

# Public Document Pack

**AUDIT AND STANDARDS COMMITTEE held at COUNCIL CHAMBER - COUNCIL OFFICES, LONDON ROAD, SAFFRON WALDEN, CB11 4ER, on TUESDAY, 27 JUNE 2023 at 7.00 pm**

Present: Councillor E Oliver (Chair)  
Councillors H Asker, S Barker, G Driscoll, C Fiddy, M Foley, N Gregory and S Luck

Independent  
Persons: G Butcher-Doulton and C Wellingbrook-Doswell

Officers in  
attendance: N Coombe (Interim Legal Services Manager and Deputy Monitoring Officer), P Holt (Chief Executive), A Knight (Assistant Director - Business and Change Management) and C Shanley-Grozavu (Democratic Services Officer)

## AS1 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors McBirnie and Silcock, and David Pearl (Independent Person).

There were no declarations of interest.

## AS2 **MINUTES OF THE PREVIOUS MEETING**

The following minutes were approved:

- 21st September 2022 (Standards Committee)
- 15th March 2023 (Governance, Audit and Performance Committee)
- 13th April 2023 (Standards Panel)

Councillor Gregory raised concerns that the minutes of the Standards Panel did not include the discussions around the failure of governance at Uttlesford District Council (UDC).

In response to member questions, the Chief Executive confirmed that a follow-up report on the Code of Conduct and the adoption of the new Model Code, would be brought to the September Committee meeting.

In addition, a report on the Internal Audit into Code of Conduct complaints would also be taken to the next meeting. This review had been undertaken by the Council's Internal Audit team and looked at the processes with dealing with a Code of Conduct complaint, rather than the operations. The Audit had already concluded, and the new learning was being implemented.

AS3

### **PROTOCOL FOR SELECTION OF PANEL MEMBERSHIP**

The Chief Executive presented the report on the draft protocol for selecting Panel membership. He explained that the protocol drew from the law and wider models of good practice and sought to formalise a process which had previously been conducted by Officers using loose customs. The protocol aimed to mirror broader representation of the Council, through allowing the Leader of the Council and Opposition to nominate their members but to also give them the gift to reallocate their places to other political groups.

Members thanked the Chief Executive for his work developing the protocol.

Councillor Gregory said that he had faith that both Leaders of the Council and Opposition would conduct their duties properly.

RESOLVED: to recommend to full Council that it adopts the protocol for appointing members to panels.

AS4

### **INTERNAL AUDIT ANNUAL REPORT 2022-23**

The Chair introduced the report which summarised the work that Internal Audit had undertaken during the financial year 2022/23. He explained that the overall opinion was Limited Assurance with a number of significant control weaknesses.

The Deputy Monitoring Officer highlighted a number of errors within the Annual Report and confirmed that these would be amended and republished with the meeting minutes.

It was brought to the Committee's attention that there were also a number of missing audits from the report which the Deputy Monitoring Officer was investigating. This ultimately created a mismatch as to what was being carried forward in the Audit Plan for the following year.

Members discussed the report findings and raised concerns about the lack of resources and the impact it had on the Internal Audit function, particularly the number of deferrals. Officers clarified that there currently was not an Internal Audit Manager in post, however they were in the process of recruiting. In the meantime, an Interim Manager would not be recruited due to the costs and time required to bring them up to speed.

It was noted that Auditors were hard to recruit, due to a national shortage, and solutions were being explored to address the Council's resource issue both in the long and short-term. This included discussions with other neighbouring districts about a shared service and training up officers internally.

In response to member questions on the role of Audit in the Council's investments, officers clarified that the stability of the Council's borrowing and spending was monitored by Accounts, rather than the Audit Function and reported to both Cabinet and Scrutiny Committee. The Investment Board were also responsible for considering the overall Investment Strategy.

The report was noted.

*The Independent Persons left at 19:39*

#### AS5 **ANNUAL GOVERNANCE STATEMENT 2022-23**

The Chair introduced the report on the Annual Governance Statement 2022-23 and explained that there was an obligation for the Local Code and Draft Annual Governance Statement to be published with the Statement of Accounts for auditing by the External Auditor.

The Deputy Monitoring Officer highlighted errors made within the report and confirmed that these would be amended after the meeting and republished with the minutes.

Councillor Driscoll requested an update be circulated with members on Uttlesford Norse Services. Officers confirmed that a report was going to Cabinet that week with such information.

RESOLVED: to approve the Local Code of Corporate Governance 2023 and the Draft Annual Governance Statement 2022/23 for publication with the Statement of Accounts.

#### AS6 **INTERNAL AUDIT ANNUAL PLAN 2023-24**

The Chair introduced the report on the proposed Internal Audit Plan for 2023/24.

Councillor Fiddy asked when the audits for three deferred areas (Governance, Climate Change and Local Plan) would be conducted. She requested that the wider Climate Change audit be prioritised over the scheduled Air Quality Grant audit, given the latter was already reporting to the Department of Environment, Food and Rural Affairs. Officers confirmed that all three audits would be added into the 2023-24 Annual Plan.

Councillor Dean raised concerns on the merger of the now former Standards Committee with the Governance, Audit and Performance Committee. The Chief Executive clarified that it was in the gift of Full Council to agree the merger, and this had been done at May's Annual Council.

