

**To the Chair and Members of the
AUDIT COMMITTEE**

REVIEW OF INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER

EXECUTIVE SUMMARY

1. On 1st April 2013, the CIPFA Code of Practice for Internal Audit 2006 was replaced by The United Kingdom Public Sector Internal Audit Standards (UKPSIAS). At that time Doncaster's Internal Audit Strategy (attached at Appendix 1) and Charter (attached at Appendix 2) were updated to reflect immediate changes required to these documents resulting from revised definitions and terminology within the UKPSIAS.
2. The UKPSIAS require that the head of Internal Audit to periodically review the Internal Audit Charter and strategy. and present it to senior management and the Audit Committee. The Audit Committee has responsibility for considering the Internal Audit strategy and terms of reference.
3. This report enables both the Head of Internal Audit and the Audit Committee to satisfy their respective requirements. The Charter and Strategy are, by their nature, lengthy and detailed documents. There have been no significant changes to the versions approved by the Audit Committee in 2013 and there are no significant matters to draw to the Audit Committee's attention.

RECOMMENDATIONS

4. **The Audit Committee is asked:**
 - **To approve the Internal Audit Strategy for the period 2014-2017.**
 - **To approve the Internal Audit Charter.**

INTERNAL AUDIT STRATEGY

5. The update of the Strategy has resulted in the definition of Internal Audit being updated to that as defined by UKPSIAS and has clarified that the role of the:-
 - i. "Board" is met by the Audit Committee and
 - ii. "Chief Audit Executive" is the Head of Internal Audit.

INTERNAL AUDIT CHARTER

6. The terms of reference for Internal Audit comply with the UKPSIAS requirements. As with the Strategy, the Charter has been amended to reflect changes in the UKPSIAS. It now more clearly defines the Internal Audit Quality Assurance and Improvement Programme and reflects relatively minor changes to organisational and operational practice.

OPTIONS CONSIDERED & RECOMMENDED OPTION

7. 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

8. The work of Internal Audit contributes to the effective management of the Council's risks, which in turn directly contributes to the achievement of the Council's objectives and goals.

RISKS & ASSUMPTIONS

9. 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

10. 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

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

CONSULTATION

12. This report consults with members of the Audit Committee over the Internal Audit Strategy and Internal Audit Charter for the period 2014 -2017.
13. This report has no specific significant implications in terms of the following:

Procurement	N/A	Crime & Disorder	N/A
Human Resources	N/A	Human Rights & Equalities	N/A
Buildings, Land and Occupiers	N/A	Environment & Sustainability	N/A
ICT	N/A	Capital Programme	N/A

BACKGROUND PAPERS

CIPFA Code of Practice for Internal Audit in Local Government,
The United Kingdom Public Sector Internal Audit Standards.

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit, Telephone 01302 862939
Colin.earl@doncaster.gov.uk

Simon Wiles
Director of Finance and Corporate Services

Appendix 1

DONCASTER COUNCIL, INTERNAL AUDIT SECTION - INTERNAL AUDIT STRATEGY 2014 TO 2017

1. Introduction

- 1.1 This document sets out the overall strategy for the Council's internal audit service for the period 2014 to 2017.
- 1.2 This longer 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 2014/17 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 2011,
 - 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,
 - 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, and
 - 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 2011, sets out the requirements for local authorities for internal audit;

“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control ... “

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 This definition encourages a collaborative style of audit review which focuses on evaluating and improving the effectiveness of risk, control and governance 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 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 organisation, its needs and objectives
- understand its position with respect to the organisation’s other sources of assurance and plan its work accordingly
- be seen as a catalyst for change at the heart of the organisation
- add value and assist the organisation in achieving its objectives
- be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact
- be innovative and challenging
- help to shape the ethics and standards of the organisation
- 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, and
- seek opportunities for joint working with other organisations’ auditors.

