

Report Title:	2020/21 Draft Internal Audit and Investigation Plan and Internal Audit Charter
Contains Confidential or Exempt Information?	No - Part I
Member reporting:	Cllr Targowski
Meeting and Date:	Corporate Overview and Scrutiny Panel 4 February 2020
Responsible Officer(s):	Terry Neaves, Interim S151 Officer
Wards affected:	None

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Royal Borough
of Windsor &
Maidenhead

REPORT SUMMARY

- 1 This report recommends that the Corporate Overview and Scrutiny Panel (CO&SP) considers and approves the 2020/21 Draft Internal Audit and Investigation Plan. This recommendation is being made to ensure that the Council meets its statutory requirements and that the CO&SP meets the requirements of its Terms of Reference by ensuring that the work of the Shared Audit and Investigation Service (SAIS) is focused appropriately with adequate resources and is delivered in accordance with recommended best practice.
- 2 In addition, this report presents the Audit Charter (Terms of Reference) for Internal Audit for Members of the Panel to note.
- 3 These recommendations are being made to ensure that the Council meets its legislative requirements, as well as the requirements of the CO&SP's Terms of Reference.
- 4 If adopted, the key financial implications for the Council are revenue costs of the SAIS. The 2020/21 Draft Internal Audit and Investigation Plan and the Internal Audit Charter will be effective immediately after approval by Corporate Overview and Scrutiny Panel.

1. DETAILS OF RECOMMENDATIONS

RECOMMENDATIONS: That the Corporate Overview and Scrutiny Panel is asked to:-

- I. **Approve the Draft Internal Audit and Investigation Plan for the period 1 April 2020 to 31 March 2021; and**
- II. **Note the content of the Internal Audit Charter**

2. REASON(S) FOR RECOMMENDATIONS AND OPTIONS CONSIDERED

- 2.1 These recommendations are being made to ensure the Council has adequate Internal Audit and Investigation coverage for 2020/21, to ensure that the Council meets its legislative requirements, as well as the requirements of the CO&SP's Terms of Reference and to enable the Chief Audit Executive to give an overall

opinion on the Council's internal control and risk framework at the end of the financial year.

Internal Audit Plan

- 2.2 The attached report, Appendix A, and supporting Appendix A (I), present the CO&SP with the planned Internal Audit approach and activity type for the 2020/21 financial year. Its purpose is to demonstrate:-
- that the Council is complying with the relevant legislation and applicable professional standards
 - how the internal audit service supports the overall aims and objectives of the Council.
 - the risks within the Council's fundamental systems and processes are being effectively managed
 - the Council's commitment to good governance and compliance with the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS);
 - Provide all Internal Audit key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes are being effectively managed; and
 - set out that internal audit and investigation resources are being properly utilised.
- 2.3 The outcomes from the work proposed in the 2020/21 Draft Internal Audit and Investigation underpin the Chief Audit Executive's statutory annual Internal Audit opinion statement. This opinion concludes on the overall adequacy and effectiveness of the Council's internal control, risk management and corporate governance arrangements. It also supports the Council's Annual Governance Statement which forms part of the statutory financial statements.
- 2.4 The proposed 2020/21 Draft Internal Audit Plan is intended to demonstrate how the SAIS supports the overall aims and objectives of the Council. The internal audit service use a risk based approach to developing the Audit and Investigation Plan using the Council's Corporate Risk Register (CRR) to align the key risks to the achievement of those objectives.
- 2.5 In order to achieve this, the Council requires a comprehensive Audit and Investigation Plan which gives sufficient risk-based coverage and support to management. To help meet this need, the risk-based 2020/21 Draft Internal Audit and Investigation Plan for 2020/21 has been linked to the organisational objectives and strategic priorities, whilst also taking account of the Council's wider assurance framework.
- 2.6 Consultations have taken place with stakeholders, such as the Managing Director, Executive Directors, Statutory Officers' Group, Interim S151 Officer and the Risk and Insurance Manager in preparing the 2020/21 Draft Audit and Investigation Plan.
- 2.7 In accordance with the Accounts and Audit Regulations 2015 and the PSIAS, the Council's CO&SP is required to approve (but not direct) and monitor against the 2020/21 Draft Internal Audit and Investigation Plan.

