

## Appendix A – Internal Audit Plan



# Cambridge City Council

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## 1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 require that the Council “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.”
- 1.2 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit “must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”.
- 1.3 Management is responsible for the system of internal control and establishes policies and procedures to help ensure that the system is functioning correctly. On behalf of the Civic Affairs Committee, Internal Audit acts as an assurance function by providing an independent and objective opinion on the control environment.
- 1.4 This document demonstrates how we will support the overall aims and objectives of the Council. Our plan will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council’s aims and in achieving a professional, modern audit service.

## 2 Strategy

- 2.1 Greater Cambridge Shared Audit was established as a shared service between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC) in 2017.
- 2.2 Our strategic aim is to deliver a co-ordinated audit plan for both Councils. This should add value by providing assurance, improving controls and reducing risk.
- 2.3 This joint approach enables work to be undertaken which reflects the priorities for both Councils whilst getting the benefits of co-ordinated reviews which can be covered in partnership.
- 2.4 Our vision is: "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".
- 2.5 We provide an independent, objective assurance and consulting service that adds value and improves the Council's control environment. This helps the Council deliver its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Definition	Details
Audit and assurance	Assurance is our key role, and the Head of Shared Internal Audit provides an Audit Opinion based on an objective assessment of the framework of governance, risk management and control.  This opinion is provided to the Committee and also feeds into the Annual Governance Statement.
Consulting and advisory	We also complete consulting services. These are advisory in nature and are generally performed at the specific request of management with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

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### **3 Internal Audit Plan**

3.1 Our work will support the Council's corporate objectives, and the corporate governance framework.

#### **Identifying work**

3.2 Our plan considers the Council's Corporate Plan, risk registers, consultation with stakeholders, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.

3.3 There needs to be a flexible approach to planning, to ensure that our work meets the needs of the Council in the continually changing risk and control environment. The risk-based planning approach enables the plan to be updated when new reviews are identified. The plan will be reviewed and monitored throughout the year, with regular updates reported to the Civic Affairs Committee.

3.4 Our work should address key risk areas and draw attention to significant concerns and what needs to be done. Ideally the plan will provide coverage across the whole organisation, and some reviews may be cross cutting and involve multiple teams and partners. This enables the Head of Shared Internal Audit to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement.

### **4 Resources**

4.1 Resource requirements are reviewed each year as part of the audit planning process. The current establishment for the audit team enables sufficient resource to deliver our risk-based plan.

4.2 The broad scope of activities within the Council means that demand for potential reviews will exceed the number of available days within a year. The risk-based planning approach identifies and matches audit work to the available audit resources, based on where the most value can be added.

4.3 Our plan needs to be agile and flexible enough to enable us to be reactive to situations arising during the course of the period covered by the plan.

4.4 Time allocations for reviews are based on strategic planning, plus our experience from previous reviews. As each audit activity is fully scoped and agreed with the appropriate senior manager, each job will then be monitored to that time allocation.




## 5 Assurance Type and Key Themes

5.1 The main types of our audit and assurance work are:

Type	Details
Risk Based	Our audit plan is risk based and coverage will be prioritised towards the corporate priorities and risks to the Council, to help ensure that desired outcomes are delivered efficiently.
Core Work	We undertake audits reviews which aim to provide assurance that corporate systems and processes are robust and protect the Council. These will typically involve work around key financial systems, management controls, and programmed annual assurance. Some work may be mandatory, such as providing assurance to central government on expenditure.
Third party	<p>We will also take assurance from third parties. Leveraging resources of other assurance functions helps to provide coverage of the Councils controls environment whilst minimising the duplication of effort. This could include audit or review work in partnerships where another organisation is the lead stakeholder, or where a third party with professional expertise or a legal obligation has undertaken a review. If the outcome of these reviews impacts the control environment this may prompt us to undertake our own work in this area.</p> <p>As a shared service we also provide assurance work for other shared services delivered across the Councils. The output of the work will be reported to all stakeholders.</p>

5.2 For each audit review, a brief description of the scope for the work is provided together with the type of audit. Timing and detailed scopes for each audit will be agreed with the relevant Senior Manager prior to commencement of the fieldwork.

5.3 Our reviews are categorised by themes to help us communicate the areas of focus. Our major key themes for 2024 / 2025 include:

Theme	Details
Transformation 	The Council continually seeks continuous improvement. We will proactively support this process as new opportunities are identified. We will also review any new key systems, after implementation, for benefits realisation and to provide assurance that key controls continue to operate effectively.
Resilience and recovery 	Our plan reflects changes to the risk and control environment as events continue to drive rapid change across the Council. We will add value to the Council by providing real-time assurance on new and developing processes and controls.
Governance 	We will review governance areas where it helps add value to the Council, stakeholders, or if there is a statutory requirement. We will also contribute to the Annual Governance Statement.

## 6 Follow-ups

- 6.1 To ensure that agreed actions are being implemented, follow-up work will be carried out.
- 6.2 If a review resulted in significant recommendations, then a full audit may be planned to evaluate the effectiveness of the implementation.

## 7 Other activities

- 7.1 In addition to delivering the audit plan, resources are allocated to deliver other activities, which are classified as “Governance Risk and Control” or “Other Resource Provisions”. Examples are detailed later on in the report.

## 8 Summary

- 8.1 The Internal audit plan will add value to the Council by helping to improve systems, mitigate risks, and inform the Annual Governance Statement.