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)

- 2.5 Section 151 of the Local Government Act requires the authority (through the chief financial officer) to ensure the proper administration of the Council's 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 Council's finances in a sound manner related to the associated risks, and it provides information and assurance to the Director of Finance on the extent of proper administration.
- 2.6 The External Auditor seeks to place reliance on the work of the internal audit function in discharging his legal responsibilities. With internal and external audit working in a coordinated manner, the Council receives a more efficient, effective and economic audit. The External auditor will seek to place reliance upon the internal audit function for an agreed portion of this work and hence support them in their audit of the financial statements and other key systems, of the Council. This has a consequence of saving external audit fees.
- 2.7 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, increases the overall likelihood of successful service, target and objective achievement. It also adds value through assessing the most appropriate point at which to provide support to management, e.g. in some situations in system re-design it is helpful for the service to be involved at the re-design stage whereas in others the support is best provided through compliance testing post implementation once the system is operational.
- 2.8 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. This is becoming an ever increasing aspect of the work of the section. Audit plans anticipate ever increasing amounts of advice and consultancy work and specify known assignments within such plans. This trend is anticipated to continue and represents the section working to the definition of internal auditing in adding value to the organisation.
- 2.9 Investigations – The Council's anti-fraud, Bribery and Corruption policy 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.

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 they are best placed to do so or where it is more appropriate that they do so rather than the normal line management arrangements. The team will endeavour to provide effective training 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 practically can, where the local manager undertakes this investigative role.

- 2.10 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 antifraud policy and strategy and will participate in activities set out in the fraud response plan. 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 sections audit plans provide for considerable counter fraud activity.

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 system, and hence there is need to audit areas of financial and non-financial risk as this will encompass some of the key governance 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 service team.
- Improve the efficiency and effectiveness of operations of the service,
- 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 training and support to managers in the undertaking of investigations into irregularities whether they be proven or suspected.

4. How We Will Do This

- 4.1 **Review of the whole control environment** - We will deliver a comprehensive plan of work such that the key elements of the control environment, including non-financial areas are covered on a risk assessed basis. This will be evidenced through our audit plans. We will use this evidence to deliver an annual opinion on the control environment. This opinion is set out in the “review of effectiveness of the Control Environment within the annual report of the Head of Internal Audit in compliance with the Account and Audit Regulations 2011.
- 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 will reduce the external auditor’s fees as charged to the Council. This cost saving should be seen as one way that the Internal Audit adds clear value to the Council.
- 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 We will continue to identify and review those areas which are most significant to the control of those risks that threaten the achievement of the Council's objectives and goals.
- 4.5 **Compliance with Mandatory Professional Internal Auditing Standards** – 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.
- 4.6 **Relationship with Risk Management** - We are not responsible for the management of the Council's risks; this is entirely the responsibility of the Council's management. However we will take account of the corporate risk management processes in the way we relate to managers in the control of risks. We will endeavour to emphasise the importance of risk management to all managers in the council as part of the delivery of our service.
- 4.7 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 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.
- 4.8 We shall also regularly review the Council's risk management arrangements as an integral aspect of the definition of internal auditing
- 4.9 **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.
- 4.10 **Efficiency Improvements** – we have implemented a computer-based audit management system with the specific objective of improving our efficiency and performance. We continue to develop our application of this to save on administration and management time and hence deliver as much resource as possible to front line audit work. 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 requirements.
- 4.11 We will comment on the efficient, economic and effective use of resources, where appropriate, in both our routine internal audit work and also where specifically charged with evaluating Value For Money / efficiency Improvements.
- 4.12 **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 will also contribute to both the council's counter fraud culture and policy and strategy through the programme of antifraud checks, and drafting of updated policy and strategy. We will promote this via our work, on our intranet site and in coordination with the External Auditor and also through our contribution to the Council's Governance Group.

- 4.13 **Provide Training and Support** - We will continue to provide training as required on the Council's Anti-Fraud and Corruption Arrangements and Fraud Awareness. We will also develop training on promoting good corporate governance and internal control as required.

5. Joint Working With Rotherham Council

- 5.1 In April 2010, Doncaster and Rotherham Councils agreed a 3 year contract for the shared management of Internal Audit. The two services share a Head of Internal Audit. They also work closely together to review and develop their audit approaches and, over time, jointly deliver audit work. This will improve the efficiency of the service and provide for greater resilience where any shortage of any particular expertise might arise from time to time in either service. This arrangement has recently been extended for a further two year period (to March 2015) which allows for further time to evaluate and action any closer working arrangements between both authorities audit teams.