Audit Charter

- 2.8 Internal Audit work is undertaken in accordance with the Internal Audit Charter, which sets out the Terms of Reference for Internal Audit activity and complies with the PSIAS. The Report at Appendix A includes, at Appendix A (II), with tracked changes, and A (III) 'clean' copy, the Audit Charter for Members to note. This was last approved by the former Audit and Performance Review Panel in December 2018 and has minor updates. The updates are reflected as tracked changes in Appendix A (II) and a clean version without tracked changes is attached at Appendix A (III). This is presented with the 2020/21 Draft Internal Audit and Investigation Plan.
- 2.9 The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the *Definition of Internal Auditing in the Public Sector Internal Audit Standards*, April 2017. The Chief Audit Executive (role fulfilled by the Assistant Director, Governance, Wokingham Borough Council) must periodically review the Internal Audit Charter and present it to senior management and the Board (CO&SP) for approval.
- 2.10 The Internal Audit Charter establishes the internal audit activity's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the CO&SP; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Options

Table 1: Options arising from this report

Option	Comments
<p>1. Approve the risk based 2020/21 Draft Internal Audit and Investigation Plan and the updated Internal Audit Charter.</p> <p>Recommended</p>	<p>The Council will be able to discharge its statutory functions in relation to audit, control and governance. In addition, the CO&SP will comply with its responsibilities as set out within its Terms of Reference.</p> <p>This will demonstrate that the Council is not exposing itself to unnecessary risks by having an adequate internal control and governance framework leading to good performance and better outcomes for service users/residents.</p> <p>In approving the updated Internal Audit Charter this will ensure that the SAIS is complying with industry best practice as detailed in the PSIAS</p>
<p>2. Approve the risk based 2020/21 Draft Internal Audit and Investigation Plan in the main but reprioritise Internal Audit and Investigation resources at the margins, ensuring that the Council fulfils its statutory obligations. Make further</p>	<p>Members may wish to request that the 2020/21 Draft Internal Audit and Investigation Plan be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in.</p>

suggestions for updates to the Internal Audit Charter.	
3. Significantly reprioritise the Internal Audit and Investigation resources, which may result in the Council not fulfilling its statutory function and not sufficiently reviewing key risk areas.	<p>Reduces ability of the Council to discharge its statutory functions in relation to audit, control and governance and thereby not comply with legislative requirements (Section 5).</p> <p>This may expose the Council to unnecessary risks by not having an adequate internal control and governance framework leading to poor performance, fraud / irregularities and poor outcomes for service users/residents.</p> <p>CO&SP will not be discharging its responsibilities as shown in its Terms of Reference.</p>
Not approve the Internal Audit Charter.	This may mean that the SAIS may not be complying with industry best practice as stated in the PSIAS

3. KEY IMPLICATIONS

Table 2: Key Implications

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation / loss.	<p>Failure of the Council to meet its statutory requirements and failure of the CO&SP to discharge its responsibilities.</p> <p>Loss of residents' confidence.</p> <p>Council reputation may be affected.</p>	<p>Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control.</p> <p>CO&SP discharges its responsibilities.</p> <p>Gain residents confidence.</p> <p>Council reputation protected.</p>	n/a	n/a	31 March 2021
Unqualified External Audit Financial Accounts and Management Letter.	Adverse comment and a qualified External Audit Management Letter if the	Unqualified External Audit Management Letter as Council meets its requirements	n/a	n/a	31 March 2021

	Council fails to maintain an adequate Internal Audit and Investigation Service.	to provide an adequate and effective Internal Audit and Investigation Service.			
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4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 a) Financial impact on the budget

Revenue - Officer time in dealing with provision of the SAIS. The proposal relates to existing budgets, no new funds are being sought.

Capital - None

b) Financial Background – N/A

5. LEGAL IMPLICATIONS

5.1 Internal Audit carry out their activities under:-

- Regulations 6 (1), 6(3) and (4) of the Accounts and Audit Regulations 2015.
- S151 Local Government Finance Act 1972.
- CIPFA/IIA Public Sector Internal Audit Standards 2017.

5.2 Investigatory activities are carried under:-

- Fraud Act 2006
- Criminal Justice Act 1987
- Theft Act 1968
- Forgery and Investigation Act 1981
- Social Security Administration Act 1992.
- Welfare Reform Act 2012.

6. RISK MANAGEMENT

Table 3: Impact of risk and mitigation

Risks	Uncontrolled Risk	Controls	Controlled Risk
1. Failure to discharge statutory obligations leads to breach of legislation resulting in fines, investigation and reputation damage.	High	Risk based 2020/21 Draft Internal Audit and Investigation Plan that is aligned with the Council's objectives and CRR.	Low
2. Failure to provide necessary assurances that the Council's systems are secure leads to major event, fraud and/or mismanagement of monies.	High	Risk based 2020/21 Draft Internal Audit and Investigation Plan that is aligned, where possible, with the Council's objectives and CRR.	Low
3. Failure to have suitable systems in place to reduce potential losses and inefficiencies leads to wasted resources or duplication of work.	High	Integrate individual audit reviews with other reviews. Risk based 2020/21 Draft Internal Audit and Investigation Plan that is aligned with the Council's objectives and CRR.	Low

7. POTENTIAL IMPACTS

- 7.1 Equality Impact Assessment, Sustainability Impact Appraisal, Equalities Human Rights, community cohesion, accommodation, property and assets – N/A

8. CONSULTATION

- 8.1 Consultations have been undertaken with key stakeholders Managing Director, Executive Directors, Corporate Leadership Team, Interim S151 Officer and the Insurance and Risk Manager in preparing the 2020/21 Draft Internal Audit and Investigation Plan. .