## 9 Our forward plan

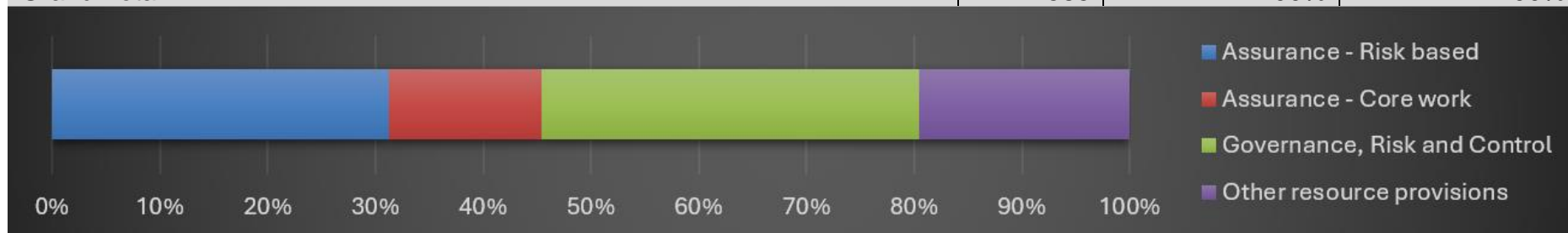
9.1 Our work plan can be categorised broadly into the following areas:

Audit area	Activity	Description
Assurance	Risk based	Internal Audit reviews based on risk prioritisation. Factors include materiality, corporate importance, vulnerability, risks and opportunities. The overall aim is to add value by providing assurance, improving controls and reducing risk.
	Core Work	Reviews of systems that are fundamental to the Council's governance, risk and control environment. This type of work will also include mandatory activities, such as providing assurance to third parties, such as Central Government, through grant certification.
Governance, Risk and Control	Internal Audit Opinion	The Internal Audit lead for their relevant audit committee provides an opinion on the governance, risk and internal control framework in place within the Council.
	Internal Audit Effectiveness	A continuous Quality Assurance and Improvement Program to the Public Sector Internal Audit Standards and the Local Government Application Note, is completed.
	Governance Framework	We support the development of the Annual Governance Statement, the associated Action Plan and review of the Local Code of Governance.
	Prevention of Fraud and Corruption	We co-ordinate the National Fraud Initiative, a proactive data matching exercise, and are a key contact for data analytical tools.  We work with the Fraud team to support development and awareness of fraud and error risks across the Council.
	Risk Management	We are the corporate lead and facilitate the Risk Management Strategy and Framework. An allocation of time is also made for administration of the corporate 4Risk system and providing training and development to colleagues. We undertake this work as it helps contribute to effective risk management.
	Follow up provision	Historic audits reviews, where there have been concerns identified, are followed up to ensure that agreed recommendations have been implemented.

Other resource provision	Transformation	<p>We support the Council's Transformation Program by proactively working with teams and supporting projects where we can help add value to improving the governance risk and control environment.</p> <p>The Head of Internal Audit chairs the Change Assurance Team (CAT) which is a board with representatives from key corporate functions. The purpose of the CAT is to provide assurance for complex and strategic projects and act as critical friend.</p>
	Contingency: advice / irregularities	<p>Internal Audit act as a focal point to assist officers across the Council in providing advice / support in relation to projects; contracts; procurement or general controls.</p> <p>No matter how robust services and processes are, there is always the potential for anomalies to occur. Internal Audit assists by providing pro-active counter fraud work; and reactive work for suspected irregularities and whistleblowing referrals.</p> <p>An element of time has been set aside to allow for these activities within the plan.</p>

9.2 We calculate our resources annually. The table below provides an overview of anticipated work for the next 12 months, by audit area, and a comparison with the previous year.

Audit area	Days	Current year	Previous Year
Assurance - Risk based	183	31%	48%
Assurance - Core work	83	14%	13%
Governance, Risk and Control	205	35%	24%
Other resource provisions	114	19%	15%
<b>Grand Total</b>	<b>585</b>	<b>100%</b>	<b>100%</b>





## **Observations**

9.3 This table illustrates how we anticipate our estimated allocation of work for the Council is changing from the past 12 months:

Audit Area	Trends and notes
Assurance - Risk based	There is a decrease from the previous year, reflecting the proactive work planned in other areas. If additional capacity becomes available, we will bring forward risk-based work from our long-term plan.
Assurance - Core work	This is consistent with the previous year.
Governance, Risk and Control	<p>There is an increase in demand, which reflects:</p> <ul style="list-style-type: none"> <li>• planned periodic in-depth review of our Code of Governance;</li> <li>• development of Risk Management Framework / implementation of the Strategy;</li> <li>• development of a revised assurance framework through the Corporate Hub;</li> <li>• adoption of revised GIAS / PSIAS;</li> <li>• management of the biennial National Fraud Initiative extract and processing;</li> <li>• supporting implementation of the countywide Council Tax Compliance &amp; Counter-Fraud Initiative;</li> <li>• supporting development of new governance arrangements and incorporation of CIPFA best practice</li> </ul>
Other resource provisions	<p>There is an increase, which reflects:</p> <ul style="list-style-type: none"> <li>• supporting work on Housing Rent Charges</li> <li>• supporting assurance role on Transformation Boards</li> <li>• participation and development of the new Corporate Hub</li> </ul>