6. Other Work

- 6.1 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 PFI schemes and joint working with the health service.
- 6.2 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.
- 6.3 From 1st April 2014 the Children's trust will be delivering in shadow format, many services previously provided by the Council. The internal audit plan for 2014/15 provides for an audit programme for the Trust. As the trust is still very much in its infancy, appropriate arrangements will be developed as appropriate.
- 6.3 Internal Audit also carries out audit of schools within the LEA. A number of schools have achieved academy status will several others to follow. Such academies make their own arrangements for internal audit, although it is

possible that the Council's team could be asked to carry out some of this work.

- 6.4 The 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.

7. Resources and Prioritisation

- 7.1 Internal Audit will endeavour to maintain an effective number of staff to undertake the required workload, supported by effective systems of operation. We will apply staff in the most effective way in accordance with their experience and skills and in accordance with the UKPSIAS.
- 7.2 Internal Audit's annual planning process sets out clearly the range of work it expects to do, as follows:

Mandatory Work (fundamental systems,
core controls and financial administration)



Other 'must do' work



Follow-up work



'Responsive' work



Risk related work

- 7.3 The quantum of 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).
- 7.4 Internal Audit prepares a plan of work each year that includes coverage in each of the five blocks of work set out above. 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. Internal Audit is clear that the priority for its time is the 'mandatory work' block of work, i.e. work on the Council's fundamental systems and broader system of internal control, and this work has 'first call' on the Section's resources. Both the Head of Internal Audit and the Director of Finance and Corporate Services satisfy themselves at the start of the year that there is sufficient resource in place at least to deliver a

sufficient proportion of the mandatory work to enable the Head of Internal Audit 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 UKPSIAS.

- 7.5 Where there are any deficiencies arising in resources at any stage, the Head of Internal Audit and Director of Finance and Corporate 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. It will not be acceptable at any stage to carry out insufficient 'mandatory' work.
- 7.6 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' 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.

**Colin Earl,
Head of Internal Audit.
April 2014**

INTERNAL AUDIT CHARTER

Internal Audit Section

1. THE CHARTER

- 1.1 This charter, updated in line with the United Kingdom Public Sector Internal Audit Standards, 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.

2. ROLES AND OBJECTIVES OF INTERNAL AUDIT

- 2.1 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".
- 2.2 The organisation 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 organisation that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the 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

2.3 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.

2.4 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 also undertakes 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.

2.5 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;
- 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;
- 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 the latest Internal Audit Standards and the Council's financial rules.
- Reviewing the council's corporate governance arrangements where this is not constrained by technical issues such as knowledge of the law etc.

- 2.6 Section 7 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.
- 3.2 The Head of Internal Audit: -
- Shall have direct access to the Mayor, Deputy Mayor, Chief Executive, Director of Finance and Corporate Services, 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 Director of Finance and Corporate Services, the Monitoring Officer and the Council's Financial Procedure Rules. It is based on the premise of what is required to discharge the statutory obligations on the Council through the establishment of an effective internal audit function.
- 4.2 The Head of Internal Audit and his internal 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. 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 internal 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 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 United Kingdom Public Sector Internal Audit Standards.
- 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 may be derived from 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 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 the Head of Internal Audit.

- 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 and 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 consideration of the Council's 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.

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 Director of Finance and Corporate Services 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.

9. AUDIT STANDARDS

- 9.1 Internal auditing standards shall be consistent with the United Kingdom Public Sector Internal Audit Standards. Compliance with these will be assessed through a "Quality Assurance and Improvement Programme" (QAIP)

Internal Audit has documented quality control procedures which are currently subject to review as a result of the introduction of the new UKPSIAS.

The current QAIP:

- a. A system of quality controls established within the Audit Management System (automated system) and its associated risk based review procedures and the Internal Audit Manual and;
- b. Managers undertaking sample audit checks for quality compliance.
- c. Analysis of the results of the debrief process carried out for all audit assignments
- d. Analysis of customer feedback from individual jobs;
- e. Feedback form directors from regular Relationship Management review meetings
- f. Utilising External Audit's review of Internal Audit as part of the managed audit;
- g. A self-assessment reviewed by another local authority's Head of Internal Audit using the checklist provided in the Local Government Advisory Note supporting the UKPSIAS and;
- h. A comprehensive external assessment to be carried out as a minimum every five years by a Head of Internal Audit from within the South and West Yorkshire Region

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 or its equivalent, the Chief Executive, the Director of Finance and Corporate Services, the Monitoring Officer, the External Auditor, other inspection and agency teams, and 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 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 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.

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 UKPSIAS 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.