



Chelmsford City Council Audit and Risk Committee

15th March 2023

Internal Audit Plan 2023 and Charter

Report by:

Audit Services Manager

Officer Contact:

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Purpose

This report presents the Internal Audit Plan for 2023 and Internal Audit Charter to Committee.

Recommendations

Committee are requested to note the Internal Audit Plan for 2023 and Internal Audit Charter.

1. Introduction

- 1.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of Chelmsford City Council's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit & Risk Committee, Chief Executive, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.
- 1.2. The Audit Services Manager is also responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

- 1.3. In order to achieve this, Internal Audit have developed the attached internal audit plan for 2023 which is based on a prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford Our Plan', Principal Risk Register, Fraud Risk Register, AGS Action Plan as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks.
- 1.4. There has been a slight change in our approach to previous years. Where previously a full twelve months has been planned upfront, this creates some limitations, for example, with different risks tending to emerge through the year, quite often causing originally planned work, especially in the last 6 months, to change. Therefore, for 2023, we have instead produced a 6-month plan for work from April to September, with suggested areas for October to March that we can be flexible over delivering nearer the time, but equally be in a good place to respond to any higher risks that might emerge in the meantime.

2. Internal Audit Budget and Resources

- 2.1. The plan has been drawn up to address the key risks for the Council, taking into account available resources.
- 2.2. In order to ensure Internal Audit have an appropriate range of knowledge, skills, qualifications and experience that is required to deliver the audit plan, the Audit Services Manager will consider the external support required to deliver areas where specialist input would be beneficial, and to provide contingency in the event of any gaps in in-house staffing, alongside in-house delivery (1.5 FTE Senior Auditor).
- 2.3. Additional changes to the plan may be necessary during the year to reflect changing priorities and risk environment. A contingency has therefore been set aside to cover requests from management for ad hoc, advisory type work on risk identification and subsequent control design (as well as urgent, unplanned reviews arising during the year).

3. Assurance Levels/Basis of Opinion

- 3.1. Management Team and the Audit & Risk Committee will continue to receive details of critical/high priority issues raised in audit reviews which result in 'limited' or 'no' assurance statements, as part of the bi-annual reporting process.
- 3.2. Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion and/or deliver an assurance statement. These may include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.
- 3.3. Where such work is undertaken, this will be set out as part of Internal Audit's annual report. In order to protect Internal Audit's independence and minimise the impact on the delivery of the overall plan, the Audit Services Manager will give due consideration to the appropriateness of undertaking such work.

4. Key Financial Systems (KFS)

- 4.1. The audit plan includes resource allocated to Key Financial Systems (KFS) work. This includes risk-based monitoring of key controls within finance systems to assess whether they are operating effectively.

5. Follow Up Audits

- 5.1. Follow-up procedures provide management with updated information about whether key risks have been properly mitigated through remedial actions.
- 5.2. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. A budget for follow ups has been accounted for in the plan.

6. Alignment with Counter Fraud and Risk Management

- 6.1. In accordance with the audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls and emerging risks. Any suspicion of fraud will be handled by the team in line with Council's fraud response plan.
- 6.2. Internal Audit will work closely with risk management to discuss and exchange risk information, including progress updates on development of the risk framework and any emerging issues.

7. Internal Audit Charter

- 7.1. 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, the Code of Ethics, and the Standards.
- 7.2. The Internal Audit Charter establishes Internal Audit's position within Chelmsford City Council, including the Audit Services Manager's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit.
- 7.3. Alongside other statutory requirements set out in the Charter, Internal Audit is required to meet the mandatory requirements of the International Professional Practices Framework (IPPF) i.e.:
 - The Mission of Internal Audit
 - The Definition of Internal Audit
 - The Core Principles
 - The Code of Ethics
 - The Standards – which provide a framework for performing and promoting a broad range of value-added internal auditing services, establish the basis for the evaluation of internal audit performance and foster improved organisational processes and operations.
- 7.4. The Internal Audit Charter is attached for Committee to note.

8. Conclusion

- 8.1. The Internal Audit Plan 2023 and Internal Audit Charter 2023 is attached for Audit & Risk Committee to note.

