NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 25 OCTOBER 20233

Title of Report	INTERNAL AUDIT PROGRESS REPORT	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards Internal Audit Plan 2023/24	**Public Report:** Yes
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2023/24 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 2023/24 Audit Plan on 26 April 2023. The Committee receives quarterly progress reports.

2.0   PROGRESS REPORT

2.1   The Internal Audit Progress Report for the period 01 July 2023 to 30 September 2023 (Q2) is attached at Appendix 1.

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service supports all council priorities.
Safeguarding:	There are no specific risks associated with this report.
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 2023/24 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 District Council and Charnwood Borough Council. 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 2023/24 Internal Audit Plan up to 30 September 2023.

2. Internal Audit Plan Update

2.1 The 2023/24 audit plan is included at Appendix A for information and shows the audits in progress. Since the last update one final report has been issued form the 2023/24 plan.

- IT Asset Management
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The executive summary is included at Appendix B

2.2 The audits due to take place during quarter 3 are:

- Housing Repairs & Housing Planned Maintenance (Agency)
- Tree Stock Management
- Remote Support & Data Exchange (IT Audit Contractor)
- Cyber Security (IT Audit Contractor)
- Key Financial Systems

2.3 Progress during quarter 2 has been slower than expected, this has been due to the vacancies for the Internal Audit Assistants posts not being filled and the training required for the Internal Audit Apprentice. Progress has been made on recruitment, with one Internal Audit Assistant starting at the beginning of October. Additionally, it was agreed to employ temporary agency support to complete the specific housing audits but, to date, we have been unable to recruit.

3. Internal Audit Recommendations

3.1. Internal Audit monitor and follow up critical, high and medium priority recommendations. Further details of overdue and extended recommendations are detailed in Appendix C for information.

Year	Not Due		Extended		Overdue	
	High	Medium	High	Medium	High	Medium
21/22	-	-	11	3	-	-
22/23	14	9	3	5	1	-
23/24	-	1	-	-	-	-

4. Internal Audit Performance Indicators

4.1. Progress against the agreed Internal Audit performance targets is documented in Appendix D.

5. Internal Audit Charter

5.1. The Audit Manager has completed the annual review of the Charter, detailed in full in Appendix E. Only minor name change amendments have been made.
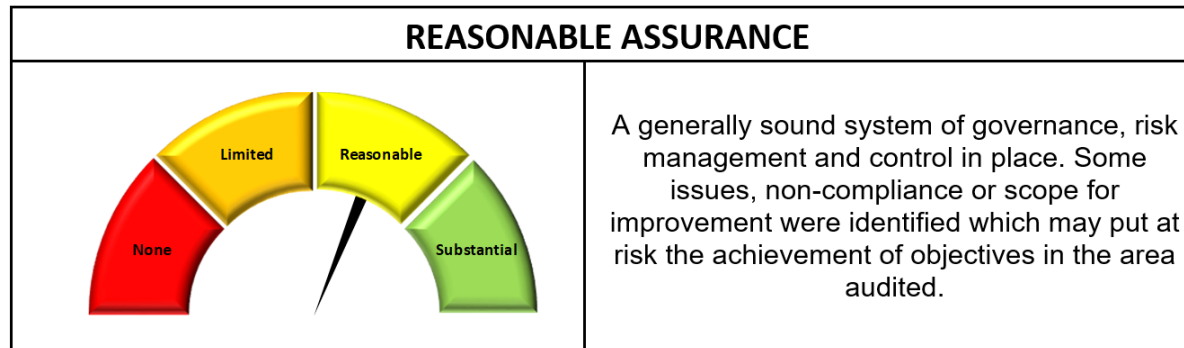
2023/24 AUDIT PLAN AS AT 30 SEPTEMBER 2023

