

Internal Audit 2023 Plan and Audit Charter – Audit and Standards Committee – 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
CROSS-CUTTING				
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.
COMMERCIAL & DIGITAL CHANGE MANAGEMENT (CM)				
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
HOUSING, HEALTH & COMMUNITIES				
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
CORPORATE SERVICES				
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	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:

The Board:	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.
Consulting Activities:	Internal Audit advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.
Senior Management:	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).
Standards:	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 GAP Committee: