

**Head of Internal Audit's Annual Report and Presentation of
Audit Opinion 2022/23**

Introduction

This report is produced to satisfy the Public Sector Internal Audit Standards which requires that:

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its 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.

The annual report must incorporate:

- *the opinion;*
- *a summary of the work that supports the opinion; and*
- *a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.*

Opinion on the overall adequacy and effectiveness of the Council's control environment

The Public Sector Internal Audit Standards state that "*The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory.*"

Based on internal audit assignments undertaken as part of the Audit Plan, together with the general views of the Internal Audit team gained from ancillary exposure to the Council's operations, it must be concluded that the Council has an adequate and effective governance, risk management and control framework to address relevant risks with controls being applied consistently.

This, however, must be qualified by the non-completion of three IT audits primarily caused by the low priority given to these audits in his workload by the Head of Digital and Customer Services in terms of facilitating and assisting them. It is hoped that these can be completed in time to inform the final version of the Annual Governance Statement for 2022/23 that accompanies the Statement of Accounts for that year.

Inevitably, there were some instances of non-compliance that were identified by Internal Audit, as detailed in reports that were issued during the year. These were reported to Audit and Standards Committee each quarter. Action to address these issues has been confirmed by management in all cases, with urgent action being taken where those issues were regarded as major.

Although not expressed as a further qualification, it must be confirmed that the internal audit opinion can only be based on the audits undertaken during that year and on information garnered more informally by the Internal Audit team; thus it has to be acknowledged that not everything is subject to an audit within a 12-

month time frame. The Council's external auditors form their own opinion based on their own work and the Annual Governance Statement provides an overall judgement on the control environment, derived from many sources, one of which is this Internal Audit Annual Report.

The Public Sector Internal Audit Standards states that "*Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.*"

The Audit and Risk Manager can confirm that that the level of agreed resources has not impacted adversely on the provision of the annual internal audit opinion.

Summary of the internal work undertaken during 2022/23 from which the opinion on the internal control environment is derived

The audits which form the basis of the opinion are listed in Appendix 1A. The results of these audits have been communicated to the Audit and Standards Committee in quarterly reports and are therefore not reproduced here. Each audit report, however, gives an overall opinion on the level of assurance provided by the controls within the area audited and this is set out in the table. The bands of assurance are set out at the bottom of Appendix 1A.

Appendix 1A indicates that internal controls were in the main found to be operating satisfactorily, giving an overall confidence in the internal control system operating in relation to these systems. Although most reports that were issued during the year contained recommendations to rectify control deficiencies it is important to stress that the issues raised in respect of these audits have since been addressed or, in the case of more recent audits, are in the process of being addressed. As part of Internal Audit's quarterly reporting, Members receive scheduled updates on the state of implementation of recommendations in order to obtain assurance that recommendations are actioned.

Just three audits undertaken during the year were awarded a less than substantial level of assurance – all receiving a moderate level of assurance, the middle ranking assurance opinion.

The list of audits in Appendix 1A comprises almost exclusively risk-based audit reviews but also one consultancy-based review.

Issues particularly relevant to the Annual Governance Statement

Issues particularly relevant to the Annual Governance Statement (AGS) have been identified from the process involved in its production. This includes compilation of the Service Assurance Assessments by services and the review of the draft AGS by the Senior Leadership Team and by the Leader of the Council and the Chairs of the Committees. Some of these issues had been highlighted by Internal Audit during the year.

Comparison of the work undertaken with the work that was planned and summary of the performance of the internal audit function against its performance measures and targets

This is set out as Appendix 1B.

Compliance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards state that:

"Chief audit executives are expected to report conformance on the Public Sector Internal Audit Standards in their annual report."

"To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance."

A review by an external consultant, undertaken towards the end of the 2020/21, highlighted non-compliance with some elements of the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards require such external reviews to be undertaken at least once in a five-year period. (The previous review was completed in 2016.) An action plan was produced to address those areas of non-compliance and this was reported to Finance and Audit Scrutiny Committee, as was, in March 2021, together with the full results of the review. An update in addressing the areas of non-compliance was reported to Finance and Audit Scrutiny Committee in December 2021. This reported that all areas of non-compliance had been addressed.

Periodic internal assessments form part of the Quality Assurance and Improvement Programme, as described below. The results of internal assessments undertaken during 2022/23 are set out as Appendix 1C to this Annual Report.

Separately, the Public Sector Internal Audit Standards requires that *"The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity."*

The Audit and Risk Manager can confirm that Internal Audit is organisationally independent.

Communication of the results of the internal audit quality assurance & improvement programme

The Public Sector Internal Audit Standards states that *"The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report."*

The Quality Assurance and Improvement Programme comprises cyclical self-reviews against all element of the Public Sector Internal Audit Standards such that, over a 5-year period (i.e. up to when the next external review is due), all elements of the Standards have been assessed.

The results of the self-review in respect of 2022-23 (Year Two) of the current Quality and Assurance Programme are set out in Appendix 1C to this Annual Report.

The Internal Audit Quality Assurance and Improvement Programme also includes ongoing reviews of audit files by the Audit and Risk Manager before issue of final reports, plus external audit reviews of Internal Audit's work, as well as scrutiny by

Audit and Standards Committee. It also comprises completion by auditees, post audit, of questionnaires for audits.

In terms of the post audit questionnaires, no auditees awarded a "score" of less than four "marks" out of five in their assessment of the audit that they had received. Clearly this indicates very broad satisfaction with the audits undertaken. Appendix 1D sets out the questionnaire that is used (albeit this is now completed as an online form).

The results of the Internal Audit Quality Assurance Programme, in whatever form, are used to improve the service provided by Internal Audit.

Summary of Audits Undertaken 2022/23

Assignment	Client Service Area	Level of Assurance	No. of Recs.
<i>Quarter 1</i>			
Corporate Governance	Law and Governance	Substantial	2 + 2 advisories
Gas and Electrical Safety Checks	Neighbourhood and Assets	Substantial	3 + 1 advisory
<i>Quarter 2</i>			
Housing Stock Asset Management	Housing	Substantial	3 + 3 advisories
Sundry Debtors	Finance	Substantial	2 + 4 advisories
Payroll and Staff Expenses	Finance	Substantial	4 + 4 advisories
ICT Operations as a Joint Service	Customer and Digital Services	Consultancy-based review	
Financial Systems Interfaces	Finance	Substantial	2
CCTV Services	Safer Communities, Leisure and Environment	Substantial	4 + 5 advisories
Safeguarding Children and Vulnerable Adults	Safer Communities, Leisure and Environment	Substantial	3 + 6 advisories
Sustainability and Delivery Outcomes	Programme Director for Climate Change	Substantial	5
Open Spaces	Safer Communities, Leisure and Environment	Substantial	5 + 4 advisories
Homelessness and Housing Advice	Housing	Substantial	3 + 2 advisories
Right to Buy	Housing	Substantial	0
<i>Quarter 3</i>			
Financial Strategy, Planning and Budgetary Control	Finance	Substantial	8 + 2 advisories
Council Tax	Finance	Substantial	0 + 1 advisory
National Non-Domestic Rates	Finance	Substantial	0 + 4 advisories
Treasury Management	Finance	Substantial	2 + 3 advisories
Corporate Health and Safety	Neighbourhood and Assets	Substantial	7 + 3 advisories
Community Services	Safer Communities, Leisure and Environment	Substantial	5 + 1 advisory

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Health and Safety Compliance of Council Buildings	Neighbourhood and Assets	Substantial	3
Bereavement Services	Neighbourhood and Assets	Substantial	3 + 4 advisories
Electoral Registration	Governance	Substantial	2 + 2 advisories
Planning Policy	Place, Arts and Economy	Substantial	1 + 1 advisory
<i>Quarter 4</i>			
Emergency Planning & Business Continuity Management	Safer Communities, Leisure and Environment	Substantial	4
Payment of Creditors	Finance	Substantial	2 + 1 advisory
Main Accounting System	Finance	Substantial	0 + 1 advisory
Microsoft 365	Customer and Digital Services	Substantial	3
Corporate Properties Repair and Maintenance	Neighbourhood and Assets	Substantial	2
Food Safety	Safer Communities, Leisure and Environment	Substantial	1 + 2 advisories
Leisure Facilities Contracts	Safer Communities, Leisure and Environment	Substantial	1 + 1 advisory
Royal Spa Centre	Place, Arts and Economy	Substantial	1
Town Hall Lettings	Place, Arts and Economy	Moderate	4 + 1 advisory
Affordable Housing Development Programme	Housing	Moderate	4 + 1 advisory
Allocations, Nominations & Lettings	Housing	Moderate	4 + 6 advisories
Recruitment and Selection, Terms and Conditions	People and Communications	Substantial	5
Royal Pump Rooms (including Art Gallery)	Place, Arts and Economy	Substantial	5 + 9 advisories

Key to Level of Assurance:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and, where there are controls, these are often not complied with.

