



## AUDIT COMMITTEE

### 2 March 2016

<b>Subject Heading:</b>	Audit plan 2016/17
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<b>Policy context:</b>	To inform the Committee of the proposed audit plan for 2016/17.
<b>Financial summary:</b>	N/A

### The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	[x]
People will be safe, in their homes and in the community	[x]
Residents will be proud to live in Havering	[x]

### SUMMARY

This report provides the Audit Committee with a proposed audit plan for 2016/17. The oneSource audit team delivers an integrated service to both Havering and Newham and the plan includes audit reviews within oneSource. The audit plan is attached to this report (Appendix 1)

The work of the oneSource audit team is underpinned by the Audit Charter and Strategy. This is shown in Appendix 2.

### RECOMMENDATIONS

1. To approve the 2016/17 audit plan.

2. To raise any issues of concern and ask specific questions of officers where required.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

The costs related to the delivery of this interim plan will be met from within the 2016/17 budget.

### **Legal implications and risks:**

There are no apparent risks in noting the content of this report. Failure to effectively manage risk is likely to have legal consequences.

### **Human Resources implications and risks:**

None arising directly from this report.

### **Equalities implications and risks:**

None arising directly from this report

## BACKGROUND PAPERS

N/A

## REPORT DETAIL

### **1. Introduction**

- 1.1 The Internal Audit Service is part of oneSource and provides an integrated service to the two partner authorities. The service review has been completed and a structure proposed but the change management process has not yet been completed. Nevertheless, efficiencies will be achieved in the forthcoming year by delivering a total of 395 days of reviews within oneSource (support services).
- 1.2 Work delivered against the 2016/17 audit plan will be presented to the June Committee in line with the quarterly reporting cycle.

### **2. Developing the 2016/17 Audit Plan**

- 2.1 The methodology used to develop this plan focused on the quantification of the risks associated with the London Borough of Havering's objectives in consultation with key officers. The process has identified a number of audit areas that will require attention in year but focused on highlighting the areas where priority is needed.
- 2.2 In addition, for the development of the audit plan, there have been meetings with colleagues working within oneSource and Newham to discuss shared and converging systems and processes and the opportunity to provide increased assurances with reduced audit input.
- 2.3 The draft plan has been circulated to senior management and the oneSource management team for comment.

### **3. Proposed Plan**

- 3.1 The audit plan has been developed to provide maximum assurance using the internal audit resource available. Considering the resources that are available during 2016/17 and expected utilisation rates, the full oneSource plan contains 1,900 days. 602 days have been allocated to Havering audits and 395 days to auditing oneSource services across both authorities.
- 3.2 Appendix A attached to this report contains the proposed audit plan for 2016/17. The complete audit plan, including Newham audits, is presented for information.

### **3. Audit Charter and Strategy**

- 3.1. The role, purpose, authority and responsibility of Internal Audit is set out in the Audit Charter and Strategy. This is shown in Appendix 2.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

The costs related to delivery of this audit plan will be met from within the 2016/17 budget for the Audit Service. The resources available are sufficient to review all the high risk areas identified in the planning process, as well as allowing the team to undertake some probity work. There are risks associated with not having an adequate audit provision to provide assurance and protect the organisation from loss.

### **Legal implications and risks:**

None arising directly from this report.

### **Human Resources implications and risks:**

None arising directly from this report. Risk relating to the change management process within the service will be managed under the relevant policy and procedure.

### **Equalities implications and risks:**

None arising directly from this report.

