**DONCASTER COUNCIL
INTERNAL AUDIT SERVICES**

INTERNAL AUDIT STRATEGY 2021 to 2024

1.   Introduction

Doncaster's Borough Strategy sets out the joint vision of the council and its partners in Team Doncaster, framed around six wellbeing goals which seek to balance the wellbeing of people and places with the wellbeing of the planet that connect the collective effort to ensure quality of life improvements are shared by all residents and communities.

The council's purpose is "To enable Doncaster and its people to thrive. We will ensure that value for money is at the heart of everything we do." To achieve this, the council's Corporate Plan sets the direction for the council, details the vision, objectives and the things we must focus on to ensure we are a connected Council that is ready for the future. It is the council's contribution to the Borough Strategy.

The Internal Audit Strategy supports the delivery of the Corporate Plan, focusing on enhancing and protecting organisational values, improving the effectiveness of risk management, control and governance processes.

The unprecedented circumstances of the coronavirus pandemic have shaped the stance for 2021/22 and future ways of working. Existing Council risks have changed during the pandemic forcing them to be considered and viewed differently. This led to rapidly evaluating what Internal Audit could deliver in 2020/21, frequently revisiting agreed audit priorities and plans with managers to determine new key priorities. By exploiting this agile approach, we were able to provide real time assurance that was targeted at the risks of greatest concern.

We will continue to face increasing demands to improve performance whilst striving for greater value for money and delivering significant savings across the Council. We need to be more adaptable, agile and capable of moving resources to meet the changing needs of our communities. This Internal Audit Strategy sets out how we will accelerate and embed the agile auditing approach, continuing to be forward-looking, proactive and prioritised in accordance with our risks and needs. We will utilise our resources astutely to balance the managing of immediate, short and long-term assurance needs.

This independent, agile and flexible approach provides for insight, as required by our professional standards, into the Council and its risks during what is considered to still be a challenging period for the Council.

2.   Main Drivers in Direction Setting

The work of the Internal Audit team is driven by our priorities and risks, responding to a number of needs, some of a statutory nature and some arising from within the Council itself. In summary, the main service drivers are:

1   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

2   The Accounts and Audit (England) Regulations 2015.

3 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.

4 The dependencies of the External Auditor on the internal audit function.

5 The achievement of the Council's wellbeing goals and objectives set out in the Corporate Plan

6 Continuing to meet the needs of internal and external customers

7 The contributory role in assisting in the embedding and informing of risk management across the Council.

8 Ensuring value for money is at the heart of everything we do

9 The need for the council to maintain both an effective counter-fraud culture and counter-fraud and corruption arrangements.

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)

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

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

Further drivers in direction setting is ensuring compliance with UKPSIAS ' Core Principles for the Professional Auditing' 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"

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 Council 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:

- ➢ Fully understand the Council, its needs and objectives
- ➢ Understand its position with respect to the other sources of assurance and plan its work accordingly.
- ➢ Be seen as a catalyst for change at the heart of the Council, constantly seeking and suggesting opportunities for improvements
- ➢ Add value and assist the Council in achieving its objectives
- ➢ Be forward looking – knowing where the Council 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 Council
- ➢ Ensure the right people, with the right skills, working in the right way, within effective roles, recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly
- ➢ Aligned to the purpose and values of our Team Doncaster Charter
- ➢ Share best practice and seek opportunities for joint working

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 Statutory Officers, i.e. the Chief Executive, Chief Finance Officer, the Monitoring Officer, 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 Council (through the Chief Financial Officer) to ensure the proper administration of 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 Council'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.

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.

The service will continue to meet the needs of the Council 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.   The service further supporting managers in the management of key risk, governance and control areas, increasing the overall likelihood of successful, joined up and customer responsive Council services.

Advice - Internal audit staff continuously provide advice on risk, governance and control, as experts in these areas. They do this when in the field on matters not part of their designated audit, or in response to direct approaches to Internal Audit by clients seeking help and support. These skills can also be deployed They use their skills to meet organisational needs through a flexible approach in deploying their transferrable skills into areas where they are not the experts in the field This helps to ensure the sound and effective control of business, strategic and operational risks within the Council.

Counter fraud - is regarded in central and local government as its own profession with separate professional training, and in the case of central government, with its own specific standards. For us in Local Government, our strategy is set collaboratively at a national level in the Fighting Fraud and Corruption Locally Strategy. This strategy makes it clear that professionally trained and accredited staff must be used for counter fraud work and is specifically states that if auditors undertake counter fraud work, they too must be trained in this area. Whilst some elements of the Public Sector Internal Audit Standards do apply to the profession (such as the standard principles of public life), much of counter fraud work and investigative work is driven by the law surrounding the powers that are being used and not by auditing standards which are designed specifically for the audit profession.   Where these are applicable to a specific piece of work, they are used but most counter fraud and investigative work instead relies on the Police and Criminal Evidence Act, the Data Protection Act (and related investigation legislation), the Prevention of Social Housing Fraud Act, Money Laundering Regulations and, to ensure successful prosecutions and investigations, guidance on criminal standards and burdens of proof as defined by the Crown Prosecution Service.

3.   What This Means We Need To Do
In meeting these drivers and organisational needs, the Council's Internal Audit Service will:
  o   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.

  o   Internal Audit services are designed to add value and insight to the organisation by providing a risk based and objective assurance and providing advice.

  o   Audit the main financial systems and other systems related to possible

material misstatements, regardless of comparative risk.

- o Deliver risk based assurance on those controls that manage significant risks.
- o Fully comply with the mandatory United Kingdom Public Sector Internal Audit Standards.
- o Better integrate the outcomes and other information gathered as part of the internal audit process, with the risk management processes of the Council.
- o Maintain ongoing effective relationships with the External Auditor and deliver complimentary plans of work to deliver an efficient audit service collectively, for the Council.
- o Ensure the staff working in the Internal Audit team possess the right skills and experience, work in the right way within effective roles to deliver the whole plan of work.
- o Improve the efficiency and effectiveness of operations of the Internal Audit Service and of the services that it audits.
- o Promote good corporate governance and control practices and contribute to a good governance culture.
- o Work in a positive manner alongside clients, supporting them in the effective management of risk and service delivery.
- o Provide support to managers in the undertaking of investigations into irregularities whether they be proven or suspected.
- o Support and develop an anti-fraud culture within the Council and its partners.
- o Provide audit services to schools and partner organisations (such as the audit of St Leger Homes and schools if required).
- o Support good governance and good risk management in the monitoring of strategic partnerships and strategic contracts.
- o 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.
- o 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

Agile Audit Approach

Whilst we have for many years operated in a flexible and customer focused manner, we focused on adopting an 'agile-audit' approach. The main differences being flexibility and to help the Council look forward and address issues that could affect performance. We have a core focus on collaboration and communication between the Audit team and all stakeholders throughout the entire process and experience. While audit quality is always a key driver and consideration, the priority is on speed and efficiency.

The benefit of this approach allows a clear direction and ongoing communications which results in a collaborative / iterative approach by continually reviewing and

assessing our audit plans. This approach focuses on individuals and interactions and accelerates the delivery of insight.

We will continue to develop this approach as we progress and learn from others what works best over the period covered by this strategy.

We use this agile and flexible approach to:

Review of the Council's Governance, Risk Management and Control Arrangements - We will deliver a comprehensive plan of work such that the key elements of the Council's Governance, Risk Management and Control Arrangements are covered. This coverage will be on a risk basis and will take into account:

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

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

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 to ensure it is effective in providing assurance to managers within the Council and to members.

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.

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.

We recognise that through our work we are assisting managers to better understand risk management. This important educational / informative role 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.

Relationship with External Auditor – we will endeavour always to work with the External Auditor and share plans to deliver an effective corporate assurance service to the Council. We will maintain a process of regular liaison meetings with the External auditor.

Efficiency Improvements – Our developing agile internal audit approach allows us to be flexible and to react to issues that could affect the Council's performance. This streamlines the reactive audit planning process with the priority being on speed and efficiency. 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 from 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, audit 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 information needs.

We will comment on the efficient, economic and effective use of resources, where appropriate, in our internal audit work.

Promoting Good Corporate Governance – More than ever in the light of the current environment, 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 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 overall Internal Audit Plan but enhanced through having a separately identified plan. We will promote this culture via our work, on our intranet site, in coordination with the External Auditor and through our contribution to the Council's Governance Group.

Provide Training and Support - We will 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

The business of local authorities is becoming increasingly diverse, with a broader range of delivery methods and greater focus on improving partnership working. Internal Audit aims to help the Council safeguard its interests by carrying out work as appropriate where various delivery methods are employed. The Corporate Plan includes key priorities to work in partnership across regional boundaries, increase the resilience of the Children's Safeguarding Partnership and improve population physical and mental health and reduce health inequalities through strategic commissioning and the creation of key partnerships, including with the NHS, businesses, research organisations, and the Voluntary, Community, Faith and Social Enterprise sector. We will continue to build on the well-established arrangements with St Leger Homes and provide support to other partners such as Internal Drainage Boards based within the Borough where the Council appoint persons to their Boards.

Joint audit work can be commissioned for St Leger Homes and the Council, for example on housing strategy or joint governance arrangements to provide joint assurance opinions and mutual benefits to both parties.

Internal Audit also carries out audit of schools within the Council. 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

Internal Audit will endeavour to maintain an effective service to undertake the required workload and with 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.

Internal Audits annual planning process has evolved and been updated in line with changes in the UKPSIAS professional standards
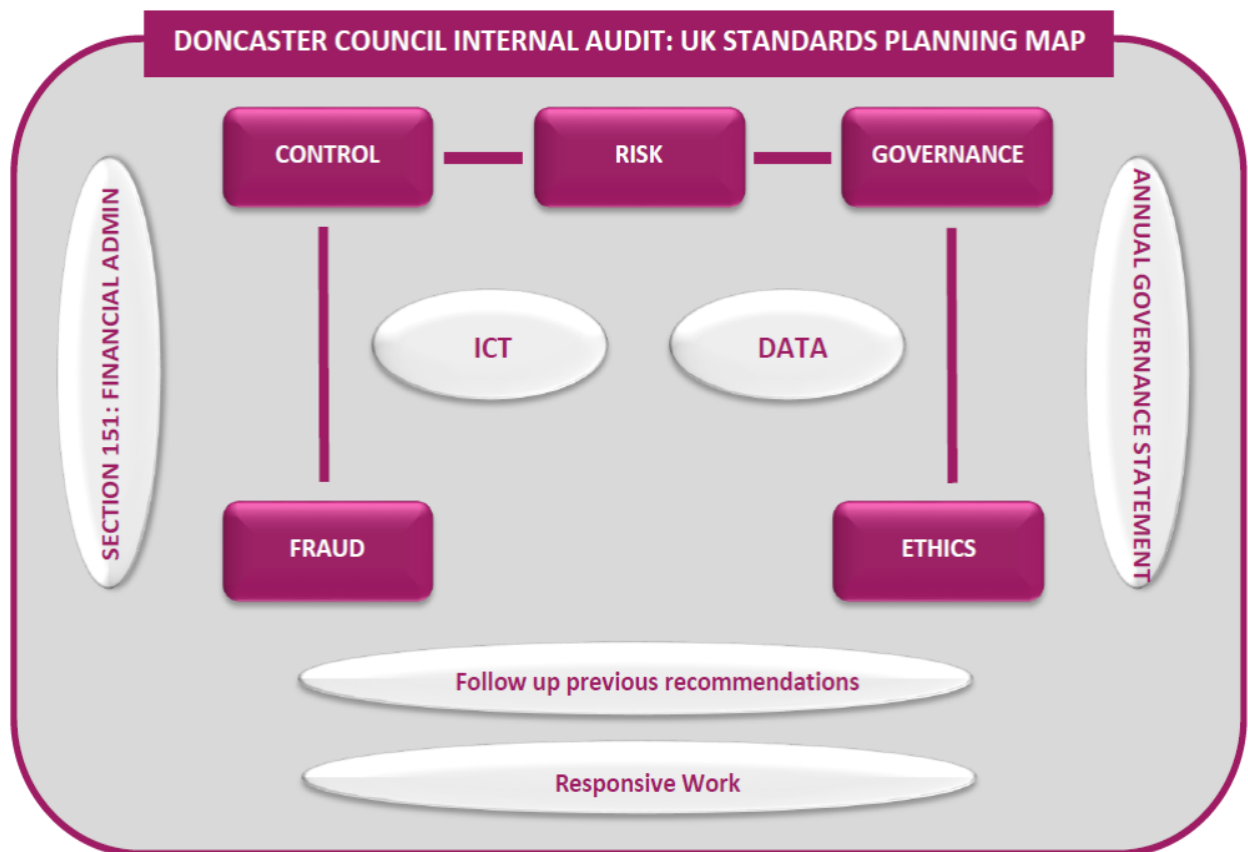
Internal audit work is identified following a full assessment of risks across the Council (the audit universe) and after taking into account other forms of assurance available to oversee and mitigate some risks identified (for example external audit work or improvement board activities).