RESOLVED: to approve the Internal Audit Plan 2023/24, subject to the findings of the three missing reports.

*Meeting ended 19:54*

## Internal Audit Annual Report 2022-23

### 1. Introduction

#### 1.1. Purpose of this report

- 1.1.1. This report summarises the work that Internal Audit has undertaken during the financial year 2022/23 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

#### 1.2. The Role of Internal Audit

- 1.2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of UDC's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the GAP Committee, Chief Executive, Section 151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations. The Council's response to Internal Audit activity should lead to the strengthening of the control environment.
- 1.2.2. Each year, we seek to adapt and enhance our audit approach in order to take in to account the Council's risk profile and changes in the system of internal control. This ensures that our work remains focused on the areas of high risk and seeks to avoid duplication of effort, where there are other sources of assurance in operation, for example, External Audit.
- 1.2.3. Internal Audit remains free from all conditions that threaten the ability of the Council's Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. This has not arisen for 2022/23. The Council's Internal Auditors also maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors have had no direct operational responsibility or authority over any of the activities audited.
- 1.2.4. Our Internal Audit Charter will be presented to Senior Management and GAP Committee in June 2023 and will continue to be updated and appended to the annual Internal Audit Plan each year.

#### 1.3. Overview of the Internal Audit Approach

- 1.3.1. The Public Sector Internal Audit Standards (PSIAS) require that the Audit Manager provides an annual audit opinion and a report that can be used by the organisation to inform its governance statement in respect of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control.
- 1.3.2. This is achieved through a risk-based plan of work, agreed with management and approved by the GAP Committee, which should provide a reasonable level of

assurance, subject to the inherent limitations set out in Appendix A. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

1.3.3. Internal audit work was performed in accordance with the Council's Internal Audit methodology which is in conformance with the PSIAS.

1.3.4. The audit plan for 2022/23 was approved by GAP Committee in February 2022. The Internal Audit Team was made up of the following resources during 2022/23:

- 0.5 FTE Audit Manager (seconded 18 hours a week from Chelmsford City Council to deliver Internal Audit services to UDC).
- 1.6 FTE Auditor

## 2. Internal Audit Opinion

2.1. Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the organisation is reasonable assurance there are no major weaknesses in the Council's risk management, control and governance processes.

2.2. In assessing the level of assurance to be given, the following has been considered:

- All audits undertaken in the year
- Any follow up action taken in respects of audits from previous periods
- The effects of any significant changes in the Council's systems or objectives
- Any limitations which may have been placed on the scope of internal audit
- The extent to which resource constraints may impact on the Audit Manager's ability to meet the full needs of the organisation.
- The results of work performed by other assurance providers, such as External Audit.

### OVERALL OPINION

**Limited Assurance** – a number of significant control weaknesses, have been identified in individual assignments during 2022/23, which may put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. Please see our Summary of Findings in Section 4.

Internal Audit reached this conclusion because the medium and high risk rated weaknesses identified in individual assignments are considered to be significant in aggregate to the system of internal control, but discrete parts of the system of internal control remain unaffected. The critical rated weakness identified is also not considered to be pervasive to the system of internal control.

This opinion has been derived from consideration of the detail below.

An explanation of the types of opinion that may be given can be found in Appendix A.

## 3. Other Sources of Assurance

### 3.1. **Risk Management Framework**

- 3.1.1. The Council utilises risk management as part of a package of performance management related measures to enable it to deliver its corporate priorities. By identifying and assessing risks and making informed decisions on the extent to which these risks need to be mitigated, the Council can ensure it is effectively tackling threats and maximising opportunities.
- 3.1.2. The Council's Corporate Risk Register should comprise the most significant risks for the Council in delivering its corporate objectives and services as set out in the Corporate Plan and Corporate Plan Delivery Plan and/or the risks that have the potential to disrupt or stop altogether the council's work. The Council's identified risks are managed within the corporate performance management system, Pentana. The Council's risk information and corporate/service plans are considered as part of Internal Audit work, in order to ensure that the Internal Audit programme is focussed on the Council's highest risks/key priorities.
- 3.1.3. Internal Audit will undertake an independent assessment of the Council's approach to Corporate Risk Management in 2023/24, to identify any organisational improvement opportunities to ensure that the Council's risk management approach is proportionate and robust.

### 3.2. **Internal Audit View on the Risk of Fraud**

- 3.2.1. The Council's approach to Counter Fraud was refreshed in 2021/22 to ensure it is in line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally.
- 3.2.2. The 2022 Counter Fraud Strategy encompasses key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption.
- 3.2.3. Supplementing the Strategy is an action plan which sets out how Counter Fraud Strategy will be delivered over the next year to March 2024, and by whom. A key part of this governance and delivery will be the Council's Counter Fraud Working Group who will provide operational oversight of the Council's counter-fraud activities across all areas of the Council, including those specifically recognised as high-risk areas i.e., Revenues, Benefits, Internal Audit, HR, Cyber Security/Information Governance, Democratic Services, Finance, Procurement, Housing, Insurance and Risk.

## 4. Summary of Findings

### 4.1. Key themes identified in 2022/23

The Internal Audit Opinion considers the number of limited assurance reports/high priority findings and their overall impact on the control environment. A summary of the key issues arising from these reports is presented below:

Report Title	Assurance Rating	Critical	High	Medium	Low	Key Issues Arising
Uttlesford Norse (UNSL) Governance Arrangements						<p>In the original report, one critical, three high and four medium priority issues were identified. An Implementation Status Report was presented to GAP in August 2022, highlighted that of the 26 recommendations, 2 had been implemented (which related to high priority Communication recommendations), 21 were work in progress, 2 are outstanding, and 1 is no longer applicable, meaning that all 9 areas of risk originally identified, including the critical finding relating to Health and Safety, and the three high priority findings relating to Safeguarding, Roles and Responsibilities, and Communication had only been partially addressed at the point of the review and it was not possible for Internal Audit to provide independent assurance that the control environment had significantly improved and it therefore remained indicative of a 'no assurance' opinion.</p> <p>Given the significant work that has taken place since the original review it has been agreed that a new audit on this area will be undertaken in 2023.</p>
Safeguarding	Limited	0	3	2	0	<p>In the previous report, three high and two medium priority issues were identified. Based on the evidence presented, our follow up review highlighted that one high priority and one medium priority recommendation have been implemented.</p> <p>While the remaining two high priority recommendation relating to Risk Management and social media and Photography/Filming, and one medium priority, have been partially implemented, the outstanding requirements are considered to be minor. The findings from the original audit were indicative of a 'limited' assurance opinion. While a full audit would need to be undertaken to revise the assurance rating, the high rate of implementation of recommendations and positive</p>

Report Title	Assurance Rating	Critical	High	Medium	Low	Key Issues Arising
						action taken by management in response to the original report, suggests that the control environment (in relation to the specific areas covered by the follow up), has improved and is now indicative of 'moderate' assurance.
Planning Investigations	Limited	0	3	2	0	<p>In the previous report, three high and two medium priority issues were identified. Based on the evidence presented, our follow up review highlighted that all high priority and one medium priority recommendation have been implemented. The remaining outstanding action is awaiting the roll out of wider Bribery Act corporate training.</p> <p>The findings from the original audit were indicative of a 'limited' assurance opinion. While a full audit would need to be undertaken to revise the assurance rating, the high rate of implementation of recommendations and positive action taken by management in response to the original report, suggests that the control environment (in relation to the specific areas covered by the follow up), has improved and is now indicative of 'moderate' assurance.</p>
<i>CCTV and RIPA</i>	Limited*	0	4	6	0	Four high priority findings were identified relating to the Council's governance and management arrangements for CCTV, which may result in the Council failing to meet its legal and ethical obligations in respect of Data Protection legislation and CCTV Code of Practice. A further six medium issues were identified. Follow up Audit is planned for 2023/24.



## 4.2. Grants Sign Off

4.2.1. During 2022/23, Internal Audit were required to carry out a sign off exercise and review to ensure that the conditions attached to the following Government grants were complied with. No issues were noted.

- **Biodiversity net gain Grant - Defra**

## 4.3. Management's Response to Implementing Audit Recommendations

4.3.1. A key measure of success and a strong internal control environment is timely implementation of recommendations. All planned audit work undertaken which is subject to limited assurance will have a formal follow up to ensure that all agreed actions have been implemented.

## 4.4. Due to timing of implementation dates the following previous year (2022/23) reviews will be followed up in 2023/24:

Original Audit Title	Original Assurance Rating
UNSL Governance Arrangements	Management Letter (1 critical, 3 high priority findings) (see above)
CCTV/RIPA	Limited

## 4.5. Summary of remaining reviews

Report	Key Issues
Leasehold Service Charges	In the previous report, two medium priority issues were identified. Based on the evidence presented, our follow up review highlighted that both recommendations have been implemented.
Conflicts of Interest	In the previous report, one high and five medium priority issues were identified. Based on the evidence presented, our follow up review highlighted that two medium recommendations have

Report	Key Issues
	been implemented. However, the high priority has not been implemented and the remaining medium priority recommendations are outstanding.
Information Governance	In the previous report, one high and five medium priority issues were identified. Based on the evidence presented, our follow up review highlighted that one medium recommendation has been implemented. The high priority relating to Risk Management and remaining four medium priority recommendations have been partially implemented. A follow up Audit concluded a Moderate assurance level due to the number of medium priorities still be implemented. The revised target date for completion for all outstanding recommendations is 31 <sup>st</sup> March 2023
Domestic Waste & Recycling	In the previous report, one high and seven medium priority issues were identified. Based on the evidence presented, our follow up review highlighted that the high priority in respect of Data Protection and six medium recommendations were partially implemented. One medium recommendation has not yet been implemented. The follow up concluded Moderate assurance level as the majority of recommendations have only been partially implemented. The revised target date for completion for all outstanding recommendations is 31 <sup>st</sup> March 2023.
Business Continuity & Emergency Planning	In the previous report, four medium priority issues were identified. Based on the evidence presented, our follow up review highlighted that three have been implemented. The remaining outstanding medium priority recommendation has been partially implemented, awaiting Comms team input.
Section 106	In the previous report, two high level and one medium issue was identified. Based on the evidence presented, the follow up review highlighted that the two high level recommendation have been implemented, the remaining one medium priority is only partially implemented. The follow up concluded that the assurance level be reduced to Moderate. The revised target date for completion for all outstanding recommendations is June 2023.
Economic Development	In the previous report, one low priority issue was identified. Based on the evidence presented, our follow up review highlighted that the recommendations have all been implemented.
Housing Allocations	In the previous report, six medium priority issues were identified. Based on the evidence at the follow up all recommendations have been implemented.