## Assurance work

9.5 This work provides assurance to all stakeholders of the Council. It also supports the s.151 officer for their commentary included in the authority's Annual Statement of Accounts. The reviews planned for the next six months are listed in the table below:

Review	Assurance type	Progress update	Scope and description
<b>Risk based</b>			
HRA - Safety - Asbestos	Compliance	This work is in progress	The new Social Housing (Regulation) Bill has two very notable focus areas: fundamental reform to the remit and powers of the Regulator for Social Housing (RSH) – from reactive to proactive regulation; and a focus on Health and Safety matters including tenant empowerment.  Local Authority Registered Providers (LARPs) are now accountable to the Regulator of Social Housing (RSH).  We have agreed a testing programme to help the Council respond to the changes. For each review we will provide assurance that the Council has appropriate governance framework for the monitoring and reporting of housing safety compliance.
HRA - Safety - Stakeholder engagement		This work is in progress	
HRA – Safety – Damp and Mould		This work is scheduled for later in the year.	
Safeguarding - Modern Day Slavery	Heartbeat assurance	This work is in progress	Review of the existing governance arrangements in respect of modern-day slavery.
Housing Rents - Refunds	Data quality and analytics	This work is scheduled for later in the year.	We will review housing refund data to provide assurance that it has been calculated correctly.

Review	Assurance type	Progress update	Scope and description
Business Transformation - Project Management Framework	Governance	This work is scheduled for later in the year.	Review the framework and governance arrangements for managing projects, plus review of the enterprise portfolio management system.
<b>Core work</b>			
Carbon management - Data Quality	Data quality and analytics	This work is being finalised.	Resource allocated to quality assure carbon data management and delivery of key environmental projects.
Information Governance - GDPR	Embedded assurance	This work is in progress	Participation in the corporate Information Governance Board enables us to review thematic areas and provide assurance that policies are being managed effectively to educate colleagues on emerging risks and improved ways of working.
Risk Management Strategy	Embedded assurance	This work is in progress	Review of the risk management performance to provide assurance that the framework is embedded within the Council.
Grant assurance - Home Upgrade Grant: HUG2	Grant assurance	This work is scheduled for later in the year.	This is a central government scheme to assist decarbonisation of properties. We will review a sample of grants to provide assurance that funds were spent in accordance with grant conditions.
Grant assurance - Region of Learning	Grant assurance	This work is scheduled for later in the year.	We will provide assurance back to the funder (Arts Council) that funding has been spent in accordance with grant conditions.
Grant assurance - Coronation Living Heritage Fund	Grant assurance	This work is scheduled for later in the year.	Coronation Living Heritage Funding has been provided to support biodiversity improvements. We will provide assurance than expenditure is compliant with the grant scheme conditions.

Review	Assurance type	Progress update	Scope and description
Grant assurance - Disabled Facility Grant	Grant assurance	This work is in progress	Certification of the annual grant payment from the Better Care Fund allocated to District Councils via the County Council. Review of a sample of payments made in respect of disabled facilities.
Grant assurance - Changing Places	Grant assurance	This work is scheduled for later in the year.	This is a central govt scheme to scheme to build disabled access toilet facilities. We may need to provide the S151 with assurance that the grant conditions have been met on scheme closure.

## Appendix B – Progress update and Opinion

### 1 Introduction

- 1.1 Management is responsible for the system of internal control and establishes policies and procedures to help ensure that the system is functioning correctly. On behalf of the Civic Affairs Committee, Internal Audit acts as an assurance function by providing an independent and objective opinion on the control environment.
- 1.2 The purpose of this section of the report is to provide an update on the recent work completed by internal audit and report our overall opinion on the control environment. This opinion will in turn be used to inform the Annual Governance Statement which accompanies the Statement of Accounts.
- 1.3 Where appropriate, reports are given an overall opinion based on four levels of assurance. This is based on the evaluation of the control and environment, and the type of recommendations we make in each report. If a review has either “Limited” or “No” assurance, the system is followed up to review if the actions are implemented promptly and effectively. Further information is available in Appendix E – Glossary of terms.

## **2 Resources and team update**

- 2.1 An audit plan is presented at least annually to the Civic Affairs Committee. It is good practice to continually review the plan, to reflect emerging risks, revisions to corporate priorities, and changes to resourcing factors. Since June 2020 we have reported a six-month plan, as this gives us the flexibility to respond and deliver an audit plan that adds value to the Council.
- 2.2 The audit assignments are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including CIPFA, ACCA and IIA). The team currently has a vacancy, which is included in the resource plan. The team structure is being reviewed as part of the Corporate Hub redesign. We also utilise alternative resources such as agency workers or internal secondments. During 2023/2024 and 2024/2025 we accommodated a Graduate Trainee within the team through the LGA National Graduate Development Program and this was a very positive experience.
- 2.3 The team participates in continuous learning and professional development. We also meet quarterly for dedicated internal PSIAS reviews to maintain our periodic PSIAS assessments and identify learning and development opportunities for the team. We have been developing our knowledge of data analytics and have also been trialling AI in our work programmes.
- 2.4 Progress of the plan delivery is illustrated on the following pages for information. We previously reported to the Committee in February 2024.

### 3 Assurance and opinion

3.1 The audit plan enables me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and financial control). This opinion will inform the Annual Governance Statement.



3.2 Our work is carried out to assist in improving control. Management maintains responsibility for developing and maintaining an internal control framework. This framework is designed to ensure that:

- the Council's resources are utilised efficiently and effectively;
- risks to meeting service objectives are identified and properly managed; and
- corporate policies, rules and procedures are adequate, effective and are being complied with.

3.3 Assurance is received from various sources: the work of Internal Audit; the work of the External Auditor; and the Annual Governance Statement together with the Local Code of Corporate Governance and the Risk Management process. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.

3.4 If the audit reviews undertaken identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, we issued recommendations to improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up and is reported to Civic Affairs Committee.

3.5 It is the opinion of the Head of Shared Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment, governance and risk management arrangements. This remains at a similar level to the previous period, based on the outcomes of our work, however we recognise the risks and challenges that the Council has faced with recent global events and the potential impact this has on the control environment. Consequently, our ongoing audit plan now features Resilience and Recovery as one of our key themes.

## **4 Independence and Objectivity**

- 4.1 It is important that the Internal Audit service is sufficiently independent to provide an objective annual opinion.
- 4.2 We safeguard against any potential ethical threats by preparing an Internal Audit Code of Ethics, which is presented to the Committee annually.
- 4.3 Every year, all members of the team complete a declaration form to ensure and maintain independence and objectivity in conducting all assignments.
- 4.4 During the past year there has not been any impairment in independence or objectivity to the Head of Shared Internal Audit or the service itself.

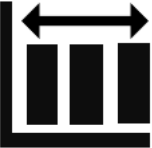
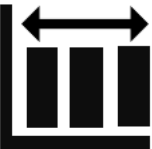
## **5 Added Value Services**


- 5.1 Although our primary responsibility is to give an annual assurance opinion it is also important that the Internal Audit service adds value to the organisation.
- 5.2 There needs to be a firm focus on assisting the organisation to meet its aims and objectives and on working in an innovative and collaborative way with managers to help identify new ways of working that will bring about service improvements and deliver efficiencies.

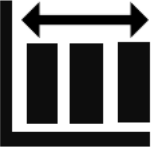


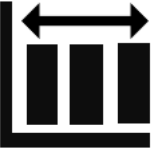
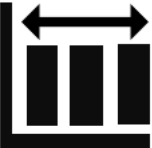
## 6 Progress update

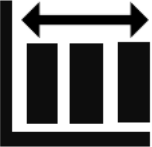
The following table summarises reviews with an audit opinion which have reached completion since our previous update to the Committee.

Audit	Assurance and actions		Summary of report and actions
<p>Information Governance</p> 	<p><b>Assurance:</b> Current: Previous: <b>Actions:</b> Critical High Medium Low</p>	<p>Reasonable Reasonable 0 0 0 0</p>	<p>We participate in a new 3C Information Governance Board that consists of the Senior Information Risk Officer, the Data Protection Officer (shared by all three Councils) and relevant Operational Officers in the Council.</p> <p>The Board reviewed relevant policies, procedures and toolkits, cyber security risks, completed an ongoing health check.</p> <p>The possibility of Cyber Risks increased during the general election and regular proactive communications were sent out to remind colleagues about the best ways to reduce threats.</p> <p>This integrated assurance approach helps us to evaluate the Information Governance Framework and determine there is reasonable assurance that the framework is functioning effectively.</p>
<p>Risk Management</p> 	<p><b>Assurance:</b> Current: Previous: <b>Actions:</b> Critical High Medium Low</p>	<p>Reasonable Reasonable 0 0 0 0</p>	<p>The Council is implementing the Risk Management Strategy, approved by the Civic Affairs Committee, and continues to launch additional elements of the new risk management system. There has been positive progress at increasing the level of engagement, which is evident by reviewing risk data over a 12-month period.</p> <p>Consequently, we can give reasonable assurance that the risk management framework is embedded.</p>

Audit	Assurance and actions		Summary of report and actions
<p>Homes for Ukraine</p> 	<p><b>Assurance:</b></p> <p>Current:</p> <p>Previous:</p> <p><b>Actions:</b></p> <p>Critical</p> <p>High</p> <p>Medium</p> <p>Low</p>	<p>Limited</p> <p>New review</p> <p>0</p> <p>2</p> <p>3</p> <p>0</p>	<p>We reviewed the Council's approach to the Homes for Ukraine scheme which has supported over 560 Ukrainians arriving in Cambridge since its launch in March 2022.</p> <p>We reviewed the Council's processes for making payments to hosts and guests, the completeness of the data management records and the accuracy in the quarterly reporting to the County Council. We highlighted some issues with the lack of supporting information retained to validate the earlier quarterly returns to the County Council. Our data validation identified there has been an overpayment of £33k due to recording an incorrect number of guest arrivals in the Q3 return and will be adjusted in future payments received from the County.</p> <p>There is further work to undertake to reconcile expired subsistence vouchers and enable the Council to re-issue vouchers and reconcile the total funding to finance records. Work has already begun to address these issues.</p>