The planning methodology for 2021/22 fully complies with the Standard.

Standard 2010 of UKPSIAS states ' that the Chief Audit Executive must establish a risk based approach to determine the priorities of the internal audit activity, consistent with the Council's objectives'. It is a risk based plan that has been complied following a risk assessment of the Council's functions, services and risk, control and governance arrangements supplemented by discussions with Directors, Assistant Directors and key officers throughout the Council. This risk assessment has been used to compile a list of audit needs.

To provide a more flexible approach and to take account of changes in the Council and the risk environment, we also meet regularly with senior management to discuss their latest risks, concerns and requirements. The Head of Internal Audit meets weekly with the Chief Financial Officer (Section 151 Officer) and has regular informal meetings with the Chair and Vice Chair of the Audit Committee to keep them fully sighted on the fluid audit plan.

The overall approach is shown diagrammatically below:

DONCASTER COUNCIL INTERNAL AUDIT: UK STANDARDS PLANNING MAP

SECTION 151: FINANCIAL ADMIN

CONTROL — RISK — GOVERNANCE

ICT   DATA

FRAUD   ETHICS

ANNUAL GOVERNANCE STATEMENT

Follow up previous recommendations

Responsive Work

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.

During the period of this strategy, we will further develop our agile approach centred around fluid, iterative planning on an ongoing basis instead of a rigid, single phase planning approach. The elastic planning cycle of agile audit work allows prioritisation of audits based on risks and the needs of the Council instead of following a rigid 'out of date' audit plan.

Where there are any deficiencies arising in resources at any stage, the Head of Internal Audit and Chief Financial Officer (Section 151) work on a prioritised approach in evaluating the relative priorities of the work plan to ensure that resources are focused on mandatory activities and limiting the work undertaken for external parties, risk related work or responsive work.

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.

7. Producing the Audit Plan

The Council has positively demonstrated that it was able to adapt and be flexible in its response to the Covid-19 pandemic. The internal audit plan was constantly reviewed and updated during 2020/21, providing greater focus on the auditing of grants that the Council have administered on behalf of the Government outside of the Business rates grants. For example, support for social care providers, Fighting Back Fund, ward based members grants that were being awarded in the response period of the Covid-19 pandemic in 2020. Internal Audit have been carrying risk assessments on these grants to assess the processes that are in place and to establish if there are any that require a more in depth review, which may be because there is a statutory return required etc.