Report	Key Issues
Grants Governance	In the previous report, 2 high and 4 medium priorities were identified. The follow up concluded that the control environment has improved and recommendation have been implemented, therefore no further action is required.

## 5. Reconciliation between Original Plan received by GAP (February 2022 to June 2023)

Original Plan received by GAP	Current Status
Uttlesford Norse	Complete – follow up required in 2023/24
Officer and Member Conflicts of Interest	Completed
Governance and Decision Making	Deferred to 2023/24 due to resourcing
Capital Expenditure	Draft report stage
Safeguarding	Completed
Leasehold Service Charges	Completed
Planning Investigations	Completed
CCTV/RIPA	Completed – follow up required in 2023/24
Income Generating Waste	Completed
KFS 2022/23 (Cash Management)	Completed
Risk Management	Deferred to 2023/24 due to resourcing
Procurement and Contract Management	Draft report stage
Climate Change	Completed
Cyber Security	Deferred to 2023/24 due to wider Council work in this area.
Local Plan	Deferred to 2023/24 due to wider Council work in this area.

Original Plan received by GAP	Current Status
PFI	Deferred to 2022/23 due to resourcing limitations
Uttlesford 2027 Programme Management	Deferred to 2023/24 due to resourcing
Saffron Walden Museum	Deferred to 2023/24 due to resourcing
Business Continuity and Emergency Planning	Completed
Economic Development	Completed
Budgetary Control	Deferred to 2023/24 due to resourcing
Licensing	Completed
Grants Received	Completed
Corporate Health & Safety Governance	Completed
Housing Rents	Deferred to 2023/24 due to resourcing
HR Payroll	Completed
Housing Allocation	Completed
Planning Applications	Completed
Temporary Accommodation	Deferred to 2023/24 due to resourcing
Homelessness Strategy	Completed

## 6. Review of the Effectiveness of Internal Audit

6.1. Our performance against Key Performance Indicators (KPIs) used to demonstrate the effectiveness of the internal audit function during 2022/23 is shown in the table below.

KPI	Target	Result 2021/22	Comments
Audit Plan delivered to Draft Report Stage by 31st March:	90%	n/a	No Audit Manager in place from October 2022.
Audit Plan delivered to final report stage by 30 <sup>th</sup> April:	100%	50%	
Completion of follow ups for applicable audit reports by 30 <sup>th</sup> April.	100%	90%	
Customer Satisfaction results: overall average score good/excellent good or good) each survey returned	100%	100%	
Audit areas where the indicative level of assurance has improved from no assurance/ limited assurance at the follow-up stage	n/a for 2022/23 follow ups.		

### 6.2. Quality assurance and improvement programme

PSIAS require that Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. Periodic reviews of the quality of internal audit work completed internally and the Audit Manger reviews all draft and final reports. Planning and delivery of the Service (including this Annual Report) has been done in conformance with the requirements of the PSIAS.

## 7. Update on Progress of Internal Audit Strategy 2022-23

The Internal Audit Strategy 2021-22 was approved by GAP in June 2021. Progress is documented below.

Original Strategy Goal	2021/22 Progress
Develop a planning process which identifies the Council's most significant internal and external risks and deliver an Annual Internal Audit Plan focussing on these key risks, and which meets stakeholder needs.	The 2021/22 Internal Audit Plan was developed using a prioritisation of the audit universe using a risk-based methodology, including input from the Council's Corporate Plan, Corporate Risk Register, as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks. The plan was discussed and agreed by Senior Managers, CMT and GAP Committee. A contingency was also included in the plan to cover requests from management for ad hoc, advisory type work

Original Strategy Goal	2021/22 Progress
	on risk identification and subsequent control design (as well as urgent, unplanned reviews arising during the year).
<p>To contribute to the Council's delivery of its governance and assurance framework</p>	<p>Internal Audit also use the Corporate Risk Register, and other risks identified through the risk management framework, to inform the annual risk-based Internal Audit plan and to inform audit planning for individual audit assignments. Internal Audit will bring any serious, emerging issues to the attention of Management and GAP Committee.</p> <p>Internal Audit will undertake an independent assessment of the Council's approach to Corporate Risk Management in 2023/24, to identify any organisational improvement opportunities to ensure that the Council's risk management approach is proportionate and robust.</p> <p>The Council's approach to Counter Fraud was refreshed in 2021/22 to ensure it is in line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally. The 2022 Counter Fraud Strategy encompasses key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption. The group has been put on hold until a new Audit Manager is recruited.</p>
<p>To be a trusted advisor to Senior Managers and GAP Committee</p>	<p>As demonstrated through the Internal Audit Annual Report and organisation feedback.</p>
<p>To monitor the critical skills and resource blend required to ensure Internal Audit deliver their mission and objectives.</p>	<p>In-house team training needs are monitored. The new Audit Manager is to be recruited 37 hours a week to deliver Internal Audit services to Uttlesford District Council.</p>

**Original Strategy Goal**

**2021/22 Progress**

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## Annual Opinion Categories

The table below sets out the four types of annual opinion that Internal Audit use, along with the types of findings that may determine the annual opinion given. The Audit Manager will apply their judgement when determining the appropriate annual opinion, so the guide given below is indicative rather definitive.