Audit	Assurance and actions		Summary of report and actions
<p>HRA - Electrical Safety Compliance</p> 	<p><b>Assurance:</b></p> <p>Current:</p> <p>Previous:</p> <p><b>Actions:</b></p> <p>Critical</p> <p>High</p> <p>Medium</p> <p>Low</p>	<p>Limited</p> <p>Limited</p> <p>0</p> <p>7</p> <p>4</p> <p>0</p>	<p>We completed a review of the Electrical Safety Compliance for the Council's housing stock at the request of Management. Our data validation tool identified discrepancies with the data held within the service record and the contractor's record. This included inconsistent dates of electrical inspections and missing/inaccurate UPRN data records between the service record and the contractor's record. Good progress has already been made by the team to ensure both records are consistent and accurate.</p> <p>Our review of records highlighted there are approximately 2000 properties that do not have a valid electrical inspection certificate. This is as a result of a number of factors including a change in the frequency of electrical inspections being carried out from a 10-year cycle to every 5 years as per the Regulations, and a delay in the implementation of the electrical inspection programme of work due to a change in the procurement of the TSG contract. Measures have been put in place to address this issue whereby the contractor has employed three additional contractors to work on the CCC contract.</p> <p>We attend the Housing Compliance Board and have already seen a noticeable improvement following our review. We will follow-up this audit for completeness.</p>

Audit	Assurance and actions		Summary of report and actions
Procurement Governance 	<b>Assurance:</b> Current: Reasonable Previous: Reasonable <b>Actions:</b> Critical 0 High 3 Medium 0 Low 0		<p>We followed up the management agreed actions from our previous review, reported in July 2023.</p> <p>Due to proposed changes in procurement legislation, there has only been partial progress with implementing the three high category actions:</p> <ul style="list-style-type: none"> <li>• Contract Procedure Rules (CPRs) are being rewritten and will be taken to full Council for approval during September 2024.</li> <li>• Once the revised CPRs are approved, the procurement intranet pages will be updated to include hyperlinks to all procurement documentation and related policies.</li> <li>• Drafted guidance for the appointment of consultants/contractors is expected to be reviewed by the new Chief Financial Officer in June 2024.</li> </ul> <p>We will follow-up the actions to provide assurance they are completed effectively.</p>
Fleet Management - Fuel Cards Follow Up 	<b>Assurance:</b> Current: Reasonable Previous: Reasonable <b>Actions:</b> Critical 0 High 1 Medium 0 Low 0		<p>We followed up the management agreed actions from our previous follow-up review.</p> <p>The team has made good progress in creating a system to obtain, retain and review fuel card receipts. The Driver's handbook has been updated and an exercise is underway to ensure that all fuel card users have signed the fuel card formal agreement. All three stages of the high category management agreed action from the original report have been completed and good progress is being made on the remaining high category management agreed action from the previous follow up review.</p>

Audit	Assurance and actions		Summary of report and actions
<p>Carbon Management – Data Quality</p> 	<p><b>Assurance:</b></p> <p>Current:</p> <p>Previous:</p> <p><b>Actions:</b></p> <p>Critical</p> <p>High</p> <p>Medium</p> <p>Low</p>	<p>Full</p> <p>Full</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p>	<p>The Council collates annual energy consumptions and fuel usage data, and converts these into tonnes of CO2 emissions, to demonstrate how it is reducing carbon emissions. This information is then reported to members in the Annual Greenhouse Gas report and used to complete the Authority’s annual carbon emissions data submission to the Department for Business, Energy and Industrial Strategy (BEIS).</p> <p>We completed a data quality check, which included reviewing the accuracy of data input, and that all calculations and formulae were correct. Data was also verified back to available source data. Feedback was provided where data was incorrect, the appropriate corrections were completed, and the revised data sets were subsequently rechecked. This provides assurance that the data was reliable.</p> <p>There were no actions arising.</p>
<p>HRA - Tenant Satisfaction Measures - Data Quality</p>	<p><b>Assurance:</b></p> <p>Current:</p> <p>Previous:</p> <p><b>Actions:</b></p> <p>Critical</p> <p>High</p> <p>Medium</p> <p>Low</p>		<p>Internal Audit report being finalised - information to follow in final Civic Affairs Committee report.</p>

Audit	Assurance and actions		Summary of report and actions
HRA - Safety - Fire	<b>Assurance:</b> Current: Previous: <b>Actions:</b> Critical High Medium Low		Internal Audit report being finalised - information to follow in final Civic Affairs Committee report.

## 7 Counter fraud and corruption update

### Data Analytics

#### National Fraud Initiative

- 7.1 The Council participates in a national data matching service known as the National Fraud Initiative (NFI), which is run by the Cabinet Office. Data is extracted from Council systems for processing and matching. It flags up inconsistencies in data that may indicate fraud and error, helping councils to complete proactive investigation. Historically this process has not identified significant fraud and error at the Council, and this provides assurance that internal controls continue to operate effectively.
- 7.2 Internal Audit is the Key Contact for the National Fraud Initiative exercise. We provide data from: Trade Creditors, Housing, Council Tax, Benefits, Market Traders, Electoral roll, plus our Payroll and Pensions. This happens at least every two years, with the Council Tax and Electoral roll data submitted annually. The next data extract is in October 2024.
- 7.3 The Cabinet Office process the data and issue matches. These are records which have matched to other datasets and could identify potential cases of fraud and error (*they could also be “false positives” with a legitimate reason for the match*). We have not identified any fraud cases from this extract. For further information on the National Fraud Initiative please visit their [Cabinet Office website](#).
- 7.4 We are working with colleagues in the Revenues to implement the Countywide Council Tax Compliance and Counter-Fraud Initiative. Internal Audit quality assures the data prior to upload to the Cabinet Office website. This work supplements the NFI exercise.

