

**INTERNAL AUDIT ANNUAL PLAN - DRAFT**

**GEDLING BOROUGH COUNCIL**

2021/22

IDEAS | PEOPLE | TRUST

**BDO**

# CONTENTS

	Page
<b>Audit Risk Assessment</b>	2
<b>Mapping your strategic risks</b>	3
<b>Mapping your CRR to the strategic audit plan</b>	4
<b>Operational Plan 2021/22</b>	6
<b>Strategic Plan 2021/22 - 2023/24</b>	10
<b>Appendix I - Internal Audit Charter</b>	17

# AUDIT RISK ASSESSMENT

## Background

Our risk based approach to Internal Audit uses Gedling Borough Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects Gedling Borough Council's current risk profile.

## Planned approach to internal audit 2021/22

The indicative Internal Audit programme for 2021/22 is shown from page six, with an indicative strategic plan for 2021/22 - 23/24 shown from page ten. We have met with each of the Heads of Service in order to bring together a full plan which will be presented at the March Audit Committee. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three year audit cycle. In setting the number of days in the plan we have assumed that the control environment within the Council will improve as we work with you to address the issues you have.

## Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required we will obtain approval from the appropriate Head of Service prior to commencing fieldwork.

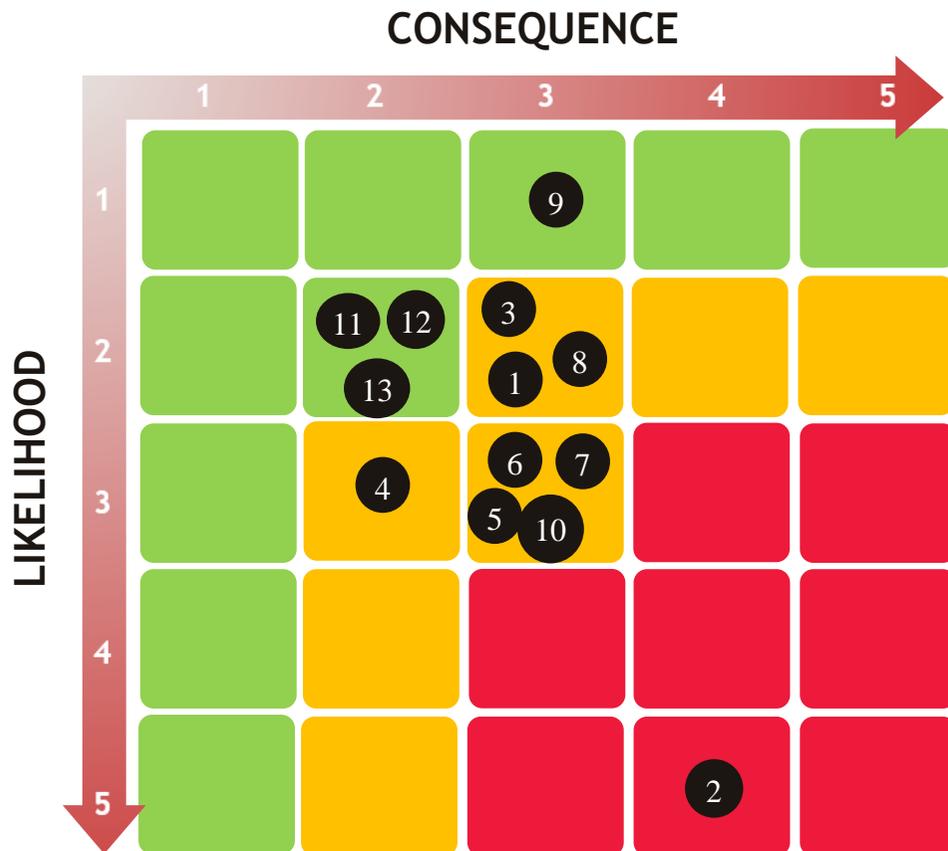
In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

## Variations to the Plan

We review the three year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we are undertaking, demonstrating we are focussing on your most important issues.

As such our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Heads of Service.

# MAPPING YOUR STRATEGIC RISKS



Ref	Strategic Risks from your CRR	Score
1	Failure to prevent budget overheating once the budget has been set	6
2	Failure to maintain financial integrity	20
3	Failure to protect staff, including health & safety issues	6
4	Failure to recruit and retain staff, and maintaining internal capacity	6
5	Failure to properly utilise existing ICT, react to technology changes, and prevent data loss	9
6	Failure to protect & utilise physical assets	9
7	Failure to react to changes in legislation	9
8	Failure of contractors or partnership arrangements - contractual breaches	6
9	Inability to defend one-off challenges to a Council decision or new compensation trend emerges	3
10	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations	9
11	Failure to prevent damage to the Council's reputation	4
12	Failure to react to an environmental incident or malicious act	4
13	Failure to react to an environmental incident or malicious act	4

# MAPPING YOUR CRR TO THE STRATEGIC PLAN

Ref	Strategic Risks from your CRR	2021/22	2022/23	2023/24
1	Failure to prevent budget overheating once the budget has been set	Homelessness & Temporary Accommodation Main Financial Systems	Main Financial Systems	Main Financial Systems Generating External Income
2	Failure to maintain financial integrity	Homelessness & Temporary Accommodation Main Financial Systems Housing Benefit	Main Financial Systems Corporate Governance & Performance Management	Main Financial Systems Generating External Income Council Tax & NNDR
3	Failure to protect staff, including health & safety issues	Risk Management	Business Continuity & Emergency Planning Counter Fraud & Corruption Strategy Equality, Diversity & Inclusion	Workforce Strategy
4	Failure to recruit and retain staff, and maintaining internal capacity	Risk Management Regeneration	Recruitment & Retention Equality, Diversity & Inclusion Gedling Health & Wellbeing	Workforce Strategy
5	Failure to properly utilise existing ICT, react to technology changes, and prevent data loss	IT Architecture Risk Management	Cyber Security Business Continuity & Emergency Planning	GDPR Digital Strategy
6	Failure to protect & utilise physical assets	Asset Management & Property Review	Business Continuity & Emergency Planning Counter Fraud & Corruption Strategy	Leisure Centres

# MAPPING YOUR CRR TO THE STRATEGIC PLAN

Ref	Strategic Risks from your CRR	2021/22	2022/23	2023/24
7	Failure to react to changes in legislation	Risk Management	Building Control, Section 106 & CIL	Licensing Safeguarding
8	Failure of contractors or partnership arrangements - contractual breaches	Procurement & Contract Management	Building Control, Section 106 & CIL	Safeguarding
9	Inability to defend one-off challenges to a Council decision or new compensation trend emerges		Corporate Governance & Performance Management Counter Fraud & Corruption Strategy	
10	Failure to maintain service standards, customer satisfaction, and/or meet customer expectations		Corporate Governance & Performance Management	Demand Management Events, Social Media & Communications Safeguarding
11	Failure to prevent damage to the Council's reputation	Environmental Health Services & Enforcement	Corporate Governance & Performance Management Building Control, Section 106 & CIL Gedling Health & Wellbeing	Demand Management Street Cleansing Licensing Safeguarding
12	Failure to react to an environmental incident or malicious act	Environmental Health Services & Enforcement Sustainable Environment	Gedling Health & Wellbeing	
13	Failure to react to socio-economic trends.	Regeneration	Gedling Health & Wellbeing	Leisure Centres

# INTERNAL AUDIT OPERATIONAL PLAN 2021/22

Area	Days	Timing	Description of the Review	Reason for Inclusion & added value
<b>Asset Management Plan &amp; Property Review</b>	15	Q1	We will review the Council's Asset Management Plan, including how this was produced, scrutinised and approved to ensure its effectiveness. We will interview key stakeholders involved in the process to get a deeper sense of what works well and what could be improved in the process.	We have undertaken numerous such reviews whether looking at large asset management plans or investment property plans.
<b>Environmental Health Services &amp; Enforcement</b>	15	Q3	We will review the Council's environmental health services policies and procedures, assessing if they are up to date, accurate and robust and understood by staff. We will review samples of case studies across different environment services areas to ensure that they are complied with.  The review will also assess governance and reporting information in the areas focussing on the breadth and depth of performance indicators to improve arrangements and whether action is being taken.	We have undertaken numerous such reviews and would share best practices with you and compare your arrangements to others.
<b>Homelessness &amp; Temporary Accommodation</b>	15	Q3	We will complete a review of the Homelessness Strategy in terms of monitoring, reporting and escalation. We will select samples of homelessness cases and ensure they are processed in-line with protocols.  There will be a focus on how the Council ensures new requirements around proactive engagement with people at risk of homelessness, particularly with those from vulnerable and disadvantaged groups, are met and if it is effective.	The Council has a large overspend in terms of temporary accommodation and therefore considered a key risk to the Council.  We have worked with Councils who have Gold Standards in this area who have particularly high numbers of homeless people presenting themselves. This includes those in City Council conurbations or those such as London Borough of Southwark who are the third largest Housing Provider in the country and have significant homeless people presenting themselves. Whilst all these processes may not be applicable, it is often in these Councils where early innovations and new practices start and we can share these with you.
<b>Housing Benefits</b>	12	Q2	We will undertake an assessment of benefit cases against evidence retained on the Council's housing benefits	We have worked closely with Councils who have had to return large amounts back to Government

