

AUDIT COMMITTEE

24th November 2020

Subject: Internal Audit Charter, Strategy and Audit Plan for 2020/21

1 Purpose of Report

To present to the Audit Committee the Internal Audit Charter with the supporting Strategy and Audit Plan for 2020/21 and provide an update on progress made on the delivery of the Audit Plan.

2 Background

The Accounts and Audit Regulations 2015 (Regulations) make it a requirement for internal audit to take into account public sector internal auditing standards or guidance in delivering the service.

The Public Sector Internal Audit Standards (the Standards) require the service to produce:

- a Charter
- a risk-based plan that:
 - takes into account the:
 - requirement to produce an annual internal audit opinion
 - council's assurance framework
 - incorporates or is linked to a strategic or high-level statement of how:
 - the service will be delivered and developed in accordance with the Charter
 - it links to the council's priorities, objectives and targets.

3 Charter, Strategy and Audit Plan

In order to comply with the Standards, the approach proposed for delivering the service, is set out in the:

- Charter, that defines the purpose, authority and responsibility of the service
- Strategy, that outlines how the service will be delivered in line with the Charter and includes the:
 - Internal Audit Plan for 2020/21
 - statement showing how audit work completed during the year will provide assurance regarding the mitigation of the council's strategic risks
 - How We Will Work With You Statement.

The following paragraphs explain key amendments to these documents which were last presented to the Audit Committee in March 2019. These are also highlighted in **bold** within the documents themselves for ease of reference.

4 Charter (Appendix 1)

The minor amendments made to the Charter this year relate to:

- changes in officer roles
- updates to CIPFA's Role of the Head of Internal Audit 2019.

5 Strategy (Appendix 2)

The **Strategy** sets out:

- the ethical framework audit staff are expected to comply with
- the basis for the audit opinion and the audit approach to be adopted
- the approach to assessing risk and assurance as part of the audit planning process
- the Audit Plan, resource assessment and performance indicators
- how the service will work with key staff, members and groups within the Council
- how the team will operate on a day to day basis
- how it will assess its compliance with relevant professional standards and report upon this.

A few very minor amendments have been made to the Strategy this year. These are cosmetic and don't change the manner in which the audit service provided is delivered under the Collaborative Working Agreement.

As outlined in the Strategy, activities are only considered for inclusion in the Audit Plan if they are assessed as being significant enough to require periodic independent review. The coverage provided within the proposed **Audit Plan for 2020/21 (Appendix 2a)** is based upon the audit approach outlined in the Strategy, which complies with the requirements of the Standards. It has been discussed by the Executive Management Team.

The Audit Plan was initially developed in March 2020 and has been kept under review to assess whether there are any changes to the risk profile and, therefore, updates required to the work planned for the year. As is usual practice, any proposed future amendments to the Audit Plan will be reported to the Audit Committee for approval.

Appendix 2b identifies where audit reviews provide some assurance regarding the mitigation of the Council's corporate risks.

The full suite of performance indicators are designed to enable the service to demonstrate:

- it provides adequate **coverage** by delivering sufficient work in year to enable the Head of Internal Audit to give an opinion on the adequacy and effectiveness of the council's risk management, control and governance arrangements
- its **professional competence**
- its **costs** are competitive.

If delivered, this suite of indicators provides evidence that the Council is maintaining an adequate and effective internal audit service that:

- operates in accordance with proper internal audit practices
- also adds value and helps the Council to improve its operations.

The **How We Will Work With You Statement is at (Appendix 2c)** has been revised this year to reflect the change in timing of Audit Committee meetings.

6 Internal Audit Plan Status

Appendix 2a sets out the current status of the audit work planned for the year as at 2nd October 2020.

Of the 19 jobs in the plan:

- one is complete
- one report is being produced
- 10 are in progress
- one is in the planning stage
- six are yet to start

7 Corporate Implications

Financial Implications

Financial risk is one of the categories used when assessing the risk profile of all the activities that the Council delivers.

The Audit Plan will be delivered within the agreed budget for the service.

Legal Implications

The Accounts and Audit Regulations 2015, Section 5 requires the Council 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.

The Standards require:

- the Audit Committee to approve (but not direct) the annual internal Audit Plan and this report discharges that duty
- the Audit Committee to then receive regular updates on its delivery, as provided by the quarterly performance report

- the Head of Internal Audit to provide an annual audit opinion on the Council's risk management, control and governance arrangements and report on this to the Audit Committee, which is usually delivered to its July meeting.

Human Resources

People and property risk is one of the categories used when assessing the risk profile of all the activities that the Council delivers.

Resourcing issues relating to the team are covered in the Strategy.

Equality Implications

None.

8 Timescale for Implementation

The Audit Plan covers the 2020/21 financial year although work to deliver this will continue until the Head of Internal Audit's Annual report for that year is produced for the July 2021 Audit Committee.

9 Risk Factors

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its corporate Priorities, Objectives and Targets. This risk is being mitigated by the work of the Good Governance Group. Assurance provided by this Group is summarised in the regular 'Monitoring Report of the Council's Governance Arrangements'.

The key team risks are:

- inability to recruit or retain staff
- that external suppliers won't deliver contracted work within the required deadlines to the expected quality standards
- that it becomes increasingly difficult to:
 - engage staff in service departments with the audit process
 - obtain information in a timely way, or at all, so that a full review can be completed
 - discuss and agree opinions and action plans as the resources to implement them become more stretched.

