

- Add value and support to senior management in providing effective control, whilst identifying opportunities for improving value for money.
- Deliver an Internal Audit Service that is compliant with the requirements of the Public Sector Internal Audit Standards.

3. INTERNAL AUDIT MISSION AND CORE PRINCIPLES

In 2015 the Global Institute of Internal Auditors made some new additions to the International Professional Practices Framework (IPPF) which included for the first time a mission and ten core principles. These have been adopted by this Shared Internal Audit Service and are listed below.

Mission: To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

Core principles:

1. *Demonstrates integrity.*
2. *Demonstrates competence and due professional care.*
3. *Is objective and free from undue influence (independent).*
4. *Aligns with the strategies, objectives, and risks of the organisation.*
5. *Is appropriately positioned and adequately resourced.*
6. *Demonstrates quality and continuous improvement.*
7. *Communicates effectively.*
8. *Provides risk-based assurance.*
9. *Is insightful, proactive, and future-focused.*
10. *Promotes organisational improvement.*

4. THE INTERNAL AUDIT APPROACH

While Internal Audit provides assurance through completing a programme of planned work, the service is also flexible and responsive to changing and emerging issues. Some audit work is delivered on a consultancy basis, contributing advice on risk and controls, for example ex-officio attendance at project meetings or undertaking a specific investigation of a newly identified issue.

The purpose, authority and responsibility of Internal Audit are formally defined in the Internal Audit Charter, which was approved at the November 2015 Audit and Standards Committee.

5. KEY DELIVERABLES

The key deliverables for the Internal Audit service during 2016/17 are:

- *Delivery of the Plan* - the Internal Audit Manager will ensure there is sufficient audit coverage in order to provide an annual internal audit opinion and report, which feeds into the Council's Annual Governance Statement.
- *Integrated approach to assurance* – Providing ongoing assurance to management on the integrity, effectiveness and operation of the Council's internal control, governance and risk management processes. Working with other assurance providers including External Audit to prevent duplication of work.
- *Management commitment* - Ensure agreed management responses to audit recommendations made are implemented thereby improving the overall control framework.
- *Continually develop our approach* – To develop, improve and deliver a quality assurance and improvement programme for the Service, including working closely with the Audit and Standards Committee.

6. PROTOCOL FOR AUDIT REVIEWS

For each audit a Lead Auditee will be identified who will be involved in scoping to ensure the audit is appropriately focused on key risks areas, providing assurance and maximising added value. Terms of reference will be produced for each audit to ensure the scope, objectives and approach are agreed with the appropriate Head of Service.

Following fieldwork a draft Internal Audit report will be issued for discussion with the appropriate levels of management which is normally set out in the terms of reference.

Final reports will be issued after the agreement of draft reports and contain completed management actions plans that identify those responsible for implementation and timescales.

Agreed actions or recommendations will be followed up through the Internal Audit tracker process. All fundamental priority recommendations and any passing their original implementation date are reported to the Audit and Standards Committee.

7. QUALITY ASSURANCE AND PERFORMANCE MANAGEMENT

The Internal Audit Quality Assurance and Improvement Programme ensures the work of the Internal Audit function conforms with the Public Sector Internal Audit Standards (PSIAS), operates in an efficient and effective manner and is adding value and continually improving Internal Audit activity. This is achieved through internal and external assessment, monitoring, and reporting on performance.

In 2016/17 the internal function will undergo an External Quality Assessment (EQA), which, in line with the PSIAS, must be conducted every five years by a qualified, independent assessor or assessment team from outside the Council. The EQA will

cover all three Councils and will help inform the shared service as it moves forward. Each Audit Committee will be consulted on the process and outcomes.

To achieve planned coverage, deliver a high standard of customer care and demonstrate effectiveness of the service, performance targets have been established based on best professional practice and cover the following aspects:

The following Service performance targets will be reported on in 2016/17:

Aspect of Service	Performance Indicator	Target
Audit Plan	<ul style="list-style-type: none"> Achievement of the annual Plan. 	<ul style="list-style-type: none"> 95% minimum
Internal Audit processes	<ul style="list-style-type: none"> Issue of draft report after closing meeting. Issue of final report after agreement with client to draft. 	<ul style="list-style-type: none"> 10 working days 5 working days
Effective management engagement	<ul style="list-style-type: none"> Management responses within 10 working days of draft report. Implementation of agreed audit recommendations. 	<ul style="list-style-type: none"> 10 working days Within agreed timescales
Compliance with professional standards	Public Sector Internal Audit Standards.	Compliant

8. DEVELOPING THE INTERNAL AUDIT PLAN

The methodology for developing the Internal Audit Plan is focused on the quantification of the risks associated with the Council's objectives in consultation with key officers.

This process also takes into account:

- Knowledge and experience accumulated in Internal Audit, including the results of previous reviews.
- A review of audit themes against the Corporate risk register and Council priorities.
- The work of other assurance providers both internally and externally.
- The external environment including economic climate, government initiatives such as welfare reform and changes in funding.
- Harmonisation of themes with Borough of Broxbourne Council and Epping Forest District Council to enable benchmarking and sharing of good practice.

The Internal Audit Plan is indicative and changes may need to be made as the risk profile and priorities of the Council change. This will be achieved by ongoing review and amendment in consultation with relevant officers and any significant changes brought to the Audit and Standards Committee for approval.

It is important for Internal Audit to plan ahead and allocate resources over the medium term but still maintain a flexibility of approach. This is achieved by documenting known risks over a three year period so that the three year plan includes an indication of proposed audit work for years two and three, based on current known risks if circumstances remain unchanged. However, as new risks emerge audit resources over the medium term will be focused accordingly.