Appendix 1

HAVERING AND NEWHAM AUDIT PLAN 2016/17

Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
oneSource LBN/LBH	Exchequer & Transactional Services (oneSource)	25	NNDR - billing and collection	Postponed at request of Director. Brought forward from 2015/16.	To confirm that there are robust arrangements to ensure that NNDR income is maximised.	Fundamental financial system
	Exchequer & Transactional Services (oneSource)	25	NNDR - debt recovery and write offs	Postponed at request of Director. Brought forward from 2015/16.	To confirm that there are robust arrangements to ensure that NNDR income is maximised.	Fundamental financial system
	Exchequer & Transactional Services (oneSource)	30	Establishment controls	Staff costs represent a significant proportion of the councils' budgets.	To review the adequacy of controls and processes relating to the staff establishment.	Strategic and operational risk
	Exchequer & Transactional Services (oneSource)	25	Cash management	High value transactions.	To confirm that all receipts and payments recorded are properly accounted for.	Fundamental financial system
	Legal Services	20	Legal charges	New system for charging.	To confirm that there is a robust system for the calculation and communication of recharges to services.	Strategic and operational risk
	Finance	30	Capital monitoring and forecasting (Collaborative Planning)	Audit intelligence.	To confirm that capital expenditure forecasts are fed into the reporting tool promptly and accurately.	Strategic and operational risk
	Finance	20	Capital e-sourcing application review	New application.	To confirm the confidentiality, availability and integrity of data held on the system.	IT audit
	ICT	25	Change management	Has not been audited recently.	To confirm that changes to the IT infrastructure are handled promptly and efficiently.	IT audit
	oneSource ICT	25	Security over data warehouse	Has not been audited before.	To confirm that confidential personal data is protected and access to it controlled.	Strategic and operational risk

Appendix 1

HAVERING AND NEWHAM AUDIT PLAN 2016/17

Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
	Asset management	25	Corporate property portfolio management	Has not been audited recently.	To provide assurance that the corporate property portfolio is managed effectively in accordance with strategic objectives; that statutory requirements and environmental obligations are complied with.	Strategic and operational risk
	Finance/Exchequer & Transactional Services	70	1Oracle	1Oracle implementation in Newham in April 2016/ Cyclical review of financial systems.	Scope for reviews to be determined in consultation with S151 officers at Havering and Newham and Director of Exchequer & Transactional Services.	Fundamental financial system
	Exchequer & Transactional Services (oneSource)	30	Housing Benefit	High value/complex system.	Review to be scoped in consultation with the Director of Exchequer & Transactional Services.	Fundamental financial system
	Exchequer & Transactional Services (oneSource)	15	BACS transmission files (payments and receipts)	Risk that BACS transmission files can be tampered with if access is not strictly controlled.	To provide assurance that processes for transmitting BACS files are sufficiently secure to mitigate any fraud risks.	Strategic and operational risk
	Exchequer & Transactional Services (oneSource)	30	Staff vetting	Reputational and financial risk arising from individuals being employed without the right to work in the UK.	Compliance checks on ID check, Right to Work and criminal records clearance.	Strategic and operational risk
		395				

Appendix 1

HAVERING AND NEWHAM AUDIT PLAN 2016/17

Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
Havering	Adults' services	20	Care packages	Audit intelligence.	To confirm that that care packages meet the client's needs and are value for money.	Strategic and operational risks
	Adults' services	20	Reablement service	Audit intelligence.	To confirm that the council has an reablement service that is effective and efficient.	Strategic and operational risks
	Adults' services	20	Hospital discharges	Audit intelligence.	To ensure that the council's arrangements with the NHS Trust for hospital discharges is effective and efficient.	Strategic and operational risks
	Adults' services	20	Safeguarding	Corporate risk.	To ensure compliance with the council's safeguarding policies and procedures, in line with the Care Act 2014.	Strategic and operational risks
	Children's services	20	Fostering and adoption	New team established.	To confirm that fostering allowances are paid to the right families and that they are monitored. That the process of placing a child from referral is robust and ensures that this happens within an adequate time period.	Strategic and operational risks
	Children's services	20	Commissioning	Rolling programme of procurement reviews.	To confirm that services commissioned represent value for money.	Procurement/Commissioning/Contracts
	Children's services	20	Children's and Adults' disability service	New team established.	To confirm that the new team has established sound processes to enable them to discharge their responsibilities under the Children's and Families Act 2014.	Strategic and operational risks
	Children's services	5	Troubled Families programme	Funding requirement	Results verification	Grant certification
	Community and Resources	20	Grants to Voluntary Organisations	Audit intelligence.	This review will examine monitoring arrangements to ensure that monies are spent in accordance with grant conditions.	Procurement/Commissioning/Contracts
	Cross cutting	40	Compliance with procurement rules: services tbc	Rolling programme of procurement reviews.	To check compliance with procurement rules.	Strategic and operational risks