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Housing Repairs Q1	Audit	10								These audits have been combined in to one audit to be completed during Q3 & Q4 using an agency auditor.
Housing Repairs Q2	Audit	10	0.5	Engagement Planning						
Housing Repairs Q3	Audit	10								
Housing Repairs Q4	Audit	10								
Housing Planned Maintenance Q1	Audit	10								These audits have been combined in to one audit to be completed during Q3 & Q4 using an agency auditor.
Housing Planned Maintenance Q2	Audit	10	0.5	Engagement Planning						
Housing Planned Maintenance Q3	Audit	10								
Housing Planned Maintenance Q4	Audit	10								
Asbestos Management	Audit	10	0.5	Engagement Planning						
DFG Certification	Grant	3	1.5	Completed	N/A					
HMO/ Selective Licensing	Audit	10		Q4						
Safeguarding	Audit	8	10	In progress						
Transport Management & Operating Licensing	Audit	8		Q4						
Tree Stock Management	Audit	6	0.5	Engagement Planning						
Protect Duty	Audit	8		Q4						
New finance system	Advisory/ Testing	10	4	In progress						
Key financial systems	Audit	52		Q3/4						
Workforce Planning	Audit	10	0.5	Engagement planning						
IT Asset Management	Audit	10	10	Completed	Reasonable	-	1	3	3	
Remote Support & Data Exchange	IT Audit Contractor	IT Contractor		Engagement Planning						
Cyber Security	IT Audit Contractor	IT Contractor		Engagement Planning						
Corporate Policy Management	Audit / Data analysis	10	3	In progress						
Capital Programme Management	Audit	10		Q4						
Transformation Projects	Advisory	5		As required						
Climate Change Strategy	Audit	10		Q4						
Procurement & Contract Management	Audit	10	5	In progress						
Grant Assurance	Assurance		6	As required						

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.

IT ASSET MANAGEMENT

REASONABLE ASSURANCE	
	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.

Key Findings

Areas of positive assurance identified during the audit:
- Procedures for IT Asset Management are up to date and available to those staff who require them.
- There is adequate segregation of duties within the ordering, payment and allocation of assets.
- There is adequate insurance in place for IT assets.
- Decommissioned items are disposed of securely with regard to the Waste Electrical and Electronic Equipment (WEEE) Directive.

The main areas identified for improvement are:
- Adherence to Contract Procedure Rules in relation to the purchase of IT equipment.
- Recording and updating of IT assets in the asset register.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Advice should be sought from Procurement regarding the purchase of IT equipment to ensure that Contract Procedure Rules are met.	High	Agreed – have met with the councils Procurement Officer to discuss and agree a way forward.	ICT Manager	Implemented
2. Consideration should be given to having a centralised IT budget which will ensure an efficient use of assets. This could lead to budget savings and also time savings as it eliminates the need to journal items to individual budget codes.	Low	Agreed	ICT Manager	As part of annual budget setting process.
3.In order to confirm that IT assets have been reviewed the date the review was carried out should be added to the register.	Medium	Agreed	ICT Manager	Implemented
4. A robust process is introduced for managers to confirm that the assets recorded on the asset register match the physical assets held by each team member.	Medium	Agreed – however the approach we would prefer to take is to obtain this information directly from staff via an on-line form. Following this exercise any IT equipment where the location cannot be confirmed will be investigated. From next year the requirement to update details of IT equipment staff have will be removed from the DSE assessment and this new form used to capture this information.	ICT Manager	September 2024
5.The ICT Departmental procedure document should be updated to show the correct status to be allocated to equipment returned to ICT.	Low	Agreed	ICT Manager	Implemented

6.A review of IT equipment which is held in the IT store should be undertaken and records updated accordingly.	Low	Agreed	ICT Manager	Implemented
7.To ensure an accurate record of assets is maintained the date of disposal of IT Assets should be recorded in a reportable field within HOTH.	Medium	Agreed – we will start using the "Last accessed field" to record the date the item was recycled. We will do this on the next recycle collection.	ICT Manager	Implemented

RECOMMENDATIONS TRACKER – EXTENDED RECOMMENDATIONS AS AT 30 SEPTEMBER 2023

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	CLT	Original Due Date	1st Follow up comments	Extension Date	Second Follow up comments	Extension Date
2021/22	External Audit Completion Report 2020/21	The Council need to ensure that all related party transactions are identified and then should determine which transactions are material and hence should be disclosed.	High	Recommendation accepted. The Council will review its process, and implement the findings, for identifying and reporting on related party transactions for the closure of its 2022/23 Accounts. It will also seek to retrospectively apply the new approach to its 2021/22 Accounts.	Head of Finance	Director of Resources	Jun-23				