#### Referrals

- 7.5 We look to ensure that employees and contractors follow the various policies, procedures and Codes of Conduct established to protect the public purse, as well as the integrity of officers. Consequently, we may investigate fraud, whistleblowing allegations or theft. Matters can be received as a direct request from management or via the whistleblowing route. Under the Council's Whistleblowing Policy, employees are encouraged to report any genuine, serious concerns about any aspect of the Council's work to the Head of Shared Internal Audit.
- 7.6 Since our previous report we have processed seven referrals, and two of these were covered by Whistleblowing policy. This provides assurance that people are aware of their opportunity to refer concerns via the policy. In all cases, if

appropriate, actions were agreed with management to improve controls which could mitigate risks of fraud and error.

## **8 Other audit and assurance activity**

### **Public Sector Internal Audit Standards**

- 8.1 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the Internal Audit activity. External assessments must be conducted at least once every five years by a qualified, independent assessor. In 2018 CIPFA independently verified that we “**Generally Conform**” with the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN). We are preparing for an external review.
- 8.2 New [Global Internal Audit Standards](#) have been published. We are expecting a refreshed PSIAS to reflect any professional changes. We will keep up to date with standards revisions so they can be adopted promptly.
- 8.3 We completed our annual internal review process which provides assurance that we continue to meet the standards. We respond to guidance issued by our professional bodies and adapt our assurance approach to help maintain compliance with the standards.
- 8.4 We have been maintaining continuous professional development in the team. A team focus is building upon our existing data analytical skills, and we have been developing our knowledge in Power Query and Power BI, SharePoint and Co-Pilot.

### **Governance**

- 8.5 We have continued to facilitate the review of the Annual Governance Statement, and the Local Code of Governance, which accompanies the Statement of Accounts.
- 8.6 In addition, we are developing a back-office system to help maintain and monitor records in the Local Code of Governance. This should support our assurance mapping and provide better assurance when reviewing our compliance with the Code.



## **Risk management**

- 8.7 We have continued to provide support on the identification of risks and controls. Following the review of our Risk Management Strategy we have been implementing our improvement program.
- 8.8 We implemented a new risk management system last year to introduce improvements to querying and data reporting. We continue to deploy new features and are training users.
- 8.9 We measure the volume of risks updated and reviewed in a period. This information demonstrates the level of engagement, and we can conclude that risk management is effectively embedded in the Council.

## **9 Conclusion**

- 9.1 The work carried out by the Internal Audit Team conforms to the Public Sector Internal Audit Standards.
- 9.2 A continuous risk-based audit plan is completed, providing assurance. The team also provides added value consulting activities such as providing advice and fraud and error activities.
- 9.3 The audit work completed has provided sufficient coverage to enable Internal Audit to form an opinion on the internal control environment, governance and risk management arrangements. There is Reasonable assurance awarded during the year, and this remains at a similar level to the previous period.

## Appendix C – Internal Audit Charter



Our vision:

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

May 2023

Next Review: By April 2024

Version Control: 1.05

# 1 INTRODUCTION

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013, and are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) now provide a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The Standards have been revised from 1 April 2017 to reflect the latest changes in the IPPF. In addition, the PSIAS are supported by a Local Government Application Note (LGAN), published by the Chartered Institute of Public Finance and Accountancy to provide relevant sectoral requirements guidance.
- 1.3 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within the Council; its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the relevant audit committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

# 2 PURPOSE

- 2.1 In accordance with the PSIAS, Internal Auditing is defined 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."*

- 2.2 However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

### **3 AUTHORISATION**

3.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2015<sup>1</sup>, which state that

*“A relevant 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.”*

3.2 There are additional requirements placed upon the Chief Audit Executive (see Section 4: Organisation and Relationships), to fulfil all aspects of CIPFA’s Statement on the Role of the Head of Internal Audit in Public Sector Organisations, with Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer.

3.3 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation’s:

- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
- Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
- Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.

3.4 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

### **4 ORGANISATION AND RELATIONSHIPS**

4.1 Within the PSIAS, the terms ‘Chief Audit Executive,’ ‘Board’ and ‘Senior Management’ are used to describe key elements of the organisation’s governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. The following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council.

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<sup>1</sup> [http://www.legislation.gov.uk/uksi/2015/234/pdfs/ukxi\\_20150234\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/234/pdfs/ukxi_20150234_en.pdf)

The following terms are explained:

### **Chief Audit Executive**

- 4.2 The Chief Audit Executive is the Head of Shared Internal Audit Service (HoSIAS), part of a shared management arrangement between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC). The HoSIAS reports to the relevant S151 and has access to the Chief Executive should it be required.

### **Board**

- 4.3 The 'Board' oversees the work of Internal Audit. It will be the relevant audit committee of the Council, known as Civic Affairs Committee (CCC) and the Audit and Corporate Governance Committee (SCDC), which has been established as part of its corporate governance arrangements. The Committee is responsible for the following with reference to Internal Audit:

- Internal Audit Plans;
- Progress and performance against plans;
- Annual Audit Opinion; and
- Compliance with standards.

- 4.4 Internal Audit will work closely with the committee to facilitate and support its activities.

### **Senior Management**

- 4.5 In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Leadership Team and the Senior Management Team (CCC) and the Leadership Team and Corporate Management Team (SCDC).

### **External Audit**

- 4.6 Internal Audit aims to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties. Our audit plans and reports are shared with the appointed external auditor, Ernst and Young.

### **Other Internal Audit Service Providers**

- 4.7 Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. In such cases, a dialogue will be opened with each Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing regime.