Appendix 1

HAVERING AND NEWHAM AUDIT PLAN 2016/17

Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
	Cross cutting	20	Risk management	New risk management policy and strategy.	Compliance with the risk management policy and strategy.	Corporate governance
	Cross cutting	5	Grant claims	Some grant claims require Internal Audit sign off.	In accordance with requirements of funding body.	Strategic and operational risks
	Cross cutting	15	Interface with 1Oracle (feeder system tbc)	Rolling programme of interface reviews.	To confirm that interfaces between different applications are working as intended, enabling data to be transferred completely and accurately.	Strategic and operational risks
	Cross cutting	20	Consultancy and advice to directorates	To respond to emerging risks.	Provide consultancy and advice as required.	Consultancy/Advice
	Crosscutting (Adults/Children)	20	Social care application (SWIFT) review	Has not been audited recently.	To confirm that there are application controls within the system to ensure the confidentiality, integrity and availability of the data.	IT audit
	Housing	20	Liberty Housing/Private Sector Leasing	Complex area, with significant expenditure.	To confirm that the management of properties leased from the private sector provides value for money.	Strategic and operational risks
	Housing	20	Audit of process following review by the Chartered Institute of Housing	At request of Head of Service.	Scope to be determined in consultation with the Head of Housing Services.	Strategic and operational risks
	Human Resources/Organisation Development(one Source)	20	Declarations of interest	Issues of failure to declare interests and lack of awareness of responsibilities identified by Governance Group.	To check compliance with the requirement to declare personal interests.	Strategic and operational risks
	Schools	4.5	Broadford Primary	Triennial review.		LA schools



**Appendix 1**

**HAVERING AND NEWHAM AUDIT PLAN 2016/17**

Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
	Schools	4.5	Clockhouse Primary	Triennial review.		LA schools
	Schools	4.5	Dame Tipping CE Primary	Triennial review.		LA schools
	Schools	4.5	Hacton Primary	Triennial review.		LA schools
	Schools	4.5	Harold Wood Primary	Triennial review.		LA schools
	Schools	4.5	Langtons Infant	Triennial review.		LA schools
	Schools	4.5	Newtons Primary	Triennial review.		LA schools
	Schools	4.5	Parsonage Farm Primary	Triennial review.		LA schools
	Schools	4.5	Ravensbourne Special	Triennial review.		LA schools
	Schools	4.5	Rise Park Junior	Triennial review.		LA schools
	Schools	4.5	St Ursula's RC Junior	Triennial review.		LA schools
	Schools	4.5	The Mawney Primary	Triennial review.		LA schools
	Schools	4.5	Towers Infant	Triennial review.		LA schools
	Schools	4.5	Wykeham Primary	Triennial review.		LA schools
	Schools	5	Gaynes	Triennial review.		LA schools
	Schools	5	Marshalls Park	Triennial review.		LA schools
	Schools	5	Royal Liberty	Triennial review.		LA schools
	Schools	5	Sanders Draper	Triennial review.		LA schools

Appendix 1

HAVERING AND NEWHAM AUDIT PLAN 2016/17

Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
	Schools	90	Health checks	Service to schools.		LA schools
	Streetcare	20	Parking enforcement: Blue Badges	Audit intelligence.	Compliance checks on the validity of Blue Badges.	Strategic and operational risks
	Streetcare	15	Contract monitoring	Rolling programme of procurement reviews.	To confirm that there are robust arrangements for ensuring that services provided are in line with the contract.	Procurement/Commissioning/Contracts
	Cross-cutting	25	Follow up reviews	Annual activity.	Audit recommendations are followed up to check that they have been implemented.	Strategic and operational risks
	Cross-cutting	24	Contingency		Contingency for unexpected events.	Strategic and operational risks
		602				
Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
Newham	Adults	20	Mental Health Safeguarding	Team taken back into the council during 2015/16. Brought forward from 2015/16.	To confirm there are robust arrangements to manage mental health safeguarding concerns.	Strategic and operational risk
	Adults	20	Better Care Fund	Better Care Fund: policy framework for 2016/17.	This audit will review the governance and decision making processes relating to the allocation of the funding under the new structures.	Strategic and operational risk
	Adults	15	Azeus case management application review	Implementation delayed to 2016/17. Brought forward from 2015/16.	To confirm the confidentiality, availability and integrity of data held on the system.	IT audit
	Adults	15	Brokerage	Part of the Adults Operating Model. Brought	This audit will review the controls within the brokerage team, which ensure that care packages meet the client's needs and are value for money.	Strategic and operational risk