The sections of the Internal Audit Plan include:

- Corporate Framework – key risk areas including those defined in the Council's strategic risk register.
- Strategic themes – including cross cutting issues some of which will be incorporated within operational audits or will be undertaken through consultative work.
- Service areas – operational audits determined on a risk assessment and/or business priorities.

9. PRIORITY AREAS FOR 2016/17

Having regard for the current risk profile of the Council the following have been identified as priority areas for Internal Audit work for 2016/17. These may not be audits in themselves, but cross cutting themes that will be fundamental to the scope of Internal Audit work undertaken.

- *Information Governance and Management*: This includes data quality and security. Internal Audit work will seek to provide assurances over the management information used for making key decisions.
- *Risk Management* – Internal Audit has a key role in promoting effective risk management and will continue to work with the Head of Finance to ensure a robust risk management framework across the Council. Within individual audits Internal Audit will seek compliance with good risk management practices and the adequacy of controls put in place by management to mitigate risks in their service areas.
- *Fraud* – Internal Audit will support the Council's anti-fraud work and strategy, with a focus this year on housing related fraud.
- *Value for Money (VfM)* – An increasing focus on VfM will be reflected in Internal Audit's work mainly as a cross cutting theme within operational audits. These will incorporate how the Council makes the best use of resources and assets, the balance of cost and performance and meeting the needs of our residents; and providing challenge on whether services could be provided in a different way.
- *Audit Planning, Strategy and Audit and Standards Committee Support* – Internal Audit will work with the Audit and Standards Committee in developing its role in

relation to best practice and to contribute to effective corporate governance of the Council.

At the operational level the key priorities of Internal Audit work in 2016/17 include:

- *Harlow Trading Services* – Internal Audit will be actively involved and seeking assurances on the adequacy of internal control, governance and the management of risks as the HTS set-up progresses.
- *InPhase* – Internal Audit has contributed to the InPhase project which is a new service planning, risk management and performance management system. Internal Audit will assist the Council as the system goes live to ensure services are using the system to full advantage.
- *Key Financial Systems* – the effectiveness of controls and management of risks with the core financial systems remains a core part of Internal Audit work. Audits have been scheduled on a three year cyclical basis so not all key financial systems will be undertaken each year.

10. RESOURCES

At the start of 2015/16, the Internal Audit function continued as a joint service between Broxbourne and Harlow Councils. This consisted of an Internal Audit Manager, three Senior Auditors (2.3 f.t.e) and one Auditor (1.0 f.t.e) working across both Councils, with the costs shared equally. The Team is employed by Broxbourne except for one Senior Auditor (0.5 f.t.e) who is employed by Harlow. In addition, external expertise was bought in to undertake IT audits at Harlow.

Since June 2015 the Internal Audit Manager has been overseeing the delivery of Internal Audit services for Epping Forest District Council (EFDC), as well as Broxbourne and Harlow Councils, with the cost of this post being shared equally. The internal audit function at EFDC consists of one Senior Auditor, two Auditors and an Auditor vacancy (all 1.0 f.t.e) and their working practices and methodology have been aligned to those of Broxbourne and Harlow.

Early in 2016/17 the part time Senior Auditor employed by Harlow will be leaving. On the basis of a shared Internal Audit Manager and three auditors (2.8 f.t.e) there are 650 audit days available for Harlow and Broxbourne in 2016/17, which equates to 325 audit days each.

The short term plan is not to fill the Harlow vacancy but to utilise the Epping Forest auditors instead depending on the size and coverage of Audit Plan required by the Audit and Standards Committee. The longer term plan is to formalise the shared audit service between the three Councils, and this process is starting with all auditors working across all three Councils in delivering each of the 2016/17 Audit Plans.

11. AUDIT PLAN

The Audit Plan as detailed in Appendix A can only be accommodated within existing resources if those audits identified in square brackets are not carried out or additional resources are brought in. The Audit and Standards Committee needs to decide on the level and breadth of assurances it requires.

The proposed audit plan requires between 348 and 422 days, depending if those audits in square brackets are dropped as detailed in the table below:

Thematic Area	Audit days if full plan accepted (% in brackets)	Audit days if [audits] dropped (% in brackets)
Corporate framework including governance, assurance framework, fraud, value for money and risk management	63 (15%)	63 (18%)
Information and performance management	20 (5%)	20 (6%)
Projects, Joint Working and Partnerships	20 (5%)	20 (6%)
Financial audits	48 (11%)	40 (11%)
IT Audits	20 (5%)	10 (3%)
Cross cutting/themed audits	25 (6%)	25 (7%)
Operational Audits	118 (28%)	62 (18%)
Follow Ups	20 (5%)	20 (6%)
Audit Committee Support	8 (2%)	8 (2%)
Audit strategy and engagement with the business	35 (8%)	35 (10%)
Contingency (including investigations)	25 (6%)	25 (7%)
Advice, training and raising staff awareness	20 (5%)	20 (6%)
TOTAL	422	348

IMPLICATIONS

Place (includes Sustainability)

None specific

Author: **Graeme Bloomer, Head of Place**

Finance (includes ICT)

Failure to achieve the audit plan may lead to a lack of assurance that internal controls are effective and risks properly managed.

Author: **Simon Freeman, Head of Finance**

Housing

None specific

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (2013) against which internal audit activity should be measured and determined.

Author: **Brian Keane, Head of Governance**

BACKGROUND PAPERS

Public Sector Internal Audit Standards.

Internal Audit Charter.

Internal audit resource plan and risk assessment.

Glossary of terms/abbreviations used

f.t.e – full time equivalent