

**Financial Scrutiny and Audit
Committee**

11 February 2014

Agenda Item No 9

**Internal Audit's Charter, Code of Ethics, Audit Strategy,
Strategic and Annual Audit Plans, Summary of Internal Audit Coverage
and Performance Indicators for 2014/15**

Report by Head of Internal Audit

Summary: This report provides an overview of the stages followed prior to the formulation of the Strategic Audit Plan for 2014/15 to 2016/17 and the Annual Audit Plan for 2014/15. The annual Audit Plan will then serve as the work programme and initial terms of reference for the Authority's internal Audit Services Contractor, Mazars Public Sector Internal Audit Ltd, and provide the basis upon which the Internal Audit Consortium Manager will subsequently give Audit Opinions on the Broads Authority's system of risk management and corporate governance arrangements for 2013/14 and systems of internal control for 2014/15.

Members' attention is also drawn to the fact that this is the first time that an Audit Charter has been presented. Previously, Terms of Reference had been submitted annually but now, in accordance with Public Sector Internal Audit Standards, which came into effect from 1 April 2013, it has been necessary to develop an Audit Charter to reflect how the Internal Audit Service will operate in accordance with updated mandatory standards. The Foundations of the Public Sector Internal Audit Standards however are not so fundamentally different to those requirements formerly specified in the CIPFA Code of Practice for Internal Audit, although the structure of the Charter must follow a prescribed format which defines the purpose, authority and responsibility of the Internal Audit activity, and contains clear definitions of those governance elements fulfilling responsibilities of the 'board' and 'senior management'.

In reviewing and approving the Audit Charter and related strategic and operational audit planning information, the Financial Scrutiny and Audit Committee is make appropriate provisions to ensure that the Internal Audit requirements as stated in Section 17 of the Norfolk and Suffolk Broads Act 1988, section 12(2) of the Local Government Finance Act 1982, c32 and the Accounts and Audit Regulations 2011 are being properly met, and due support is being given to securing an Internal Audit Service, which is compliant with statutory internal auditing standards applicable to public sector organisations.

Recommendation: The Committee is requested to approve:

- (i) Internal Audit's Charter for 2014/15;
- (ii) Internal Audit's Code of Ethics for 2014/15;
- (iii) Internal Audit's Strategy for 2014/15;

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| (iv) | The Strategic Audit Plan for 2014/15 to 2016/17; |
| (v) | The Annual Audit Plan for 2014/15; |
| (vi) | The Summary of Internal Audit coverage for 2014/15; and |
| (vii) | Performance Indicators for 2014/15. |

1 Introduction/Background

- 1.1 In accordance with legislative, regulatory and best practice requirements, the Broads Authority has made arrangements for a continuous internal audit to examine the accounting, financial and other operations of the organisation. This is effectively achieved through contractual and group agreement arrangements, which exist between the Broads Authority and South Norfolk Council, whereby the Internal Audit Consortium Manager, based at South Norfolk Council, has developed on behalf of the Broads Authority, an Audit Charter and overarching Strategy which explain the methodology that has been applied when determining future audit coverage of the organisation's business operations.
- 1.2 A number of other key supporting papers have also been developed to ensure clarity regarding the Code of Ethics that will be adopted by Internal Auditors, together with the Performance Indicators to be used to monitor service delivery. In conjunction with these documents, an insight into future audit input envisaged over the next 3 years has been provided via a new Strategic Audit Plan for 2014/15 onwards, alongside a more detailed analysis of audit assignments being lined up for the next financial year. The sequencing of the latter is encapsulated in the Annual Audit Plan for 2014/15 and a Summary of Internal Audit Coverage, which accompanies it.

2 The Audit Charter

- 2.1. The Public Sector Internal Audit Standards have been primarily introduced to:
- Define the nature of internal auditing;
 - Set basic principles for carrying out internal audit;
 - 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.

As part of evidencing that these requirements are being adhered to, there is a duty on the Internal Audit Service to compile an Audit Charter which demonstrates how these elements are being handled and managed. The Internal Audit Consortium Manager for the Broads Authority has therefore compiled a Charter which covers off the above requirements, acknowledging too that some additional appendices have been needed to give further clarity on important issues such as the Code of Ethics and the Performance Indicators adopted by the Internal Audit function.

- 2.2. In migrating from previously maintained Terms of Reference (which were last reviewed by the Financial Scrutiny and Audit Committee in February 2013) to the establishment of an Audit Charter that fully complies with the mandatory standards, it has been necessary to:
- Apply a revised definition of internal auditing. Under previous Code of Practice arrangements, the emphasis had been on Internal Audit as an assurance function, whereas now there is recognition that the function should be operating on two levels, providing assurance but also providing advice and guidance on governance and control, in a consulting capacity.
 - Utilise the Audit Charter to establish the purpose, authority and responsibilities of the Service provision, its rights of access and the scope of its activities.
 - Develop information explaining Quality Assurance and Improvement processes to be followed, which include commentary on how both internal and external assessments should be addressed.
 - Recognise and define in the Audit Charter the terms 'board' and 'senior management' for the purposes of Internal Audit activity and acknowledge the role of the Chief Audit Executive. The interpretation of these important governance roles at the Broads Authority has therefore been examined at Section 4 of the Charter in the section covering Organisation and Relationships.
- 2.3. Finally, there is an obligation under the mandatory standards to review and re-present the Audit Charter in much the same way that previous Terms of Reference had to be revisited annually. The Charter has to be re-examined by the Internal Audit Consortium Manager to confirm its ongoing validity and completeness, and thereafter, the documentation requires the scrutiny and endorsement of senior management and the Financial Scrutiny and Audit Committee.
- 2.4. The Audit Charter can be found attached at **Appendix 1** and is sub-divided into 10 Sections which dovetail with individual elements of the Public Sector Internal Audit Standards.
- 2.5. The Performance Indicators by which service delivery will be measured are included at **Appendix 8**.

3 Code of Ethics

- 3.1 An addendum to the Audit Charter headed up 'Internal Audit - The Code of Ethics for 2014/15' sets out the expected behaviours of Internal Audit staff in relation to service delivery and is located at **Appendix 2**. The basis of standards of conduct for 2014/15 remain unchanged with reference to those followed by Internal Audit in 2013/14, as the Code of Ethics applicable here was originally rewritten to mirror the incoming obligations in this area as per the Public Sector Internal Audit Standards. There has, however, been one small amendment made in relation to Section 6 of the Code of Ethics, and this

has been to mark the changeover from the Deloitte auditors to the Mazars auditors, the latter now being engaged to deliver the Annual Audit Plan for the Broads Authority. It is to be noted that the nature of the Internal Audit Services contractor's role is more fully explored in several sections of the Audit Charter.

- 3.2 Aside from the Code of Ethics, the Chief Audit Executive will also operate in accordance with requirements laid down in CIPFA's Statement on the Role of the Head of Internal Audit and all Internal Audit staff will comply with their own professional bodies' Code of Ethics, as well as any organisational Codes of Ethics or Conduct relating to their employer or the client authority served.

4 Internal Audit Strategy

- 4.1 The Internal Audit Strategy (see **Appendix 3**) is another document that sits alongside the Audit Charter, but with the overarching purpose of establishing how the annual programme of audit assignments has been devised, in terms of the process followed when undertaking the annual audit needs assessment, the risk factors applied and how this information is then used to populate the Strategic and Annual Audit Plans.
- 4.2 Following a review of the Strategy and discussions with the Treasurer & Financial Adviser and the Head of Finance on 11 December 2013 and Management Team on 13 January 2014, it has been agreed that work to facilitate annual opinions concerning the quality of the Authority's system of risk management and corporate governance arrangements will continue to be undertaken in the year following that to which they relate, e.g. Quarter 1 of 2014/15 to deliver an annual opinion on 2013/14 provisions. Previously, we had intended to move to 2-yearly opinions in this area, but the Public Sector Internal Audit Standards have led to this approach being revised to accommodate annual assessments in the future.
- 4.3 Having recommenced a cycle of computer audits in 2013/14, with the aid of a refreshed Computer Audit Needs Assessment in the same year, which confirmed the nature of detailed projects earmarked for delivery over 2 consecutive years, it is also appreciated that further provisions in 2015/16 need to be made to again revisit computer audit needs with a view to identifying where further computer audit resources should be targeted thereafter.

5 The Strategic Audit Plan for April 2014 to March 2017

- 5.1 The overarching objective of the Strategic Audit Plan (included at **Appendix 4**) is to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation's Annual Governance Statement.
- 5.2 In the past, there has been some variation, year-on-year, with regards to the number of planned audit days and projects to be delivered. Going forward,

our annual audit needs assessment work has indicated wide ranging review work is required to meet Public Sector Internal Audit Standards and the revised definition of Internal Auditing that they have introduced. In response to this, we have identified 4 reviews per year to provide an acceptable minimum level of audit coverage which will generate the requisite audit assurances to the organisation, from which an annual opinion can then be extracted.

- 5.3 Having consulted with senior management, it has also become clear that independent assurances would be beneficial to the Authority, in terms of the work that has been performed regarding consultation activities and partnership provisions, and also to consider the impact of social media at a later stage via a Marketing and Tourism audit. This work has therefore been programmed into the Strategic Audit Plan, as shown in **Appendix 4**. Other key areas where audit scrutiny is considered necessary are Planning, an area that we first evaluated in 2011/12 and a more in-depth analysis of Asset Management arrangements. The latter normally forms part of our Key Controls and Assurance work, but in 2015/16, extra days have been allocated to enable revised working arrangements introduced in 2014/15 to be studied in greater detail.

6 The Annual Audit Plan for April 2014 to March 2015

- 6.1 Having developed the Strategic Audit Plan, the Annual Audit Plan can then be extracted from it, as can be seen in **Appendix 5** to the report. The new Annual Audit Plan totals 46 days, a 2.1% decrease on the days approved in relation to the 2013/14 Annual Audit Plan.

7. Summary of Internal Audit Coverage for 2014/15

- 7.1 The Summary information, attached at **Appendix 6** has next been formulated to give an indication as to the focus of forthcoming work over the next 12 months. The information has been developed to ensure that Management Team and the Financial Scrutiny and Audit Committee have a clear understanding as to the direction of Internal Audit work over the course of the new financial year, but additionally, that both External Audit and the Internal Audit Services contractor receive a steer as to the focus of individual audits over the coming year. Certainly, as far as the Internal Audit Services contractor is concerned; the Summary document offers a starting point for more detailed audit planning meetings with management. However, the guidance therein should be viewed with some flexibility, as the scope and subsequent parameters for some audits may need to alter with changing corporate priorities where appropriate, or terms of reference requiring adoption may not become wholly clear until discussions have been held with management as to the key priorities and risks facing service delivery have been fully explored, as well as considering how the forthcoming audit assignment can be used to potentially add further value for the organisation.

7.2 In the course of reviewing the Summary of Internal Audit coverage, it is also helpful to compare future input with the Assurance Chart (attached at **Appendix 7**), which records previous opinions given to areas audited.

Background papers: Nil

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Date of report: 27 January 2014

Broads Plan Objectives: None

Appendices

- APPENDIX 1: Terms of Reference for Internal Audit for 2014/15
- APPENDIX 2: Internal Audit – Code of Ethics for 2014/15
- APPENDIX 3: Internal Audit Strategy for 2014/15
- APPENDIX 4: Strategic Audit Plan – April 2014 to March 2017
- APPENDIX 5: Annual Audit Plan – April 2014 to March 2015
- APPENDIX 6: Summary of Internal Audit Coverage for 2014/15
- APPENDIX 7: Assurance Chart
- APPENDIX 8: Performance Indicators for 2014/15

BROADS AUTHORITY

INTERNAL AUDIT CHARTER FOR 2014/15

1. Introduction

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013, and are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) now provide a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that basically defines the purpose, authority and responsibilities of the service provision. This Charter therefore establishes the position of the Internal Audit Service within the Broads Authority; its authority to access to records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities.
- 1.3 There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the Financial Scrutiny and Audit Committee, the Section 17 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2. Purpose

- 2.1 In accordance with the PSIAS, Internal Auditing is defined as an independent, objective assurance and consulting activity designed to add value and improve the Broads Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2 However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Authority activities are conducted in a secure, efficient and well ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of strategic priority objectives.

3. Authorisation

- 3.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2003, as amended in 2006 and 2011, which state that "a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with

the proper practices in relation to internal control". Further, the Broads Authority is specifically charged with making appropriate accounting and audit arrangements in accordance with Section 17 of the Norfolk and Suffolk Broads Act 1988 and section 12(2) of the Local Government Finance Act 1982, c32. Acknowledgement of those statutory obligations has been confirmed in the Broads Authority's Constitution.

3.2 The Treasurer & Financial Adviser (Section 17 Officer) to the Authority is responsible for the proper administration of the Authority's financial affairs including:

- (i) The regulation and control of finance, and the making of safe and efficient arrangements for the receipt of monies;
- (ii) External and **Internal Audit matters**;
- (iii) Pension fund matters;
- (iv) Insurances;
- (v) Investment; and,
- (vi) The operation of the Authority's bank accounts.

In addition, the Head of Finance is charged with the day-to-day management of the Authority's financial affairs, as well as ensuring that internal systems and controls are maintained accurately and efficiently, in accordance with statutory requirements and nationally and locally agreed standards of practice.

3.3 The Internal Audit function at the Authority is overseen by an Internal Audit Consortium Manager. Hence, it is this officer who liaises with the Treasurer & Financial Adviser, plus the Head of Finance and other members of senior management on Internal Audit related matters. Moreover, this officer also serves as the Chief Audit Executive for the Authority (as more fully defined below in Section 4 - Organisation and Relationships), and hence, is obligated to fulfil the responsibilities and duties as prescribed by CIPFA in its Statement on the Role of the Head of Internal Audit in Public Sector Organisations.