The 2021/22 audit plan has been drafted whilst the Covid-19 pandemic is still very much present and so has to reflect uncertainty that we operate in and how we will be operating for considerable time to come. The plan will continue to be reviewed on an ongoing basis during 2021/22. The initial impact of the Covid-19 pandemic has reinforced the necessity of ongoing and regular review to ensure the work of the service remains relevant to the needs of the organisation whilst remaining compliant to standards.

'Fighting Fraud and Corruption Locally' guidance issued in 2020 has resulted in

the audit plan being presented in a different way to previous years, in that it has a plan for both non-fraud and fraud work. Having a clearly set out plan of our proactive and reactive fraud work is a particular important feature of the overall work for the team this year. This is due to the millions of pounds of central government Covid grant monies along with the heightened risk of other fraud due to the pressures created by the Covid-19 pandemic.

Inevitably, when we undertake our risk assessments, there are more needs / demands than available resources to review all the areas identified as having a certain level of residual audit risk. This situation has been exacerbated even more because of the Covid-19 pandemic. As a result, needs were ranked with a priority rating and those audits / projects that added lower overall value to the Council as agreed with the relevant Directors were excluded from the plan as usual.

An increased contingency has been allowed for within the plan to deal with new and emerging risks and issues and an increased separate allowance for the investigation of fraud or irregularities that may be referred to us or uncovered during the year. However, when all new risks emerge, they are compared to those items of need that did not make it into the final plan to ensure that we continue to concentrate on those areas where there is the greatest need and we can add the highest value from our activities. If, towards the end of the financial year, there are unused elements of either contingency, items of need from the list that did not make the final plan will be re-considered for inclusion. This has historically been an unlikely scenario.

The risk assessment process used to identify items for the audit plan has considered:-

- Specific risk assessments of Covid related grant monies and other Covid related changes
- The Doncaster Growing Together (DGT Plan) and the Corporate Plan and associated outcomes and objectives;
- The Council's Annual Governance Statement
- Risks including corporate strategic risks and service specific risks;
- Key governance and ethical frameworks that govern the Council and its activities;
- Financial and budgetary information;
- Procurement activities and items of high procurement / commissioning spend;
- Service plans and their associated risks;
- Corporate projects and known / planned technological changes;
- Information assets and business systems within service areas (or their absence);
- Data protection risks
- Legislative changes (where appropriate) and national initiatives such as the NFI;
- Fraud risks; - these are covered in detail within the Counter Fraud Report
- Partnership risks and significant partnerships;
- Concerns or service changes as identified by key officers, Directors or Assistant Directors; and

- Areas highlighted for consideration at a regional or national level.

The Counter Fraud plan is separate from the Audit Plan. It has different drivers, different requirements for the skill sets of the counter fraud professionals working on it and whilst it does use internal information to inform direction, is more focused on external risks and environmental changes that could affect the fraud landscape or provide further opportunities for fraudsters. The Counter Fraud agenda is the subject of a separate Policy, Strategy and Response Plan (that contains roles, responsibilities and rights of access to information). This is collectively known as the Anti-Fraud, Bribery and Corruption Framework. It is published on the Council's Intranet site and is approved separately by the Audit Committee. It is the strategy in this document that drives the Counter Fraud plan and not this Internal Audit Strategy

8. FURTHER FACTORS IN PRODUCING THE PLAN

Key factors taken into consideration include:

- Ongoing work requiring completion from the work in 2020/21.
- Core work required to deliver our basic assurance needs e.g. key financial systems and work to discharge the duties of the team e.g. in reporting to Audit Committee. This also covers ICT audit work where we use the ICT Audit expertise of another Council Team who provide their services to over thirty other local authorities and other public bodies.
- A significant allowance for detailed risk and assurance assessment work is included within the resource plan to help keep the work of the team during the year being risk focused through fluid planning and in generating the plan for 2022/23, which all incorporates regular liaison with management.
- Covid related work in grant verification and consequent proactive and reactive fraud work features in both the mainstream audit plan and the separate fraud plan.
- A strong allowance for contingency to be able to deal with inevitable risks and issues that will emerge during the year.
- An increase in the amount of time to deal with both proactive and reactive fraud in this period of heightened fraud risk.
- Development time for more efficient auditing in the future.
- An increased allowance for time for some types of audit, which require further validation and verification due to working virtually.

- An Increased allowance for some overheads due to virtual working (e.g. team meetings, 121's and welfare calls). This is needed to ensure effective communications are maintained and staff welfare, morale and motivation is retained.

- A consequent reduction in service type reviews within directorates to help support the above work.

- The plan reflects closer working arrangements with Financial Management, Performance, Insight and Change and other appropriate teams to support a more collaborative approach and maximise the value added from each audit.

- As stated every year, the actual level of responsive work cannot be accurately predicted and this stands even more so this year. Should this level of resource need to be increased, then audits shall be removed from the plan and conversely if this level of resource is not required, further planned audits will be added from the reserve list of audits as is our established practice.

Peter Jackson,
Head of Internal Audit.
July 2021

INTERNAL AUDIT CHARTER

1. THE CHARTER

1.1 This Charter is updated in line with the United Kingdom Public Sector Internal Audit Standards, (UKPSIAS) 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.

- Mission, Role and objectives
- Independence
- Authority
- Responsibilities
- Scope of work
- Audit Approach
- Agile Audit Plans
- Reports
- Standards
- Relationships
- Ethical standards
- Contribution to Corporate Objectives
- Assurance services provided to External Parties
- Assurance Services provided by External Parties

1.3 This Charter should be read in conjunction with the Internal Audit Strategy and Anti-Fraud, Bribery and Corruption Framework, which both give details about how the responsibilities within this charter are discharged.

2. MISSION, ROLES AND OBJECTIVES OF INTERNAL AUDIT

2.1 We operate to the Public Sector Internal Audit Standards (PSIAS) which define Internal Audit as:

2.2 *'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 Internal Audit's mission statement as defined by UKPSIAS is:

2.4 *'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'*

2.5 Clearly, Internal Audit's achievement of its mission will help the organisation achieve its objectives and improve its services.

2.6 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.

2.7 To provide optimum benefit to the organisation, internal audit should work in partnership with management to improve the risk, governance and 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.

2.8 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.

2.9 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.

2.10 Internal Audit provided valuable input to Council priorities during the Covid pandemic, which was not considered usual internal audit work but was considered paramount to be undertaken. This work not only enhanced and protected the organisational value and did not impair our independence or objectivity and was used to inform the Head of Internal Audit's annual opinion.

2.11 Internal Audit's objectives are therefore as follows:

- To provide independent assurance and advice to management and the Audit Committee on risk management, governance and internal control.

- To add value in all areas of audit work and to provide an excellent service to all our customers

- To develop and promote our role to make a significant contribution to the Council's aim to deliver efficiencies, service improvements for our customers.

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

- o   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.

- o   Appraising the relevance, reliability and integrity of information.

- o   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.

- o   Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

- o   Appraising the economy, efficiency and effectiveness for the deployment of resources and the delivery of services in a best value manner.

- o   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.

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

- o   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.

- o   Reviewing the Council's corporate governance arrangements with appropriate input from other professional services including HR and Legal.

2.13   Section 6 of the Internal Audit Strategy identifies the agile 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

- o   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 agreed management actions by the date requested.

4.5 The relevant Director must ensure that sufficient resources are in place to implement the agreed management actions and will be required to account to the Council's Audit Committee where such actions are not achieved.