# INTERNAL AUDIT OPERATIONAL PLAN 2021/22

Area	Days	Timing	Description of the Review	Reason for Inclusion & added value
			<p>system. We will review your processes around staff capacity and structure to reduce processing times.</p> <p>We will work closely with external audit to understand any risks/concerns they may have raised in their review of your benefit claim.</p> <p>In addition we will assess reporting information in this area and how local operational and senior strategic teams assess performance and whether information reporting is robust and effective to make improvements.</p>	<p>due to failures identified in their subsidy returns (circa £300k). As part of this with one Council we compared their arrangements to others across how they identify possible cases which may be non-compliant and be local authority error cases in the future and the controls they have in place. We can share this with you and see if there are any you can apply.</p>
<b>IT Architecture</b>	12	Q2	<p>The review will assess the overall maturity as well as the maturity of the following aspects of the Council's IT architecture:</p> <ul style="list-style-type: none"> <li>• The strategic aims of the Council and its ICT service</li> <li>• The design and configuration of the Council's IT infrastructure</li> <li>• The use and development of the Council's IT applications</li> <li>• The use of management information to improve the Service</li> <li>• The provision of IT assets to members of staff.</li> </ul>	<p>We have undertaken numerous such reviews and would share best practices with you and compare your arrangements to others.</p>
<b>Main Financial Systems</b>	15	Q4	<p>We will review journals, reconciliations, access controls, and financial reporting to committees/ management meetings.</p>	<p>An annual review of main financial systems is required in order to inform the Council's Head of Internal Audit Opinion. These form part of our standard internal audit plan so we could use our experience obtained from reviews at other local authority clients to share best practice.</p>
<b>Procurement &amp; Contract Management</b>	12	Q4	<p>We will review the Council's compliance with financial regulations and its own standing orders. We will take a sample of suppliers with large spend, across different services within the Council, and review the procurement</p>	<p>We will review aggregated spend across all suppliers from the Council's finance system and</p>

# INTERNAL AUDIT OPERATIONAL PLAN 2021/22

Area	Days	Timing	Description of the Review	Reason for Inclusion & added value
			processes undertaken. We will also review if there are signed contracts in place and assess the levels of contract management in place.	match spend to contracts within the Council's Procurement/ Contract system. We can compare the Strategy to other Councils to identify other practices or enhanced practices to drive improvement. We can also deliver counter fraud training sessions on Procurement.
<b>Regeneration (back into work initiatives)</b>	15	Q2	Review how the Council is ensuring regeneration across the borough. Review how the Council is improving access to local jobs and training for local people with its back to work initiatives.	This was included at the request of the Senior Leadership Team.
<b>Risk Management</b>	15	Q1	<p>We will use our own Risk Maturity Toolkit to advise where the Council sit in terms of risk management on a five-point scale from Naive to Enabled. We review the following elements, assessing where each sits on the five-point scale:</p> <ul style="list-style-type: none"> <li>• Risk Governance</li> <li>• Risk Assessment</li> <li>• Risk Mitigation</li> <li>• Monitoring &amp; reporting</li> <li>• Continuous improvement.</li> </ul> <p>We will interview key personnel involved in the risk management process.</p> <p>This review is advisory and therefore will not provide an audit opinion, but will detail areas for improvement in an assurance report.</p>	<p>This is a key area to review in terms of the Council's risk management processes.</p> <p>We can deliver risk training to Council staff and Members, we have significant experience in the area of risk management.</p>
<b>Sustainable Environment</b>	15	Q4	We will review the Council policies and overall strategies to set, approve and achieve environmental aims. This will include interviewing key stakeholders and Members who may champion this area. This will be an assessment of certain areas in a deeper dive way i.e. how you think about staff and supplier impacts on the environment and	We work with Oxford City Council who have declared a climate emergency and have undertaken a review in this area in 2019-20. We would share their arrangements with you to see where ideas they are pursuing could be brought into

