away days are held involving review of factors affecting the future of internal audit. Strategic actions required are noted and built into team development & service plans as appropriate
- Internal Audit managers are also members of various professional networks and obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

9.3 Ongoing quality assurance and improvement checks

Specific additional Quality Assurance and Improvement checks are conducted as follows:

- The Head of Internal Audit will maintain a self-assessment against the Standards to confirm conformance with the Standards.
- Audit files are subject to review on a sample basis by the Head of Internal Audit to confirm quality standards are being maintained. The results of the reviews are documented and any key learning points shared with the internal auditors (and the relevant audit manager) concerned. Appropriate action is then planned in response to QA findings.
- From time to time Internal Audit will seek feedback from clients on the quality of the overall internal audit service. Feedback will generally be sought through the use of surveys.
- At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application and conformance with the Code of Ethics and the Standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Audit Committee. Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

9.4 In February 2017, the service had its external assessment undertaken. The assessment has confirmed that Doncaster's Internal Audit Service meets the highest of the three possible ratings within the standards, i.e. that the

service “Generally Conforms” with the standards. This is an important assessment as it enables the Audit Committee and other key stakeholders to have confidence that the annual opinion of the Head of Internal Audit is supported by a professional and competent service and is evidenced based. It also provides stakeholders with the reassurance that they can place reliance on the quality of the work that Internal Audit delivers. The report was presented to the Audit Committee at its April 2017 meeting.

- 9.5 The external assessment report identifies seven observations noted either by the reviewers themselves, or by Members and officers interviewed by the reviewers. The observations, and actions emanating from them, have been incorporated into the Service’s Quality Assurance Improvement Plan, and progress against the actions is being reported to the Audit Committee on an ongoing basis.
- 9.6 The results of the Quality Assurance and Improvement Programme are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in a Team Development Plan. Specific actions may also be included in Internal Audit’s Service plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Team Development Plan, are used to evaluate overall conformance with the Standards, the results of which are reported to senior management and the Audit Committee as part of the annual report of the Head of Internal Audit.

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 customers and with those charged with responsibility for partner organisations.
- 10.2 It shall also maintain effective working relationships with the Audit Committee, the Chief Executive, Chief Financial Officer (Section 151), the Monitoring Officer, the External Auditor, other inspection and agency teams, the Council’s members, management and employees.
- 10.3 Where the Council has partnership arrangements, the Head of Internal Audit will ensure that there is an 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.
- 10.4 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 an effective working relationship with them. This will include, where appropriate, the Benefits Investigation team.

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 and declarations policy where there is a need to declare interests.
- 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 UKPSIAS in respect the ethical standards within it and a declaration of compliance is completed by all auditors on an annual basis.

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. Internal Audit's mission statement per UKPSIAS is defined as, "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight". Clearly Internal Audit's achievement of its mission will help the organisation achieve its objectives.
- 12.2 This partnership must operate in such a way as to ensure that legal requirements and those of the UKPSIAS are met.
- 12.3 Internal audit provides 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. Any consultancy services and investigative reviews are undertaken subject to there being no impact on the core assurance work and the availability of skills and resources.

13. ASSURANCE SERVICES PROVIDED TO EXTERNAL ORGANISATIONS

- 13.1 Internal Audit provides an audit service to St Leger Homes and supports other partners such as the Internal Drainage Board based within the Borough, where the Council appoint persons to their Boards.