Appendix 1

HAVERING AND NEWHAM AUDIT PLAN 2016/17

Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
				forward from 2015/16.		
	Adults	20	Scheduled reviews	Part of the Adults Operating Model. Brought forward from 2015/16.	To confirm that scheduled reviews of care packages take place in accordance with the Operating Model.	Strategic and operational risk
	Asset Management (oneSource)	15	East Ham Town Hall roof repairs procurement	Next stage of the East Ham Campus works.	This audit will confirm that the procurement process was carried out in accordance with the Contract Standing Orders.	Procurement/Commissioning/Contracts
	Children's services	20	Emergency Duty Team	Brought forward from 2015/16.	Review of the referral process.	Strategic and operational risk
	Children's services	20	Panel processes	Panel processes have recently been revised.	Review of the management and administration of the panel processes work.	Strategic and operational risk
	Children's services	20	School admissions	At request of the service.	To confirm compliance of the service to the relevant guidance for school admissions.	Strategic and operational risk
	Children's services	100	Schools	Rolling programme of school audits.	Governance and financial controls.	Strategic and operational risk
	Children's services	20	Community Hubs contract monitoring	Has not been audited.	Scope to be determined.	Strategic and operational risk
	Children's services	5	Troubled Families programme	Funding requirement	Results verification	Grant verification
	Community and Environment	15	Blue Badges	Has not been audited recently.	This audit will review arrangements for the issue of blue badges.	Strategic and operational risk
	Community and Environment	20	Vehicle maintenance	At request of the service.	To confirm that arrangements for the maintenance of the council's fleet of vehicles provides value for money.	Strategic and operational risk

Appendix 1

HAVERING AND NEWHAM AUDIT PLAN 2016/17

Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
	Community and Environment	15	Jenkins Lane civic amenity site	Audit intelligence.	Review to establish that there are systems and processes in place to ensure that only Newham residents may tip waste free of charge.	Strategic and operational risk
	Community and Environment	15	Compliance with procurement rules: RMS	Compliance with procurement rules is carried out in different service areas on a rolling basis.	This audit will confirm that procurement is carried out in accordance with the Contract Standing Orders.	Procurement/Commissioning/Contracts
	Corporate Services	15	Customer complaints system (ELIF) application review	New application.	To confirm the confidentiality, availability and integrity of data held on the system.	IT audits
	Cross cutting	30	Data matching	Annual activity.	Comparing data sets to identify and investigate anomalies.	Strategic and operational risk
	Cross cutting	5	Grant claims	Annual activity.	Compliance with funding authority requirements.	Grant certification
	Cross cutting	15	Interface with 1Oracle (feeder system tbc)	New ERP system.	To confirm that interfaces between different applications are working as intended, enabling data to be transferred completely and accurately.	IT audit.
	Cross cutting	25	Risk management	New risk management policy and strategy.	Compliance with the risk management policy and strategy.	Corporate governance
	Cross cutting	25	Consultancy and advice to directorates	To respond to emerging risks.	Provide consultancy and advice as required.	Consultancy/advice
	Cross cutting	25	Corporate governance: decision making process	At management request	To confirm that reports submitted to Members for decision making are cleared by the right officers at the right time	Corporate governance
	Exchequer & Transactional Services (oneSource)	15	Northgate application review	Brought forward from 2015/16.	Confirming the availability, reliability and confidentiality of data.	IT audit
	Finance (oneSource)	15	Council's shareholder function	At request of S151 officer	This review will examine how well the council discharges its responsibilities as a	Corporate governance

Appendix 1


HAVERING AND NEWHAM AUDIT PLAN 2016/17

Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
					shareholder of the companies that it has created	
	Housing	20	Houses in multiple occupation licensing	Brought forward from 2015/16.	To confirm compliance with the HMO regulations.	Strategic and operational risk
	Housing	15	Housing Register	New verification processes.	To confirm that the housing register is administered in accordance with the new procedure.	Strategic and operational risk
	Housing	15	Housing Register application review	Changes made to the application to accommodate the new verification process.	Confirming the availability, reliability and confidentiality of data.	IT audit
	Housing	20	Local Space	Audit intelligence.	Confirming the robustness of the council's governance and financial controls.	Strategic and operational risk
	Housing	20	Homelessness	Has not been audited recently.	To confirm that the council complies with its legal obligations	Strategic and operational risk
	Human Resources/Organisational Development (oneSource)	10	Mediation	Annual activity.	To provide consultancy and advice as required.	Consultancy/advice
	Human Resources/Organisational Development (oneSource)	15	Declarations of interest	At request of Audit Board.	To confirm compliance with the declarations of interest policy.	Strategic and operational risk
	Planning and Regeneration	18	Community Infrastructure Levy	New activity.	To confirm that the council has arrangements in place to raise and collect the levy. To confirm that there are arrangements in place to spend the receipts in accordance with the regulations.	Strategic and operational risk
	Planning and Regeneration	15	Section 106 agreements	Audit intelligence.	To confirm that there are arrangements in place to collect and spend the s106 receipts in accordance with the regulations.	Strategic and operational risk

**Appendix 1**

**HAVING AND NEWHAM AUDIT PLAN 2016/17**

Council	Directorate /Service	Days	Audit name	Reason for inclusion	Audit scope	Type of audit
	Cross cutting	100	Follow up reviews	Annual activity.	Audit recommendations are followed up to check that they have been implemented	Strategic and operational risk
	Cross cutting	130	Contingency		Contingency for unexpected events.	Strategic and operational risk
		903				



# **Internal Audit Strategy and Charter 2016**

## Background

The purpose of this Internal Audit Strategy and Charter is to define internal audit's purpose, authority and responsibility, in accordance with the UK Public Sector Internal Audit Standards. It establishes internal audit's position within the councils and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

This Strategy and Charter also covers the arrangements for the appointment of the Head of Internal Audit and internal audit staff, and identifies the nature of professionalism, skills and experience required.

## Statutory requirements for an Internal Audit function

The role of internal audit is underpinned by the statutory requirement. This is set out in the Accounts and Audit Regulations 2015 which states that every local authority "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

The statutory requirement is also within Section 151 of the Local Government Act 1972. This states that every authority in England and Wales should "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" in that it should include "compliance with statutory requirement for accounting and audit".

The CIPFA statement on the Role of the Chief Financial Officer in Local Government states that the chief financial officer (CFO) must:

- Ensure that 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
- Support the authority's internal audit arrangements, and
- Ensure that the Audit Board/Committee receives the necessary advice and information, so that both functions can operate effectively.

In a local authority, internal audit provides independent and objective assurance to the organisation, its Members, the Corporate Leadership/Management Team and in particular to the CFO, assisting the CFO in discharging his/her responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the councils' financial affairs.



The Public Sector Internal Audit Standards require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the councils' Audit Board/Committee, which oversees the work of internal audit. Senior management is defined as the Corporate Leadership/Management Team.

### Definition of Internal Audit

Internal audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

### Applicable Standards that must be complied with

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The relevant internal audit standard setters, which include the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of local government, have adopted the common set of PSIAS from 1 April 2013. The PSIAS encompasses the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). Compliance with the Standards is subject to a quality assurance and improvement programme in line with the Standards.

The PSIAS incorporate a code of ethics to promote an ethical and professional culture. Auditors are required to comply with this code, as well as any code of ethics from other professional bodies they belong to and any code of ethics required by the partner councils.

### Responsibility of Internal Audit

The Head of Internal Audit must deliver an annual internal audit opinion and report that can be used by the partner organisations to inform its annual governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit. In order to achieve this, the internal audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the councils' needs, adds value, improves operations and helps protect public resources.

- To provide assurance to management that the councils' operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- To provide advice and support to management to enable an effective control environment to be maintained.
- To promote an anti-fraud, anti-bribery and anti-corruption culture within partner councils, to aid the prevention and detection of fraud.
- To investigate allegations of fraud, bribery and corruption via the counter fraud team.

## Responsibility of the Councils

Councils are responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The respective roles of managers in relation to internal audit are set out in the Council's Financial Regulations.

The Financial Regulations are specific about the role of the Chief Financial Officer in relation to internal audit, setting out access rights, independence and support for resources sufficient to provide an opinion and support managers to prevent and detect fraud.

The Financial Regulations specify the responsibilities of the Directors in terms of access, explanations, reporting of allegations of fraud, consultation ahead of system changes and responding to audit recommendations.

The terms of engagement provide greater detail on the roles of management and the internal audit service for individual topics of work such as:

- Audit and compliance planning
- Risk based audit reviews
- Compliance reviews
- Investigating issues and concerns raised by services
- Auditing grant claims
- Follow up audit reviews
- Consultancy advice on controls and system development

Each individual audit assignment is governed by a specific terms of reference for that piece of work, detailing the scope of the audit and value for money elements that will be covered, and if appropriate, the resources to be applied and the timeframe.

There is a separate part of the terms of engagement covering counter fraud work, setting out in detail the respective responsibilities of the counter fraud team and managers, such as:

- Independent investigation function
- Advice around whether this is a fraud issue
- Fraud awareness.

This is supplemented by two documents;

1. The Anti Fraud and Corruption response plan
2. The Anti money laundering response plan

These provide detailed guidance on what to do if a manager discovers fraud, corruption, money laundering or has an allegation reported to them.

## Head of Internal Audit

The Head of Internal Audit will have sufficient skill, experience and competencies to work with the leadership team and the Audit Board/Committee, influencing risk management, governance and the internal control environment of each council. The Head of Internal Audit will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics. The appointment will be made in consultation with the Chair of the Audit Board/Committee and any such other members deemed appropriate at the time.

The Head of Internal Audit is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Head of Internal Audit will specify any other professional skills that may be needed by the internal audit team.

The Head of Internal Audit has direct access to the Head of Paid Service, all levels of management and elected members, as set out in each councils' financial regulations.

## Independence of Internal Audit

Managers and senior staff within internal audit are required to make annual declarations of interest and declarations must be made, if required, by all other staff, in accordance with each council's declaration's policy. Everyone is reminded of the need to make annual declarations of interest. Declarations made are reviewed by management and, if required, appropriate control measures are put in place to prevent conflicts of interest.

Where appropriate, internal audit may provide advice and support during the design and implementation of new systems and controls. In such cases, independence is preserved by ensuring that the person providing this support takes no part in any subsequent audit.

Audit assignments are distributed in such a way as to ensure that independence is maintained and objective opinions can be given. Auditors work on a wide range of assignments and do not focus on any particular area of the council's business.

When auditors are recruited from within the council, they cannot audit the area where they previously worked for at least six months, to preserve the auditor's independence.

## Relationships

The Head of Internal Audit reports directly to the S151 Officer of each council.

The Head of Internal Audit can meet separately with the Chair of the Audit Board/Audit Committee, if required.

The Head of Internal Audit, or an appropriate representative of the internal audit team, attends meetings of the Audit Board/Committee.

The Head of Internal Audit, or an appropriate representative, attends meetings of the partner councils' senior management teams to discuss the audit plan, following consultation over the proposals with directors.

## Scope of Internal Audit

### Responsibility

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions

for the purposes of audit work and to ensure the authenticity of these documents.

### Due Professional Care

The internal audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- UK Public Sector Internal Audit Standards.
- All council policies and procedures
- All relevant legislation
- Any code of ethics prescribed by an accounting or audit body to which an auditor is a member of.

Internal audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor. The last assessment was conducted in 2014.

All staff working on audit engagements is subject to oneSource's performance development scheme.

### Opinion work

The PSIAS state that the Head of Internal Audit is responsible for developing a risk-based plan. The Head of Internal Audit takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the Head of Internal Audit uses his/her own judgment of risks, after consideration of input from senior management and the board. The Head of Internal Audit must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

For each audit assignment, a terms of reference is developed and agreed with the client setting out the scope of the audit. At the completion of the audit, a report is produced which provides an audit opinion on the control environment in place.