Type of Annual Opinion	When to use this type of annual opinion
Substantial	<ul style="list-style-type: none"> <li>• Generally, only low risk rated weaknesses found in individual assignments; and</li> <li>• None of the individual assignment report have an overall report classification of either high or critical risk</li> </ul>
Moderate	<ul style="list-style-type: none"> <li>• Medium risk rated weaknesses identified in individual assignments that are <i>not significant in aggregate</i> to the system of internal control; and/or</li> <li>• High risk rated weaknesses identified in individual assignments that are <i>isolated</i> to specific systems or processes; and</li> <li>• None of the individual assignment reports have an overall classification of critical risk</li> </ul>
Limited	<ul style="list-style-type: none"> <li>• Medium risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or</li> <li>• High risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or</li> <li>• Critical risk rated weaknesses identified in individual assignment that are <i>not pervasive</i> to the system of internal control; and</li> <li>• A <i>minority</i> of the individual assignment reports may have an overall report classification of either high or critical risk.</li> </ul>
No	<ul style="list-style-type: none"> <li>• High risk rated weaknesses identified in individual assignments that <i>in aggregate are pervasive</i> to the system of internal control; and/or</li> <li>• Critical risk rated weaknesses identified in individual assignments that are <i>pervasive</i> to the system of internal control; and/or</li> <li>• <i>More than a minority</i> of the individual assignment reports have an overall report classification of either high or critical risk.</li> </ul>



### Key to Assurance Levels in Individual Reports

<b>No Assurance</b>	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
<b>Limited</b>	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
<b>Moderate</b>	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
<b>Substantial</b>	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be advice and best practice.

### Key to Risk Ratings for Individual Findings in Reports

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<b>Critical</b>	Financial: Severe financial loss; Operational: Cessation of core activities; People: Life threatening or multiple serious injuries to staff or service users or prolonged workplace stress. Severe impact on morale & service performance. Mass strike actions etc; Reputational: Critical impact on the reputation of the Council which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV; Legal and Regulatory: Possible criminal, or high-profile civil action against the Council, members or officers. Statutory intervention triggered impacting the whole Council. Critical breach in laws and regulations that could result in material fines or consequences; Projects: Failure of major Projects and/or politically unacceptable increase on project budget/cost. Elected Members required to intervene.
<b>High</b>	Financial: Major financial loss. Service budgets exceeded; Operational: Major disruption of core activities. Some services compromised. CMT action required to overcome medium-term difficulties; People: Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale and performance of staff; Reputational: Major impact on the reputation of the Council. Unfavourable media coverage. Noticeable impact on public opinion; Legal and Regulatory: Major breach in laws and regulations resulting in significant fines and consequences. Scrutiny required by external agencies; Projects: Key targets missed. Major increase on project budget/cost. Major reduction to project scope or quality.
<b>Medium</b>	Financial: Moderate financial loss. Handled within the team; Operational: Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required; People: Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance of staff; Reputational: Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage; Legal and Regulatory: Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation; Projects: Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team.
<b>Low</b>	Financial: Minor financial loss; Operational: Minor errors in systems/operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users; People: Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale; Reputational: Minor impact on the reputation of the organisation; Legal and Regulatory: Minor breach in laws and regulations with limited consequences; Projects: Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.

## Limitations and Responsibilities

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit shall endeavour to plan its work so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, Internal Audit shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, the examinations of Internal Audit should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless Internal Audit is requested to carry out a special investigation for such activities in a particular area.

### Limitations inherent to the internal auditor's work

Internal Audit work has been performed subject to the limitations outlined below:

- **Opinion**

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and GAP should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

- **Internal control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

- **Future periods**

Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate

# Internal Audit 2023 Plan and Audit Charter – Audit and Standards – 27/06/23

## **1. Purpose of Report**

CMT are requested to note the content of this report and approve the Internal Audit Plan 2023, taking account of the budget and resourcing required for delivery, as well as note and approve the Internal Audit Charter.

## **2. Background**

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of UDC's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the GAP Committee, Chief Executive, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.

The Audit Manager is also responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In order to achieve this, Internal Audit have developed the attached internal audit plan for 2023 which is based on a prioritisation of the audit universe using a risk-based methodology, including input from the Council's Corporate Plan, Corporate Risk Register, AGS Action Plan as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks.

There has been a slight change in our approach to previous years. Where previously a full twelve months has been planned upfront, this creates some limitations, for example, with different risks tending to emerge through the year, quite often causing originally planned work, especially in the last 6 months, to change. Therefore, for 2023, we have instead produced a 6-month plan for work from April to September, with suggested areas for October to March that we can be flexible over delivering nearer the time, but equally be in a good place to respond to any higher risks that might emerge in the meantime.