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The 2020/21 Draft Internal Audit and Investigation Plan will come into effect from 1 April 2020. Progress on delivering the 2020/21 Draft Internal Audit and Investigation Plan will be reported to the CO&SP on an interim (6 monthly) and annual basis.

10. APPENDICES

Appendix A – 2020/21 Draft Internal Audit and Investigation Plan Report incorporating:-

Appendix A (I) 2020/21 Draft Internal Audit and Investigation Plan

Appendix A (II) Internal Audit Charter, with tracked changes

Appendix A (III) Internal Audit Charter 'clean' copy

11. BACKGROUND DOCUMENTS

11.1 Accounts and Audit Regulations 2015

CIPFA/IIA Public Sector Internal Audit Standards, April 2017

S151 Local Government Finance Act 1972

Various background and research work

12. CONSULTATION (MANDATORY)

Name of consultee (Statutory Officers Group)	Post held	Date sent	Date returned
Duncan Sharkey	Managing Director		
Terry Neaves	Interim Section 151 Officer		
Mary Severin	Monitoring Officer		

REPORT HISTORY

Decision type: Non-key decision	Urgency item? No	To Follow item? No
Report Author: Catherine Hickman, Lead Specialist, Audit and Investigation Tel no: 07917 265742		

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WOKINGHAM
BOROUGH COUNCIL

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

Draft Internal Audit and Investigation Plan 2020-21

SHARED AUDIT AND INVESTIGATION SERVICE

2020/21 DRAFT INTERNAL AUDIT AND INVESTIGATION PLAN

1. Introduction

- 1.1 The role of internal audit is defined by the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS), April 2017:-

“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.”

- 1.2 Internal audit also supports the Director of Resources (S151 Officer) in discharging his/her statutory duties. The following are two key pieces of legislation that internal audit supports the S151 Officer to comply with:-

- I. Section 151 of the Local Government Act 1972. The Director of Resources, as the council’s Section 151 Officer, is responsible under the Local Government Act for ensuring that there are arrangements in place for the proper administration of the authority’s financial affairs. The work of internal audit is an important source of information for the Director of Resources (S151 officer) in exercising his/her responsibility for financial administration. Reliance upon Internal Audit and their annual programme of work in reviewing the operation of systems of internal control and financial management is fundamental to the fulfilment of that responsibility.
- II. The Accounts and Audit Regulations (2015) 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’.*

And that:

A relevant authority must undertake an effective internal audit¹ to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.

Each financial year, a relevant authority must:

- a) Conduct a review of the effectiveness of the system of internal control required by regulation 3; and*
- b) Prepare an annual governance statement.*

¹ ‘Effective internal audit’ is defined by the Department for Communities and Local Government as compliance with the Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note for the PSIAS.

- 1.3 The internal audit and investigation plan provides the mechanism through which the Chief Audit Executive can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
- 1.4 The purpose of Internal Audit is to provide an independent and objective opinion to the Council on the level to which the internal control environment supports and promotes the achievement of the Council's objectives. Internal audit contributes to the Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on achieving the key priorities. It also supports the Director of Resources (S151 Officer) in discharging his/her statutory duties.

Scope and Responsibilities of Internal Audit

- 1.5 The scope and responsibilities relating to Internal Audit are specified in the RBWM Finance Rules F3.25 to F5.38, as well as in the Internal Audit Charter, detailing the Terms of Reference for Internal Audit activity and complies with the PSIAS, and an Audit Protocol, outlining the approach to service delivery. The Audit Charter is approved periodically and is attached at Appendix A (II), with tracked changes, and Appendix A(III), clean copy. The previous Audit Charter was approved by the former Audit and Performance Review Panel in December 2018 and there have been no significant changes.
- 1.6 The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing in the PSIAS. The Chief Audit Executive (role fulfilled by the Assistant Director, Governance, Wokingham Borough Council) must periodically review the Internal Audit Charter and present it to senior management and the Board (Corporate Overview and Scrutiny Panel (CO&SP)) for approval.
- 1.7 The Internal Audit Charter establishes the internal audit activity's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the CO&SP; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 1.8 This document sets out the proposed Internal Audit and Investigation Plan and programme of work for the 2020/21 financial year. It is intended to demonstrate how the Shared Audit and Investigation Service (SAIS) supports the overall aims and objectives of the Authority whilst maintaining its professional standards. The Plan takes account of the proposed role, objectives and approach to the service delivery of the Internal Audit and Investigation Plan.

2. Audit Planning Process 2020-21

- 2.1 The purpose of the audit planning process is to ensure that resources are appropriately focused in order to provide maximum audit coverage.

- 2.2 The PSIAS set out the standards for internal audit and include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'. Within the Council, the CO&SP undertake the key duties of the 'Board' laid out in the PSIAS.
- 2.3 The PSIAS Performance Standard 2010 - Planning states that: *'The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'*
- 2.4 The proposed 2020/21 Draft Internal Audit and Investigation Plan, attached at Appendix A and supporting Appendix A(I), is intended to demonstrate how the SAIS supports the overall aims and objectives of the Council. The 2020/21 Draft Internal Audit and Investigation Plan focuses efforts / cost on only those audits that feed directly into:
- other regulated reporting but only the minimum effort necessary to deliver compliance, including the Annual Governance Statement (AGS).
 - facilitating the provision of an overall opinion each year for the CO&SP on the operation of the Council's internal control environment, risk management arrangements and governance framework.
 - other Statutory Officers' Group (SOG) / CO&SP strategic & tactical priorities which are at high risk from changes in customer needs, funding, processes or resourcing.
 - the audit of areas which are deemed to be 'important' to support operating objectives.
 - Commissioned Services, one example being Achieving for Children, will be audited under a joint audit approach in co-ordination with the respective body to provide assurances to each of the bodies and to avoid duplication of work.
 - cutting out all other 'housekeeping' activities not directly driven by the above.
 - the 2020/21 Draft Internal Audit and Investigation Plan is aligned with the Council's objectives and Corporate Risk Register (CRR) along with the financial risks as stated in the Medium Term Financial Plan.
 - the 2020/21 Draft Internal Audit and Investigation Plan includes provision for investigation work, comprising reactive investigations and a programme of proactive fraud investigation exercises with a view to detecting fraud by a targeted and systematic review of data.
- 2.5 Whilst a number of audit reviews within the 2020/21 Draft Internal Audit and Investigation Plan are effectively considered as mandatory (key financial systems, particularly high risk items etc.), others enter or leave the 2020/21 Draft Internal Audit and Investigation Plan based on the CRR rating and the views of officers and Members. As such, the 2020/21 Draft Internal Audit and Investigation Plan is fluid and is regularly realigned to accommodate changes to the CRR, thereby ensuring that it remains current and focussed on the key risks affecting the Council. Any changes made to the 2020/21 Draft Internal Audit and Investigation Plan during the year will be reported to the CO&SP.

- 2.6 Consultations are undertaken with the Managing Director, Executive Directors, Interim Section 151 Officer, and the Insurance and Risk Manager whilst preparing the Plan, both in determining risk and any emerging issues and taking into account any specific requests for audits to be undertaken.
- 2.7 The 2020/21 Draft Internal Audit and Investigation Plan aims to integrate the individual audit reviews with other reviews, e.g. more recently the work of CIPFA Consultants in the area of Financial Management and Governance, in order that Internal Audit work can be performed alongside and complement these reviews.
- 2.8 Ongoing joint working with the Insurance and Risk Manager over several years has further enabled Internal Audit to develop an Integrated Internal Audit and Risk Management System to inform the 2020/21 Draft Audit and Investigation Plan and provide feedback to the Risk Register regarding the findings of individual audits. This integration further influences both the nature of the audit work undertaken and the development of the CRR.

3. Resources

- 3.1 Risk assessment is used to inform the amount of staff resource dedicated to each area and the extent, frequency and depth of testing undertaken, with the high risk areas being examined more frequently. Annual allocations against individual audit areas have been deliberately flexed in recognition of the need to devote additional resources where new systems are being implemented.
- 3.2 In putting together the 2020/21 Draft Internal Audit and Investigation Plan priorities, it is apparent that, within the limitations of the resources available, it is not possible to address all the risks. The approach to be adopted will, therefore, be a top down systems review process aimed at providing management with an overall opinion on the adequacy of the control environment. In this scenario, individual transaction testing will be limited to that necessary to verify the workings of systems. In the event of changing priorities, such as a major fraud investigation, those areas identified as low risk may be reviewed less frequently than once every four years.
- 3.3 The Plan allows some flexibility to be given to the Chief Audit Executive to deploy resources to special projects or investigations, should the need arise.

4. Reports to Statutory Officers' Group (SOG) and Corporate Overview and Scrutiny Panel (CO&SP)

- 4.1 A status report on internal audit work will be presented to CO&SP on a half yearly basis and SOG on a quarterly basis (approximately). The purpose of these reports is to provide an update on the progress made against the delivery of the 2020/21 Draft Audit and Investigation Plan. The report will provide details of the status of audits, i.e. those completed to date, at draft stage or work in progress with the assurance opinions given. The report will also provide a summary of internal audit performance, planning and resourcing issues.

5. Annual Assurance Report

5.1 A formal annual report to the SOG and CO&SP, presenting the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, will be published to enable it to be taken into account within the annual review of the effectiveness of the system of internal audit and in preparing the AGS. The format of the Chief Audit Executive's report will follow that set out in the PSIAS for Internal Audit and will include:

- an opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance;
- disclose any qualifications to that opinion, together with the reasons for qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- any issues considered by the Chief Audit Executive to be particularly relevant to the AGS;
- A comparison of work undertaken with that planned, with a summary of internal audit performance for the year; and
- Comment on compliance with the PSIAS and internal audit's quality assurance programme.