Additionally, where possible, value for money is considered and if appropriate a value for money opinion is provided to enable members to gain a more comprehensive view of value for money within the council. As a general rule, there are unlikely to be value for money opinions for audits of information technology applications.

The risk based plan is subject to review mid year to take account of changes in the risk environment and internal factors within each council.

All audit reports are submitted to the Audit Board/Committee for information and discussion.

### Non- opinion work

From time to time, the internal audit service will undertake work which does not contribute explicitly to the overall audit opinion. These will be probity or regularity audits in response to investigations, certification of grant claims or limited consultancy exercises in the form of support for new systems being developed.

Where such work is undertaken, this is set out as part of the Head of Internal Audit's annual report. The risk the work is providing assurance around is also specified.

Prior to accepting any consultancy work, due consideration is given to its potential impact on the independence of internal audit and the impact on the ability of the section to provide sufficient assurance to provide an opinion on the council's overall control framework.

### Fraud

Managing the risk of fraud is the responsibility of line management; however the Section 151 Officer retains specific responsibilities in relation to the detection and investigation of fraud.

The internal audit service provides a counter fraud function to support the Section 151 officer in the discharge of his/her responsibilities.

Fraud risks are also considered as part of the scope for audit assignments and specific testing takes place to ensure that there are adequate controls in place to prevent and detect fraud, errors and omissions, as part of the opinion work.

The oneSource counter fraud team is trained to deal with cases to a criminal standard and adhere to a range of legislative requirements to enable cases to be prosecuted, where necessary.

The counter fraud team undertakes work of a proactive nature through various data matching exercises. The aim is to try to identify potential frauds at an early stage, assess the controls against the risks and enable identified fraud to be dealt with whilst giving a level of assurance over council data.

The counter fraud team also responds reactively to allegations of fraud from both internal and external sources, aiming to investigate cases where appropriate to a criminal standard.

The counter fraud team maintains and updates each councils' counter fraud policies, including:

- Anti fraud and corruption policy statement
- Anti fraud and corruption publicity policy
- Anti fraud and corruption prosecution policy
- Anti bribery policy
- Anti money laundering policy
- Policy for the use of the confiscation regime within the Proceeds of Crime Act 2002.

The team also maintains specific, detailed guidance for managers to help them to deal with situations that they may be unfamiliar with the:

- Anti fraud and corruption response plan
- Anti money laundering response plan.

They also provide training and resources to enable officers to identify and prevent fraud in the design and control of their systems.

Work carried out by the counter fraud team is reported to members and contributes to the Head of Internal Audit's annual opinion.

## Reporting

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report to the top of the organisation and this is done in the following ways:

- The Internal Audit Charter and any amendments are reported to senior management team and the Audit Board/Committee. The annual Internal Audit Plan is compiled by the Head of Internal Audit, taking account of the risk framework and after input from directors and heads of service. It is then presented to the senior management team, the oneSource Management team and Audit Board/Committee, annually, for noting and comment.



- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the Audit Board/Committee as part of the audit planning process. Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported regularly to Audit Board/Committee.
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Board/Committee.
- Any instances of non-conformance with the Public Sector Internal Audit Standards will be included in the annual Head of Internal Audit report. If there is significant non-conformance, this may be included in the partner council's Annual Governance Statement.

### Internal Audit Access Rights

Internal audit has unrestricted access to all records and information, both manual and computerised, cash, stores and other property or assets it considers necessary to fulfil its responsibilities. Audit may enter a property and has unrestricted access to all locations and officers where necessary, on demand, and without prior notice. Right of access to other bodies funded by the council should be set out in the conditions of funding.

### Internal Audit Resources

The Head of Internal Audit carries out regular benchmarking to compare the audit service to other London boroughs and all participating councils. The key indicator around resources is the level of audit coverage per £m turnover.

External audit carry out an annual review of internal audit to determine if reliance can be placed on its work.

The internal audit service has a train all policy, where information is cascaded to all members of the team to ensure that they can keep their skills up to date.