# INTERNAL AUDIT OPERATIONAL PLAN 2021/22

Area	Days	Timing	Description of the Review	Reason for Inclusion & added value
			<p>improve your arrangements to achieve a more environmentally friendly outcome in your area.</p> <p>We will assess your corporate reporting in this area and how this is owned, monitored and actioned.</p> <p>A key focus of the review will be how Council meets its Carbon Reduction targets.</p>	your authority to help improve your control environment where applicable.
<b>Total Audit Days</b>	<b>141</b>			
<b>Management</b>	<b>6</b>			
<b>Follow Up</b>	<b>6</b>			
<b>Total</b>	<b>153</b>			

# INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
<b>Asset Management Plan &amp; Property Review</b>	15			We will review the Council's Asset Management Plan, including how this was produced, scrutinised and approved to ensure its effectiveness. We will interview key stakeholders involved in the process to get a deeper sense of what works well and what could be improved in the process.
<b>Building Control, s106 &amp; CIL</b>		15		<p>Review arrangements for building control from policies and procedures, to how individual cases are recorded and documented to comply with rules and regulations.</p> <p>We will select a sample of planning applications to assess whether legislative and system protocols are adhered to. We will review the data behind reported information for accuracy and completeness and assess the effectiveness of the oversight/scrutiny of data.</p> <p>We will review steps taken to engage with Members and stakeholders in the process, as well as the complaints/ appeals processes for robustness.</p>
<b>Business Continuity &amp; Emergency Planning</b>		15		<p>To provide assurance that the processes and systems in place to manage resilience and continuity of critical services across the Council are sound.</p> <p>This includes how this Plan interacts with local service plans and whether there is adequate oversight that these all remain up-to-date, regularly assessed and/or tested via desktop scenarios or live testing.</p> <p>A critical focus will be on where arrangements link to supplier system/arrangements and the strength of these.</p>
<b>Corporate Governance &amp; Performance Management</b>		15		<p>We will review the Council's corporate governance arrangements to ensure they comply with best practice and help deliver the outcomes required by the Council. We will:</p> <ul style="list-style-type: none"> <li>• Review whether an effective council, committee and reporting structure is in place that enables decisions to be taken whilst engaging Members and the public</li> <li>• Confirm work plans are maintained for Executive/ Committees through minute taking and action tracking</li> <li>• Review the annual governance statement and confirm that it is compliant with the Code of Corporate Governance</li> <li>• Confirm that Members and Senior staff possess the appropriate mix of skills and receive any required training and development to fulfil their roles</li> <li>• Confirm if governance arrangements support an appropriate culture and ethos within the Council through policies relating to code of conduct, gifts and hospitality, whistleblowing etc</li> <li>• Confirm if there is regular review of the performance of</li> </ul>

# INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
				the governance structures to identify ways to enhance them for the future.
<b>Council Tax &amp; NNDR</b>			12	<p>This review will assess:</p> <ul style="list-style-type: none"> <li>• Council tax and NNDR policies i.e. council tax reduction scheme in terms of its review and approval</li> <li>• VOA returns back to what is recorded on systems</li> <li>• The process to issue demands and whether discounts or values have been applied correctly</li> <li>• How amendments to demands are actioned and critically how they are followed up</li> <li>• Assess KPI reporting on this area and how action is implemented</li> <li>• Focus on collection of debt for council tax and NNDR in this review</li> </ul>
<b>Counter Fraud &amp; Corruption Strategy</b>		12		<p>We will review the Strategy in place and challenge how this was formed. We will also undertake a comparison to our understanding of the Council's activities and emerging risks we see across the public sector.</p> <p>We will interview key personnel in legal services, HR, procurement, contract management, IT and finance to understand the key fraud risks in place.</p>
<b>Cyber Security</b>		12		<p>We will review the Council's overall approach to Cyber Security, including how systems are identified and prioritised. We will review security policies, risk identification and management. We will assess the technology and tools in place at the Council to identify and mitigate cyber risks, and how staff are trained and supported in cyber risks.</p>
<b>Demand Management</b>			15	<p>We will review the Council's approach to demand management, assessing how they ensure the right services reach the right customer when and where they need it, for the best cost.</p> <p>We will review how the Council identifies the root causes that create and drive demand.</p> <p>We will also assess whether the benefits expected within the Council's Demand Management Strategy have been realised and performance against these can be measured (eg delivering better customer service, removing duplication and abortive work).</p>
<b>Digital Strategy</b>			12	<p>We will review the Council's Digital Strategy, including how it was approved and its effectiveness in achieving its four priority areas of Customer, Council, Community and Collaboration. We will review governance processes, assess whether the strategy</p>

# INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
				contains clear objectives and ways to monitor progression against these objectives.
<b>Environmental Health Services &amp; Enforcement</b>	15			<p>We will review the Council’s environmental health services policies and procedures, assessing if they are up to date, accurate and robust and understood by staff. We will review samples of case studies across different environmental services areas to ensure that they are complied with.</p> <p>The review will also assess governance and reporting information in the areas focussing on the breadth and depth of performance indicators to improve arrangements and whether action is being taken.</p>
<b>Equality, Diversity &amp; Inclusion</b>		15		<p>The purpose of the BDO Equality, Diversity and Inclusion Maturity Assessment is to help ensure an effective approach to Equality, Diversity and Inclusion becomes embedded across the Council by highlighting areas where processes could be improved. The maturity assessment covers the following elements:</p> <ul style="list-style-type: none"> <li>• Tone from the top</li> <li>• Governance, compliance and strategy</li> <li>• Structure</li> <li>• Policies, procedures, training and development</li> <li>• Measurement, accountability and continuous improvement.</li> </ul> <p>Based on documentary review and interviews with key staff, each element will be judged on a five part scale between ‘immature to continuous improvement’.</p>
<b>Events, Social Media &amp; Communications</b>			15	<p>The purpose of our review is to provide assurance over the Council’s use of social media to communicate with customers and raise awareness of events, information and wider engagement. We will compare the Council’s arrangements with other local authorities.</p>
<b>GDPR &amp; Information Governance</b>			15	<p>We will assess whether your GDPR readiness arrangements are sound vs. the ICO requirements.</p> <p>There will then be a significant focus on how the Council ensure they are compliant which will include sample testing data from different parts of the Council to ensure it is now compliant.</p> <p>We will also assess the arrangements in place to ensure there is sufficient staff capacity to meet requirements, how reporting is effective and how lessons learned are shared to ensure good/poor practice is promoted/stamped out.</p>
<b>Gedling Health &amp; Wellbeing</b>		15		<p>Review of the activities of the group but particularly the Council’s contribution to this group.</p>

# INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
				<p>To understand how the Council engages with the group and understands its role and monitors/takes action to ensure the overall objectives are met.</p> <p>We will review minutes/actions and interview stakeholders in and out of the Council to understand the effectiveness of Council input and how this could improve.</p>
<b>Generating External Income</b>			15	<p>Review Council arrangements for how external sources of income via grants are identified, managed and successfully bid for.</p>
<b>Homelessness &amp; Temporary Accommodation</b>	15			<p>We will complete a review of the Homelessness Strategy in terms of monitoring, reporting and escalation. We will select samples of homelessness cases and ensure they are processed in-line with protocols.</p> <p>There will be a focus on how the Council ensures new requirements around proactive engagement with people at risk of homelessness, particularly with those from vulnerable and disadvantaged groups and if it is effective.</p>
<b>Housing Benefits</b>	12			<p>We will undertake an assessment of benefit cases against evidence retained on the Council's housing benefits system. We will review your processes around staff capacity and structure to reduce processing times.</p> <p>We will work closely with external audit to understand any risks/concerns they may have raised in their review of your benefit claim.</p> <p>In addition we will assess reporting information in this area and how local operational and senior strategic teams assess performance and whether information reporting is robust and effective to make improvements.</p>
<b>IT Architecture</b>	12			<p>The review will assess the overall maturity as well as the maturity of the following aspects of the Council's IT architecture:</p> <ul style="list-style-type: none"> <li>• The strategic aims of the Council and its ICT service</li> <li>• The design and configuration of the Council's IT infrastructure</li> <li>• The use and development of the Council's IT applications</li> <li>• The use of management information to improve the Service</li> <li>• The provision of IT assets to members of staff.</li> </ul>
<b>Leisure Services</b>			15	<p>We would review the governance arrangements in place to oversee leisure centres. We would review whether the Council is keeping pace with the changing expectations to ensure maximisation of customers and income.</p>

# INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
Licensing			12	<p>We will complete a review of overall licensing policies and procedures - are these up to date, accurate and robust and understood by staff. We will also review samples of case studies across different licensing areas i.e. taxi, gambling, adult establishments or houses of multiple occupation to ensure that they are complied with.</p> <p>The review will assess governance and reporting information in the areas focussing on the breadth and depth of performance indicators to improve arrangements and whether action is being taking. In addition we will review Member training and understanding of the risks in this area particularly around taxi licensing.</p>
Main Financial Systems	15	15	15	<p>In 2021/22 we will review:</p> <ul style="list-style-type: none"> <li>• Journals</li> <li>• Reconciliations - bank/ general ledger</li> <li>• Access controls for general ledger and key financial systems</li> <li>• Cost centre/ account codes set up/ approval</li> <li>• Financial reporting packs to committees or management meetings, including KPI reporting</li> <li>• Annual calendar of financial activity.</li> </ul> <p>In 2022/23 we will review treasury management and payroll:</p> <ul style="list-style-type: none"> <li>• Treasury arrangements reviewed from Strategy to Member training or controls around how deals are reviewed/ approved</li> <li>• We will assess the adequacy of payroll policies and procedures guides in place - particularly around new starters and leavers</li> <li>• Sample test employees to review whether they have been paid correctly based on the information input</li> <li>• Review management reporting of payroll information.</li> </ul> <p>In 2023/24 we will review General Ledger, Accounts Payable and Accounts Receivable.</p>
Procurement & Contract Management	12			<p>We will review the Council's compliance with financial regulations and its own standing orders. We will take a sample of suppliers with large spend, across different services within the Council, and review the procurement processes undertaken. We will also review if there are signed contracts in place and assess the levels of contract management in place.</p>
Recruitment & Retention		15		<p>We will test a sample of recent recruitment campaigns to identify whether protocols are followed and assess if they were successful - this will involve a root cause analysis for where things have worked well and not well.</p>

# INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
				<p>We will assess the monitoring, reporting and oversight of recruitment ie how management judge the success of the Council's overall processes and take action to continuously improve.</p> <p>Additionally, we will review how particularly difficult areas to recruit into are managed and whether changes made are effective.</p>
<b>Regeneration (back into work initiatives)</b>	15			<p>Review how the Council is ensuring regeneration across the borough. Review how the Council is improving access to local jobs and training for local people with its back to work initiatives.</p>
<b>Risk Management</b>	15			<p>We will use our own Risk Maturity Toolkit to advise where the Council sit in terms of risk management on a five-point scale from Naive to Enabled. We review the following elements, assessing where each sits on the five-point scale:</p> <ul style="list-style-type: none"> <li>• Risk Governance</li> <li>• Risk Assessment</li> <li>• Risk Mitigation</li> <li>• Monitoring &amp; reporting</li> <li>• Continuous improvement.</li> </ul> <p>We will interview key personnel involved in the risk management process.</p> <p>This review is advisory and therefore will not provide an audit opinion, but will detail areas for improvement in an assurance report.</p>
<b>Safeguarding</b>			15	<p>This review will identify how the Council identifies all roles and activities which may have impact on safeguarding concerns. From here we will assess the controls around staff receiving appropriate training against a safeguarding training needs analysis.</p> <p>The review will assess governance arrangements, who attends safeguarding meetings and how decisions and actions are taken to ensure safeguarding is appropriate.</p> <p>Review relationship with section 11 forms and reporting to Adult and Children's Safeguarding Boards.</p>
<b>Sustainable Environment</b>	15			<p>We will review the Council policies and overall strategies to set, approve and achieve environmental aims. This will include interviewing key stakeholders and Members who may champion this area. This will be an assessment of certain areas in a deeper dive way i.e. how you think about staff and supplier impacts on the environment and improve your arrangements to achieve a more environmentally friendly outcome in your area.</p> <p>We will assess your corporate reporting in this area and how this is owned, monitored and actioned.</p>