6. Conformance with Public Sector Internal Audit Standards

6.1 The PSIAS, as revised in April 2017, define the service and professional standards for public sector internal audit services. These include the need for risk-based audit plans to be developed and to receive input from management and the 'Board' (usually discharged by a Council's CO&SP) on those plans. For SAIS, the Board functions are discharged through both the SOG and the CO&SP.

6.2 Key, specific PSIAS provisions include:

PSIAS : 2010 - *"The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."*

PSIAS : 2450 – *"The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control."*

6.3 The SAIS is designed to conform to the PSIAS. Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In 2018, the SAIS commissioned CIPFA to complete an external quality assessment of the SAIS against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

- 6.4 This external assessment confirmed a positive outcome with the service achieving the highest category of assessment “Generally Conforms” with the Standards (out of 3 possible categories). A small number of recommendations were made to ensure full compliance with the Standards, plus a number of advisory points raised to assist the development of the Shared Service and the achievement of best practice going ahead. These have been actioned, or are being addressed on an on-going basis.
- 6.5 A self-assessment will be completed in 2020/21, to provide on-going assurance that the SAIS continues to comply with all aspects of the International Professional Practices Framework, PSIAS and Local Government Application Note.
- 6.6 Internal Audit Standards also require that any potential conflicts of interest that may impair the objectivity or independence of the team are disclosed. We are not aware of any relationships that may impair the objectivity or independence of the team.

Royal Borough of Windsor & Maidenhead

INTERNAL AUDIT CHARTER

**The Terms of Reference for the provision of the Internal Audit Service within the
Shared Audit and Investigation Service for RBWM**

*This document revises and updates the previous Audit Charter approved by Audit and Performance Review
Panel. ~~Reviewed annually.~~*

INTERNAL AUDIT CHARTER

Introduction

1. The purpose of this Audit Charter is to set out the Terms of Reference for the provision of the Internal Audit Service within Royal Borough of Windsor and Maidenhead. The Charter is reviewed on an annual basis to ensure that current needs are met. The Charter demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), ~~which came into effect in April 2013 and revised in~~ April 2016.

Authority

2. The Local Government Accounts and Audit Regulations 2015 require every local authority to undertake 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. Under S151 of the Local Government Finance Act 1972, the S151 Officer is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance upon Internal Audit is fundamental to the fulfilment of that responsibility.

Definition of Internal Auditing

4. In accordance with the PSIAS, Internal Audit 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.

Role, Purpose and Function

5. The Internal Audit Service is delivered by the Shared Audit and Investigation Service (SAIS), a Shared Service between Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM), hosted by WBC. The role of the Chief Audit Executive (CAE) is performed by the ~~Assistant Director, Governance, WBC~~ Service Manager, SAIS.
6. The Internal Audit Service provides:-
 - Senior Management and the Board (the ~~Corporate Overview and Scrutiny Panel~~ Audit & Performance Review Panel) with assurances on the adequacy of control within the Council's systems and activities.
 - the S151 Officer with the assurances required to discharge their statutory responsibilities.
 - a service to monitor the efficient and effective delivery of the Council's objectives.
 - evidence regarding compliance with the Council's Constitution, Corporate procedures and the Council's policies and objectives.
7. The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
8. For the purposes of clarification, Senior Management is defined as those posts that are within the organisation at Head of Service level and above.

9. The Board is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

Independence

10. The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:-
 - unrestricted access to the Head of Paid Service and Senior Management.
 - unrestricted access to the Chair of the [Corporate Overview and Scrutiny Panel](#)~~Audit and Performance Review Panel~~ and other Council Members.
 - segregation from operations.
11. Every effort is made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest with regard to both audit and non-audit activities.

Objectives of Internal Audit

12. As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:
 - Ensure compliance with the Accounts and Audit Regulations 2015.
 - Deliver an annual internal audit opinion on the strength of the Council's governance arrangements and control environment to support the Council's review of the effectiveness of internal control and the production of the Annual Governance Statement (AGS).
 - Support managers with the management of risk including: -
 - In the delivery of services
 - Protection of assets from loss
 - Maintaining the reputation of the Council
 - Protecting the organisation from litigation
 - Meeting statutory obligations
 - Meeting corporate objectives
 - Being aware of environmental implications
 - Being alert to the risk of fraud or irregularity
 - Contingency planning
 - Provide managers with support and advice to encourage consultation and the adoption of best practice.
 - Perform testing of key systems to inform the work of the External Auditors.
 - Undertake projects to meet the current concerns of the [Corporate Overview and Scrutiny Panel](#)~~Audit and Performance Review Panel~~, Head of Paid Service, [Executive Strategic Directors](#), Heads of Service, the Section 151 Officer and Monitoring Officer.
 - Undertake an annual review of the effectiveness of the Council's system of internal audit, required under the PSIAS. The [Assistant Director, Governance, Wokingham Borough Council](#)~~Service Manager, SAIS~~ arranges this work and the outcomes are presented to the [Corporate Overview and Scrutiny Panel](#)~~Audit and Performance Review Panel~~.
 - Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.

13. The assurance set out above is provided for the internal use of the Royal Borough of Windsor and Maidenhead. Where the Audit Sponsor (Managing Director/~~Executive Strategic~~ Director) decides it is prudent and increases efficiency these assurances can be used by 3rd parties. Examples include, but are not limited to, other local authorities, local authority trading companies, grant awarding bodies, regulatory and inspection bodies. Where this assurance is provided to external bodies these are limited to the primary purpose of providing reasonable assurance to the Royal Borough of Windsor and Maidenhead, except where this is agreed within the scope of the applicable Internal Audit Terms of Reference.

Scope of Internal Audit

14. The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to all records (both electronic or otherwise), assets, personnel and premises and for obtaining such information and explanations it considers necessary to fulfil its responsibilities. These rights of access also apply to the Council's partner organisations and contractors. This unrestricted access also extends to any person carrying out an investigation on behalf of the CAE.
15. In addition, Internal Audit, has unrestricted access to Members, the Head of Paid Service, ~~Executive Strategic~~ Directors, Heads of Service, all other council employees, External Audit, suppliers and contractors.
16. Internal Audit work covers all systems and activities in all directorates and locations throughout the Council.

Professional Standards and Ethics

17. The ~~Assistant Director, Governance, Wokingham Borough Council~~~~Service Manager, SAIS~~ has adopted the mandatory PSIAS which applies the IIA International Standards to the UK Public Sector. The objectives of these Standards are to;
- Define the nature of internal auditing within the UK public sector.
 - Set basic principles for carrying out internal audit in the UK public sector.
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
18. All Internal Auditors will endeavour to conform with the IIA's Code of Ethics and rules of conduct and the requirements of any other professional bodies for which they are a member. Internal Auditors also have regard to the Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").
19. Instances of non-conformance to the PSIAS will be reported to the Board (~~Corporate Overview and Scrutiny Panel~~~~Audit and Performance Review Panel~~). More significant deviations will be considered for inclusion in the AGS.
20. Any offers of gifts or hospitality will be reported to the ~~Assistant Director, Governance, Wokingham Borough Council~~~~Service Manager, SAIS~~ and an appropriate record made in accordance with the Council's gift and hospitality policy. Auditors must avoid the perception of any impairment to their objectivity and independence.

Responsibility

21. Internal Audit has no executive responsibility for the Council's systems of internal control other than an appraisal of their effectiveness with regard to Council objectives.
22. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to address Internal Audit concerns or to accept the risk resulting from not taking action. However, it is the SAIS's responsibility to consider taking matters to higher levels of management or to Council Members if it is felt that the risk should not (or need not) be borne.
23. The internal auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control, which might permit the occurrence of such an event.
24. An internal auditor who discovers evidence of, or suspects, malpractice should report, through the [Assistant Director, Governance, Wokingham Borough Council](#)~~Service Manager, SAIS~~, firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action to take.
25. The [Assistant Director, Governance, Wokingham Borough Council](#)~~Service Manager, SAIS~~ will use information from fraud activities to inform the annual audit opinion and the risk-based plan.
26. The [Assistant Director, Governance, Wokingham Borough Council](#)~~Service Manager, SAIS~~ will manage any conflict of interest from non-audit activities and details of these will be provided to the [Corporate Overview and Scrutiny Panel](#)~~Audit and Performance Review Panel~~. This includes any advisory and non-audit services that the SAIS provides to management.

Audit Style and Content

27. The primary task of Internal Audit is to review the systems of internal control operating throughout the Council and in doing this will adopt a predominantly risk-based approach to audit, aligned to the RBWM Corporate Risk Register. Internal Audit will also provide advice and consultancy services to management on any issues related to governance, risk management and internal control matters where this does not negatively impact on their primary responsibility. This advice and consultancy work can be used to contribute to the annual internal audit opinion.
28. The [Assistant Director, Governance, Wokingham Borough Council](#)~~Service Manager, SAIS~~ will be required to manage the provision of a complete Internal Audit Service to the Council which will include risk based compliance, computer and contract audit and in discharging this duty, the [Assistant Director, Governance, Wokingham Borough Council](#)~~Service Manager, SAIS~~ will:
 - prepare an annual risk-based audit plan in consultation with the Head of Paid Service, Section 151 Officer, ~~Executive Strategic~~ Directors, Heads of Service, client managers and External Audit for formal endorsement by the [Corporate Overview and Scrutiny](#)~~Audit and Performance Review~~ Panel. This Plan will be regarded as flexible rather than as an immutable expression of audit policy.
 - ensure that current entries in the RBWM Corporate Risk Register are reflected and included in the Audit Plan on a rolling basis and any significant changes to the Audit Plan to be brought to the attention of the Board.

- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure and a standardisation of documentation, as there may occasionally be a requirement to provide working papers, where requested.

Audit Resources and Training

29. Internal Audit resource will be determined by the ~~Corporate Overview and Scrutiny~~~~Audit and Performance Review~~ Panel in consultation with the S151 Officer in order to enable him to discharge his statutory duties and will reflect the corporate needs of the Council. Resources will also reflect requirements needed to allow the S151 Officer to discharge his obligations. The ~~Assistant Director, Governance, Wokingham Borough Council~~~~Service Manager, SAIS~~ must ensure that the internal audit function has appropriate resources in order to meet its objectives and to comply with the PSIAS.
30. The staffing structure of the Service will comprise of suitably qualified posts with a mix of professional specialisms and skills to reflect the varied functions of the Service and the need to evaluate the efficiency and effectiveness of the complex range of processes undertaken by RBWM. The ~~Assistant Director, Governance, Wokingham Borough Council~~~~Service Manager, SAIS~~ will arrange, as and when necessary and/or if such specialisms cannot be provided in-house, for such expertise to be provided by external providers.
31. The ~~Assistant Director, Governance, Wokingham Borough Council~~~~Service Manager, SAIS~~ will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate in-service training. Internal Auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence.
32. All Internal Audit staff will receive an annual appraisal.

Audit Reporting

33. The ~~Assistant Director, Governance, Wokingham Borough Council~~~~Service Manager, SAIS~~ reports operationally to the ~~Director of Resources~~~~Head of Finance and Deputy Director of Corporate and Community Services~~ who is a member of the Council's Corporate ~~Leadership~~~~Management~~ Team (CLMT). The Head of Paid Service reviews the performance appraisal of the ~~Assistant Director, Governance, Wokingham Borough Council~~~~Service Manager, SAIS~~. Feedback is sought from the Chair of the ~~Corporate Overview and Scrutiny~~~~Audit and Performance Review~~ Panel on the performance of the ~~Assistant Director, Governance, Wokingham Borough Council~~~~Service Manager, SAIS~~.
34. Timely reporting is a key part of Internal Audit and reporting takes place: -
 - a. To the responsible ~~Executive~~~~Strategic~~ Director, Head of Service and Service Manager/Head Teacher at the conclusion of each audit review setting out an overall opinion and the main concerns.
 - b. To the Managing Director and External Audit at the conclusion of each audit review (School's audits are issued to the Chair of Governors).

- c. To the Corporate Overview and Scrutiny~~Audit and Performance Review~~ Panel on a six monthly and annual basis, reporting progress against the Audit Plan, summarising the outcome of audit reviews, highlighting where management have not responded to audit concerns, identify the progress made by management in implementing the treatment of concerns and to emphasise any other key issues.

- d. The annual report to the Corporate Overview and Scrutiny~~Audit and Performance Review~~ Panel will also include an overall opinion on the strength of the governance arrangements and control environment (which will also contribute towards the production of the AGS) and an assessment of the system of internal control, as required by the Accounts and Audit Regulations 2015.

Royal Borough of Windsor & Maidenhead

INTERNAL AUDIT CHARTER

**The Terms of Reference for the provision of the Internal Audit Service within the
Shared Audit and Investigation Service for RBWM**

This document revises and updates the previous Audit Charter approved by Audit and Performance Review Panel.

INTERNAL AUDIT CHARTER

Introduction

1. The purpose of this Audit Charter is to set out the Terms of Reference for the provision of the Internal Audit Service within Royal Borough of Windsor and Maidenhead. The Charter is reviewed on an annual basis to ensure that current needs are met. The Charter demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), April 2016.

Authority

2. The Local Government Accounts and Audit Regulations 2015 require every local authority to undertake 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. Under S151 of the Local Government Finance Act 1972, the S151 Officer is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance upon Internal Audit is fundamental to the fulfilment of that responsibility.

Definition of Internal Auditing

4. In accordance with the PSIAS, Internal Audit 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.

Role, Purpose and Function

5. The Internal Audit Service is delivered by the Shared Audit and Investigation Service (SAIS), a Shared Service between Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM), hosted by WBC. The role of the Chief Audit Executive (CAE) is performed by the Assistant Director, Governance, WBC..
6. The Internal Audit Service provides:-
 - Senior Management and the Board (the Corporate Overview and Scrutiny Panel) with assurances on the adequacy of control within the Council's systems and activities.
 - the S151 Officer with the assurances required to discharge their statutory responsibilities.
 - a service to monitor the efficient and effective delivery of the Council's objectives.
 - evidence regarding compliance with the Council's Constitution, Corporate procedures and the Council's policies and objectives.
7. The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
8. For the purposes of clarification, Senior Management is defined as those posts that are within the organisation at Head of Service level and above.

9. The Board is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

Independence

10. The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:-
- unrestricted access to the Head of Paid Service and Senior Management.
 - unrestricted access to the Chair of the Corporate Overview and Scrutiny Panel and other Council Members.
 - segregation from operations.
11. Every effort is made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest with regard to both audit and non-audit activities.