Following CMT consideration and approval, the plan will be put forward for approval by GAP on 27th June 2023.

## **3. Internal Audit Budget and Resources**

The plan has been drawn up to address the key risks for the Council, taking into account available resources.

The Audit Manager will be responsible for delivery of this plan and will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver it. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council. In addition to planned work, Internal Audit can also provide ad hoc advice and guidance to management on risk and control issues within individual systems as requested.

## **4. Follow-up audits**

Follow-up procedures provide management with updated information about whether key risks have been properly mitigated through remedial actions.

All planned audit work undertaken is subject to a formal follow up ensure that all agreed actions have been implemented. To maximise Audit resources full follow up audits will now be completed based on the overall assurance rating, with all limited assurance reports having a formal follow up and the remainder being reviewed by the Audit Manager to ensure compliance. This will allow the budget for follow ups to be reduced which will be accounted for in the annual plan.

## **5. Assurance Levels/Basis of Opinion**

CMT and GAP will receive details of critical/high priority issues raised in audit reviews, as part of the bi-annual reporting process. This encompasses the annual report and opinion in June, and Interim Report in November, although any significant emerging risks will be reported as they arise where applicable.

Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion and/or deliver an assurance statement. These may include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.

Where such work is undertaken, this will be set out as part of Internal Audit's annual report. In order to protect Internal Audit's independence and minimise the impact on the delivery of the overall plan, the Audit Manager will give due consideration to the appropriateness of undertaking such work.

## **6. Key Financial Systems (KFS)**

The annual audit plan includes resource allocated to Key Financial Systems (KFS) work. This includes risk-based monitoring of key controls within finance systems to assess whether they are operating effectively.

## **7. Risk Management and Counter Fraud**

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls and emerging risks.

Internal Audit will work closely with the Council's Risk Manager to discuss and exchange risk information and any emerging issues

## **8. Internal Audit Charter**

The purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

The Internal Audit Charter establishes Internal Audit's position within UDC, including the Audit Manager's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit.

Alongside other statutory requirements set out in the Charter, Internal Audit is required to meet the mandatory requirements of the International Professional Practices Framework (IPPF) i.e.:

- The Mission of Internal Audit
- The Definition of Internal Audit
- The Core Principles
- The Code of Ethics
- The Standards – which provide a framework for performing and promoting a broad range of value-added internal auditing services, establish the basis for the evaluation of internal audit performance and foster improved organisational processes and operations.

The Internal Audit Charter is attached for CMT to note and approve.

## Internal Audit Draft Annual Plan 2023 (April to September)

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage. At the start of each audit, an initial discussion will be held to agree the specific objective and scope of the review.

Area	Audit Title	Link to Corporate Plan	Link to Corporate Risk	Indicative Scope
<b>CROSS-CUTTING</b>				
XC23_1	Cyber Security		21-CR-06 Information Technology	Review of the controls in place to mitigate risks surrounding IT security, including PSN and PCI requirements.
XC23-2	Standards Complaints	Putting Resident First	20-CR-07 Governance	Review of the Council's compliant procedures, including complaints made against Councillors.
XC23-3	Corporate Risk Management		20-CR-07 Governance	Review of the Council's Risk Management Strategy and Corporate Risk Register together with Service level risks.
<b>COMMERCIAL &amp; DIGITAL CHANGE MANAGEMENT (CM)</b>				
CM23_2	Corporate Property & Asset Management		20-CR-07 Governance	Review of the governance arrangements for Council's Corporate Property and Asset Management process, including maintenance of property records
<b>HOUSING, HEALTH &amp; COMMUNITIES</b>				
HHC23_1	Temporary Accommodation	Active Place Maker	21-CR-01 Financial Control	Review of the Council's arrangements for Temporary Accommodation, including procurement and monitoring of providers.
HHC23_2	Housing Rents		21-CR-01 Financial Control	To review the management of Council tenant's housing rents, including management of arrears
<b>CORPORATE SERVICES</b>				
CS23_1	Saffron Walden Museum	Progressive custodian of our rural environment	21-CR-01 Financial Control	Review of operational and financial arrangements at Saffron Walden Museum.

## Proposed Audit Areas (October to March 2024)

Area	Audit Title	Link to Corporate Plan	Link to Corporate Risk
Finance	Financial Management Code	Putting Residents First	21-CR-01 Financial Control
Finance	Budgetary Control	Putting Residents First	21-CR-01 Financial Control
Finance	Key Financial Systems (KFS)		21-CR-01 Financial Control
Finance	Consultancy/interim & agency contracts		21-CR-01 Financial Control
Housing, Health & Communities	Uttlesford Norse Governance Arrangements	Active Place Maker	
Housing, Health & Communities	Housing Standards – Voids/Empty Homes	Active Place Maker	21-CR-03 Health & Safety
Housing, Health & Communities	Right to Buy	Active Place Maker	21-CR-01 Financial Control
Housing, Health & Communities	Equality Impact Assessments	Putting Residents First	
Housing, Health & Communities	Uttlesford Futures	Champion for our district/Putting Residents First	
Housing, Health & Communities	Air Quality Grant	Progressive custodian of our rural environment	
Housing, Health & Communities	Environmental Health including Enforcement and Permits	Active Place Maker	
Commercial and Digital Change	Leisure PFI	Active Place Maker	
Governance & Legal	Governance and Decision Making		

Governance & Legal

Members Allowances and Expenses

21-CR-01 Financial Control

# Internal Audit Charter

## Introduction

The purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit charter, consistent with the Institute of Internal Audit's (IIA) Definition of Internal Auditing, the Code of Ethics, and the Standards.