Time has been built into the Audit Plan for managing external contractors.

Internal Audit maintains an audit risk assessment which is explained in the Strategy.

Recommendation: The Audit Committee approves the Charter, Strategy and Audit Plan for 2020/21.

The Audit Committee notes the progress made to date in delivering the 2020/21 Internal Audit Plan.

Background Papers

- UK Public Sector Internal Audit Standards 2015
- CIPFA Local Government Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2019
- CIPFA: Audit Committee Practical Guidance for Local Authorities and A Toolkit for Local Authority Audit Committees.

Appendices

Appendix 1: Internal Audit Charter

Appendix 2: Strategy:

- Appendix 2a: Internal Audit Plan 2020/21
- Appendix 2b: Audit assurance linked to the council's corporate risks
- Appendix 2c: How We Will Work With You Statement

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Internal Audit Charter

Subject to annual review by Head of Internal Audit

Reported to Audit Committee: October 2020

Appendix 1: Internal Audit Charter

Introduction

This Charter sets out the purpose, authority and responsibility of the council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards (the Standards) and the CIPFA Local Government Application Note.

The Charter will be reviewed annually and presented to the Audit Committee for approval.

Service Objective

The key objective for Internal Audit is to complete sufficient work in order to enable it to provide an independent and objective annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes, established to enable it to achieve its objectives.

This includes the Council's working arrangements with partners, contractors and third parties.

In doing this, Internal Audit aims to:

- deliver a high quality, cost effective service in line with best practice and professional standards
- work constructively with management to support new developments and major change programmes
- be pragmatic and proportionate with its recommendations, having regard not just to risk, but also the cost of controls
- be flexible and responsive to the needs of the organisation in all its work
- help promote an anti-fraud and corruption culture within the organisation.

Responsibilities

Internal Audit 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 effectiveness of risk management, control and governance processes*'¹.

In a local authority, internal audit:

- provides independent and objective assurance to the organisation, its Members and Executive Management Team regarding the design and operation of its governance, risk management and control processes
- assists the Strategic Director (Resources) in discharging her responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

It is a management responsibility to:

- establish and maintain appropriate governance arrangements and internal control systems

¹ Institute of Internal Auditors

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- ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

Statutory Role

Internal Audit is a statutory service in the context of the Local Audit and Accountability Act 2014 and its supporting Accounts and Audit Regulations 2015, which state in Part 2, Internal Control, Section 5, that:

“A relevant authority must 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.

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

- *make available such documents and records*
- *supply such information and explanation*

as are considered necessary by those conducting the internal audit.”

This is reinforced by the Internal Audit Standards (1000 Purpose, Authority and Responsibility) which require that Internal Audit be provided with *access to records, personnel and physical properties relevant to the performance of engagements.*

Internal Audit operates under the Chief Financial Officers statutory authority to visit any Council land or premises should this be required.

This statutory role is set out in the Council's Detailed Financial Regulations and Procedures.

Independence and Accountability

Internal Auditors must conform to the Standards, Code of Ethics as well as those relating to any professional body they are members of. The Code of Ethics includes two essential components:

- Principles that are relevant to the profession and practices of internal auditing
- Rules of Conduct that describe behaviour norms expected of internal auditors.

These are defined in more detail in the Strategy but cover Integrity, Objectivity, Confidentiality and Competency.

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations.

Internal auditors should have no operational responsibilities. Where the Head of Internal Audit is responsible for other services, arrangements are in place to ensure that any:

- internal audit work in these areas, is subject to appropriate independent review
- conflicts of interest are avoided.

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Internal Audit determines its priorities in consultation with 'Those Charged with Governance'. The Head of Internal Audit has direct access to and freedom to report in his own name and without fear or favour to all officers and Members, particularly 'Those Charged with Governance', the Chief Executive and Chair of the Audit Committee. This independence is further safeguarded by ensuring that the Head of Internal Audit's annual appraisal / performance review is not inappropriately influenced by those subject to audit. The Head of Internal Audit must confirm to the Audit Committee, at least annually, on the organisational independence of the service.

Internal Audit may also provide advisory and related client service activities, the nature and scope of which are agreed with the client. They are intended to add value and improve an organisation's governance, risk management and control processes, examples of which include counselling, advice, facilitation and training. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit.

Accountability for the response to the advice and recommendations of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

All Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

When co-ordinating activities internal audit may seek to rely on the work of other assurance and consulting service providers. A consistent approach is adopted for the basis of reliance and internal audit will consider the competence, objectivity and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work provided by other providers of assurance and consulting services. Where reliance is placed upon the work of others, internal audit remains responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Internal Audit Scope

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessments (including those set out within the Council's risk registers). Extensive consultation also takes place with key stakeholders.

The framework used for evaluating the Council's governance, risk management and control arrangements (as required by the Standards) is set out in the supporting Strategy.

If circumstances arise whereby assurances are to be provided to parties outside the Council, the nature of and approach to be adopted to providing them will be discussed with relevant senior management.

The Head of Internal Audit can consider accepting proposed consulting engagements (should resources allow), based on their potential to improve

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the management of risks, add value and improve the Council's operations. Accepted engagements must also be included in the Audit Plan.

Reporting Lines and Relationships

Responsibility for ensuring that statutory internal audit arrangements are in place has been delegated to the Strategic Director (Resources) who is a member of the Executive Management Team. These arrangements form a key element of the Council's corporate governance framework.

Therefore the Strategic Director (Resources) discharges the administrative responsibilities for managing the internal audit service, whilst it reports functionally to the Audit Committee. Details of the functional role of the Audit Committee in this respect are set out in its Terms of Reference (including its annual work programme).

In discharging this functional role, the Audit Committee receives reports that cover the results of internal audit activity and details of Internal Audit performance, including progress on delivering the Audit Plan.

In addition, Internal Audit provides an annual report and opinion to senior management and the Audit Committee on the adequacy and effectiveness of the Council's system of internal control including its governance, risk management and control arrangements.

The Head of Internal Audit also provides:

- quarterly performance reports on audit matters that the Strategic Director (Resources) presents to the Executive Management Team which includes the Head of Paid Service, Section 151 Officer and Monitoring Officer
- sits on the Council's Good Governance Group which includes the Deputy Section 151 Officer and Deputy Monitoring Officer and reports to the Executive Management Team.

Full details of how Internal Audit works with key officers and the Audit Committee are set out in the Strategy, (Appendix 2), and the How We Will Work With You Statement (Appendix 2c).

No information or reports concerning audit work undertaken on behalf of the Council will be released to anyone not working for the Council, without its permission.

Internal Audit Standards

There is a statutory requirement for Internal Audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are the 'UK Public Sector Internal Audit Standards' (the Standards) as defined by the Institute of Internal Auditors (IIA) in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA) which are based upon the International Professional Practices Framework (IPPF). These Standards have been adopted by the Council's Internal Audit Service.

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Therefore its Mission (as set out in the IPPF) is to *‘enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.’* In delivering this, the service commits to operating in accordance with the IPPF's core principles, which requires that it:

- 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.

With regard to the application of these Standards only, the Council's 'Audit Committee' undertakes the role of the 'Board' and 'Executive Management Team', undertakes the role of 'senior management'.

In accordance with the Standards, Internal Audit is subject to a quality assurance and improvement regime. This consists of an annual self-assessment of the service against the Standards, ongoing performance monitoring of individual reviews and an external assessment at least every five years by a suitably qualified, independent assessor. The results of all of this activity are reported to the Executive Management Team and the Audit Committee, along with details of any instances of non-conformance. Where non-conformance is considered significant, this will also be included within the Council's Annual Governance Statement.

The Accounts and Audit Regulations 2015 require local authorities to produce an Annual Governance Statement in accordance with proper practices. CIPFA's Delivering Good Governance guidance has been given 'proper practice' status by the Ministry of Housing, Communities and Local Government for this purpose. Therefore, the Head of Internal Audit aims to comply with the CIPFA Statement on **The Role of the Head of Internal Audit in Public Service Organisations 2019**, wherever possible, as required by the Delivering Good Governance guidance.

Internal Audit Resources

It is a requirement that Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and maintain their professional competence through an appropriate ongoing development programme.

The Head of Internal Audit is responsible for appointing the staff of the Internal Audit Service and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

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In addition to in-house audit staff, the Head of Internal Audit may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

The Head of Internal Audit is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report this to the Strategic Director (Resources) and, if the position is not resolved, to the Audit Committee.

The Internal Audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management, not Internal Audit. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption to occur.

The joint Counter Fraud & Investigation Directorate (the Directorate), a public authorities collaboration hosted by Thurrock Council will investigate allegations of fraud and corruption in line with the council's Anti-Fraud and Corruption Strategy.

The Internal Audit Service will work collaboratively with the Directorate where necessary to ensure system or process weaknesses identified during investigations are addressed.

The Head of Internal Audit must also be informed of all suspected or detected cases of fraud, corruption, bribery or impropriety in order to consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for the annual opinion on the control environment.



Internal Audit Strategy

Subject to annual review by Head of Internal Audit
Reported to the Audit Committee: October 2020

Appendix 2: Internal Audit Strategy

Introduction

The Internal Audit Charter sets out the service objective for Internal Audit, which is to provide an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes, designed to deliver its Priorities, Objectives and Targets.

This Strategy sets out how the service will be delivered and developed in accordance with the Charter and how it links to the delivery of the Council's Priorities, Objectives and Targets.

Code of Ethics

All internal auditors working on the audit of the Council will comply with the:

- Code of Ethics contained within the UK Public Sector Internal Audit Standards (the Standards) which define:
 - principles that are relevant to the profession and practice of internal auditing
 - rules of conduct that describe behaviour norms expected of internal auditors.
- ethical standards of any professional body they are members of
- Nolan Committee's *Seven Principles of Public Life*.

The four key principles they will adopt are as follows:

- The **integrity** of internal auditors establishes trust and this provides the basis for reliance on their judgement
- Internal auditors:
 - exhibit the highest level of professional **objectivity** in gathering, evaluating and communicating information about the activity or process being examined
 - make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
- Internal auditors respect the value and ownership of information they receive and do not disclose information (**confidentiality**) without appropriate authority unless there is a legal or professional obligation to do so
- Internal auditors apply the knowledge, skills and experience (**competency**) needed in the performance of internal auditing services.