5. RESPONSIBILITIES

5.1 The Head of Internal Audit shall be responsible for the functional control of audit activities in relation to: -

- o Development, implementation and oversight of internal audit methods and procedures;
- o Development and control of an effective internal audit plan and including those for which there are partnership arrangements;
- o Scope and boundaries of audits;
- o Fulfilling the objectives of internal auditing;
- o Utilising designated audit resources to maximise the efficiency and effectiveness of the internal audit function;
- o 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 be identified 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 risk, governance and control environment affected by significant changes to the Council's risk environment and the changes due to the Covid pandemic response.

6.5 Counter Fraud - The Counter Fraud plan is separate from the Audit Plan. It has different drivers, different requirements for the skill sets of the counter fraud professionals working on it and whilst it does use internal information to inform direction, is more focused on external risks and environmental changes that could affect the fraud landscape or provide further opportunities for fraudsters. The Counter Fraud agenda is the subject of a separate Policy, Strategy and Response Plan (that contains roles, responsibilities and rights of access to

information). This is collectively known as the Anti-Fraud, Bribery and Corruption Framework.

7.   AUDIT APPROACH

8.1   Standard 2010 of the Public Sector Internal Audit Standards states that the chief audit executive must establish a risk-based approach to determine the priorities of the internal audit activity, consistent with the organisation's goals.

8.2   As such, we operate a risk-based approach to all our work. Therefore, we have aligned our internal audit activity with the Council's risk registers. We operate an agile auditing approach, which provides flexibility and takes account of changes in the Council and the risk environment; we also meet with senior management to discuss their latest risks, concerns and requirements. In this way, we are fully up to date with, and aware of, emerging issues and are able to focus our resources in areas of greatest priority and risk. In agile auditing, there is a core focus on collaboration and communication between the audit team and stakeholders throughout the entire experience.

9.   AGILE AUDIT PLAN

7.1   We will continue to develop and embed an agile auditing planning approach, which provides flexibility. Instead of rigid, single-phase planning. Agile auditing centers around fluid, iterative planning on an ongoing basis. The elastic planning cycle of agile audit allows for the prioritisation of tasks based on risks and the Council's needs.

7.2   A fluid 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 Directors and the Council's Audit Committee.

7.3   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 is agile and flexible to allow for the prioritising of audits based on risks and organisational need but may also reflect an intention to review risks over a longer 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 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:
   o   The maintenance of detailed audit procedures
   o   Auditors work to a Code of Ethics and complete a Declaration of Interest to ensure any conflicts can be managed

   o   Detailed job descriptions for each internal audit post
   o   Regular performance appraisals
   o   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 / audit brief)

- 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 a Principal Auditor, Audit Manager or Head of Internal Audit

- 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 his or her 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

- The Head of Internal Audit and the Internal Audit Manager and Principal Auditors 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.

- o 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 using surveys. A recent (2021) pulse survey has been undertaken focussing on key fundamental areas to assess the service overall performance and identify areas for development and improvement that is included as part of our overall continuous improvement programme.

- o 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 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 an external assessment undertaken that 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.

9.5 An external assessment is required every 5 years and as such, Internal Audit is to subject to a further external assessment in 2021/22.

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. The Head of Internal Audit has weekly meetings with the Chief Financial Officer (Section 151).

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.

10.3 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.

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 fully comply with the requirement of the UKPSIAS in respect the ethical standards within it and all auditors on an annual basis complete a declaration of compliance.

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.

14. ASSURANCE SERVICES PROVIDED BY EXTERNAL ORGANISATIONS

14.1   Internal Audit have commissioned specialist IT audit services from a Local Authority Internal Audit Team who have produced an IT Audit Needs Assessment. The outcome from this is incorporated into future internal audit plans. Some of the IT audits are delivered by the contracted Local Authority Internal Audit Team to provide addition capacity and benefit from the specialist expertise.