The Internal Audit Charter establishes Internal Audit's position within Uttlesford District Council, including the Audit Manager's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit.

## Definitions

For the purposes of this Charter, the following definitions apply:

<b>The Board:</b>	The governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At Uttlesford District Council this shall mean the Governance, Audit and Performance (GAP) Committee.
<b>Consulting Activities:</b>	Internal Audit advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.
<b>Senior Management:</b>	Those responsible for the leadership and direction of the Council. At Uttlesford District Council this shall mean the Chief Executive and the Corporate Management Team (CMT).
<b>Standards:</b>	Public Sector Internal Audit Standards (PSIAS), as well as mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.

## Purpose and Mission

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of Uttlesford District Council's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the GAP Committee, Chief Executive, Section 151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps Uttlesford District Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. The Council's response to Internal Audit activity should also lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

## Standards and Statutory Requirements

The Council has a statutory duty to maintain an adequate and effective Internal Audit function in accordance with proper Internal Audit practices (Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015).

Section 151 of the Local Government Act 1972 also states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

The CIPFA Statement of the Role of Chief Financial Officer in Local Government also states that the Chief Financial Officer must:

- Ensure an effective Internal Audit function is resourced and maintained
- Ensure that the authority has put in place effective arrangements for Internal Audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.



As well as Public Sector Internal Audit Standards (PSIAS), the Internal Audit section will govern itself by adherence to mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of Internal Audit's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable. In addition, Internal Audit will adhere to Uttlesford District Council's relevant policies and procedures as well as Internal Audit's own methodology/standard operating procedures manual.

The Audit Manager will report periodically to senior management and the GAP Committee regarding Internal Audit's conformance to the above.

## **Authority**

While the Audit Manager reports functionally to the GAP Committee, they report organisationally to the Assistant Director of Governance and Legal Services (Monitoring Officer).

The Audit Manager also has direct access to the Chief Executive who carries the responsibility for the proper management of their Council and for ensuring that the principles of good governance are reflected in sound management arrangements and to the Director of Finance who has responsibility for maintaining an adequate and effective system of Internal Audit within Uttlesford District Council, as the authority's Chief Finance Officer (S151 Officer).

Where it is considered necessary to the proper discharge of Internal Audit function, the Audit Manager has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the GAP Committee).

The Audit Manager will have unrestricted access to, and communicate and interact directly with the GAP Committee, including in private meetings without management present.

To establish, maintain and assure that Uttlesford District Council's Internal Audit section has sufficient authority to fulfil its duties, the GAP Committee will:

- Receive Internal Audit's charter
- Receive the risk-based audit plan
- Receive Internal Audit's budget and resource plan
- Receive communications from the Audit Manager on Internal Audit's performance relative to its plan and other matters, such as significant findings and/or emerging risks.
- Approve decisions regarding the appointment and removal of the Audit Manager
- Make appropriate enquiries of management and the Audit Manager to determine whether there is inappropriate scope or resource limitations.

The GAP Committee authorises Internal Audit to:

- Have full, free and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports.
- Obtain assistance from the necessary personnel of Uttlesford District Council as well as other specialised services from within or outside of the Council in order to complete the engagement.

## **Independence and objectivity**

The Audit Manager will ensure that Internal Audit remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year (with the exception of follow ups)
- Performing any operational duties for Uttlesford District Council or its affiliates.
- Initiating or approving transactions external to Internal Audit

- Directing the activities of any Uttlesford District Council employee not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist Internal Auditors.

Where the Audit Manager has, or is expected to have, roles and/or responsibilities that fall outside of Internal Audit, safeguards will be established to limit impairments to independence or objectivity.

Internal Auditors, including the Audit Manager, will:

- Disclose any impairment of independence or objectivity in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The Audit Manager will confirm to the GAP Committee, at least annually, the organisational independence of Internal Audit.

The Audit Manager will disclose to the GAP Committee any interference and related implications in determining the scope of Internal Auditing, performing work and/or communicating results.

### Scope of Internal Audit Activities

The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the GAP Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Uttlesford District Council. The Audit Manager is also responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on this overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, based upon:

- A summary of internal audit work carried out
- Follow up on the implementation of recommendations
- Any significant governance issues as reported within the Council's Annual Governance Statement
- The annual review of the effectiveness of Internal Audit (see QAIP)

A range of Internal Audit services are provided to form the annual opinion. The approach is determined by the Audit Manager and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended. Internal Audit assessments include evaluating whether:

- Risks relating to the achievement of Uttlesford District Council's strategic objectives are appropriately identified and managed
- The actions of Uttlesford District Council's employees, senior management and contractors are in compliance with the Council's policies, procedures and applicable laws, regulations and governance standards
- The results of operations or programme are consistent with established goals and objectives
- Operations or programmes are being carried out effectively and efficiently
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact Uttlesford District Council
- Information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity
- Resources and assets are acquired economically, used efficiently and protected adequately.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

Internal Audit may perform consulting activities (that is, provide independent advice and guidance to management on governance, risk management and control issues) as appropriate for the organisation. It may also evaluate specific operations at the request of the GAP Committee or management, as appropriate.