## **Other External Review and Inspection Bodies**

- 4.8 Internal Audit will co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

## **5 OBJECTIVES AND SCOPE**

- 5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.
- 5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.
- 5.3 A risk-based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an audit opinion, which can then be used to assist with the formulation of the Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.
- 5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:
- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.
  - The effectiveness of the Council's processes for performance management and accountability.
  - The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
  - The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management

and members to carry out their responsibilities and inform decision making generally.

- The provisions developed to support achievement of the organisation's strategic objectives and goals.
- The systems formulated to secure an effective internal control environment.
- The completeness, reliability, integrity and timeliness of management and financial information.
- The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
- The systems designed to safeguard Council assets and employees.
- The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.

5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.

5.6 Managing the risk of fraud and corruption is the responsibility of management. However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.

5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Committee of such situations.

5.8 Risk Management is the responsibility of Officers and Members. Internal Audit contributes to the Risk Management Framework at both Councils; providing advice on the development of proportionate mitigation and actions. At CCC Internal Audit is also the Strategic Lead for Risk Management and facilitates the Risk Management Strategy and Framework. Management are still responsible for identifying, managing and mitigating risks within their services. This approach is consistent with guidance set out by the IIA.

## **6 INDEPENDENCE**

6.1 Internal Audit operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that

Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the HoSIAS direct access to and the freedom to report unedited, as deemed appropriate, to the Committee, the Chief Executive, Section 151 Officer and Senior Management.

- 6.2 Internal Audit has no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility. The HoSIAS will confirm to the Committee, at least annually, the organisational independence of the Internal Audit activity.

## **7 PROFESSIONAL STANDARDS**

- 7.1 Internal Auditors operate in accordance with the PSIAS and LGAN. The Internal Auditors are also governed by the policies, procedures, rules and regulations established by the Council. These include, but are not limited to, Financial Regulations and Contract Standing Orders, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements and all legislation affecting the Council's activities.
- 7.2 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. All working arrangements and methodologies, which will be followed by the Internal Auditors, are set out in the Audit Manual.

## **8 AUDIT RESOURCES**

- 8.1 The HoSIAS will be professionally qualified (CCAB, CMIIA or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.
- 8.2 The HoSIAS will ensure that the Internal Audit Service has access to staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include systems reviews, consultancy input to new / modified systems, and special investigations. In the event of special investigations being required,



there is limited contingency in the Audit Plans to absorb this work. However, additional resources may need to be made available to the Internal Audit Service when such input is necessary.

## **9 AUDIT PLANNING**

- 9.1 The HoSIAS will develop an audit strategy, together with agile audit plans and a summary of audit coverage using a risk-based methodology. This will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be presented to the Committee for consultation and support.
- 9.2 The plan will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. Any difference between the plan and the resources available will be identified and reported to the Committee.
- 9.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments which could not have been readily foreseen. However, on occasions, specific audit requests take precedence over the original audit plan and will be required as additional work rather than as a replacement. Resources, such as specialist or additional auditors may be required to supplement this.

## **10 REPORTING**

- 10.1 Upon completion of each audit assignment, where appropriate, an Internal Audit report will be prepared that:
  - Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and
  - Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales.
- 10.2 Exit meetings enable management to discuss the Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Leadership Team and Corporate Management Team, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the Committee.

10.3 The table below illustrates the typical approach to completing an audit review:

<b>WORKING ARRANGEMENTS DURING AUDITS</b>	
<b>Stage</b>	<b>Commentary</b>
Audit Brief	Set up and agreed with manager(s)
Fieldwork	Assignment undertaking including interviews, testing.
Exit Meeting	At conclusion of fieldwork, issues raised for reporting (if not already provided during course of fieldwork).
Draft report	Produced following completion of fieldwork / exit meeting. Head of Service / Line Manager to formally respond including acceptance of actions together with timescale proposals to implement.
Final Report	Internal Audit incorporates all management comments within the report and re-issue as a final. The report will be distributed in accordance with agreed protocols.

10.4 This approach will flex according to the type of review, as we need an agile approach that is proportionate to the type of review.

10.5 It is important that following production of each audit report, there is prompt dialogue between managers and Internal Audit so that findings can be discussed, actions identified to remedy any weaknesses and finally an agreed timescale to rectify them. Internal Audit will monitor implementation and report any gaps to senior management.

10.6 Internal Audit reports include actions which are agreed with management and prioritised, plus an overall assurance opinion. These are explained in our Glossary of Terms.

10.7 Our assurance ratings will be subject to regular review to ensure that they remain relevant and robust for the service / organisation.

10.8 Periodic reports will be produced to summarise the output of audit reviews and to set out Internal Audits opinion on the state of the internal controls and governance across the Council. This will comment upon:

- The scope including the time period covered;
- Any scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;
- The risk or control framework or other criteria used as a basis for the overall opinion;

- The overall opinion, providing reasons where an unfavourable overall opinion is given; and
- A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

10.9 Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

10.10 Examples of our reports are set out below:

PLANNING AND REPORTING FREQUENCY		
Report Produced	For	Reason
Audit Report	Chief Executive S.151 Officer Leadership Team / Corporate Management Team leads	The end of each audit assignment as the main recipient and those charged with implementing the issues identified
Progress reports (based around the committee cycle to report performance and the Control Opinion)	Relevant Audit Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.  This will include an evaluation of the works undertaken and the level of assurance established.  To provide assurance on compliance with PSIAS
Audit Plan	Relevant Audit Committee  S.151 Officer	Details of the future plans to provide assurance across the Council in accordance with PSIAS.  This may be included in Progress reports depending on the Committee Cycle.