Summary of Internal Audit Performance 2022/23

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	33	3	36
Number of planned audits completed	33	0	33
% assigned audits completed	100%	0%	91.7%
Number of audits completed within time allocation	18	N/A	N/A
% audits completed within time allocation	54.5	N/A	N/A
Number of audit days – planned	341.0	N/A	N/A
Number of audit days – actual	330.1	N/A	N/A
Productive time as % of available time – target	73.3%	N/A	N/A
Productive time as % of available time – actual	67.2%	N/A	N/A
Number of audit recommendations issued	103	0	103
Number of audit recommendations agreed	103	0	103
% audit recommendations agreed	100.0	0	100.0
Number of High Priority audit recommendations issued	0	0	0
Number of High Priority audit recommendations implemented	0	0	0
% High Priority audit recommendations implemented	N/A	N/A	N/A

Results of Internal Assessments

Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note: Attribute Standards 1000 – Purpose, Authority and Responsibility

Review Programme: Core Principles

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

For each check performed the relevant box should be ticked in accordance with the following levels of conformance:

GC – General Conformance

PC – Partial Conformance

DNC – Does Not Conform

Evidence for each response must be provided and reasons for any partial or full nonconformance should be given, together with any compensating measures in place or actions in progress to address this.

Programme/Checklist

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
1	Purpose, Authority and Responsibility				
	Does the internal audit charter include a formal definition of: a) the purpose b) the authority, and c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?	✓			<p>a) The Charter outlines that the purpose of internal audit is to provide optimum benefit to the Council and assist the organisation in achieving its objectives. This supports the 'Mission of Internal Audit' which is defined within section 3 of the PSIAS.</p> <p>b) In terms of authority, the Charter highlights that internal audit has direct, free, and unrestricted access to senior management, the board, the Chief Executive, and the Leader of the Council.</p> <p>With regards to responsibility, it is stated within the Charter that the CAE is responsible for</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					ensuring that the resources of the internal audit section are sufficient to meet its responsibilities and achieve its objectives. It is also implied that the internal audit section should be suitably qualified. If the audit team do not possess the required skills and knowledge, resources from external providers are utilised.
	<p>Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>	✓			<p>The Charter, in alignment with the PSIAS, defines the 'board' as usually taken to mean the audit committee. Its key responsibility is to maintain an overview on the adequacy of the Council's governance, internal control, and risk management process. The Charter does, however, need updating as it still refers to the board as the Finance and Audit Scrutiny Committee; this was changed to the Audit and Standards Committee at the beginning of 2022.</p> <p>Within the Charter, 'senior management' is defined as comprising the members of the Senior Management Team i.e., the Chief Executive, Deputy Chief Executive, and Heads of Service Areas. In terms of internal audit, senior management is responsible for helping to shape the programme of assurance work through analysis and review of key risks.</p>
	<p>Does the internal audit charter also:</p> <p>a) Set out the internal audit activity's position within the organisation?</p>		✓		<p>a) The Charter states that internal audit is responsible for reporting significant risk exposures and control issues to the Committee and to senior management. Internal audit operates within a</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>b) Establish the CAE's functional reporting relationship with the board?</p> <p>c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?</p> <p>d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer, and the head of paid service) with regards to internal audit?</p> <p>e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</p> <p>f) Define the scope of internal audit activities?</p> <p>g) Recognise that internal audit's remit extends to the entire control environment of the organisation?</p> <p>h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011?</p> <p>i) Establish the organisational independence of internal audit?</p> <p>j) Cover the arrangements for appropriate resourcing?</p> <p>k) Define the role of internal audit in any fraud-related work?</p> <p>l) Set out the existing arrangements within the organisation's antifraud and anti-corruption policies, to be notified of all suspected</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>		<p>framework that allows unrestricted access to senior management and members. There is, however, no indication as to where the internal audit activity is positioned within the structure of the organisation.</p> <p>b) It is documented in the Charter that the CAE will communicate and interact directly with the board. It also makes explicit reference to the functional lines of reporting (i.e., reporting to the board) including approval of the Charter and approval of the audit plan. There are no references to functional reporting duties such as the approval of budget plans or approving the appointment and remuneration of the CAE.</p> <p>c) The CAE administratively reports to senior management which is highlighted within the Charter. Senior management is responsible for responding to reports issued by internal audit and for implementing recommendations within agreed timescales.