# INTERNAL AUDIT STRATEGIC PLAN - 2021/22 - 2023/24

Area	2021/22	2022/23	2023/24	Description of the Review
<b>Workforce Strategy</b>		12		We will assess how the Workforce Strategy is monitored and progress is reported, including whether actions against the Plan are clear and achievable. We will particularly focus on Strategic Aims in the Strategy taking each point and identifying the root cause where sufficient progress has not been made.
<b>Total Audit Days</b>	<b>141</b>	<b>141</b>	<b>141</b>	
<b>Management/ Planning/ Audit Committee</b>	6	6	6	Attendance and preparation of reports to Audit Committee, meetings with management
<b>Follow up</b>	6	5	5	We will follow up and report all medium and high priority recommendations to Audit Committee, twice a year.
<b>Grand total days</b>	<b>153</b>	<b>152</b>	<b>152</b>	

# APPENDIX I

## Internal Audit Charter - Role and Scope of Internal Audit

### Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Gedling Borough Council and defines the scope of internal audit activities.

Final approval resides with the Board, in practice the charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of Gedling Borough Council.

### Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

### Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

### Internal audit definition and role

Internal auditing is 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.

Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

### Internal audit's scope

The scope of internal audit activities includes all activities conducted by Gedling Borough Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

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.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

### **Effective internal audit**

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Gedling Borough Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

### **Independence and internal audit's position within Gedling Borough Council**

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Director of Finance who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Gedling Borough Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

### **Internal audit's role in fraud, bribery and corruption**

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

### **Access to records and confidentiality**

There are no limitations to internal audit's right of access to Gedling Borough Council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

### **Coordination and reliance with other assurance providers**

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

### **Internal audit's commitments to Gedling Borough Council**

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations

- liaising with external audit and other regulators to maximise the assurance provided to Gedling Borough Council
- Reporting honestly on performance against targets to the Audit Committee.

### Internal audit performance measures and indicators

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

### Quality assurance and improvement programme

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit Committee as part of the internal audit annual report, along with corrective action plans.

### Table One: Performance measures for internal audit

Measure / Indicator
<p><b>Audit Coverage</b></p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p><b>Relationships and customer satisfaction</b></p> <p>Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.</p> <p>Annual survey to Audit Committee to achieve score of at least 70%</p> <p>External audit can rely on the work undertaken by internal audit (where planned)</p>
<p><b>Staffing and Training</b></p> <p>At least 60% input from qualified staff</p>
<p><b>Audit Reporting</b></p> <p>Issuance of draft report within 3 weeks of fieldwork `closing` meeting</p> <p>Finalise internal audit report 1 week after management responses to report are received.</p>

90% recommendations to be accepted by management

Information is presented in the format requested by the customer.

#### **Audit Quality**

High quality documents produced by the auditor that are clear and concise and contain all the information requested.

Positive result from any external review

### **Management and staff commitments to Internal Audit**

The management and staff of Gedling Borough Council commit to the following:

- providing unrestricted access to all of Gedling Borough Council's records, property, and personnel relevant to the performance of engagements
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that would impair its independence or objectivity
- providing honest and constructive feedback on the performance of internal audit

### **Management and staff performance measures and indicators**

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit Committee progress report.

**Table Two: Performance measures for management and staff**

#### **Measure / Indicator**

##### ***Response to Reports***

Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt

##### ***Implementation of recommendations***

Audit sponsor to implement all audit recommendations within the agreed timeframe

##### ***Co-operation with internal audit***

Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff

### BDO contacts

Name	Grade	Telephone	Email
Greg Rubins	Partner	07710 703441	<a href="mailto:Greg.Rubins@bdo.co.uk">Greg.Rubins@bdo.co.uk</a>
Gurpreet Dulay	Senior Manager	07870 555214	<a href="mailto:Gurpreet.Dulay@bdo.uk">Gurpreet.Dulay@bdo.uk</a>
Kate Ball	Manager	07970 144342	<a href="mailto:Kate.Ball@bdo.co.uk">Kate.Ball@bdo.co.uk</a>

**FOR MORE INFORMATION:**

**Greg Rubins**

Greg.Rubins@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

© 2019 BDO LLP. All rights reserved.

[www.bdo.co.uk](http://www.bdo.co.uk)