Objectives of Internal Audit

12. As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:
- Ensure compliance with the Accounts and Audit Regulations 2015.
 - Deliver an annual internal audit opinion on the strength of the Council's governance arrangements and control environment to support the Council's review of the effectiveness of internal control and the production of the Annual Governance Statement (AGS).
 - Support managers with the management of risk including: -
 - In the delivery of services
 - Protection of assets from loss
 - Maintaining the reputation of the Council
 - Protecting the organisation from litigation
 - Meeting statutory obligations
 - Meeting corporate objectives
 - Being aware of environmental implications
 - Being alert to the risk of fraud or irregularity
 - Contingency planning
 - Provide managers with support and advice to encourage consultation and the adoption of best practice.
 - Perform testing of key systems to inform the work of the External Auditors.
 - Undertake projects to meet the current concerns of the Corporate Overview and Scrutiny Panel, Head of Paid Service, Executive Directors, Heads of Service, the Section 151 Officer and Monitoring Officer.
 - Undertake an annual review of the effectiveness of the Council's system of internal audit, required under the PSIAS. The Assistant Director, Governance, Wokingham Borough Council arranges this work and the outcomes are presented to the Corporate Overview and Scrutiny Panel.
 - Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.

13. The assurance set out above is provided for the internal use of the Royal Borough of Windsor and Maidenhead. Where the Audit Sponsor (Managing Director/Executive Director) decides it is prudent and increases efficiency these assurances can be used by 3rd parties. Examples include, but are not limited to, other local authorities, local authority trading companies, grant awarding bodies, regulatory and inspection bodies. Where this assurance is provided to external bodies these are limited to the primary purpose of providing reasonable assurance to the Royal Borough of Windsor and Maidenhead, except where this is agreed within the scope of the applicable Internal Audit Terms of Reference.

Scope of Internal Audit

14. The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to all records (both electronic or otherwise), assets, personnel and premises and for obtaining such information and explanations it considers necessary to fulfil its responsibilities. These rights of access also apply to the Council's partner organisations and contractors. This unrestricted access also extends to any person carrying out an investigation on behalf of the CAE.
15. In addition, Internal Audit, has unrestricted access to Members, the Head of Paid Service, Executive Directors, Heads of Service, all other council employees, External Audit, suppliers and contractors.
16. Internal Audit work covers all systems and activities in all directorates and locations throughout the Council.

Professional Standards and Ethics

17. The Assistant Director, Governance, Wokingham Borough Council has adopted the mandatory PSIAS which applies the IIA International Standards to the UK Public Sector. The objectives of these Standards are to;
 - Define the nature of internal auditing within the UK public sector.
 - Set basic principles for carrying out internal audit in the UK public sector.
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
18. All Internal Auditors will endeavour to conform with the IIA's Code of Ethics and rules of conduct and the requirements of any other professional bodies for which they are a member. Internal Auditors also have regard to the Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").
19. Instances of non-conformance to the PSIAS will be reported to the Board (Corporate Overview and Scrutiny Panel). More significant deviations will be considered for inclusion in the AGS.
20. Any offers of gifts or hospitality will be reported to the Assistant Director, Governance, Wokingham Borough Council and an appropriate record made in accordance with the Council's gift and hospitality policy. Auditors must avoid the perception of any impairment to their objectivity and independence.

Responsibility

21. Internal Audit has no executive responsibility for the Council's systems of internal control other than an appraisal of their effectiveness with regard to Council objectives.
22. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to address Internal Audit concerns or to accept the risk resulting from not taking action. However, it is the SAIS's responsibility to consider taking matters to higher levels of management or to Council Members if it is felt that the risk should not (or need not) be borne.
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Audit Style and Content

27. The primary task of Internal Audit is to review the systems of internal control operating throughout the Council and in doing this will adopt a predominantly risk-based approach to audit, aligned to the RBWM Corporate Risk Register. Internal Audit will also provide advice and consultancy services to management on any issues related to governance, risk management and internal control matters where this does not negatively impact on their primary responsibility. This advice and consultancy work can be used to contribute to the annual internal audit opinion.
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 - prepare an annual risk-based audit plan in consultation with the Head of Paid Service, Section 151 Officer, Executive Directors, Heads of Service, client managers and External Audit for formal endorsement by the Corporate Overview and Scrutiny Panel. This Plan will be regarded as flexible rather than as an immutable expression of audit policy.
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30. The staffing structure of the Service will comprise of suitably qualified posts with a mix of professional specialisms and skills to reflect the varied functions of the Service and the need to evaluate the efficiency and effectiveness of the complex range of processes undertaken by RBWM. The Assistant Director, Governance, Wokingham Borough Council will arrange, as and when necessary and/or if such specialisms cannot be provided in-house, for such expertise to be provided by external providers.
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Audit Reporting

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