Inappropriate disclosure of information or breaches of the Code of Ethics by internal auditors could be a disciplinary offence.

All staff working on the Council's audit will be required to sign an Ethical Governance Statement. In house staff will be required to declare any interests prior to starting an audit and to formally update their statement as part of their regular appraisal meetings.

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Basis for Annual Audit Opinion

In summary, the audit opinion will be based upon an assessment of:

- the design and operation of the key processes operated by the Council in order to manage its business (e.g. governance arrangements)
- the range of individual opinions arising from risk-based and other audit assignments delivered during the year (e.g. service activities and financial systems)
- an assessment of how robustly actions agreed are implemented and whether this is achieved in a timely manner
- the outcome of any other relevant work undertaken (whether internally or externally) where independent assurance is provided about the operation or performance of a service / system.

Audit Approach

The audit approach is designed to provide the Council with assurance that its governance, risk management and control processes are robust enough to ensure its Priorities, Objectives and Targets will be delivered.

It also takes into account, where applicable, the need for the Council to gain assurance that any partnership or other agreement to which it is party, is also operating successfully to achieve this end.

The framework used for evaluating the Council's risk management, control and governance processes (as required by the Standards) is set out below.

Governance

Over a suitable period, an assessment will be made of the adequacy of the governance processes in accomplishing the following objectives:

- promoting appropriate ethics and values within the Council
- ensuring effective organisational performance management and accountability
- communicating risk and control information to appropriate areas of the Council
- co-ordinating the activities of, and communicating information among the Audit Committee, external and internal auditors and management.

In doing this, Internal Audit will:

- evaluate the design, implementation and effectiveness of ethics-related objectives, programme and activities
- assess whether the information technology governance supports the delivery of the Council's Priorities, Objectives and Targets.

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Risk Management

In determining how effective risk management arrangements are, assessments will be made of whether:

- the Council's Priorities, Objectives and Targets support and align with its Vision
- significant risks are identified and assessed
- appropriate risk responses are selected that align risks with the Council's risk appetite
- relevant risk information is captured and communicated in a timely manner across the Council, enabling staff, management, Members and the Audit Committee to carry out their responsibilities.

This information will be gathered from many sources including audit assignments undertaken each year.

Risk exposures relating to governance, operations and information systems will also be evaluated regarding the:

- achievement of the Council's Priorities, Objectives and Targets
- reliability and integrity of financial and operational information
- effectiveness and efficiency of operations and programmes
- safeguarding of assets
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit will also evaluate the potential for the occurrence of fraud, corruption, bribery, theft or financial irregularities and how the Council manages these risks.

Control

An evaluation will be made of the adequacy, effectiveness and efficiency of controls in responding to risks within the Council's governance, operations and information systems (taking into account the same areas outlined in the bullet points in the risk exposures paragraph above).

Types of Assurance Provided

Audit assignments will apply one or a combination of approaches which include assessing:

- the adequacy of system design
- whether:
 - key controls within a system, process or service are operating effectively
 - outcomes from systems, processes or services are in line with expectations.

Internal Audit will make recommendations for improving any services, systems or processes audited with a view to promoting continuous improvement.

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Any knowledge gained from consultancy engagements will be incorporated into the evaluation of the Council's governance, risk management and control processes.

Limitations

Internal Audit will not:

- assume management responsibilities
- control the risks of the Council
- establish and maintain any systems of internal control
- determine operational policies or procedures
- necessarily detect fraud, corruption, bribery, theft or financial irregularities as part of its work as management is responsible for mitigating these risks.

Risk Assessment

A risk-based approach will be used to identify areas for review, which takes into account the risk maturity of the Council. The risk assessment will be based upon professional judgement but will be informed by:

- key corporate and service level documents (e.g. plans and risk registers)
- regular discussions with the Strategic Director (Resources)
- at least annual discussions with Heads of Services, the Head of Law and Deputy Monitoring Officer as well as service managers involved in higher risk activities
- the work of the Good Governance Group
- the audit risk assessment
- horizon scanning to establish potential new risks that may materialise during the year
- outcomes from other relevant, independent audits, inspections or work undertaken.

An audit risk assessment will be maintained which includes all service activities as well as key financial systems and business management processes. This helps identify activities that:

- are 'higher risk' because, for example, they are inherently complex, material or susceptible to fraud, but well controlled
- will not be audited unless a specific, one-off risk arises or their general risk profile increases.

It is more important for higher risk activities, that management obtain periodic, independent evidence that the controls remain appropriate and are consistently applied. A significant control failure in these areas could have a serious impact on the Council's ability to deliver its services and its overall Priorities, Objectives and Targets.

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In assessing the level of assurance required and therefore the priority attached to each Council service, account will be taken of:

- financial risk
- outward facing risks (including reputational risk)
- operational risks (including those relating to partnerships)
- legal and political risks
- people and property risks (including health & safety and safeguarding)
- inherent risk (including that of fraud).

The audit risk assessment will be discussed at least annually with the Strategic Director (Resources) and other key Heads of Service. An annual assessment will be made with the Strategic Director (Resources) as to whether any assurance is required regarding key financial systems to support the production of the Statement of Accounts.

Internal Audit will decide which action plans to revisit on a risk basis. Where it is determined that further work is required to ensure agreed actions have been properly implemented, this will involve re-testing to ensure:

- the agreed action has been properly implemented
- the strengthened control arrangements are firmly established in the day to day running of the service.