EXTENDED RECOMMENDATIONS AS AT 30 SEPTEMBER 2023

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	CLT	Original Due Date	1st Follow up comments	Extension Date	Second Follow up comments	Extension Date
2021/22	Corporate Estates Management	1.A review of all compliance policies and processes is undertaken to establish single corporate policies and comprehensive procedure guides to ensure a consistent approach across the whole of the authority. All policies and procedures should be stored with accessibility for relevant officers.	High	Bearing in mind this groups inception during the pandemic, this group has been operational in nature and considering issues such as contracting and ensuring operational compliance and managing operational risk. As a minimum the following corporate policies will be developed to address this observation (the below are based on risk prioritisation): Legionella Asbestos Fire Risk Management General Health, Safety & Security Electrical Management	Property Services Team Manager (for drafting)	Head of Economic Regeneration	Dec-22	Update - consultants have been employed to develop a Corporate Asset Management Toolkit. This will cover frequency of inspections and recording of compliance.	Jul-23	Jul-23 – Good progress is being made but consultants still engaged. Partialy Completed in that policies are now in place.	Dec-23
2021/22	Corporate Estates Management	2 A performance monitoring and reporting framework is introduced which includes contractor and legislative compliance performance monitoring and periodic reporting to the Statutory Duty Group and, where necessary, the Corporate Leadership Team.	High	Overlapping with the audit we have begun the introduction of a performance monitoring framework, utilising a RAG system. This will be reported through to CLT. It would be beneficial to include properties not managed by property services into this report.	Head of Economic Regeneration	Head of Economic Regeneration	Oct-22	Update - consultants have been employed to develop a Corporate Asset Management Toolkit. This will cover frequency of inspections and recording of compliance.	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23
2021/22	Corporate Estates Management	3 To ensure that the authority is fully meeting its legislative responsibilities in an efficient and effective manner consideration is given to introducing a true corporate landlord model for corporate property.	High	Since the publication of the 2020 report, there has been considerable change in both the operation of the council, its ability to address some strategic issues due to the pandemic, and more recently changes in property service management, housing senior management and the Chief Executive, along with changes to our accommodation strategy. So as to address the above we will undertake a further assessment of options for the operation and scope of an overall property function spanning all of our assets, and consider how this is best addressed in the future.	Strategic Director	Strategic Director	Mar-23	Extended to align with other recommendations	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23
2021/22	Corporate Estates Management	4 The process for recording and monitoring issues through the compliance tracker is fully implemented and a reporting framework is put in place, to ensure that any remedial actions or works required are identified and tracked to fruition in a timely manner	Medium	Agreed – for the property services managed properties. This may take longer to fully implement if we follow a corporate landlord model. If not then there will not be assurance for all properties.	Head of Economic Regeneration	Head of Economic Regeneration	Oct-22	Update - consultants have been employed to develop a Corporate Asset Management Toolkit. This will cover frequency of inspections and recording of compliance.	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23
2021/22	Corporate Estates Management	5 The review of the Asbestos process is completed and implemented to ensure the council are confident they are complying with regulations.	High	Agreed.	Head of Economic Regeneration	Head of Economic Regeneration	Oct-22	Update - consultants have been employed to develop a Corporate Asset Management Toolkit. This will cover frequency of inspections and recording of compliance.	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23

2021/22	Corporate Estates Management	6 A comprehensive record of all assets and statutory inspections/ checks that are required by the Council is introduced. These records should cover all services and be monitored and reported against on a regular basis to ensure testing/ checks have taken place as required. Note: This recommendation was made in the Health and Safety Audit, undertaken in February 2021 (due for implementation in June 2021) and as yet has not been implemented.	High	Not all of these assets are owned by the authority. The scope of the contracts need to be known and recorded and performance monitored against this. Where assets are owned by the authority these will be detailed as required.	Head of Economic Regeneration	Head of Economic Regeneration	Mar-23	Extended to align with other recommendations	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23
2022/23	IT Health Check Review	5. At least an annual review of IT assets maintained, hardware and software, should be completed and signed off accordingly.	Medium	Agreed	ICT Service Support Manager	Director of Resources	Jul-23	Jul 23 – Partially completed - Confirmed that following DSE checks information has only been updated for name and asset not department and location. Extension to end of November to fully implement.	Dec-23		
2022/23	Tax - IR35 and P11D	7.The iTrent Employee and Manager Self Service guides should be updated to clearly show how to input and authorise expense claims containing VAT. Additionally, a reminder should be issued to managers informing them of their responsibility when authorising expense claims to ensure that VAT this has been correctly recorded.	High	Agreed	Head of Human Resources and Organisational Development.	Head of HR & OD	Aug-23	Sept 23 – In progress. The guidance should be available from mid-October.	Oct-23		
2022/23	Choice Based Lettings	6. A review of properties advertised as 'not let' is undertaken to ensure the status of the properties are accurately recorded.	Medium	This could be legacy data from the old system and potentially not a field that is used. Agree to review the data and establish what is going on. Senior Officer reviews are completed during one to ones.	Housing Management Team Leader.	Head of Housing	Jul-23	Jul 23 – No response	Aug 23	Aug 23 - process is in place to ensure that let properties are recorded as such but still need to investigate where the data showing not let is being pulled from to ensure that all fields in QL are accurately recorded.	Oct-23
2022/23	Rent Accounting and Arrears	6. The rent account with a credit balance in excess of £9,000 should be reviewed and contact made with the tenant/s to discuss.	High	Agreed	Head of Housing	Director of Communities	Aug-23	Aug 23 - Tenancy visit has been arranged, further clarification is required to ensure that the refund is made to the correct tenant.	Oct-23		
2022/23	Rent Accounting and Arrears	10. With the introduction of Unit 4 (new Finance System) the rent debit should be uploaded automatically from the Housing System to the General Ledger each week. This should enable weekly reconciliations between the two systems to be carried out.	High	Agreed	Housing Strategy and Systems Team Manager	Director of Communities	Aug-23	Aug 23 – No response	Sept 23	Sept 23 - Issues regarding UNIT4 - meeting with Finance planned for w/c 11.9.23. Will require an extension to the implementation date.	Oct 23

2021/22	Project Management	1.A project management policy is implemented that describes the essential elements of all projects/ programmes (e.g. project / programme identification through to authorisation, officer responsibilities, reporting requirements, requirement of the use of the toolkit etc), to ensure that all projects are effectively managed, and relevant governance and controls are in place.	High	Agreed. CLT need to revisit and agree the programme framework, review/refresh the toolkit, to see if it is still relevant, and then look at the resources for programme management with the new Chief Executive, including looking at where the function sits again, if needed. There is project management support to projects but there is not clear programme management, which is owned and maintained by one person/ service area, and which then collates and reports to CLT/ Members via relevantly timed reports.	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23	No update response received	
2021/22	Project Management	2. A corporate approach to project management is agreed, implemented, relevantly managed, and communicated to all staff on a consistent and regular basis.	High	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23		
2021/22	Project Management	3. All corporate projects should be monitored and recorded.	High	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23		
2021/22	Project Management	4. The role of the Organisational Performance Team in monitoring of projects, as referred to in the report to CLT, should be pursued.	High	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23		
2021/22	Project Management	5. A reporting structure is agreed and disseminated to ensure all relevant parties are aware of projects, progress of projects and any issues and reports are presented in a timely manner.	Medium	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23		
2021/22	Project Management	6.The highlight reports to boards should contain details of the project approval.	Medium	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23		

2021/22	Project Management	7.Following agreement of a corporate approach to Project Management suitable training should be made available to enable staff to effectively manage projects.	High	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23	
2022/23	Rent Accounting and Arrears	9. Reconciliations should be completed in a timely manner, with any issues being investigated as soon as identified.	Medium	Agreed	Housing Strategy and Systems Team Manager	Director of Communities	Jul-23	July 23 - Identified a formula error within calculations and looking to complete all 22/23 recs by 15.7.23. Meeting with Finance 15.8.23 to discuss and agree future approach using UNIT4. Will follow up again in September.	Sep-23	
2022/23	Choice Based Lettings	7. Procedures are put in place to document the way in which shortlisting was completed and reasons why an applicant may have been overlooked are clearly documented.	High	Preferences are added to adverts. Agree that this needs to be documented better and it needs to be established how this can be done in the system.	Housing Management Team Leader.	Head of Housing	Sep-23			
2022/23	Choice Based Lettings	8. Procedures are put in place to evidence that rent arrears and change in circumstances checks are undertaken, in accordance with policy.	Medium	Confident that checks are being done but agree this needs to documented better.	Housing Management Team Leader.	Head of Housing	Sep-23			
2022/23	Rent Accounting and Arrears	5. A process is introduced to ensure that all former tenant arrears cases are reviewed on a regular basis.	Medium	Agreed this will be reviewed. There will be KPI's brought in for the housing managers to ensure more proactive arrears management	Housing Strategy and Systems Team Manager and Housing Management Team Manager.	Director of Communities	Sep-23			

2023/24 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 30.09.2023	Comments
Achievement of the Internal Audit Plan	5%	1 final audit report issued. Five in progress and 4 currently in planning stage.
Quarterly Progress Reports to Management Team and Audit and Governance Committee	On track	
Follow up testing completed in month agreed in final report	On track	
Annual Opinion Report - July 2023 Audit and Governance Committee Meeting	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on four for 2022/23 and one for 2023/24
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried out w/c 30 November 2020 which confirmed that the Council conforms 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.
Kerry Beavis Audit Manager	September 2022	No changes required.
Kerry Beavis Audit Manager	September 2023	Minor - name changes.

Contents

Contents

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 Chief Audit Executive 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 Support Services Team reporting to the Head of Legal and Support 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 Strategic Director of Resources (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 Strategic Director of Resources (S151 Officer); and
- monthly meetings with the Head of Legal and Support 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.