3.4 The Internal Audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:

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

recognising that all of the requirements stated above are pertinent to Internal Audit being able to carry out its commitments/engagements. Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

4. Organisation and Relationships

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

4.2 Chief Audit Executive

4.2.1 As noted previously, the Chief Audit Executive for the Broads Authority is the Internal Audit Consortium Manager and is based at South Norfolk Authority. This is due to the fact that the Broads Authority's Internal Audit Service is delivered by means of a Group Agreement that exists between the Broads Authority, Breckland, Broadland, South Norfolk and North Norfolk District Councils and Great Yarmouth Borough Council, collectively known as the Norfolk Internal Audit Consortium. All authorities have signed an agreement under which South Norfolk Council procures delivery of Annual Audit Plans and any specified ad-hoc assignments from an external contractor on behalf of the six named organisations. The contractor was originally Deloitte & Touche Public Sector Internal Audit Ltd but following a shares purchase agreement is now Mazars Public Sector Internal Audit Ltd, with effect from 1 February 2014. It is further noted that the current contract has been in place since 1 October 2007 and is due to expire on 30 September 2014.

4.2.2 As a consequence of the service structure outlined above, the Internal Audit Consortium Manager heads up an Audit Management Team situated within South Norfolk Council's Corporate Resources Directorate, acts as the Contract Manager to Mazars Public Sector Internal Audit Ltd, and reports directly to the Deputy Chief Executive at South Norfolk Council for administrative purposes.

4.2.3 The Internal Audit Consortium Manager also has direct lines of reporting to the Treasurer & Financial Adviser (Section 17 Officer) and the Head of Finance, who jointly monitor the Authority's financial affairs, as already discussed in Section 3.2 of the Charter.

4.2.4 In response to requirements laid down within the PSIAS, it is further confirmed that the Internal Audit Consortium Manager has a direct reporting line and free and unfettered access to the Chief Executive at the Broads Authority.

4.3 Board

4.3.1 In the context of overseeing the work of Internal Audit at the Broads Authority, the 'Board' will be the Financial Scrutiny and Audit Committee of the Authority, which has been established as part of the Corporate Governance arrangements at the Authority. The

Committee is responsible for the following with reference to Internal Audit:

- Agreeing the Internal Audit Charter.
- Approving the risk based Strategic and Annual Audit Plans, together with a Summary of Internal Audit Coverage for the forthcoming financial year.
- Reviewing progress achieved in relation to the completion of assignments featuring in the Annual Audit Plan.
- Monitoring delivery of agreed Audit Recommendations.
- Considering the findings and conclusions of any Special/Ad-hoc investigations commissioned by the Financial Scrutiny and Audit Committee or members of senior management at the Authority.
- Noting the Annual Report and Opinion of the Internal Audit Consortium Manager.
- Undertaking Annual Audit Committee Self Assessment exercises.
- Considering the outcomes of the Annual Review of the Effectiveness of the Internal Audit Service.
- Overseeing External Assessments of the Internal Audit Service, at least once every 5 years.
- Approving the Audit Joint Working Protocol between Internal and External Audit.

4.3.2 Internal Audit will work closely with the Chair and members of the Financial Scrutiny and Audit Committee to facilitate and support the activities of the Committee. Moreover, the Internal Audit Consortium Manager also has a direct reporting line, and free and unfettered access to the Chair of the Financial Scrutiny and Audit Committee.

4.4 Senior Management

4.4.1 In the context of ensuring effective liaison between Internal Audit and senior officers responsible at the Broads Authority for specific aspects of internal control and governance, in a way that ensures the independence of Internal Audit, and provides for a critical challenge to the way that Internal Audit activities are carried out, 'Senior Management' for the purposes of this Charter are the Management Team of which the Head of Finance is a key member.

4.5 External Audit

4.5.1 In terms of Internal Audit's interaction with the Authority's External Auditors – Ernst and Young, an Audit Joint Working Protocol has been developed, which recognises the respective responsibilities of each body, relevant audit areas that will be covered, liaison and information sharing arrangements between the two bodies, audit testing and sample size requirements to be observed by the two bodies and generic key financial controls requiring examination each year. The Protocol has been primarily devised to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties, whilst also ensuring that External Audit can place maximum reliance on the work of Internal Audit, wherever possible.

4.6 Other Internal Audit Service Providers

4.6.1 Internal Audit will also liaise with other Internal Audit Service providers, where shared service arrangements exist between their organisations and the Broads Authority. In such cases, a dialogue will be opened with the other organisation's equivalent Chief Audit Executive to agree a way forward regarding the future auditing of 'shared' services, which will be both efficient and cost effective for all parties involved, and cause least disruption to the area(s) being audited.

4.6.2 In the event of the Broads Authority's Internal Auditors undertaking work at the request of the organisation for other bodies outside the Norfolk Internal Audit Consortium, arrangements over liability of internal audit work performed will be covered by either a Hold Harmless letter with Mazars Public Sector Internal Audit Ltd, or contractual arrangements will be extended through a Standard Letter of Engagement – whichever is the appropriate response at the time. Conversely, if the other organisations' Internal Auditors are nominated to undertake audit work on behalf of the Broads Authority, formal confirmation of their liability/accountability for that work will be required, so that full reliance can be placed upon the audit working papers and report generated in consequence. In addition, the Broads Authority's Internal Audit Consortium Manager will review all such work to ensure that it is providing the requisite assurances to feed into her annual audit opinion and should it be found that insufficient or inadequate work has been carried out; the Internal Audit Consortium Manager reserves the right to request additional work is undertaken.

4.7 Other External Review and Inspection Bodies

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

5. Objectives and Scope

5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Authority's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.

5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Authority to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.

- 5.3 A risk based Strategic Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the Authority's Annual Governance Statement. Moreover, audit work performed will seek to enhance the Authority's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant. The way in which the Strategic Audit Plan is evolved, is explored further within the Charter at Section 8.2 Audit Planning and, in Appendix 3 – Internal Audit Strategy.
- 5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:
- 5.4.1 The design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.
 - 5.4.2 The effectiveness of the Authority's processes for performance management and accountability.
 - 5.4.3 The Authority's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
 - 5.4.4 The Authority's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
 - 5.4.5 The provisions developed to support achievement of the organisation's strategic objectives and goals.
 - 5.4.6 The systems formulated to secure an effective internal control environment.
 - 5.4.7 The completeness, reliability, integrity and timeliness of management and financial information.
 - 5.4.8 The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Authority and those determined externally.
 - 5.4.9 The systems designed to safeguard Authority assets and employees.
 - 5.4.10 The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Authority.
- 5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will operate in a supporting role to the Treasurer & Financial Adviser (Section 17 Officer) and the Head of Finance, assisting these officers in monitoring the probity and effectiveness of the Authority's financial arrangements and internal control systems.

- 5.6 Managing the risk of fraud and corruption is the responsibility of management. However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit.
- 5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Financial Scrutiny and Audit Committee of such situations.

6. Independence

- 6.1 The Internal Audit Section operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results.
- 6.2 The framework allows the Internal Audit Consortium Manager direct access to and the freedom to report unedited in her own name, as she deems appropriate, to the Financial Scrutiny and Audit Committee, the Chief Executive, Treasurer & Financial Adviser (Section 17 Officer), the Head of Finance and the Management Team.
- 6.3 Internal Auditors have no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility.
- 6.4 If however, Internal Audit's independence or objectivity is impaired in fact or appearance, the details of impairment will be disclosed to senior management and the Financial Scrutiny and Audit Committee. The nature of the disclosure will depend upon the impairment.
- 6.5 The Internal Audit Consortium Manager will confirm to the Financial Scrutiny and Audit Committee, at least annually, the organisational independence of the Internal Audit activity.

7. Professional Standards

- 7.1 The Broads Authority's Internal Auditors operate in accordance with the Public Sector Internal Audit Standards, 2013.
- 7.2 The Internal Auditors are also governed by the policies, procedures, rules and regulations established by the Broads Authority. These include the Constitution (with special attention to Financial Regulations and Contract Standing Orders), the Counter Fraud and Corruption Policy, and the Code of

Conduct. Similarly, the Authority's Internal Auditors will be heedful of external bodies' requirements (e.g. as identified by CIPFA), and all legislation affecting the Authority's activities.

7.3 The Authority's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS, details of which are explained at Appendix 2.

7.4 Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Authority.

7.5 All working arrangements and methodologies, which will be followed by the Broads Authority's Internal Auditors are set out in the Audit Manual maintained by the Audit Management Team, the Specification within the Internal Audit Services Contract, and the Internal Audit Services contractor's own Audit Manual and quality assurance processes.

8. Audit Resources and Planning

8.1 Audit Resources

8.1.1 The Internal Audit Consortium Manager will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.

8.1.2 The Internal Audit Consortium Manager will ensure that the Internal Audit Service has access to a team of staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include computer audits and systems reviews. The Service is also able to assist with consultancy input to new/modified systems, contract and grant certification audits, plus special/fraud investigations, if required.

8.1.3 In the event of special/fraud investigations being requested, there is no current contingency in the Audit Plans to absorb this work. Hence, additional resources will need to be made available to the Internal Audit Service when such input is necessary.

8.2 Audit Planning

8.2.1 In accordance with earlier statements made at Section 5.3 of the Charter, the Chief Audit Executive will develop an annual audit strategy, together with strategic and annual audit plans and a summary of annual audit coverage using a risk based methodology, which takes into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to the Internal Audit Consortium Manager by senior management. Copies of these documents will then be submitted to Management Team for their approval prior to being taken forward to the Financial Scrutiny and Audit Committee for final endorsement, in advance of the new financial year to which they relate.

- 8.2.2 The audit strategy can be found in Appendix 3 and explains the processes followed to populate the risk based Strategic Audit Plan attached at Appendix 4. From the Strategic Audit Plan, an Annual Audit Plan will be extracted, which is included at Appendix 5 and a Summary of Annual Audit Coverage drawn up after consultation with senior management. Audit Coverage information is contained within Appendix 6.
- 8.2.3 The Annual Audit Plan includes the timing, as well as budget and resource requirements for the next fiscal year. Completion of the assignments is contracted to Mazars Public Sector Internal Audit Ltd and the outcomes of their work will be monitored throughout the year with any requested deviations to the approved Plan being agreed with the Treasurer & Financial Adviser (Section 17 Officer) and the Head of Finance, before then being brought to the attention of the Financial Scrutiny and Audit Committee through the periodic activity reporting process.

9. Reporting

- 9.1 Upon completion of each audit assignment, an Internal Audit report will be prepared that:
- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Authority's Annual Governance Statement.
 - Provides a formal record of points arising from the audit and management responses to issues raised, to include acceptance of audit recommendations with implementation timescales, as well as reasons for rejecting recommendations.
 - Prompts management to implement agreed actions within targeted dates.
- 9.2 The Internal Audit Consortium Manager or their nominated Deputy will approve a draft version of all reports before their issue to the relevant officer, e.g. Chief Executive, Director and/or Head of Service. A copy is also supplied to the Treasurer & Financial Adviser and the Head of Finance.
- 9.3 Exit meetings will be accommodated if senior management wish to discuss issued Draft Audit Reports with the Internal Audit Services contractor, the Internal Audit Consortium Manager or their nominated Deputy.
- 9.4 Accountability for management's response to Internal Audit recommendations lies with the Chief Executive, Director and/or Head of Service, as appropriate, who can either accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the Financial Scrutiny and Audit Committee.

- 9.5 Final Audit Reports will be issued in line with agreed working protocols to the relevant nominated officers. The Financial Scrutiny and Audit Committee will also be provided with management summaries from Final Audit Reports via the Internal Audit Consortium Manager's Annual Report. There is also scope for additional reporting, if required by members.
- 9.6 Where Action Plans apply to Final Audit Reports – these will be subject to follow up input. Management are requested to comment on progress achieved in relation to agreed actions at periodic intervals, following formal issue of the Final Audit Report. In addition, Internal Audit will undertake verification work to review evidence of action initiated and the outcomes of this work will be communicated to the Financial Scrutiny and Audit Committee at agreed intervals.
- 9.7 **The Internal Audit Consortium Manager's Annual Report**
- This will contain the annual audit opinion commenting upon:
- 9.7.1 The scope including the time period to which the opinions pertains;
- 9.7.2 Scope limitations;
- 9.7.3 Consideration of all related projects including the reliance on other assurance providers;
- 9.7.4 The risk or control framework or other criteria used as a basis for the overall opinion;
- 9.7.5 The overall opinion, providing reasons where an unfavourable overall opinion is given; and
- 9.7.6 A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.
- 9.8 The full range of Internal Audit related reports to be brought to the attention of the Broads Authority's Financial Scrutiny and Audit Committee are listed out at Section 4.3.1 of this Charter.

10. Quality Assurance and Improvement

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

10.2 Internal Assessments

- 10.2.1 Internal Assessments must include on-going monitoring of the performance of the internal audit activity. The Service operates in accordance with a number of key performance indicators, which are confirmed in the Internal Audit Services contract and detailed at Appendix 8. Contractor performance is subject to regular review by the Audit Management Team.
- 10.2.2 Internal arrangements also include receipt of post audit feedback from auditees and should criticism be received, this will immediately be investigated with the Internal Audit Services contractor and steps taken to resolve matters raised.
- 10.2.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the Internal Audit Consortium Manager performing an annual self-assessment of the effectiveness of Internal Audit, the outcomes of which are then forwarded to the Treasurer & Financial Adviser (Section 17 Officer) and Head of Finance with appropriate evidence, for their independent scrutiny, before the results are submitted to the Financial Scrutiny and Audit Committee. Presenting this information to the Financial Scrutiny and Audit Committee enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the Internal Audit Consortium Manager.

10.3 External Assessments

- 10.3.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self assessment with independent external verification. The Internal Audit Consortium Manager will agree with the Financial Scrutiny and Audit Committee, the Treasurer & Financial Adviser and the Head of Finance:
- The form of the external assessments; and,
 - The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.
- 10.3.2 The Internal Audit Consortium Manager will use their professional judgement when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified. An independent assessor or assessment team means not having any real or apparent conflict of interest and not being part of, or under the control of the Broads Authority, i.e. the organisation to which the Internal Audit activity belongs.

**BROADS AUTHORITY
INTERNAL AUDIT – CODE OF ETHICS FOR 2014/15**

1. Introduction

- 1.1 This Code of Ethics sets the minimum standards for the performance and conduct of the Broads Authority's Internal Auditors. It is intended to clarify the standards of conduct expected from the Internal Auditors when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties. This Code applies to all staff responsible for delivering Internal Audit within the Broads Authority, Great Yarmouth Borough Council and South Norfolk, North Norfolk, Breckland and Broadland District Councils, but does not supersede or replace the requirement on individual auditors to comply with their own professional bodies' Codes of Ethics, as qualified members or student members, as well as any organisational Codes of Ethics or Conduct relating to their employer or the client authorities they serve.