Assurance Framework

Before producing the Audit Plan, account will be taken of any evidence already available regarding the:

- operation of individual services (ie. from management or external)
- management of corporate, strategic and operational risks
- effectiveness of the Council's governance arrangements.

This evidence will be recorded as part of the audit risk assessment documentation. As part of planning the audit, the value of this evidence will be evaluated by assessing:

- what risks and controls such assurance covers
- at what stage in the process it takes effect (see Three Lines of Defence model outlined below) and therefore how quickly it would mitigate the risk
- how reliable it is, which is likely to include some re-performance work to confirm the validity of the findings before it is relied upon for audit purposes.

Appendix 2: Internal Audit Strategy

Coordinating the Three Lines of Defence

First Line of Defence	Second Line of Defence	Third Line of Defence
Risk Owners / Managers	Risk Control and Compliance	Risk Assurance
Operational management	Corporate management type functions	Internal Audit
Delivers the service	Limited independence	Greater independence
Reports through the normal line management structure	Reports primarily to management	Reports to the Audit Committee

Audit Plan

A programme of audits will be agreed with senior management based on the assessment of risk outlined above. The Audit Plan will:

- mainly focus on:
 - risk based reviews that assess how well core services are being delivered
 - revisiting previous audits to ensure that agreed action plans have been properly implemented, so the controls are fully embedded in the day to day operations of the service or process.
- include time for:
 - some work on:
 - the Council's arrangements for managing its business
 - key financial systems and grant claims
 - providing advice and support
 - audit planning, managing audit plan delivery which includes managing contractors and reporting.

Therefore the Audit Plan, attached at **Appendix 2a**, reflects the results of the risk assessment and the information gathered about the Council's assurance framework. It shows how the work will provide evidence that risks relating to the delivery of the Council's Priorities, Objectives and Targets are being managed effectively. **Appendix 2b** maps audit work against the Council's corporate risks.

There is no contingency budget within the Audit Plan. Therefore, any risks that arise during the year will be considered against the risk profile of the work already planned before:

- a review is deleted and replaced by a new audit
- additional audit resource is purchased by the Council.

Consultancy engagements, if accepted in year, will also be added to and included in the Audit Plan.

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Changes to the Audit Plan will be reported to the Executive Management Team and the Audit Committee for approval.

Fraud and corruption risks will be considered when determining the focus of each relevant audit. Any investigations into fraud, corruption, bribery, theft or financial irregularities that arise will be undertaken by the Counter Fraud and Investigation Directorate (the Directorate) under the terms of their Collaborative Working Agreement with the Council. The Internal Audit team will continue to work closely with the Directorate to ensure an effective and integrated service is provided.

Resources

Southend-on-Sea Borough Council and Castle Point Borough Council have signed an Internal Audit Collaborative Working Agreement to use their combined internal audit resources to provide a service to both Councils. The core team is then supplemented as required, by resources obtained via framework contracts with external suppliers. This service is managed by a jointly appointed Head of Internal Audit.

The strategy will be to continue with this mixed economy approach to resourcing the service as long as costs remain competitive, productivity is high and quality standards are met, as measured by delivery of the agreed performance indicators.

Work will be allocated to staff with the appropriate skills, experience and competence to complete it. Where the Head of Internal Audit is responsible for an area being audited, arrangements will be made for the work to be supervised and reviewed by an appropriately qualified person from outside the service.

Up to date job profiles will be maintained reflecting modern professional requirements.

Staff will not be allowed to audit the same area for more than three consecutive years thus preventing over-familiarity and complacency that could influence objectivity.

Training and Development

Staff development needs will be continually assessed and fed into the service's training plan to ensure that appropriate skills are available to deliver the Strategy. Consideration will also be given to the need for staff to meet mandatory continued professional development requirements.

Staff will maintain individual training logs that satisfy relevant professional standards. These will be reviewed by line managers at least every six months as part of the corporate performance appraisal process.

Opportunities to purchase tailored training with other organisations will continue to be explored.

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Service Performance Indicators

The performance indicators being proposed cover economy, efficiency and effectiveness; and consist of:

- delivering 100% of the Audit Plan by the July Audit Committee
- operating in the manner set out in the Standards at team and individual audit level as evidenced by:
 - the annual internal review completed by the Head of Internal Audit
 - five yearly independent, external performance assessments.
- completing a representative sample of stakeholder surveys that assess compliance with elements of the Standards:
 - reporting the results regularly to the Audit Committee, with actions to be taken to improve performance, where required
 - reflecting the results in the annual performance assessment reported upon in the Head of Internal Audit Annual Report.
- discharging the duties set out in the CIPFA Statement on the Head of Internal Audit role
- assessing the competitiveness of cost, when reviewing the Collaborative Working Agreement.

When the service is more fully resourced and settled, the target of issuing draft reports to the Council within 15 days of the final meeting to discuss the findings from the fieldwork will be re-introduced.

Performance against relevant targets set will be reported to the Executive Management Team and the Audit Committee each quarter.

Service Risk Register

Internal Audit will maintain a service risk register that supports the delivery of this Strategy. This will be reviewed and reported upon periodically in the quarterly performance reports to management.

Delivering Audit Assignments

An audit manual will be maintained that guides staff in the performance of their duties. It will be reviewed regularly to reflect changes in working practices and standards. This will ensure that auditors obtain and record sufficient evidence to support their conclusions, professional judgements and recommendations.

The standard of files will be such that an experienced auditor, with no previous connection with the audit, will be able to ascertain what work was performed, re-perform it if necessary and support the conclusions reached.

The service will adhere to a clear desk policy.

Audit files will be retained in accordance with the Council's file retention and disposal policy and comply with the General Data Protection Regulation requirements

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Generally audit files and records are confidential. They will only be shared with the service being audited and external audit. If wider distribution is required, permission must first be obtained from the Head of Internal Audit.

How We Will Work With You

Appendix 2c sets out how the service will work with key officers, management and Members within the Council, which includes details of who will receive key documents and reports.

Internal Audit will liaise with senior management regarding the timing of individual assignments wherever possible.

Terms of Reference and Draft Reports will be discussed and agreed to be factually accurate with Group Managers before being finalised with the Strategic Director or Head of Service.

Distribution lists are contained on the front of each report and are agreed with senior management.

Internal Audit reports contain a disclosure stating they should not be shared with anyone else without the permission of the Head of Internal Audit.

Audit reports will generally be designed to:

- give an opinion on the risk and controls in the area under review
- set out the issues arising, detail the action management is going to take to address them, identify who is accountable for each action and note appropriate delivery dates.

Those weaknesses giving rise to significant risks for which the proposed management action is not agreed will be brought to the attention of senior management and if necessary the Audit Committee.

The Head of Internal Audit Annual Report will include:

- an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes
- a summary of work completed
- a statement of conformance with the Standards and the results of the Quality Assurance and Improvement Programme
- a comparison of actual work completed compared to what was planned as well as performance against its targets
- issues relevant to the preparation of the Annual Governance Statement
- progress in dealing with issues arising from any external performance assessment.

Appendix 2: Internal Audit Strategy

Audit Committee

To support the work of the Audit Committee, Internal Audit will:

- contribute to the development of agendas and attend meetings
- facilitate the Committee's review of its own remit and effectiveness, if required
- help identify any training needs and work with others to ensure that these are met.

External Audit

Internal Audit will maintain an appropriate working relationship with the Council's external auditors, sharing documentation and reports as required to support the audit of the Statement of Accounts.

Partners

Internal Audit will continue to explore opportunities to work effectively with internal audit services of partner organisations where this is beneficial. It will continue to look to make better use of joint audit resources as well as provide opportunities to share learning and good practice.

Quality Assurance and Improvement Programme

The service will maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. The internal assessment will reflect feedback obtained from:

- ongoing supervision and review of individual assignments
- stakeholder surveys
- regular monitoring of service delivery via agreed performance targets
- an annual self assessment of compliance with the Standards
- a periodic assessment of compliance with the CIPFA statement on the Role of the Head of Internal Audit in Local Government.

Opportunities for peer reviews or independent challenge of the self assessment will continue to be proactively explored.

The combined Internal Audit Service is required to have an external assessment of its compliance with the Standards, at least every five years by a qualified, independent assessor from outside the service. This was last undertaken by the Institute of Internal Auditors in October 2017.

When this assessment is due, the Head of Internal Audit will discuss and agree with the Council's senior management and Audit Committee the:

- form of external assessment
- qualifications and independence of the external assessor including any potential conflict of interest
- person who will act as the internal sponsor for this process.

Appendix 2: Internal Audit Strategy

The results of the quality assurance programme will be reported upon in the Head of Internal Audit's Annual Report and progress made against any improvement plans will be reported to the Executive Management Team and the Audit Committee.

Appendices

- Appendix 2a: Internal Audit Plan 2020/2021
- Appendix 2b: Audit assurance linked to the Council's corporate risks
- Appendix 2c: How We Will Work With You Statement

Appendix 2a: Internal Audit Plan 2020/21

Dept.	Service Activity	Fraud risk	Focus of the Audit
Managing the Business			
All Aims			
C&D	Letting of the ICT Contract	Yes	To provide timely independent assurance that the re-procurement of the ICT contract is being effectively managed to ensure the procurement process complies with, where relevant, regulations / policies / procedures and is administered fairly, in order to identify the most economically advantageous and effective solution. Feedback provided during process. Draft report being produced
C&D	Implementation of the ICT Contract	No	To assess the adequacy of arrangements in place to ensure the handover to and implementation of a new ICT contractor ensures continuity of service and minimal disruption to the Council. Planned for Q3-Q4
Res	Financial Sustainability Following Covid-19	Yes	To assess the adequacy of arrangements around budget monitoring for 2020/21, financial assumptions and forecasts used to inform the budget setting for 2021/22 and ensure the Council is prepared for any potential financial impact as a result of Covid-19. Planned for Q3-Q4
Managing Service Delivery Risks			
Aim: Environment			
Env	Health and Safety	No	To assess the robustness of the arrangements in place to ensure health and safety risks within the workplace are effectively and efficiently identified, assessed, responded to, and reported against, in line with legislation. Planned for Q4

Appendix 2a: Internal Audit Plan 2020/21

Dept.	Service Activity	Fraud risk	Focus of the Audit
Aim: Housing and Regeneration			
H	Housing Management System Project Management	No	To assess whether appropriately robust project processes have been established to ensure the new Housing Management System is fully operational within the intended timeframes as well as achieving the expected benefits. Work in progress
H	Preparedness for Replacement Responsive Repairs Contractor	Yes	To assess the adequacy of arrangements in place to manage a change in contractor, in order to ensure a seamless service to tenants. Planned for Q3
Env	Private Sector Housing (2019/20)	Yes	To assess the effectiveness of the Environmental Health service's arrangements for the safeguarding and wellbeing of private sector housing and residential caravan tenants, and that these arrangements fulfil the Council's legal obligations. Work in progress. Put on hold due to Covid-19 and the Environmental Health Team's work in response to the pandemic
Aim: Health and Community Safety			
All	Partnerships	Yes	To assess the effectiveness of arrangements to ensure strategic partnerships the Council is party to are effective in enabling more joint working and support the delivery of the Council's corporate aims and objectives. Planned for Q3
SD, MO	Safeguarding (2019/20)	No	To assess whether the Council has robust arrangements in place to discharge its statutory responsibilities with regard to safeguarding and promoting the welfare of adults and children in accordance with the statutory requirements. Planned for Q4, terms of reference with the service

Appendix 2a: Internal Audit Plan 2020/21

Dept.	Service Activity	Fraud risk	Focus of the Audit
Aim: All Aims			
C&D	Development of the CRM Specification	Yes	To assess the adequacy of arrangements to determine and develop the specification for the new CRM system, ensuring its ability to deliver efficiencies through technology while maintaining excellent customer services. Work in progress
Key Financial Systems: All Aims			
Res	Income Receipting and Banking	Yes	To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts. Work in progress
Res	General Ledger	Yes	
Implementing Action Plans			
All	Accounts receivable	Yes	To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service. Work in progress
All	Accounts payable		
Grant Claims			
Env	Disabled facilities capital grant determination	Yes	To confirm the monies have been spent in accordance with the terms of the grant. Work in progress
P&P	Interreg Go Trade grant	Yes	To confirm the monies have been spent in accordance with the terms of the grant. Claim 6 completed in September 2020 Claim 7 planned for Q4

Appendix 2a: Internal Audit Plan 2020/21

Dept.	Service Activity	Fraud risk	Focus of the Audit
Advice and Support Work			
Aim: A Commercial and Democratically Accountable Council			
Res	Knightswick Centre	Yes	To provide advice, support and challenge over the contract management arrangements being developed to ensure the Knightswick Centre is well managed and remains financially viable. Planning in progress
P&P	Development Control Peer Review	Yes	To provide advice, support and challenge over the arrangements in place to address the recommendations of the April 2019 Peer Review. Planned for Q3-Q4
All	Project and Programme Management	Yes	To assess the design and application of the Council's Project and Programme Management Framework and provide advice and support on the development and implementation of a revised framework that can be used to manage and deliver plans, strategies and projects within the Council and borough. Work in progress
Managing Delivery of the Audit Plan			
	Audit Planning and Resourcing		
	Managing Audit Plan Delivery		
	Reporting to Executive Management Team and Audit Committee		

Appendix 2a: Internal Audit Plan 2020/21

Audit Activities	Resource allocation
Managing the Business	16%
Managing Service Delivery Risks	37%
Key Financial Systems	13%
Grant Claims	6%
Advice and Support	17%
Managing Delivery of the Audit Plan	10%
Total	100%
Total Council Audit Plan Days	223

The days required to revisit and retest action plans from previous reports are included under each heading.

Analysis Over Departments		
Env	Environment	10%
H	Housing	15%
P&P	Place and Policy	7%
C&D	Customer and Digital	20%
Res	Resources	21%
SD, MO	Strategic Director, Monitoring Officer	0%
All	Cross cutting	17%
All	Managing Delivery of the Audit Plan	10%
	Total	100%

Appendix 2a: Internal Audit Plan 2020/21

Risk Watch List	
H	Housing Strategy
SD, MO	Estate Management
Env	The Paddocks
C&D	ICT Steering Group
All	Performance Management
H	Compliance with Construction, Design and Management Regulations
H	Sheltered Housing
Env	Food Premises Inspections
All	Council Commercialisation
H	Housing Allocations
H	Sustainability of the Housing Revenue Account
P&P	Regeneration Partnership
H	Management of Void Properties
H	Implementation of Health and Safety Legislation Post Grenfell
C&D	Universal Credit
Res	Procurement Hub
P&P	Building a Safer Future
All	Data Strategy
All	Governance Arrangement for Grant and State Aid Funding
Res	Workforce Management
P&P	Building Control

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit or the risk profile change.

Appendix 2b: Audit assurance linked to the Council's corporate risks

	Council Priority	Corporate Risks	Audit work providing assurance in 2020/21
1	Health and Community Safety	Partnership Arrangements could result in a focus on work that does not always support Council Priorities.	An audit has been planned on Partnerships.
2	Health and Community Safety	Approach to Safeguarding not fully effective and embedded in the organisation with lack of clarity on responsibilities.	An audit originally included in the 2019/20 audit plan is continuing into 2020/21, focusing on safeguarding arrangements for adults and children.
3	Health and Community Safety	Risk of large numbers of households currently residing in caravans designed for leisure purposes being required to leave caravans and become homeless households requiring support from the Council with limited resources to provide.	Some coverage of this risk has been considered in the Private Sector Housing audit during 2019/20, continuing into 2020/21.
4	Housing and Regeneration	The vision for Regeneration is not fully clear and the achievement of outcomes is limited.	Learning from the advice and support piece of work on Project and Programme Management will be transferable to regeneration projects. There are also a number of audits on the Risk Watch List, including the Paddocks and the Regeneration Partnership.

Appendix 2b: Audit assurance linked to the Council's corporate risks

	Council Priority	Corporate Risks	Audit work providing assurance in 2020/21
5	Housing and Regeneration	The Local Plan is not progressed satisfactorily and / or is not robust resulting in central government intervention and high legal costs.	There is an advice and support piece of work focusing on the development of Project and Programme Management arrangements, which will support the management of the Local Plan project.
6	Housing and Regeneration	Income streams from Knightswick do not meet expectations and / or other unforeseen operational issues / costs result in the centre not being self-funding, with consequential impact on the General Fund.	Some advice and support work is planned to support development of the arrangements in place to oversee the management of the Knightswick Centre.
7	A Commercial and Democratically Accountable Council	Unable to deliver a balanced budget and achieve financial self-sufficiency.	A number of audits are planned around the Council's key financial systems. A further audit is planned on the Council's financial sustainability as a result of the Covid-19 pandemic. We will also continue to discuss the financial position and financial plans at regular meetings with the Strategic Director (Resources).
8	A Commercial and Democratically Accountable Council	Potential for too many priorities and inadequate staff capacity to pursue all priorities / insufficient corporate resources to implement change.	An audit on workforce development, which will consider the whether the Council has an effective workforce to deliver the corporate objectives, is included on the Audit Risk Watch List.
9	A Commercial and Democratically Accountable Council	A long-term Housing Revenue Account business plan which is unsustainable in future years.	Sustainability of the HRA is included on the Audit Risk Watch List, and we will continue to discuss the financial position and financial plans at regular meetings with the Strategic Director (Resources).

Appendix 2b: Audit assurance linked to the Council's corporate risks

	Council Priority	Corporate Risks	Audit work providing assurance in 2020/21
10	A Commercial and Democratically Accountable Council	Adequate Business Continuity (BC) arrangements in place that mitigate severe disruption to Council services.	An audit was completed in 2019/20 focusing on the Council's Business Continuity arrangements.
11	A Commercial and Democratically Accountable Council	Unable to fully implement the requirements of the General Data Protection Act Regulations (GDPR) 2016.	A follow up audit covering whether the Council has an appropriate programme of work to ensure compliance with GDPR, was completed in 2019/20 and found to be satisfactory.
12	A Commercial and Democratically Accountable Council	Successful cyber security attack resulting in disruption to service, theft or loss of data / information, financial and reputational damage.	No specific audit work has been planned, but cyber security will be a consideration in the works covering the letting and implementation of the new ICT contract.
13	A Commercial and Democratically Accountable Council	Risk of Implementation of Universal Credit (UC) and wider digital requirements by Department of Work and Pensions (DWP) impacting service delivery and effectiveness	No audit work has been planned but restructuring of services following the introduction of Universal Credit is on the Audit Risk Watch List.

Appendix 2b: Audit assurance linked to the Council's corporate risks

	Council Priority	Corporate Risks	Audit work providing assurance in 2020/21
14	A Commercial and Democratically Accountable Council	Risk that contract re-tenders / renewals / extensions or other procurements or a lack of robust contract management may result in higher costs placing greater strain on the Council's financial position.	<p>Audits have been planned on:</p> <ul style="list-style-type: none"> • the development of the CRM specification • letting and preparedness for implementation of the ICT contract • preparedness for replacing the housing responsive repairs contractor. <p>Advice and support work is planned around the development of the arrangements being put in place to manage the Knightswick Centre.</p>

Internal Audit	Relevant Service Managers	Relevant Heads of Service	Strategic Director (Resources) (s151 Officer) (see note 2 below)	Executive Management Team (see note 1 below)	Audit Committee
Charter and Strategy			Receive annually March	Receive annually March	Approve annually April
Audit Plan	Discuss risk assessment as part of planning process	Discuss risk assessment as part of planning process	Discuss risk assessment as part of planning process Update quarterly	Receive annually March Update quarterly	Approve annually April Update quarterly
Terms of Reference for audits *	Discuss drafts and finalise with	Finalise with	Copy final		
Detailed audit work *	Discuss findings on an on-going basis	Brief if issues of concern arise during the review	Brief if issues of concern arise during the review		
Individual audit reports *	Discuss drafts and finalise with	Finalise with	Copy final	Copy final to Chief Executive (Head of Paid Service)	
IA Performance Report (inc. follow up)			Receive quarterly	Receive quarterly	Receive quarterly
Annual report			Receive May	Receive May	Approve July

** This approach applies whether it is an original audit or whether we are revisiting an audit report to ensure agreed actions have been implemented and are embedded into the day to day operations of the service.*

Note 1 This group includes the Council's Head of Paid Service, Monitoring Officer and Strategic Director (Resources) (s151 Officer)
Note 2 All reports to Executive Management Team and the Audit Committee are reviewed by the Strategic Director (Resources) (s151 Officer)