</p> <p>d) It is outlined that the board is responsible for overseeing the effectiveness of the internal audit function and holding the CAE to account for delivery, through the receipt of regular reports and updates. The Chief Executive or Deputy Chief Executive approves all decisions regarding the performance evaluation of the CAE.</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>or detected fraud, corruption, or impropriety?</p> <p>m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?</p> <p>n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?</p> <p>o) Define the nature of consulting services?</p> <p>p) Recognise the mandatory nature of the PSIAS?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>e) The Charter highlights that the internal audit activity has full and unrestricted access to all of the organisation's records, physical properties, and personnel.</p> <p>f) The scope of the internal audit activity is defined in the Charter as the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes.</p> <p>g) The Charter affirms that internal audit plays a key role in providing assurance on the effectiveness of the entire control environment.</p> <p>h) The Charter states that the board is responsible for the effectiveness of the control environment within the Council. The ways in which internal audit contributes to this activity is reiterated throughout the document. It is stated in the Accounts and Audit (England) Regulations 2011, that 'the relevant body, at least once a year, must conduct a review of the effectiveness of its internal audit function. This standard is fully conformed to.</p> <p>i) In line with PSIAS requirements, the CAE directly reports to the Head of Finance (a level within the organisation that allows the internal audit activity to fulfil its responsibilities). The CAE has unfettered access to the CEO, Deputy CEO, Finance Portfolio Holder, and Chair of the board. Organisational independence is also achieved through</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					<p>functional reporting to the board. Where an audit is to be undertaken on a service area that is managed by the CAE, the audit will be reviewed and signed off by the Head of Finance. Confirmation of the internal audit's organisational independence is included in the annual report of the CAE.</p> <p>j) The Section 151 Officer and board jointly agree on the level of internal audit resource to be deployed at the Council. The CAE is responsible for ensuring that the resources of the internal audit section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby, it was the opinion that these resources were insufficient, this would be formally reported to the Head of Finance and the board.</p> <p>k) Although managing the risk of fraud and corruption is the responsibility of management, the Charter states that internal auditors will be alert in all their work to risks and exposures that could allow fraud or corruption.</p> <p>l) The CAE must be notified immediately of all suspected or detected fraud, theft, corruption, or any other impropriety. The Council's role in anti-fraud is defined within the Council's Code of Financial Practice and within the Anti-fraud and Corruption Strategy.</p> <p>m) Each auditor is required to declare proactively any potential 'conflict of</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					<p>interest' prior to the commencement of each audit assignment. The CAE will consider the materiality of the conflict and if necessary, assign the audit to another team member or contract the audit work externally. All auditors are required to sign an annual declaration of interest. Audits are rotated within the team to avoid over-familiarity and complacency.</p> <p>n) The Charter outlines that the purpose of internal audit i.e., to add value and improve operations, is achieved through a mix of assurance work and consultancy and advice work. A footnote in the Charter outlines examples of the types of internal assurances provided, including financial, performance and compliance audits.</p> <p>o) Internal audit may perform consulting and advisory services appropriate for the organisation as determined by the CAE on a case-by-case basis. Consulting services are advisory, and the nature and scope of these activities are agreed upon with the client. Consulting activities include conducting internal control training, providing advice to management about the control concerns in new systems, drafting policies, and participating in quality teams.</p> <p>The Charter recognises the mandatory nature of PSIAS and includes the PSIAS Core Principles which underpin the effectiveness of internal audit.</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					There are also many references within the Charter, to PSIAS requirements e.g., 'PSIAS standard 1112 requires that where responsibilities of the CAE fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.'
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	✓			Yes, the Charter is subject to annual review by the CAE and subsequent approval by the board. (Committee Agenda)
	Does the CAE attend audit committee meetings?	✓			Yes – see example Attendance Report in Committee minutes
	Does the CAE contribute to audit committee agendas?	✓			Yes – Committee Agenda includes IA progress reports, AGS, IA plan, IA Charter, and CAE annual report.
	Conclusion: Purpose, Authority and Responsibility				The Attribute Standard 1000, which outlines the Purpose, Authority and Responsibility of internal audit activity, is formally defined in the internal audit Charter. This is consistent with the Mission of Internal Audit and the mandatory elements of the PSIAS. Although the Charter requires some minor updates, it thoroughly complies with the Attribute Standard.

Checklist for Assessing Conformance with the PSIAS and the Local Government

Application Note: Attribute Standards 1100 – Independence and Objectivity

Introduction

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

For each check performed the relevant box should be ticked in accordance with the following levels of conformance:

- GC – General Conformance
- PC – Partial Conformance
- DNC – Does Not Conform

Evidence for each response must be provided and reasons for any partial or full nonconformance should be given, together with any compensating measures in place or actions in progress to address this.

Programme/Checklist

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
1	Organisational Independence				
	Does the CAE have direct and unrestricted access to senior management and the board?	✓			The CAE has a direct functional reporting line to the board and frequently consults Members on how to improve the internal audit service. Meetings with the board are held every quarter and attended by the CAE.
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive (or equivalent) and the chair of the audit committee?	✓			The CAE often communicates with the CEO regarding current issues facing internal audit. The CAE has also spoken directly to the chair of the audit committee to discuss issues which have arisen during board meetings. The CAE has access to the Monitoring Officer.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Are threats to objectivity identified and managed at the following levels:</p> <p>a) Individual auditor? b) Engagement? c) Functional? d) Organisation?</p>	<p>✓ ✓ ✓ ✓</p>			<p>a) Declarations of conflict of interest, audit planning process. b) When assigning internal auditors to specific engagements, the Principal Internal Auditor will consider potential objectivity impairments and avoid assigning team members who may have a conflict. c) Reported to board through quarterly reports/statements. d) Threats to objectivity reported to senior management, where appropriate.</p>
	Does the CAE report to an organisational level equal or higher than the corporate management team?	✓			The CAE has an administrative reporting line to the Head of Finance, who forms part of the senior leadership team. The Head of Finance, in turn, reports to the CEO.
	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓			Although the Audit & Risk section comes under 'Finance', internal audit is not positioned within an operation that is subject to audit. The Charter documents the CAE's position in the organisation.
	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity?	✓			The CAE reports administratively to the Head of Finance and functionally to the board. The CAE has operational responsibilities beyond internal audit, such as risk management and insurance. Where appropriate, the CAE should discuss any independence concerns and potential objectivity impairment with the board and senior management.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Does the CAE confirm to the board, at least annually, the organisational independence of the internal audit activity? The board:</p> <ul style="list-style-type: none"> a) approves the internal audit charter b) approves the risk-based audit plan c) approves the internal audit budget and resource plan d) receives communications from the CAE on the activity's performance (in relation to the plan) e) approves decisions relating to the appointment and removal of the CAE. f) approves the remunerations of the CAE g) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations. 	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>✓</p> <p>✓</p>	<ul style="list-style-type: none"> a) The internal audit Charter is subject to annual board approval. b) The risk-based plan is subject to annual board approval. c) The budget for the internal audit service is presented as part of the Budget Report to Full Council. Details of the resource position in terms of audit days needed, audit days available and any resource implications are reported to the Audit and Standards committee. d) Progress against the plan is presented to the board quarterly. e) The responsibility for the appointment of the CAE is that of the S151 who is responsible for maintaining an adequate internal audit function. f) The remuneration of the CAE is set in line with the Council's pay scales. g) The Audit & Standards committee will challenge the level of resources if there is reason to question performance. A review of effectiveness is performed annually as part of the CAE's annual statement. The Committee's terms of reference are set out under the responsibility of functions of the Constitution; this is also available on the Council website. This clearly outlines the roles expected of the Audit & Standards Committee.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Does the CAE's position in the management structure:</p> <p>a) Reflect the influence they have on the control environment?</p> <p>b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?</p> <p>c) Ensure that the CAE is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>a) The CAE administratively reports to the Head of Finance. The CAE's full title is Head of Audit & Risk.</p> <p>b) Regular meetings are held with the board to review progress against the audit plan, issues and concerns, new risk exposures and any changes to the plan for the remainder of the year.</p> <p>c) All final reports issued are circulated to the CEO, Monitoring Officer or Director for Climate Change, Head of Finance, and relevant Portfolio Holder.</p>
	Does the chief executive (or equivalent) undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	✓			The Head of Finance, as the CAE's line manager, undertakes performance appraisals of the CAE. These are countersigned by the CEO.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?			✓	This is not something which is currently performed but could be requested if necessary.
2	Direct Interaction with the Board				
	Does the CAE communicate and interact directly with the board?	✓			The CAE is involved in crafting board meeting agendas and allows sufficient time to discuss internal audit performance relative to the audit plan. The CAE participates in audit committee meetings quarterly, to communicate the proposed internal audit plan, key findings and emerging risks that warrant the boards attention. The CAE's calendar substantiates his attendance at board meetings. The CAE also meets with the chair of the committee outside of committee meetings .

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
3	Individual Objectivity				
	Do internal auditors have an impartial, unbiased attitude?	✓			An internal audit manual is in place which describes expectations and requirements for an unbiased mindset. This includes highlighting the critical importance of objectivity to the internal audit profession and actions the internal auditor should take if they become aware of a current or potential objectivity concern. The manual will need updating, as this still refers to the previous Head of Finance.
	Do internal auditors avoid any conflict of interest, where apparent or actual?	✓			Disclosures of impairments are documented. Standard performance evaluation is conducted through appraisals, working papers and engagement reports. Internal auditors understand the need to disclose potential conflicts of interest. This is outlined throughout the Employee Code of Conduct
4	CAE Roles Beyond Internal Auditing				

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Where the CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity:</p> <p>a) Does the board periodically evaluate reporting lines and responsibilities?</p> <p>b) Does the board address any potential impairments to objectivity?</p>	✓	✓		<p>The CAE is responsible for Risk Management, Insurance and RIPA. The Charter states that audits conducted in these areas will be managed by an alternative officer, namely the Head of Finance. To ensure complete independence, audits can be outsourced if required.</p> <p>a) The committee should regularly review reporting lines.</p> <p>b) Impairments to objectivity are reported to the committee through quarterly reports/statements, where relevant. The Mission Statement of Internal Audit highlights the need for independence and objectivity. The Charter describes the nature of the CAE's role outside of internal audit.</p>
5	Impairment to Independence or Objectivity				
	If independence or objectivity is impaired in fact or appearance, are the details of the impairment disclosed to the appropriate parties?	✓			Impairment to objectivity is communicated to the CAE and reported to Head of Finance, auditees, and the board.
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?		✓		The auditor reported this to the CAE, senior management, and the auditee. This is often unavoidable in a small team.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Have assurance engagements for functions over which the CAE has responsibility, been overseen by a party outside of the internal audit activity?		✓		The Financial Strategy, Planning and Budgetary Control audit was signed off by the Principal Internal Auditor and CAE. The Safeguarding audit, which analysed the Council's whistleblowing policy, was also reported to the CAE. Auditors should be reminded to send engagement papers to the Head of Finance, where the audit concerns a function overseen by the CAE. It is outlined in the Charter that an officer outside of the internal audit activity should perform these engagement reviews.
	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	✓			Annual meetings are held in which the Principal Internal Auditor distributes audit engagements. This ensures that no auditor undertakes the same engagement within a one-year cycle.
	Have internal auditors declared interests in accordance with organisational requirements?	✓			Auditors discuss concerns with the CAE to determine whether the situation is truly an impairment and how best to proceed. Consideration should be given to ensuring auditors sign annual declarations of interest, indicating that no potential threats exist.
	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties, has this been declared and investigated fully?	N/A			No such incidents have been identified.
	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	N/A			No such incidents have been identified.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Have internal auditors disclosed all material facts known to them?	✓			All internal auditors are aware of the Standards with which they must conform. All work is reviewed by the CAE or Principal Internal Auditor.
	Have internal auditors complied with the Bribery Act 2010?	✓			Notes concerning the Bribery Act 2010, have been issued to Members, Managers and Staff. These are readily accessible on the Intranet.
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	N/A			No such issues have been identified. The internal audit manual describes the appropriate actions for an internal auditor to take should he or she become aware of, or concerned about, such impairments.
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	✓			The board is aware of the external contracts with Oxford City Council and TIAA. There have been no significant additional consulting services outsourced from WDC this year. Any changes to the audit plan would be discussed with the CAE and reported to the board.
	Conclusion: 1100 – Independence and Objectivity				In summary, the internal audit activity generally conforms to the Independence and Objectivity Standards. There are, however, some advisory comments where improvements could be made.

Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note: Code of Ethics

Introduction

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

For each check performed the relevant box should be ticked in accordance with the following levels of conformance:

GC – General Conformance
PC – Partial Conformance
DNC – Does Not Conform

Evidence for each response must be provided and reasons for any partial or full nonconformance should be given, together with any compensating measures in place or actions in progress to address this.

Code of Ethics: Purpose and Requirements (From PSIAS)

Public sector requirement

Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body, then he or she must also comply with the relevant requirements of that organisation

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of internal auditing to include two essential components:

Components

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services. For Institute members, breaches of the Code of Ethics will be

evaluated and administered according to The Institute’s Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

Public sector interpretation

The ‘Institute’ here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics

Public sector requirement

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life’s *Seven Principles of Public Life*, information on which can be found at www.public-standards.gov.uk

Programme/Checklist

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
1	Integrity				
	<p>Using evidence gained from assessing conformance with other Standards, do internal auditors:</p> <p>a) Perform their work with honesty, diligence, and responsibility?</p> <p>b) Observe the law and make disclosures expected by the law and the profession?</p> <p>c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation?</p> <p>d) Respect and contribute to the legitimate and ethical objectives of the organisation?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>a) The CAE cultivates a culture of integrity by periodically reviewing internal auditor performance. This is conducted through the approval of audit programmes, the reviewing of engagement reports and participation in the staff appraisal system. These activities provide auditors with the opportunity to discuss how integrity may be challenged. The use of working papers to document findings, allows auditors to include all observations in engagement reports, even if these observations are not favourable to the auditee, the board or senior management. Post-engagement questionnaires allow senior management to monitor how well internal auditors have demonstrated integrity.</p> <p>b) Each auditor is required to declare proactively any potential ‘conflict of interest’ prior to the</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					<p>commencement of each audit assignment. The CAE will consider the materiality of the conflict and if necessary, assign the audit to another team member or contract the audit work externally. All internal auditors within the organisation are members of the IIA, and subsequently have agreed to follow the IIA's Code of Ethics.</p> <p>c) Internal auditors, as with all staff at the organisation, are expected to acknowledge their adherence to the Code of Conduct in writing.</p> <p>d) The internal audit function has a degree of involvement with the Meta Compliance policy, which manages the communication of ethical policies. Internal audit has also conducted an audit engagement specifically focussed on the ethics of corporate governance within the Council.</p>
2	Objectivity				
	<p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:</p> <p>a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</p> <p>b) Accepting anything that may impair or be presumed to impair their professional judgement?</p> <p>c) Disclosing all material facts known to them that, if not disclosed, may distort the</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>a) The CAE is responsible for functions other than the internal audit activity, including risk management, insurance, and corporate fraud investigations. This work is overseen by senior management, who are a separate body to the internal audit activity. Some audit assurance work is currently outsourced externally, including the IT audits and fraud investigation work. The CAE and Principal Internal Auditor</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	reporting of activities under review?				<p>frequently meet with these assurance providers to ensure adherence to the IPPF. This has been included in the contracts and service-level agreements – ‘the Supplier shall fully cooperate with any audits or investigations relating to information security...and shall provide full information as may be reasonably requested by the Authority in relation to such audits or investigations.’ (TIAA)</p> <p>‘For the purpose of providing the Investigation Services, the Oxford City Council (OCC) Client Manager shall be accountable to the Audit and Risk Manager of WDC, with performance being monitored at regular intervals. Any OCC officers shall be aware of compromising their integrity and shall declare any personal interest relevant to an investigation, claimant, or property.’ (OCC)</p> <p>b) There is a specific policy in place regarding the declaration of gifts and hospitality. Internal audit’s policy is to politely decline gifts or hospitality offered during engagement work. All gifts and hospitality above the value of £10, whether accepted or declined, should be reported to the CAE, Democratic Services Manager and Deputy Monitoring Officer. Failure to declare gifts or hospitality is considered a disciplinary offence.</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					<p>c) Each auditor is required to disclose potential conflicts of interest and impairments to objectivity. The CAE considers these disclosures when assigning internal auditors to engagements. Engagement working papers approved by the CAE, evidence that internal auditors have conducted a balanced assessment. Assignment review schedules are completed by the CAE for each engagement.</p>
3	Confidentiality				
	<p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Acting prudently when using information acquired in the course of their duties and protecting that information?</p> <p>b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?</p>	<p>✓</p> <p>✓</p>			<p>a) Upon completion of audit engagements, the auditor will purge the network files of all previously recorded observations. This ensures that only the data required to perform the assigned engagement is held on the system. Information is only used for the engagement's intended purposes and historic data is not retained unnecessarily. Audit files are restricted, and access has only been granted to those engaged in internal audit activity. Any FOI requests are dealt with either by the CAE or Principal Internal Auditor, who control access to the engagement records.</p> <p>b) Internal auditors consider the confidentiality of information when documenting internal audit work and observations in engagement working papers and reports. References to officer names, for example, are omitted from all reports. The appraisal system allows the CAE to include feedback about whether the auditor has followed policies and procedures relating to confidentiality and the disclosure of information. Attendance to GDPR training sessions is also retained by HR/CAE. There are no reports or investigations of individual auditors violating policies, procedures, and rules related to confidentiality, demonstrating that the internal activity as a whole is in conformance with this Standard.</p>
	Competency				

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Only carrying out services for which they have the necessary knowledge, skills, and experience?</p> <p>b) Performing services in accordance with the PSIAS?</p> <p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>		<p>a) All auditors within the activity have a PDP/career action plan which allows the CAE to regularly assess the competencies of individual internal auditors and subsequently, the internal audit activity as a whole. Greater consideration could be given to creating an inventory of the skills and experience of the individual auditors, aligning them to the competencies needed to fulfil the internal audit plan and identifying any gaps in coverage. This would give the CAE the opportunity to address deficiencies by providing training and mentorship, where needed.</p> <p>b) External audits of the service are conducted every 5 years. Constructive feedback is regularly sought throughout engagements, during supervisory reviews of working papers. If inappropriate or insufficient resources cannot be obtained during the audit, internal auditors will consult with the CAE to discuss alternative options.</p> <p>a) Auditors complete CPD to maintain membership status with audit bodies. Membership to these professional organisations helps auditors to stay current with relevant professional obligations. The CAE encourages</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					educational and training opportunities where possible. Two auditors have attended the Midlands Chief Auditor Group and one is due to attend the IIA Conference. Two internal auditors are currently undertaking an MSc in Internal Audit Management, alongside the CIA qualification, evidencing the activity's commitment to continually improve its proficiency.
	Do internal auditors have regard to the Standards in Public Life's – The Seven Principles of Public Life?	✓			Yes – The Charter explicitly refers to how internal auditors have due regard to the 'Seven Principles of Public Life'. The Employee Code of Conduct is similarly based upon the Seven Principles of Public Life.
	Conclusion: Code of Ethics				Overall, the internal audit activity fully complies with the Code of Ethics and these ethics are visible throughout the internal audit processes.

Post Audit Questionnaire

Audit:

Date of report:

Auditor:

Manager:

In order to help us improve our service we would be grateful if you would spend a few moments answering the questions below.

Question	Yes	No	Comments (if applicable)
Pre-audit consultation			
Were you given adequate notification of the audit?			
Were the scope and objectives of the audit discussed with you?			
Was the audit process explained to you adequately?			
The audit			
Was the audit work undertaken at an agreed and convenient time?			
Was the audit conducted in a proficient manner?			
Were the appropriate staff interviewed for the audit areas covered?			
Were interviews conducted in a professional manner?			
Were the findings discussed with the right staff?			
Was the audit completed within a reasonable timescale?			
Audit reporting			
Was the draft report produced within a reasonable timescale?			

Question	Yes	No	Comments (if applicable)
Were you given the opportunity to discuss the report with the auditor?			
If so, did you find the discussion useful?			
Was the discussion conducted in a professional manner?			
Were your views and comments presented adequately in the final report?			
Were the recommendations in the report practical and realistic?			
Was the report produced to a professional standard?			
Did the audit reveal any unknown weakness in the system?			
Do you feel that the audit was worthwhile and has added value to your work?			

On a scale of 1 to 5, 1 being "very dissatisfied" and 5 representing "very satisfied", please score your level of satisfaction with the audit in overall terms:

If you have any other comments that you wish to make about the audit, please record them below:

Manager: _____

Date: _____

Please return the form to Richard Barr, Audit and Risk Manager, Finance.