List of appendices: Internal Audit Plan 2023 and Internal Audit Charter 2023

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Noted by Service Managers during Jan/Feb 2023 and by Management Team 21st February 2023

Relevant Policies and Strategies: None

Internal Audit Draft Plan 2023 (April to September)

Area	Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment <i>(also links to PRR 005 – Fraud)</i>	Indicative Scope <i>(at the start of each audit, an initial discussion will be held to agree the specific objective and scope of the review)</i>
XC	Cyber Security		PRR 001 - Cyber Security	FRC 23_01 - Data theft and other cyber crime	<i>Review of 3rd Party Supplier terms and conditions and areas highlighted by the Cyber Essentials self-assessment.</i>
XC	Council Surveillance		PRR 016 - Information Governance	FRC 23_01 - Data theft and other cyber crime	<i>Review of the arrangements in place for RIPA and monitoring regulatory compliance regarding Council surveillance methods, including CCTV, Body Cameras, Fleet Trackers etc.</i>
XC	Volunteers	Connected Chelmsford	PRR 015 - Safeguarding		<i>Review of the Council's arrangements for managing volunteers; to consider safeguarding risks and health and safety implications.</i>
CC	Theatres	Healthy, Active & Enjoyable Lives	PRR 023 – Theatre Refurbishment	FRC 23_010 - Income Collection	<i>Ongoing Control Design Advice following the reopening of the Theatre.</i>
CC	Chelmsford City Culture	Healthy, Active & Enjoyable Lives			<i>Review of the Council's shared Cultural Vision, Strategy and Action Plan and its framework for reporting progress.</i>
CC	Safer Recruitment and Payroll		PRR 015 - Safeguarding	FRC 23_08 - Recruitment	<i>Review of the Council's onboarding and Payroll processes.</i>
PP	Parks and Open Spaces - Income/Hire including Allotments	Healthy, Active & Enjoyable Lives		FRC 23_010 - Income Collection	<i>Review of the arrangements for managing allotments and hiring, concessions, donations, sponsorship and events in Parks and Open Spaces.</i>
PP	Licensing & Compliance			FRC 23_05 - Decision-making	<i>Extended Follow Up of previous audit review, to include implementation of Dynamics and income management.</i>
PP	Corporate Property & Asset Management	Fairer and Inclusive Chelmsford	PRR 019 - Income & Financial Position	FRC 23_02 - Corporate property	<i>Review of governance arrangements for Council's Corporate Property and Asset Management process, including maintenance of property records.</i>
SC	Economic Development	Fairer and Inclusive Chelmsford		FCR 23_018 - Grants Received & Payable	<i>Review of the Council's arrangements for managing and reporting its use of the UK Prosperity Fund.</i>

Proposed Audit Areas (October to March 2024)

Area	Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment
CE	Key Financial Systems 2023/24			FRC 23_06 Mandate Fraud; FRC 23_09 Manipulation of data/false accounting; FRC 23_010 Income Collection; FRC 23_011 Theft; FRC 23_015 – 017 Revs & Bens
CE	Financial Management Code Monitoring			
XC	Financial Resilience		PRR 019 - Income & Financial Position	
XC	Corporate Health and Safety Governance		PRR 014 - Health and Safety	
XC	Cyber Security		PRR 001 - Cyber Security	FRC 23_01 - Data theft and other cyber crime
XC	Information Governance and Security		PRR 016 - Information Governance	FRC 23_01 - Data theft and other cyber crime
XC	Events	Healthy, Active & Enjoyable Lives	PRR 015 - Safeguarding	FRC 23_010 - Income Collection
XC	Member and Officer Conflicts of Interest			FRC 23_05 - Decision-making
PP	Community Sports & Wellbeing (incl Playschemes)	Healthy, Active & Enjoyable Lives	PRR 015 - Safeguarding	FRC 23_010 - Income Collection
PP	Emergency Planning & Business Continuity		PRR 004 - Emergency Planning Response	
CC	Members Allowances and Expenses			FRC 23_07 - Payroll and expenses
SC	Housing Rents		PRR 006 - Homelessness	FRC 23_03 - Social housing & tenancy

INTERNAL AUDIT CHARTER

Introduction

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, the Code of Ethics, and the Standards.

The Internal Audit Charter establishes Internal Audit's position within Chelmsford City Council, including the Audit Services Manager's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit.

Definitions

For the purposes of this Charter, the following definitions apply:

The Board:	The governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At Chelmsford City Council this shall mean the Audit & Risk Committee.
Consulting Activities:	Internal Audit advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.
Senior Management:	Those responsible for the leadership and direction of the Council. At Chelmsford City Council this shall mean the Chief Executive and the Management Team.
Standards:	Public Sector Internal Audit Standards (PSIAS), as well as mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.

Purpose and Mission

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of Chelmsford City Council's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit & Risk Committee, Chief Executive, Section 151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps Chelmsford City Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. The Council's response to Internal Audit activity should also lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

Standards and Statutory Requirements

The Council has a statutory duty to maintain an adequate and effective Internal Audit function in accordance with proper Internal Audit practices (Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015).

