

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
OCTOBER 2021



Title of Report	INTERNAL AUDIT PROGRESS REPORT	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards Internal Audit Plan 2021/22	Public Report: Yes
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2021/22 and to highlight any incidences of significant control failings or weaknesses that have been identified.	
Recommendations	THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT.	

1.0 BACKGROUND

- 1.1. The Public Sector Internal Audit Standards require the Authority's Audit Committee to approve the audit plan and monitor progress against it. The Standards state that the Committee should receive periodic reports on the work of internal audit.
- 1.2. The Audit and Governance Committee approved the 2021/22 Audit Plan on 21 April 2021. The Committee receives quarterly progress reports.

2.0 PROGRESS REPORT

- 2.1. The Internal Audit Progress Report for the period 01 July 2021 to 30 September 2021 (Q2) is attached at Appendix 1.

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service supports all council priorities.
Safeguarding:	The report includes progress against the recommendations made during the 2020/21 Safeguarding Audit.
Risks:	There are no specific risks associated with this report however if the Audit and Governance Committee did not receive periodic reports from Internal Audit, there would be a risk of not conforming with the Public Sector Internal Audit Standards.
Officer Contact	Kerry Beavis Audit Manager kerry.beavis@nwleicestershire.gov.uk



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report 2021/22 Q2

1. Introduction

- 1.1. Internal Audit is provided through a shared service arrangement led by North West Leicestershire District Council and delivered to Blaby DC and Charnwood BC. The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight progress against the 2021/22 Internal Audit Plan up to 30th September 2021.

2. Internal Audit Plan Update

- 2.1. The 2021/22 audit plan is included at Appendix A for information and shows the audits in progress. Since the last update report two final reports have been issued from the 2021/22 audit plan.
- Leisure Recovery Support – Substantial Assurance
 - High Value Grant Claims Arrangements – Reasonable Assurance

The executive summaries for both reports are included at Appendix B.

- 2.2. The audits due to take place in Q3 are:
- Estates Compliance Arrangements
 - Green Homes Grant Phase 1b - Grant Certification
 - Grounds Maintenance
 - Fire Safety and Management – Housing (Q3/4)

3. Internal Audit Recommendations

- 3.1. Internal Audit monitor and follow up all critical, high and medium priority recommendations. There are two overdue Internal Audit recommendations which are included in Appendix C for information.
- 3.2. Both CLT and Audit and Governance Committee were keen to track the progress of recommendations made following the Safeguarding Audit and Health and Safety – Covid-19 (final reports issued February and March 2021 respectively). Appendix D shows the progress to date against the Safeguarding and Health and Safety – Covid-19 recommendations.

4. Internal Audit Performance Indicators

- 4.1. Progress against the agreed Internal Audit performance targets is documented in Appendix E. Work on the 21/22 audit plan is progressing in line with work scheduling.

5. Internal Audit Charter

- 5.1. The Audit Manager has completed the annual review of the Charter, detailed in full in Appendix F. The following minor amendments have been made:
- Reference to Seven Principles of Public Life added.
 - Section 13 changed from Consulting and Advisory work to Nature of Services, assurance definition added (13.1) and the purpose of our work explained (13.2).

- Paragraph 9.4 added to confirm our approach to carrying our work for organisations outside of the shared service.

6. Team Update

- 6.1. Lisa Marron, Audit Manager, has left the authority and Kerry Beavis has been successful in being appointed to take over. A recruitment exercise for the Senior Auditor post will commence shortly.

2021/22 AUDIT PLAN AS AT 30th SEPTEMBER 2021

Audit Area (Report No.)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
High value grant claim arrangements	Audit	8	16	Final	Reasonable	-	5	1	-	Planned days exceeded due to number of grants in scope and time taken to complete detailed testing on RHI.
Leisure Recovery Support	Audit	6	6	Final report issued	Substantial	-	-	-	-	
Risk Management	Audit	7	4	In progress						
Estates Compliance Arrangements	Audit	8	0.5	Engagement planning						
Green Homes Grant Phase 1b Certification	Certification	5	-	Scheduled Q2						
CCTV	Audit	6	-	Put back to Q4						Put back to Q4 from Q3 at the request of the service.
Grounds Maintenance	Audit	8	0.5	Engagement planning						
Fire Safety and Management - Housing	Audit	8	-	Scheduled Q3/Q4						
Key Housing Systems	Audit	12	-	Scheduled Q4						
Housing Rents	Audit	8	-	Scheduled Q4						
Building Control	Joint Audit	8	-	Scheduled Q4						
Project Management	Audit	8	-	Scheduled Q4						
Covid-19 Related Assurance	Assurance	20	7	As required						Work on Compliance and Enforcement Grant and Business Grants.
New finance system advisory	Advisory	10	1	Monthly						

Audit Opinion Key

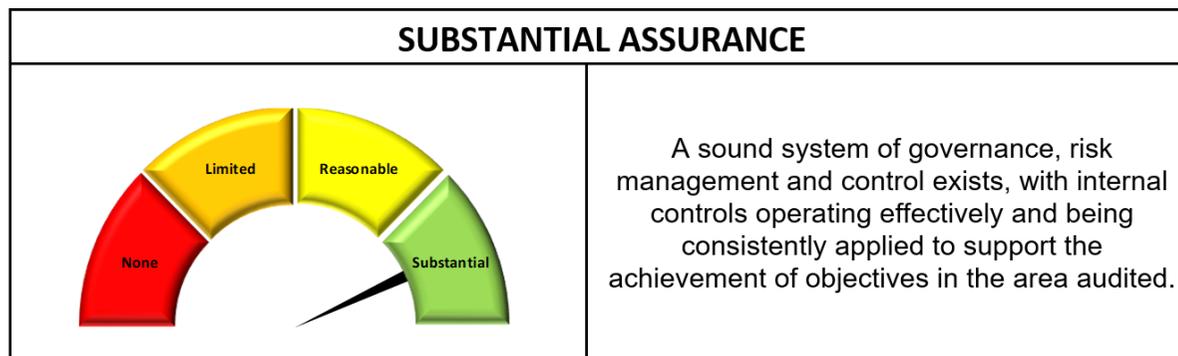
Opinion	Definition
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited

Audit Recommendations Key

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Low	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed or potential opportunities for management to improve the operational efficiency and/ or effectiveness of the system.

SUMMARY OF FINAL AUDIT REPORTS ISSUED BETWEEN 17 JUNE 2021 AND 30 SEPTEMBER 2021

LEISURE RECOVERY SUPPORT



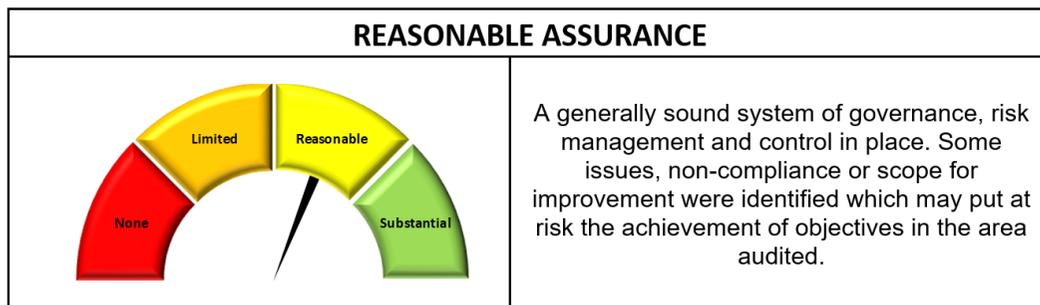
Key Findings

Areas of positive assurance identified during the audit:

- Financial information provided by Everyone Active is reviewed and challenged where appropriate.
- Support payments made to Everyone Active are in line with those agreed by Cabinet.
- Financial information has been accurately reported to Cabinet.
- Terms and conditions of the Sport England Grant are adhered to.

No recommendations for improvement were made.

HIGH VALUE GRANT CLAIMS



1.1 Background

Following the failings in relation to not claiming Renewable Heat Incentives (RHI) Grants and the lost income as a result (reported to Audit and Governance Committee in January 2021 and [April 2021](#)), it was requested that an audit was included in the 2021/22 Audit Plan to provide assurance that processes were in place to prevent similar occurrences happening in future for this and other high value grant schemes.

The figure reported to Audit and Governance Committee (April 2021) of a further four claims which could be submitted was correct at this time as it related to those that were originally deemed to be out of time. It should be noted that the work programme has continued as planned and difficulties accessing properties to carry out installations have been resolved resulting in more eligible installations, and therefore the figures referenced in this audit report are additional.

The RHI scheme allowed applications for RHI grants to be made within 12 months of the installation of an appliance and was originally due to close on 31st March 2021. However, the scheme was updated in April 2021 with closure of the scheme being extended to 31st March 2022. The update also brought about a relaxation of restrictions with applications no longer being required to be submitted within 12 months of installation of an appliance, applicable to post 1st April 2019 installations only.

Whilst this extended opportunity to claim RHI grant has been in place since April 2021 there has been lack of clarity between regulations and the updated OFGEM guidance and confusion as to whether the scheme had closed on 31st March 2021.

Internal Audit have contacted OFGEM who have confirmed that RHI applications can be submitted for installations which have taken place from 1st April 2019, closure of the scheme now being 31st March 2022. This is good news for the Council as this results in additional income for installations within this time period.

The following grants were reviewed during this audit:

Name	Estimated Value
Renewable Heat Incentive (RHI)	£3 million over life of scheme (7 years)
RTB 1-4-1	£650k in 2021/22
Reopen High Streets Safely / Welcome Back Fund	£180k
Office for Low Emission Vehicles Grant	£45k
DEFRA Property Flood Resilience Funding Scheme	£106k (Max £5k per household 30 grants)
Flood Related Council Tax Discount	£27k (27 grants)
MHCLG Flooding Scheme	£16k (Max £500 per household 32 grants)

Key Findings

Arrangements for high value grant claims that were considered as part of this audit were found to be satisfactory with the following areas of positive assurance:

- Grant claims have been made in line with terms and conditions.
- Risks associated with grant reclaims/clawbacks are being managed effectively.

However areas for improvement were identified for the administration of the RHI Grants:

- Fully documented procedures and designation of roles and responsibilities.
- Comprehensive record of all eligible properties with their RHI claim status.
- Submission of applications for any outstanding and future installations and notification to Ofgem of sold properties.

The audit has not identified any further instances where income has been lost due to grant claims not having been submitted in time.

Five high and one medium priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>1. Procedures should be drawn up to cover the administration of the RHI Grant application process. This should include annual renewals, and notification to Ofgem when properties are sold under the RTB Scheme (see recommendation 6). If it is established that RHI grant is also payable for those installations under the Green Homes Grant Scheme then either the procedures should be updated or new procedures drawn up.</p>	High	<p>New procedures have been developed and implemented. These are currently in place and working effectively.</p>	Housing Assets Team Manager	Complete (August 2021)
<p>2. Those officers responsible for the process should be agreed. The officers should receive formal notification outlining their area of responsibility in the process.</p>	High	<p>Processes have been clearly defined by all officers including annual RHI claims and also support from other officers when annual leave or staff are unavailable in the Asset Management Team.</p> <p>We have also now reviewed the administration logins with Ofgem and have updated the login details to reflect officers who are responsible for the data uploads.</p>	Housing Assets Team Manager	Complete (August 2021)
<p>3. There should be a comprehensive record which shows the status of the RHI grant application, date of installation and application, reference number etc. This should be sufficient to confirm that applications have been submitted, grants are being received, and renewals made and sold properties have been notified to Ofgem.</p>	High	<p>A live tracker has been established which clearly shows all RHI applications that are due following installations of ASHPs.</p>	Housing Assets Team Manager	September 2021 Partially implemented at time of issuing this report.

		All sold properties are also logged as soon as we are aware. TP1 form is submitted as a sold property is confirmed.		
4. There should be monthly monitoring of the status of RHI applications for outstanding and new installations to ensure that the 31st March 2022 deadline is met for all eligible properties.	High	Through the tracker there is weekly monitoring, and a monthly report is produced by the Housing Assets Team Manager to the Head of Housing.	Housing Assets Team Manager	August 2021 and ongoing. In progress.
5. For those properties identified where RHI applications can be submitted these should be processed as soon as possible.	High	All properties that can be claimed for have been fully audited and assessed against the Ofgem guidelines. This includes all properties where works have been completed and or registered after the 1st March 2019. The Housing Assets Team Manger has also reviewed previous claims and ensured that all claims have been made.	Housing Assets Team Manager	August 2021 and ongoing. In progress.
6. Ofgem should be notified of the two properties which have been sold under the RTB scheme so that any monies can be returned/transferred as required.	Medium	All SOLD properties are regularly checked and confirmed against the ASHP RHI tracker with Ofgem.	Housing Assets Team Manager	August 2021 and ongoing for any new RTB properties. Complete for the two RTB properties

				identified during this audit.
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Appendix C

RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 30th SEPTEMBER 2021

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
2020/21 Audits							
3	Safeguarding	8	The Recruitment Policy should be updated and include safer recruitment processes which should be undertaken when recruiting to posts that have contact with vulnerable groups.	High	Head of HR and Organisational Development	Jun-21	IA follow up in September has found this hasn't yet been redrafted as advised this will follow on from the update of the DBS Policy.
10	Sundry Debtors	3	It should be confirmed whether there has been formal agreement by Corporate Leadership Team to commence recovery of sundry debts which relate to prior years.	High	Finance Team Manager	31-Jul-21	The Finance Team Manager has advised that progress against this recommendation is currently on hold until they have filled the vacant position whose task this would be.

Appendix D

Safeguarding Audit 2020/21 Recommendations Progress

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date with IA update
1 - Where departments have safeguarding responsibilities officers should ensure that these are relevantly recorded within their business risk assessment.	Medium	<p>This will be addressed at the next meeting of the Risk Group (March 21). Comms to Risk Owners will be sent following meeting.</p> <p>The risk is addressed at a corporate level on the corporate wide Risk Register.</p>	Strategic Director of Housing & Customer Services (in his role as Chair of Risk Scrutiny Group)	<p>Agenda item for next Risk Scrutiny Group meeting 21st March 2021</p> <p>Update – discussed at 21st March RSG and team plans to be updated with a template risk but service specific mitigations.</p>
2 – The record of training for DSO's who have attended the two day external training and the DSO Induction Course should be updated. It would also be advisable to record any future additional training attended by DSO's as this may be required by Human Resources.	Medium	<p>Agreed – individuals responsible for recording their own training on ITrent as advised by HR. Community Safety will have a record of when DSO induction training has taken place.</p>	Community Safety Officer & DSO	Target date April-21 – IA follow up in May confirmed this has been implemented.
3 - With the current COVID situation and the intention for more agile working consideration should be given to introducing new ways of making staff aware of the safeguarding process and the Designated Safeguarding Officers.	Low	Agreed	Community Safety Officer & DSO	March 2021 and quarterly thereafter – IA do not formally follow up low priority recommendations.
4 - The capacity issues raised by the Head of Community Services should be reported formally to the Corporate Leadership Team. This should include the level of resource required for the service, allowing DSO's within services allocated time to	High	Agreed – report presented to Corporate Leadership Team – 27th January 2021	Head of Community Services in conjunction with the Community Safety Officer and DSO	Already implemented by time final audit report issued.

<p>perform this role, and identifying any opportunities for staff who are unable to perform their current roles as a result of the pandemic to be trained as DSO's.</p> <p>Additionally consideration should be given to having safeguarding champions within specific services across the authority to be able to promote safeguarding, offer safeguarding advice and support within their areas, highlight any specific issues that the service is having and reduce the pressure on DSO's.</p>				
<p>5 - A Modern Slavery Statement should be produced annually and published on the Council website within six months of the councils year end. Government guidance should be followed when preparing this document. This guidance can be found at: https://www.gov.uk/guidance/publish-an-annual-modern-slavery-statement</p>	High	Agreed	Head of Finance (S151 Officer)	By September 2021
<p>6 - The DBS Policy and procedure document should be updated and approved. The current document should be shown as out of date (if this is possible) and to contact HR for guidance until the new policy is available.</p> <p>The updated policy and procedure should provide clear guidance and advice relating to DBS checks. This should cover the posts which are required to have DBS checks, obtaining of DBS checks, subscribing to the update service and who is responsible for carrying out the annual checking via the update service. The guidance should also refer to requirements when employing agency workers.</p>	High	Agreed	Head of HR and Organisational Development	<p>Target date - June 2021</p> <p>IA follow up in July confirmed this has been implemented.</p>
<p>7 - All posts which are required to have a DBS check should be identified and recorded on ITrent. Details relating to the DBS check, date of check, reference number and confirmation that the annual recheck has been done should also be recorded on ITrent. Responsibility for ensuring that DBS checks are carried out on an annual basis should be documented and circulated.</p>	High	<p>Agreed that check information to be recorded on ITrent etc.</p> <p>There is no requirement by the DBS for annual checks to be carried out. If people don't subscribe to the update service a new check would be required. Good</p>	Head of HR and Organisational Development	<p>Target date - June 2021</p> <p>Follow up in September confirmed this has been implemented.</p>

		practice suggests new checks done every 2-3 years, not annually.		
8 - The Recruitment Policy should be updated and include safer recruitment processes which should be undertaken when recruiting to posts that have contact with vulnerable groups.	Medium	Agreed	Head of HR and Organisational Development	Target date - June 2021 IA follow up in September has found this hasn't yet been redrafted as advised this will follow on from the update of the DBS Policy.
9 - The Safer Recruitment e-learning module should be added to Learning Pool. The availability of this training should be communicated to all relevant staff.	High	Agreed	Senior HR Advisor	Already implemented by time final audit report issued.

Health and Safety – Covid-19 Audit 2020/21 Recommendations Progress

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
There should be a comprehensive record of all statutory Health and Safety inspections / checks that are required by the Council. This record should cover all services and be monitored and reported against on a regular basis to ensure checks have taken place as required.	High	Agreed	Head of Human Resources and Organisational Development in conjunction with the Head of Customer Services, Corporate Property and Assets in his role as Chair of the Statutory Duty Group.	Target date - June 2021 This is being progressed with improvement areas being identified and resolved. Internal Audit will review the records as part of the Estates Compliance

				Arrangements Audit in Q3.
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Appendix E

2021/22 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 30.09.21	Comments
Achievement of the Internal Audit Plan	18%	Another audit (Risk Management) well underway and two due to start.
Quarterly Progress Reports to Management Team and Audit and Standards Committee	On track	
Follow up testing completed in month agreed in final report	On track	
Annual Opinion Report - July 2021 Audit and Standards Committee Meeting	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on 13 returns for 19/20 and 3 for 20/21.
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried out w/c 30 th November 2020 which confirmed that we conform with the Public Sector Internal Audit Standards.



INTERNAL AUDIT CHARTER

North West Leicestershire District Council

Version Control

Author	Date	Action
Lisa Marron Audit Manager	May 2020	Aligned Charter for all authorities.
Lisa Marron Audit Manager	September 2021	Reference to Seven Principles of Public Life added. Section 13 changed from Consulting and Advisory work to Nature of Services, assurance definition added (13.1) and the purpose of our work explained (13.2). 9.4 added to confirm approach to work for organisations outside of the shared service.

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1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 place a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), Attribute Standard 1000, require that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter (hereafter referred to as the Charter), 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 chief audit executive is required to periodically review the Charter and present it to senior management and the 'board' for approval. Final approval of the Charter resides with the 'board'.
- 1.3 The Charter establishes the Internal Audit activity's position within the Council, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

2 Definitions

- 2.1 In line with the PSIAS:

"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 For the purpose of this charter the following definitions shall apply:

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

At this Council this shall mean the Audit and Governance Committee.

Senior Management – those responsible for leadership and direction of the Council. At this Council this shall mean the Corporate Leadership Team.

Chief Audit Executive – the person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the PSIAS. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications. At this Council the Chief Audit Executive is the (Shared Service) Audit Manager.

3 Mission and Purpose of Internal Audit

- 3.1 In line with the PSIAS the mission of Internal Audit is:

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

- 3.2 The purpose of Internal Audit is to review, appraise and report on the adequacy of risk management, control and governance processes across the Council.

4 Professionalism

- 4.1 The Internal Audit activity will govern itself by adherence to the PSIAS. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

- 4.2 The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member in addition to the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics from the International Professional Practices Framework. The Core Principles are:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

- 4.3 Internal Auditors who work in the public sector must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk.

5 Scope of Internal Audit

- 5.1 There are no restrictions placed upon the scope of Internal Audit's work. Internal Audit work will usually include, but is not restricted to:
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
 - evaluating and appraising the risk associated with areas under review and making proposals for improving the management of risks;
 - appraising the effectiveness and reliability of the risk management framework and recommending improvements where necessary;
 - assisting management and members to identify risks and controls with regard to the objectives of the Council and its services;

- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations and programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned; and
- reviewing the operations of the Council in support of the Council's Anti-Fraud and Corruption policy.

6 Authority of Internal Audit

6.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, this Charter and the Council's Constitution. Internal Audit staff have the authority to:

- enter any Council owned or occupied premises or land at all reasonable times (subject to any legal restrictions outside the Council's control);
- have access at all times to the Council's records, documents and correspondence;
- require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
- require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.

6.2 The Audit Manager shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.

6.3 All employees and members are requested to assist the Internal Audit activity in fulfilling its roles and responsibilities.

7 Responsibility of Internal Audit

7.1 The Chief Audit Executive will be responsible for maintaining an adequate and effective internal audit function. The Internal Audit function will operate in accordance with the Public Sector Internal Audit Standards.

7.2 Internal Audit will have the responsibility to review, appraise and report as necessary on:

- the adequacy and effectiveness and application of internal controls, governance and risk management processes and systems;
- the extent of compliance with financial regulations and standing orders and approved policies and procedures of the Council plus the extent of compliance with external laws and regulation; and
- the extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from waste, inefficient administration, poor value for money, fraud or other cause.

8 Reporting Lines

- 8.1 Day to day management of the Internal Audit team will be performed by the Chief Audit Executive. The Chief Audit Executive reports to the Board for organisational purposes but will report significant audit findings and audit progress directly to the Section 151 Officer. The Chief Audit Executive will keep the Section 151 Officer and the Board informed of progress and developments on a regular basis.
- 8.2 The Internal Audit team is employed by North West Leicestershire District Council and sits within the Legal and Commercial Services Team reporting to the Head of Legal and Commercial Services.
- 8.3 The Chief Audit Executive has free and unfettered access to the Chief Executive, Section 151 Officer, Monitoring Officer and Chair of the Audit Committee. The Chief Audit Executive will communicate and interact directly with the Board, including in and between Board meetings as appropriate.

9 Independence and Objectivity

- 9.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice. Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that Internal Auditors do not subordinate their judgement on audit matters to others.
- 9.2 To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the Internal Audit activity:
- retains no executive or operational responsibilities;
 - operates in a framework that allows unrestricted access to senior management and the Board;
 - reports in their own name;
 - rotates responsibilities for audit assignments (where possible) within the Internal Audit team;

- completes individual declarations confirming compliance with rules on independence and conflicts of interest; and
 - has a planning process which recognises and addresses potential conflicts of interest through Internal Audit staff not undertaking an audit for at least two years in areas where they have had previous operational roles.
- 9.3 If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to senior management and the Board. The nature of the disclosure will depend upon the impairment.
- 9.4 There may be times when Internal Audit are asked to provide audit services for other organisations outside of the shared service. The nature of this work will be formally set out and agreed in advance and, in line with the shared service inter-authority agreement, all partners will be consulted to ensure there are no conflicts of interest or objections to the work.

10 Accountability

- 10.1 The Chief Audit Executive shall be accountable to the Board and the S151 Officer for:
- providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
 - reporting significant issues related to the processes for controlling the activities of the Council and its affiliates, including recommendations and status of implementation of improvements;
 - periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit's function's resources; and
 - co-ordination with other significant assurance functions.

11 Internal Audit Resources

- 11.1 The Chief Audit Executive will be professionally qualified (CIMA, CCAB or equivalent) and have wide Internal Audit and management experience, reflecting the responsibilities that arise from the need to liaise with Members, senior management and other professionals, both internally and externally.
- 11.2 The Head of Finance (Section 151 Officer) will provide the Chief Audit Executive with the appropriate resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.
- 11.3 The Chief Audit Executive will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan.

- 11.4 The annual plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Audit Executive can propose an increase in audit resource or reduction in the coverage if insufficient resources are available.

12 Management Responsibilities

- 12.1 An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Board and Senior Management are mandating management to co-operate with Internal Audit in the delivery of the service by:
- agreeing audit engagement plans no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
 - sponsoring each audit at senior management level;
 - providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
 - responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the audit team;
 - implementing agreed management actions in accordance with the agreed timescales; and
 - updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in processes and systems, newly identified significant risks and cases of a criminal nature.
- 12.2 Whilst the annual Internal Audit report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit will be agreed with the Board at the beginning of the year and presented in the annual Internal Audit plan (and subsequent agreed amendments). As such, the annual Internal Audit opinion does not replace responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

13 Nature of Services

- 13.1 The Public Sector Internal Audit Standards define assurance as

“An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.”

13.2 In general the main purpose our work will be to provide assurance services to report to the shared service Councils and their Audit Committees. There may be times when our assurance is required by others for example it may be relied upon by partners of the shared service Councils or by Central Government for grant certification work. In all cases this will be clearly set out through engagement plans or grant declarations as appropriate.

13.3 The Public Sector Internal Audit Standards allow that Internal Audit may sometimes be more usefully focussed towards providing advice rather than assurance of core controls. Where appropriate, Internal Audit will act in a consultancy/advisory capacity by providing guidance and advice for strengthening the control environment, providing:

- the objectives of the consulting/advisory engagement address governance, risk management and control processes to the extent agreed upon with the Council;
- the scope of the consulting/advisory engagement has been clearly defined;
- Internal Audit is considered to have the rights skills, experience and available resource;
- management understand that the work being undertaken is not Internal Audit work; and
- Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.

13.4 When performing consultancy/advisory services, the auditor must maintain objectivity and not take on a management responsibility. The Chief Audit Executive is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Board.

14 Role of Internal Audit in Fraud-Related Work

14.1 The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with senior management. An annual programme of internal audits is designed to assist this process by highlighting areas where controls are inadequate or are not operating.

14.2 All fraud investigations will be conducted in accordance with the Council's Constitution, Anti-Fraud and Corruption Policy and the Confidential Reporting (Whistleblowing) Policy.

14.3 All cases of suspected fraud and/or irregularity should also be reported to the Chief Audit Executive, with the exception of benefit fraud which should be reported to the Department of Work and Pensions. This is to ensure that appropriate action is taken and to enable the Chief Audit Executive to fully answer External Audit queries relating to the International Standard on Auditing (ISA) 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements".

15 Relationships

15.1 The Chief Audit Executive and Internal Audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.

- **Relationships with Management**

The Chief Audit Executive and Internal Audit staff will maintain effective relationships with managers of the Council. Regular meetings will be held with key stakeholders and management will be consulted with during the audit planning process. Timing of audit engagements will be in conjunction with management.

- **Relationships with External Audit**

Internal Audit have an established working relationship with the current external auditors which includes periodic meetings and plans and reports are shared.

- **Relationships with Regulators and Inspectors**

The Chief Audit Executive and Internal Audit staff will take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Chief Audit Executive will establish a dialogue with representatives of the appropriate inspection agencies.

- **Relationships with Elected Members**

The Chief Audit Executive will establish a working relationship with members, in particular members of the Audit and Governance Committee. The Chief Audit Executive has the opportunity to meet with the Chair of the Audit and Governance Committee if required.

16 Quality Assurance

16.1 The Public Sector Internal Audit Standards require that the audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. The results are included in the Internal Audit Annual Report.

16.2 Internal Assessments

All Internal Audit engagements are subjected to a thorough internal peer review of quality, to ensure that its work meets the standards expected from the Internal Audit staff. For example, the internal file quality reviews cover the following:

- the work is planned and undertaken in accordance with risks associated with areas under review;
- sampling is undertaken in accordance with the agreed methodology; and
- the conclusions are fully supported by detailed work.

16.3 Internal Audit performance is also monitored in the following ways:

- quarterly progress reports to the Board and senior management team;
- customer satisfaction surveys following each audit;
- monthly meetings with the Head of Finance (S151 Officer); and
- monthly meetings with the Head of Legal and Commercial Services.

16.4 External Assessments

An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive will discuss options for the assessment with senior management including the S151 Officer and the Board.

17 Records Retention

- 17.1 Audit engagement records will be retained for six years. This is in line with Local Government Association guidance.

18 Review

- 18.1 The Internal Audit Charter will be reviewed annually by the Chief Audit Executive and presented to Senior Management and the Board for approval if any significant changes are identified.