The Audit Manager will report periodically to senior management and the GAP Committee regarding:

- Internal Audit's purpose, authority and responsibility
- Internal Audit's plan and performance relative to its plan
- Internal Audit's conformance with the IIA's Code of Ethics and Standards and action plans to address any significant conformance issues
- Significant risk exposure and control issues including fraud risks, governance issues, and other matters requiring the attention of, or requested by the GAP Committee.
- Results of audit engagements or other activities
- Resource requirements

- Any response to risk by management that may be unacceptable to Uttlesford District Council.

The Audit Manager also co-ordinates activities where possible and considers relying upon the work of other internal and external assurance and consulting service providers as needed. Internal Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided Internal Audit does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## **Responsibility**

The Audit Manager has the responsibility to:

- Submit at least annually, to senior management and GAP Committee a risk based Internal Audit plan for review.
- Communicate to senior management and the GAP Committee the impact of resource limitations on the Internal Audit plan.
- Review and adjust the Internal Audit plan, as necessary, in response to changes to Uttlesford District Council's operations, risks, programmes, systems and controls.
- Communicate to Senior Management and the GAP Committee any significant interim changes to the Internal Audit plan
- Ensure each engagement of the Internal Audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programmes and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective action, and report periodically to senior management and the GAP Committee any corrective actions not effectively implemented.
- Deliver an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- Ensure the principles of integrity, objectivity, confidentiality and competency are applied and upheld.
- Ensure Internal Audit collectively possesses or obtain the knowledge, skills and other competencies needed to meet the requirements of the Internal Audit charter.
- Ensure trends and emerging issues that could impact Uttlesford District Council are considered and communicated to senior management and the GAP Committee as appropriate.
- Establish and ensure adherence to Uttlesford District Council's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the GAP Committee
- Ensure conformance of Internal Audit with the Standards.

## **Internal Audit Plan and Resources**

Internal Audit services are provided by internal council employees. The Assistant Director of Governance and Legal Services will provide the Audit Manager with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.

At least annually, the Audit Manager will submit to senior management and the GAP Committee an Internal Audit plan for review, including risk assessment criteria. The Internal Audit plan will include timing as well as budget and resource requirements for the next financial year. The Audit Manager will communicate the impact of resource limitations and significant interim changes to senior management and the GAP Committee. Senior Management and the GAP Committee will be advised where, for whatever reason, Internal Audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The Internal Audit plan will be developed based on a prioritisation of the potential audit activities across the Council using a risk-based methodology, including input of senior management and the GAP Committee. Prior to submission to the GAP Committee, the plan will be discussed with appropriate senior management. Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to senior management and the GAP Committee. The risk-based plan must take in to account the requirement to produce an annual Internal Audit opinion and the assurance framework.

The Audit Manager will be responsible for delivery of the plan and 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. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

If the Audit Manager, the GAP Committee or Senior Management considers that the scope or coverage of Internal Audit is limited in any way, or the ability of Internal Audit to deliver a service consistent with the Standards is prejudiced, they will advise the Assistant Director of Governance and Legal Services accordingly.

The Audit Manager must seek approval from the GAP Committee for any significant additional consulting activities not already included in the audit plan, prior to accepting the engagement.

## **Reporting and monitoring**

For each audit assignment, terms of reference are developed and agreed with the client setting out the scope of the audit. At the completion of the audit, a written report is produced which provides an audit opinion/assurance statement on the control environment in place. The Internal Audit report will include management's response and corrective action to be taken regarding the specific findings and recommendations. Management's response will also include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion. These may include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary. Where such work is undertaken, this will be set out as part of Internal Audit's annual report. In order to protect Internal Audit's independence and minimise the impact on the delivery of the overall plan, the Audit Manager will give due consideration to the appropriateness of undertaking such work.

Internal Audit will also be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain open until cleared.

A summary of Internal Audit findings, as well as follow ups will be communicated to senior management and the GAP Committee via interim and annual audit reports. Any significant emerging risks which arise in year will be reported as they occur.

## **Quality Assurance and Improvement Programme (QAIP)**

The Chartered Institute of Internal Auditors (IIA) sets out mandatory Core Principles, which taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective and achieve its mission, all Principles must be present and operating effectively:

1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence
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

Internal Audit will maintain a QAIP that covers all aspects of the Internal Audit activity. The program will include an evaluation of Internal Audit's conformance with the above Principles, the Standards and an evaluation of whether Internal Auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

In addition, the Audit Manager will communicate to senior management and the GAP Committee on Internal Audit's (QAIP), including results of ongoing internal self-assessments and external assessments conducted at least every five years by a qualified, independent assessor from outside of Uttlesford District Council.

Any instances of non-conformance with the Standards will be included in the annual Internal Audit report. If there is significant non-conformance, this will be included in the Council's Annual Governance Statement.

## **Signatures:**

**Audit Manager:**

**Chief Executive:**

**Chair of Audit and Standards Committee:**