There are four main principles, which must be observed in addition to having due regard to the Committee on Standards of Public Life's 'Seven Principles of Public Life'. The principles involved are as follows:

- Integrity;
- Objectivity;
- Confidentiality; and,
- Competency.

2. Integrity

2.1 Principle

- 2.1.1 The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

2.2 Rules of Conduct

The Broads Authority's Internal Auditors shall:

- 2.2.1 Perform their work with honesty, diligence and responsibility.
- 2.2.2 Observe the law and make disclosures expected by the law and the profession.
- 2.2.3 Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 2.2.4 Respect and contribute to the legitimate and ethical objectives of the organisation.

2.3 Summary

- 2.3.1 Thus the Broads Authority's Internal Auditors will demonstrate integrity in all aspects of their work. Their relationship with colleagues and external contacts should be one of honesty and propriety. Such conduct will both support and develop an environment of trust, which provides the basis for reliance on all activities carried out by the Internal Auditors.

3. Objectivity

3.1 Principle

- 3.1.1 Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
- 3.1.2 Furthermore, Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

3.2 Rules of Conduct

The Broads Authority's Internal Auditors shall:

- 3.2.1 Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 3.2.2 Not accept anything that may impair or be presumed to impair their professional judgement.
- 3.2.3 Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3.3 Summary

- 3.3.1 Objectivity is a state of mind that has regard to all considerations relevant to the activity or process being examined without being unduly influenced by personal interest or the views of others. The Broads Authority's Internal Auditors will display professional objectivity at all times when providing opinions, assessments and recommendations.

4. Confidentiality

4.1 Principle

- 4.1.1 Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4.2 Rules of Conduct

The Broads Authority's Internal Auditors shall:

- 4.2.1 Be prudent in the use and protection of information acquired in the course of their duties.
- 4.2.2 Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4.3 Summary

- 4.3.1 The Broads Authority's Internal Auditors will therefore utilise information received in the appropriate manner and for the purpose it was originally requested and provided, as prescribed by the requirements of the above Rules of Conduct, and will additionally take suitable steps to safeguard all information made available.

5. Competency

5.1 Principle

- 5.1.1 Internal Auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

5.2 Rules of Conduct

The Broads Authority's Internal Auditors shall:

- 5.2.1 Engage only in those services for which they have the necessary knowledge, skills and experience.
- 5.2.2 Perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 5.2.3 Continually improve their proficiency and effectiveness and quality of their services.

5.3 Summary

- 5.3.1 The Broads Authority's Internal Auditors will not accept or perform work that they are not competent to undertake, unless they have received adequate training and support to carry out the work to an appropriate standard.
- 5.3.2 It is also essential that the Head of Internal Audit operates in accordance with the best practice guidance recommended in CIPFA's Statement on 'The Role of the Head of Internal Audit' and undertakes an annual compliance check against the core principles stated therein.

6. Operational Arrangements

6.1 Achieving Compliance with the Code of Ethics

6.1.1 On an annual basis, the Internal Audit Consortium Manager, the Deputy Audit Manager and the Mazars Auditors will revisit the Code of Ethics to reinforce their understanding of and confirm their on-going commitment to the obligations placed upon them as specified in this document, and ensure that they continue to fully comply with these when discharging their day-to-day duties in relation to the Broads Authority.

6.2 Securing Integrity

6.2.1 In order to be assured that the Internal Auditors demonstrate integrity in all aspects of their work, quality control processes have been developed to protect the Broads Authority's position in this matter.

6.3 Maintaining Audit Objectivity

6.3.1 In addition, it is essential that Internal Audit personnel are able to demonstrate independence and hence, objectivity. To this end, Internal Audit staff are obligated to declare potential conflicts of interest as they arise, so as to enable other staff to be assigned to specific reviews, thereby avoiding any compromising of independence. Audit objectivity will also be upheld, in so far as Internal Auditors will not be able to carry out audits in an area where they have had previous operational roles within the last 12 months.

6.4 Observing Confidentiality

6.4.1 A breach of confidentiality by an Internal Auditor will not be tolerated and will result in the expulsion of the individual from the Internal Audit Services contract.

6.5 Demonstrating Competency

6.5.1 It is a pre-requisite that all Internal Audit staff are aware of and understand:

- The organisation's aims, objectives, risk and governance arrangements;
- The purpose, risks and issues affecting the service area to be audited;
- The terms of reference for the audit assignment so that there is a proper appreciation of the parameters within which the review will be conducted; and,
- The relevant legislation and other regulatory arrangements that relate to the service areas to be audited, e.g. Statutes, the Authority's Scheme of Powers delegated to Officers, the Authority's Financial Regulations and Standing Orders relating to Contracts, Partnership/Service Level Agreements, Internal Strategies/Policies/Procedural Notes.

**BROADS AUTHORITY
INTERNAL AUDIT STRATEGY FOR 2014/15**

1 INTRODUCTION AND OVERVIEW

- 1.1 The objectives of the Broads Authority's Internal Audit Service are set out in Internal Audit's Charter, although they can essentially be summarised as follows:

'To deliver a risk-based audit plan in a professional, independent manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial'.

- 1.2 Internal Audit's Charter is subject to annual review by the Internal Audit Consortium Manager and will then be re-presented to the Financial Scrutiny and Audit Committee for formal approval.
- 1.3 Each year, an audit needs assessment is undertaken by the Internal Audit Consortium Manager in order to develop an updated 3-year Strategic Audit Plan, with an Annual Audit Plan being extracted from the latter for adoption in the succeeding financial year.
- 1.4 A computer audit needs assessment (CANA) is also usually performed periodically by the Internal Audit Services contractor, and the outcomes of this exercise will additionally feed into the reworked Strategic Audit Plan and the Annual Audit Plan. However, the last time that we carried out a computer audit needs assessment in full was back in 2008/09, although we have revisited requirements for the future in 2013/14 and intend to do the same again in 2015/16, after which we have scheduled in another detailed review to take place in 2016/17.

2 WHAT THE INTERNAL AUDIT STRATEGY SETS OUT TO ACHIEVE

- 2.1 The purpose of the Internal Audit Strategy is to confirm:
- How the service will be delivered to the Authority over the next 12 months.
 - The level of audit resources (i.e. planned audit days) required to secure annual audit opinions in relation to the Authority's systems of internal control and risk management, and corporate governance arrangements.
 - The range and scope of the assignments selected for scrutiny, which collectively will provide an appropriate body work and corresponding evidence to derive annual audit opinions as required by the Public Sector Internal Audit Standards for the year ahead.
 - The opinions will generate independent sources of assurance which will serve to inform the Authority's Annual Governance Statement.
 - Internal Audit coverage has recognised and responded to the changing risks and priorities that face the Authority.
 - There is adequate annual examination of the fundamental financial systems with audit sampling and testing sufficient for External Audit purposes, such that Ernst and Young can place reliance upon the outcomes of Internal Audit work in these areas.
 - Appropriate audit support has been made available to senior management and steps initiated to provide added value, wherever possible.

3 DEVELOPMENT OF THE CURRENT INTERNAL AUDIT STRATEGY

3.1 The formation of the present Internal Audit Strategy is essentially risk driven, whilst also acknowledging that the primary issues to the Authority at present are the ongoing need to deliver financial savings and legislative changes, and this in itself generates additional risks for the organisation. As a result, consultations have been undertaken with the Treasurer & Financial Adviser (Section 17 Officer) and the Head of Finance, in order to refine draft strategic audit planning proposals, and thereafter, a meeting has been held with the Management Team to finalise future audit coverage and the sequencing of audit projects to provide a programme of planned work that utilises audit resources to best advantage, supports the authority in the delivery of its corporate aims and generates independent assurances on operational arrangements where they are needed most. In undertaking the audit needs assessment, we have also considered a number of core documents that have enhanced our understanding of the operational environment at the Authority. These documents have encompassed the Strategic Priority Objectives, plus the risks to their achievement as noted in the Strategic Risk Register, a range of Broads Authority and Committee Reports, new and amended Policies and Strategies, as well as External Audit documentation.

3.2 Six key risk factors have then been applied to potential auditable areas and their impact on the organisation evaluated in terms of:

- Materiality – monetary value and volume of transactions;
- Significance – with reference to the objectives and activities of the Broads Authority;
- Complexity of the organisation's systems/activities in terms of their operation and auditability
- Modifications to the organisation's systems/activities or the likelihood of changes (i.e. new arrangements) being introduced within the duration of Audit Plans being put forward;
- Inherent risk, i.e. the likelihood of threats, error or malpractice to the organisation, because of the nature of its business activity, the regulatory framework, its size, its growth, its history, etc; and,
- Profile of auditable areas, reflecting on the political sensitivity of the systems/activities.

3.3 With reference to inherent risk, the Audit Needs Assessment is cognisant of those areas where there is a higher incentive, motivation and rationalisation to commit a fraudulent or corrupt act, e.g.

- Manipulation of Financial Records
- Cash Collection
- Credit Income
- Creditor Payments
- Stocks and Stores (where applicable)
- Contracts and Procurement
- Loans and Investments
- Payroll and Expense Claims
- Disposal of Assets
- Awarding of Planning Consents
- Awarding of Grant Funds
- Awarding of Licences
- Gifts and Hospitality.

- 3.4 Having carried out a risk assessment, closely aligned to the Strategic Risk Register, frequencies have next been assigned to the planned audit coverage, ranging from annual scrutiny to reviews performed on a 3 or 4-yearly cycle.
- 3.5 When undertaking the annual audit needs assessment, it is acknowledged that continuing resource constraints experienced by the Authority inherently restrict the number of audit days that are subsequently available to review operational arrangements. It is not feasible, for example, to undertake an extensive list of systems and computer audits throughout the Authority year-on-year; but the Strategic and Annual Audit Plans developed as a consequence of the annual audit needs assessment process, are devised to provide an affordable and acceptable minimum level of audit coverage which is beneficial for the Authority, and allows sufficient scope for the Internal Audit Consortium Manager to produce the requisite annual assurances.
- 3.6 As mentioned previously in paragraph 1.4, a computer audit needs assessment (CANA) is also undertaken by the Internal Audit Services contractor in parallel to the audit needs assessment work carried out by the Internal Audit Consortium Manager. CANA work effectively evaluates the key risks affecting the IT environment within the Authority and having identified risk priority ratings, it is then possible to use this information to populate a Strategic Computer Audit Priority Analysis and Annual Computer Audit Plans. The Internal Audit Services contractor applies a different methodology to the Internal Audit Consortium Manager however, i.e. very high risk scores call for 2-yearly audit input, high risk scores warrant 3-yearly review and medium risk scores dictate 4-yearly audit involvement. CANA overview work envisaged in 2015/16 will determine the nature of 2 IT reviews provisionally slotted into 2015/16 and 2016/17, encompassing 14 planned days in total.

4 FORMULATION OF THE STRATEGIC AND ANNUAL AUDIT PLANS

- 4.1 As noted above in Section 3 of the Strategy, prior to completing the annual audit needs assessment for 2014/15, there has been liaison with key personnel at the Authority to identify a level of audit coverage necessary to provide requisite annual audit opinions.
- 4.2 Draft strategic audit planning proposals for 2014/15 were discussed with the Treasurer & Financial Adviser and the Head of Finance on 11 December 2014 and thereafter, Management Team's views were canvassed on 13 January 2014 to confirm their acceptance of the coverage to be submitted to the Financial Scrutiny and Audit Committee for approval. Moreover, we have also provided External Audit with copies of the new Strategic and Annual Audit Plans, prior to their presentation to the Financial Scrutiny and Audit Committee.
- 4.3 Upon receiving the Financial Scrutiny and Audit Committee's approval to the new year Audit Plans, the Internal Audit Consortium Manager will instruct the Internal Audit Service contractor (Mazars Public Sector Internal Audit Ltd) to adopt the Annual Audit Plan as their work programme for 2014/15.

		Strategic risk register												
Responsible Officer	Audit Focus	Description in Strategic Risk Register	Rating	Risk Profile	Frequency	Actual Days 2008/09	Actual Days 2009/10	Actual Days 2010/11	Actual Days 2011/12	Actual Days 2012/13	Actual Days 2013/14	Proposed Days 2014/15	Proposed Days 2015/16	Proposed Days 2016/17
Head of Governance and Executive Assistant	Corporate governance and risk management	Failure to comply with Legal Requirements	3	Low Probability & Critical Severity	Annually	3	5	5	5	5	5	5	5	5
Head of Governance and Executive Assistant	Work to review the Annual Governance statement	Financial overspend/Significant Loss of income	3	Low Probability & Critical Severity	At request of management	3								
Head of Finance	Key controls & assurance work - Accountancy Services, Sundry Debtors, Creditors, Treasury Mngt, Budgetary Control, Payroll and HR, Asset Mngt and Toll Income arrangements, plus audit follow up work. Increased job budget in 2015/16 to permit review of revised Asset Management arrangements.	Financial overspend/Significant Loss of income	3	Low Probability & Critical Severity	Annually	5	12	14	13	15	15	15	18	15
		Loss/Non Availability of Key Staff Capability	4	Significant Probability & Medium Severity										
		Ineffective management of Assets	2	Significant Probability & Low Severity										
		Death or Serious Injury to Member of Staff or the Public	3	Low Probability & Critical Severity										
Head of Finance	Procurement	Failure of Major Procurement Activity	2	Low Probability & Significant Severity	To address member concerns (noted in Dec. 2012 meeting of FSAC) and respond to way forward subsequently agreed with CMT									
Head of Finance	Asset management - subsumed into key controls and assurance work, as detailed above	Ineffective management of Assets	2	Significant Probability & Low Severity		3								
		Death or Serious Injury to Member of Staff or the Public	3	Low Probability & Critical Severity										
Head of Finance	Toll Income - subsumed into key controls and assurance work, as detailed above and linked to Application review below	Financial overspend/Significant Loss of income	3	Low Probability & Critical Severity		3								
		Loss of IT / Communications Systems	3	Low Probability & Critical Severity										
Head of Human Resources	Payroll/Human Resources - subsumed into key controls and assurance work, as detailed above	Loss/Non Availability of Key Staff Capability	4	Significant Probability & Medium Severity		5								
Head of Finance/ Head of Strategy and Projects	Fens Ecological Project (although HLF Bursary Fund was identified in the original Annual Audit Plan for 2009/10)	Denial of Public Access to the Broads	3	Low Probability & Critical Severity	At request of mngt		5							

Strategic risk register					Frequency	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Responsible Officer	Audit Focus	Description in Strategic Risk Register	Rating	Risk Profile										
Head of Strategy and Projects	Project Management	Ineffective Project Management	2	Low Probability & Medium Severity										
Head of Governance and Executive Assistant	Partnership working	Ineffective Engagement with Key Partners / Stakeholders	4	Significant Probability & Medium Severity	Initially agreed a 3-yearly cycle of audit coverage with mngt		7							
		Ineffective Project Management	2	Low Probability & Medium Severity										
Head of Communications & Head of Governance and Executive Assistant	Marketing and General Consultation, plus aspects of Partnership working.	Ineffective Engagement with Key Partners / Stakeholders	4	Significant Probability & Medium Severity								7		7
		Significant Loss of Income	3	Low Probability & Critical Severity										
	Marketing and Communications including Social Media focus agreed with management in 2016/17	Ineffective Project Management	2	Low Probability & Medium Severity										
Director of Planning and Resources	Partnership working with a focus on how the STEP and PRISMA projects have been delivered, with attention given to lessons learned and how they should be influencing the handling of future projects	Ineffective Engagement with Key Partners / Stakeholders	4	Significant Probability & Medium Severity	Originally due to be examined following request from management									
		Ineffective Project Management	2	Low Probability & Medium Severity										
	Management originally requested Internal Audit input to PRISMA and STEP be included in 2013/14 Audit Plan. This proposed work no longer appropriate following External Audit review of PRISMA (in 2012/13) and work done by Norfolk County Council as First Level Controller (in 2013/14). Elements of PRISMA and STEP given some scrutiny in Procurement audit delivered as part of 2013/14 Audit Plan.													

		Strategic risk register			Frequency	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Responsible Officer	Audit Focus	Description in Strategic Risk Register	Rating	Risk Profile										
Director of Planning and Resources	Planning	Denial of Public Access to the Broads	3	Low Probability & Critical Severity	4-yearly				7				7	
		Failure to comply with Legal Requirements	3	Low Probability & Critical Severity										
		Planning Decisions not made in accordance with Development Plan or Regulations and Procedures	2	Low Probability & Medium Severity										
Head of Finance	Audit follow up - from 2012/13 onwards, job budget to be added to Key Controls and Assurance audit				Annually	1	2	2	2					
Head of ICT/Collector of Tolls	IT overview / Computer Audit Needs Assessment.	Loss of IT / Communications Systems	3	Low Probability & Critical Severity	3-yearly	3						1	3	
Head of ICT/Collector of Tolls	IT overview / Computer Audit Needs Assessment to include some revisiting of Disaster Recovery arrangements.	Loss of Offices including Field Bases	3	Low Probability & Critical Severity					3					
Head of ICT/Collector of Tolls	Disaster recovery - deferred from 2007/8	Loss of Offices including Field Bases	3	Low Probability & Critical Severity		5								
Head of ICT/Collector of Tolls	Toll Income Application review	Financial overspend/Significant Loss of income	3	Low Probability & Critical Severity			1		7					
Head of ICT/Collector of Tolls	IT Governance and Strategy	Loss of IT / Communications Systems	3	Low Probability & Critical Severity				9						
Head of ICT/Collector of Tolls	Network Security	Loss of IT / Communications Systems Loss of Offices including Field	3	Low Probability & Critical Severity								7		
Head of ICT/Collector of Tolls	End User Controls	Loss of IT / Communications Systems Ineffective Management of Assets Loss of Offices including Field Base Non availability of key staff	3	Low Probability & Critical Severity								7		
Head of ICT/Collector of Tolls	Audit TBC (Reserve list - Virus Protection/Spyware, Data Backup and Data Centre controls or Email & Exchange or Document Management)												7	
Head of ICT/Collector of Tolls	Audit TBC (Reserve list - Virus Protection/Spyware, Data Backup and Data Centre controls or Email & Exchange or Document Management)													7
	Audit Management				Annually	13.4	11	10	10.6	12	12	12	12	12
	Total					44.4	43	40	47.6	32	47	46	50	49

Key

FSAC - Financial Scrutiny and Audit Committee
CMT - Corporate Management Team

**Broads Authority
Annual Audit Plan for 2014/15**

Directorate	Audit Focus	Strategic risk register			Frequency	Days planned 2014/15	Planned Days																		
		Description in Strategic Risk Register	Rating	Risk Profile			Q1			Q2			Q3			Q4									
							Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar							
Head of Governance and Executive Assistant	Corporate governance and risk management	Failure to comply with Legal Requirements	3	Low Probability & Critical Severity	Annually	5	5																		
Head of Finance	Key controls & assurance work - Accountancy Services, Sundry Debtors, Creditors, Treasury Mngt, Budgetary Control, Payroll and HR, Asset Mngt and Toll Income arrangements, plus audit follow up work.	Financial overspend/Significant Loss of income	3	Low Probability & Critical Severity	Annually	15													15						
		Loss/Non Availability of Key Staff Capability	4	Significant Probability & Medium Severity																					
		Ineffective management of Assets	2	Significant Probability & Low Severity																					
		Death or Serious Injury to Member of Staff or the Public	3	Low Probability & Critical Severity																					
Head of Communications & Head of Governance and Executive Assistant	Consultation Activities and Partnership provisions	Ineffective Engagement with Key Partners / Stakeholders	4	Significant Probability & Medium Severity		7								7											
		Significant Loss of Income	3	Low Probability & Critical Severity																					
		Ineffective Project Management	2	Low Probability & Medium Severity																					
Head of ICT/Collector of Tolls	End User Controls	Loss of IT / Communications Systems Ineffective Management of Assets Loss of Offices including Field Base Non availability of key staff	3	Low Probability & Critical Severity	Determined by Computer Audit Needs Assessment	7									7										
	Audit Management					12	1	1	1	2			1	2				1	2	1					
	Total					46	6	1	1	2	0	1	9	7	1	17	1	0							

Summary of Internal Audit Coverage for 2014/15

The following table sets out the proposed coverage of each audit identified in the Annual Audit Plan for 2014/15. The more detailed scoping of reviews will be determined at the planning stage for each audit, with terms of reference being confirmed in audit briefs, drawn up in consultation with client officers.

Title	Description
Corporate Governance and Risk Management	<p>Last year, when setting strategic audit planning proposals, there had been an intention to start migrating from annual to 2-yearly scrutiny of the authority's corporate governance provisions and systems of risk management, however new Public Sector Internal Audit Standards have required us to revise this approach to accommodate annual assessments of arrangements in the future.</p> <p>In relation to fulfilling these requirements, we intend to look at the way in which the organisation:</p> <ul style="list-style-type: none"> • Promotes appropriate ethics and values; • Pursues its strategic objectives through effective organisational performance management and accountability; • Communicates risk and control information to appropriate areas of the organisation; and, • Co-ordinates the activities of and communicates information to the authority's members, management, external and internal auditors. <p>We will therefore evaluate:</p> <ul style="list-style-type: none"> • The design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activity. • Review the performance management framework in place, together with provisions for promoting continuous improvement and open communications. • Determine whether risk management processes are effective such that: <ul style="list-style-type: none"> ○ significant risks are identified and assessed; ○ appropriate risk responses are selected that align risks with the organisation's risk appetite; and, ○ relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the authority as a whole to carry out their respective responsibilities.

Summary of Internal Audit Coverage for 2014/15

Key Controls and Assurance Work	<p>This audit continues to remain wide in scope, and is designed to gain assurance over the financial processes feeding into the Authority's overall internal control framework. This is achieved through sample testing of key controls in the following areas:</p> <ul style="list-style-type: none"> • Accountancy Services • Sundry Debtors • Creditors • Treasury Management • Budgetary Control • Payroll and Human Resources • Asset Management • Tolls Income. <p>In the course of being on-site, we will also perform verification work, to independently establish the current status of agreed audit recommendations arising from previous assignment work.</p> <p>We will furthermore liaise closely with the External Auditors concerning our audit coverage and sample testing, to ensure that they are able to place maximum reliance on our work.</p>
Consultation Activities and Partnership Provisions	<p>This audit will provide coverage of the Authority's activity relating to Consultation Activities and Partnership Provisions. It will be supplemented by a further audit of consultative activity with a Marketing and Communications focus to include a review of the use of Social Media in 2016/17.</p> <p>Coverage will include:</p> <ul style="list-style-type: none"> • a review of the work undertaken by the Broads Forum, which is a formally constituted consultative body; • plans for the role and development of the new Parish Forums; • an independent assessment of the implementation of the findings of the consultative review carried out in 2012; and • a review of other consultative arrangements including those applied in the development of the Authority's annual Strategic Priorities.

Summary of Internal Audit Coverage for 2014/15

End User Controls	<p>The audit will be divided into 4 key elements</p> <ul style="list-style-type: none">• PC End User controls• Laptop Security• Mobile Devices (Phones/USB etc)• End User Device Asset Management. <p>With reference to PC End User controls, attention will be given to:</p> <ul style="list-style-type: none">• User PC configuration controls to ensure that they prevent unauthorised changes. For example, software installation is restricted to the IT department only.• Checking that all PCs are loaded with the default screen saver; and screen savers are virus scanned. <p>In relation to Mobile Devices, we will examine whether:</p> <ul style="list-style-type: none">• Clear policies over removal media are in place.• Mobile devices are securely stored when not in use.• Laptops are issued with physical security features.• Mobile devices are encrypted and/or require passwords.• Remote wipe solutions exist.
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Summary of Internal Audit Coverage for 2014/15

Audit Management	<p>The Internal Audit Consortium Manager and Deputy Audit Manager provide audit management input to the Internal Audit Service for the Broads Authority.</p> <p>Work will involve regular liaison with the Treasurer & Financial Adviser, as well as the Head of Finance and the Head of Governance and Executive Assistant regarding development of new strategic and annual audit plans, progress made in relation to the delivery of the currently approved Annual Audit Plan, monitoring the extent to which agreed audit recommendations have been implemented and preparing the Internal Audit Consortium Manager's Annual Report and Opinion. The audit management time is also used to review the work of the Internal Audit Services contractor, maintain regular dialogue with External Audit, and to attend the Financial Scrutiny and Audit Committee, as well as supporting Committee Self-Assessment work, as required.</p>
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The Broads Authority
Levels of Assurance Awarded from 2008/09 onwards

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Annual Opinion Audits							
Corporate Governance	Substantial/ Adequate						
Review of Annual Governance Statement	Substantial/ Adequate (reviewed Q1 of 2009/10)						
Corporate Governance and Risk Management	Limited (reviewed Q1 of 2009/10)	Adequate (reviewed Q1 of 2010/11)	Adequate (reviewed Q1 of 2011/12)	Good (reviewed Q1 of 2012/13)	Good (reviewed Q1 of 2013/14)		X Review work relates to 2013/14
Risk Management							
Fundamental Financial Systems							
Toll Income	Adequate	Absorbed into Key Controls and Assurance work					
Asset Management	Adequate						
Payroll/Human Resources	Adequate						
Key Controls and Assurance Work	Adequate	Adequate	Adequate	Adequate	Adequate	X	X
Procurement						Adequate	
Change Management and Resources							
Partnership Working		Limited					
Fens Ecological Project		Adequate					
Consultation Activities and Partnerships Provisions							X
Planning							
Planning				Adequate			
IT Audits							
Disaster Recovery	Limited						
IT Governance and Strategy			Adequate				
Toll Management Application				Limited			
Network Security						Limited	
End User Controls							X

Appendix 8

Performance Indicators for the Internal Audit Service

Internal Audit performance is monitored as detailed below.

Indicator	Target	Purpose
% audit recommendations accepted by management	90%	Acceptance of audit recommendations by management ensures that where improvements are required to the internal control environment, appropriate action will be taken to secure these enhancements. However, there can be occasions where recommendations are disputed. In these cases, there may be justifiable reasons for management not supporting the recommendation, e.g. compensating controls have been put in place. Conversely, management can take the decision to accept the risks identified, particularly if insufficient resources preclude action being taken. However, this will mean that there are vulnerabilities in systems of internal control, which are not being addressed.
% high priority recommendations implemented	100%	Management's commitment in implementing high priority recommendations ensures that high profile risks/fundamental flaws in systems of internal control are suitably resolved.
Number of days between the issue of Internal audit briefs and commencement of audit fieldwork	10 working days	Management should have sufficient time to consider and shape audit objectives driving review work before the fieldwork starts. Hence, adequate consultation is permitted enabling management to make a contribution to terms of reference thereby ensuring the audit adds value to their service area.
Number of days between the expected completion of audit fieldwork (as per the audit brief) and actual completion of audit fieldwork	0 working days	This indicator seeks to check that audit fieldwork finishes in a timely manner and thus audits progress as expected, and there are no unnecessary delays.
Number of days between the completion of audit fieldwork and issue of draft report	10 working days	The draft report is the first stage after which management will have written confirmation of the audit outcomes. Issue on a timely basis provides better opportunity for management to be able to comment, and also ensures that the audit plan is delivered as expected.
Number of days between the issue of the draft and final report	15 working days	Delivery of a timely final report ensures that management can commence the process of addressing internal control weaknesses.
Number of days between the completion of the fieldwork and issue of a final report	25 working days	This is a combination of the two performance indicators above and reflects the total time incurred in completion of the audit process.

Indicator	Target	Purpose
Average score given to audit feedback	Adequate	This is the main indicator of audit quality and is based upon the feedback received by management for individual audit assignments, which range on a 6-point basis, namely poor, weak, less than adequate, adequate, good and excellent.
Compliance with the Public Sector Internal Audit Standards	Full	<p>These Standards encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework.</p> <p>A checklist has been developed from the guidance, which will be completed annually, with the results feeding into our review of the effectiveness of internal audit.</p>
Compliance with the CIPFA Statement on the Role of the Head of Internal Audit	Full	This Statement sets out what CIPFA considers being best practice for Heads of Internal Audit in terms of providing a summary of the core responsibilities entailed in the role to support the Council in achieving its objectives, by giving assurance on its internal control arrangements and playing a key part in promoting good corporate governance. A checklist has been developed from the guidance, which is completed annually and feeds into our review of the effectiveness of internal audit.