Section 151 of the Local Government Act 1972 also states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

The CIPFA Statement of the Role of Chief Financial Officer in Local Government also states that the Chief Financial Officer must:

- Ensure an effective Internal Audit function is resourced and maintained
- Ensure that the authority has put in place effective arrangements for Internal Audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.

As well as Public Sector Internal Audit Standards (PSIAS), the Internal Audit section will govern itself by adherence to mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of Internal Audit's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable. In addition, Internal Audit will adhere to Chelmsford City Council's relevant policies and procedures as well as Internal Audit's own methodology/standard operating procedures manual.

The Audit Services Manager will report periodically to senior management and the Audit & Risk Committee regarding Internal Audit's conformance to the above.

Authority

While the Audit Services Manager reports functionally to the Audit & Risk Committee, they report organisationally to the Chief Executive, who carries the responsibility for the proper management of their Council and for ensuring that the principles of good governance are reflected in sound management arrangements. They also regularly liaise with the Accountancy Services Manager, who has responsibility for maintaining an adequate and effective system of Internal Audit within Chelmsford City Council, as the authority's Chief Finance Officer (S151 Officer).

Where it is considered necessary to the proper discharge of Internal Audit function, the Audit Services Manager has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit & Risk Committee).

The Audit Services Manager will communicate and interact directly with the Audit & Risk Committee (and Governance Committee where applicable), including in executive sessions between Audit & Risk Committee meetings as appropriate.

To establish, maintain and assure that Chelmsford City Council's Internal Audit section has sufficient authority to fulfil its duties, the Audit & Risk Committee will:

- Approve Internal Audit's charter
- Approve the risk-based audit plan
- Approve Internal Audit's budget and resource plan
- Receive communications from the Audit Services Manager on Internal Audit's performance relative to its plan and other matters, such as significant findings and/or emerging risks.
- Approve decisions regarding the appointment and removal of the Audit Services Manager
- Make appropriate enquiries of management and the Audit Services Manager to determine whether there is inappropriate scope or resource limitations.

The Audit & Risk Committee authorises Internal Audit to:

- Have full, free and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports.
- Obtain assistance from the necessary personnel of Chelmsford City Council as well as other specialised services from within or outside of the Council in order to complete the engagement.

Independence and objectivity

The Audit Services Manager will ensure that Internal Audit remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Services Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year (with the exception of follow ups)
- Performing any operational duties for Chelmsford City Council or its affiliates.
- Initiating or approving transactions external to Internal Audit
- Directing the activities of any Chelmsford City Council employee not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist Internal Auditors.

Where the Audit Services Manager has, or is expected to have, roles and/or responsibilities that fall outside of Internal Audit, safeguards will be established to limit impairments to independence or objectivity.

Internal Auditors, including the Audit Services Manager, will:

- Disclose any impairment of independence or objectivity in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The Audit Services Manager will confirm to the Audit & Risk Committee, at least annually, the organisational independence of Internal Audit.

The Audit Services Manager will disclose to the Audit & Risk Committee any interference and related implications in determining the scope of Internal Auditing, performing work and/or communicating results.

Scope of Internal Audit Activities

The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council. The Audit Services Manager is also responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on this overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, based upon:

- A summary of internal audit work carried out
- Follow up on the implementation of recommendations
- Any significant governance issues as reported within the Council's Annual Governance Statement
- The annual review of the effectiveness of Internal Audit (see QAIP)

A range of Internal Audit services are provided to form the annual opinion. The approach is determined by the Audit Services Manager and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended. Internal Audit assessments include evaluating whether:

- Risks relating to the achievement of Chelmsford City Council's strategic objectives are appropriately identified and managed
- The actions of Chelmsford City Council's employees, senior management and contractors are in compliance with the Council's policies, procedures and applicable laws, regulations and governance standards
- The results of operations or programme are consistent with established goals and objectives
- Operations or programmes are being carried out effectively and efficiently
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact Chelmsford City Council
- Information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity
- Resources and assets are acquired economically, used efficiently and protected adequately.

In accordance with the audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Any suspicion of fraud will be handled by the team in line with Council's fraud response plan.

Internal Audit may perform consulting activities (that is, provide independent advice and guidance to management on governance, risk management and control issues) as appropriate for the organisation. It may also evaluate specific operations at the request of the Audit & Risk Committee or management, as appropriate.

The Audit Services Manager will report periodically to senior management and the Audit & Risk Committee regarding:

- Internal Audit's purpose, authority and responsibility
- Internal Audit's plan and performance relative to its plan
- Internal Audit's conformance with the IIA's Code of Ethics and Standards and action plans to address any significant conformance issues
- Significant risk exposure and control issues including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Audit & Risk Committee.
- Results of audit engagements or other activities
- Resource requirements
- Any response to risk by management that may be unacceptable to Chelmsford City Council.