## 11 QUALITY ASSURANCE AND IMPROVEMENT

11.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the Internal Audit activity, and includes both internal and external assessments. In the event of an improvement plan proving necessary to formulate and implement, in order to further develop existing service provisions, the HoSIAS will initiate the appropriate action and annually, the results of the quality and assurance programme together with progress made against the improvement plan will be reported to senior management and the Committee.

### Internal Assessments

11.2 Internal Assessments must include on-going monitoring of the performance of the internal audit activity and these are reported as part of the annual report.

11.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the HoIA performing an annual self-

assessment of the effectiveness of Internal Audit, before the results are shared with the Committee. Presenting this information enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the HoSIAS.

### **External Assessments**

- 11.4 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification.
- 11.5 The HoSIAS will discuss with the Committee and the Section 151 Officer the form of the external assessments; and the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. As part of the shared service arrangements, each Council will be reviewed jointly which will reduce the level of duplication.

### **Continuous improvement**

- 11.6 The Internal Audit team meet regularly to discuss opportunities to develop the team and introduce smarter ways of working. Team members also undertake Continuous Professional Development to maintain awareness of topical matters and professional skills. These activities contribute to our ongoing QAIP.

## Appendix D – Internal Audit Code of Ethics



### **1 INTRODUCTION**

- 1.1 The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of the Council's Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

## 2 PRINCIPLES

2.1 Internal auditors are expected to apply and uphold the following principles:

Principle	Guidance	Objectives
Integrity:	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.	<p>Perform their work with honesty, diligence and responsibility.</p> <p>Observe the law and make disclosures expected by the law and the profession.</p> <p>Not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the organisation.</p> <p>Respect and contribute to the legitimate and ethical objectives of the organisation; and</p> <p>Maintain relationships with colleagues, internal clients and external contacts that are characterised by honesty, truthfulness and fairness</p>
Objectivity:	Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.	<p>Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.</p> <p>Not review any activity for which they have previously had operational responsibility.</p> <p>Not accept anything that may impair or be presumed to impair their professional judgement; and</p> <p>Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.</p>
Confidentiality:	Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.	<p>Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate.</p> <p>Not make unauthorised disclosure of information unless there is a legal or professional requirement to do so; and</p> <p>Not use 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>
Competency:	Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.	<p>Engage only in those services for which they have the necessary knowledge, skills and experience.</p> <p>Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and</p> <p>Continually improve their proficiency, effectiveness and quality of their services</p>

### **3 MANAGING ARRANGEMENTS:**

3.1 To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment.
- Quality control processes are in place to demonstrate integrity in all aspects of the work.
- All staff are obliged to declare any potential conflicts of interest, at least annually.
- Confidentiality breaches will not be tolerated; and
- All staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

# Appendix E – Glossary of terms

## Assurance ratings

Internal Audit provides management and Members with a statement of assurance on each area audited. This is also used by the Head of Shared Internal Audit to form an overall opinion on the control environment operating across the Council, including risk management, control and governance, and this informs the Annual Governance Statement (AGS).

Term	Description
Full Assurance	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
Reasonable Assurance	Controls exist to enable the achievement of service objectives and good corporate governance and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
Limited Assurance	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure for the Authority.
No Assurance	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

## Organisational impact

The overall impact may be reported to help provide some context to the level of residual risk. For example, if no controls have been implemented in a system it would have no assurance, but this may be immaterial to the organisation. Equally a system may be operating effectively and have full assurance, but if a risk materialised it may have a major impact to the organisation.

Term	Description
Major	The risks associated with the system are significant. If the risk materialises it would have a major impact upon the organisation.
Moderate	The risks associated with the system are medium. If the risk materialises it would have a moderate impact upon the organisation.
Minor	The risks associated with the system are low. If the risks materialises it would have a minor impact on the organisation.



## **Action ratings**

As part of the review, we have identified opportunities for improvement, which have been shared with Management. These are developed into actions to improve the effectiveness of the governance, risk management arrangements, and the internal control environment.


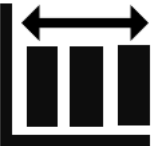


Management are responsible for implementing their actions and providing assurance when they are completed. Timescales for implementing actions should be proportionate and achievable to the available resources. To help prioritise the actions we have produced guidance below:

<b>Priority</b>	<b>Description</b>	<b>Timescale for action</b>	<b>Monitoring</b>
<b>Critical</b>	Extreme control weakness that jeopardises the complete operation of the service.	To be implemented immediately.	Within 1 month
<b>High</b>	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	To be implemented as a matter of priority.	Within 6 months
<b>Medium</b>	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	To be implemented at the first opportunity.	Within 12 months
<b>Low</b>	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	To be implemented as soon as reasonably practical.	Within 24 months

The Council has a Risk Management system, which is used for tracking their progress. This will be updated upon distribution of the report and we will follow up the actions where appropriate. It is the responsibility of Risk Owners and Action Owners to regularly review and update the risk register with details of action taken to mitigate the risks.

## Assurance – Direction of Travel

The symbols below indicate the direction of travel when we have concluded a review:

Control status	Symbol	Details and factors
Improvement		Actions have been implemented New controls have been established Risk factors have reduced
Consistent		Controls continue to operate at the same level The risk environment has stayed consistent
Decrease		Controls have reduced, or not been complied with Risks factors have increased, or new risks have emerged
New		This is a new review and we do not have a comparable benchmark.