The Audit Services Manager also co-ordinates activities where possible and considers relying upon the work of other internal and external assurance and consulting service providers as needed. Internal Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided Internal Audit does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Audit Services Manager has the responsibility to:

- Submit at least annually, to senior management and Audit & Risk Committee a risk based Internal Audit plan for review and approval.
- Communicate to senior management and the Audit & Risk Committee the impact of resource limitations on the Internal Audit plan.
- Review and adjust the Internal Audit plan, as necessary, in response to changes to Chelmsford City Council's operations, risks, programmes, systems and controls.
- Communicate to Senior Management and the Audit & Risk Committee any significant interim changes to the Internal Audit plan
- Ensure each engagement of the Internal Audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work

programmes and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.

- Follow up on engagement findings and corrective action, and report periodically to senior management and the Audit & Risk Committee any corrective actions not effectively implemented.
- Deliver an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- Ensure the principle of integrity, objectivity, confidentiality and competency are applied and upheld.
- Ensure Internal Audit collectively possesses or obtain the knowledge, skills and other competencies needed to meet the requirements of the Internal Audit charter.
- Ensure trends and emerging issues that could impact Chelmsford City Council are considered and communicated to senior management and the Audit & Risk Committee as appropriate.
- Establish and ensure adherence to Chelmsford City Council's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit & Risk Committee
- Ensure conformance of Internal Audit with the Standards.

Internal Audit Plan and Resources

Internal Audit services are provided by internal council employees and through a partnership arrangement with an external contractor where required, led by the Audit Services Manager.

The Chief Executive will provide the Audit Services Manager with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.

At least annually, the Audit Services Manager will submit to senior management and the Audit & Risk Committee an Internal Audit plan for review and approval, including risk assessment criteria. The Internal Audit plan will include timing as well as budget and resource requirements for the next financial year. The Audit Services Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Audit & Risk Committee. Senior Management and the Audit & Risk Committee will be advised where, for whatever reason, Internal Audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The Internal Audit plan will be developed based on a prioritisation of the potential audit activities across the Council using a risk-based methodology, including input of senior management and the Audit & Risk Committee. Prior to submission to the Audit & Risk Committee for approval, the plan will be discussed with appropriate senior management. Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to senior management and the Audit & Risk Committee. The risk-based plan must take in to account the requirement to produce an annual Internal Audit opinion and the assurance framework.

The Audit Services Manager will be responsible for delivery of the plan and will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

If the Audit Services Manager, the Audit & Risk Committee or Senior Management considers that the scope or coverage of Internal Audit is limited in any way, or the ability of Internal Audit to deliver a service consistent with the Standards is prejudiced, they will advise the Chief Executive accordingly.

The Audit Services Manager must seek approval from the Audit & Risk Committee for any significant additional consulting activities not already included in the audit plan, prior to accepting the engagement.

Reporting and monitoring

For each audit assignment, terms of reference are developed and agreed with the client setting out the scope of the audit. At the completion of the audit, a written report is produced which provides an audit opinion/assurance statement on the control environment in place. The Internal Audit report will include management's response and corrective action to be taken regarding the specific findings and recommendations. Management's response will also include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion. These may include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary. Where such work is undertaken, this will be set out as part of Internal Audit's annual report. In order to protect Internal Audit's independence and minimise the impact on the delivery of the overall plan, the Audit Services Manager will give due consideration to the appropriateness of undertaking such work.

Internal Audit will also be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain open until cleared.

A summary of Internal Audit findings, as well as follow ups will be communicated to senior management and the Audit & Risk Committee via interim and annual audit reports. Any significant emerging risks which arise in year will be reported as they occur.

Quality Assurance and Improvement Programme (QAIP)

The Chartered Institute of Internal Auditors (IIA) sets out mandatory Core Principles, which taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective and achieve its mission, all Principles must be present and operating effectively:

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

Internal Audit will maintain a QAIP that covers all aspects of the Internal Audit activity. The program will include an evaluation of Internal Audit's conformance with the above Principles, the Standards and an evaluation of whether Internal Auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

In addition, the Audit Services Manager will communicate to senior management and the Audit & Risk Committee on Internal Audit's (QAIP), including results of ongoing internal self-assessments and external assessments conducted at least every five years by a qualified, independent assessor from outside of Chelmsford City Council.

Any instances of non-conformance with the Standards will be included in the annual Internal Audit report. If there is significant non-conformance, this will be included in the Council's Annual Governance Statement.

Signatures:

Audit Services Manager: Elizabeth Brooks

Chief Executive:

Chair of Audit & Risk Committee: