

# Internal Audit Strategy and Annual Audit Plan 2021-2022

## 1. Role of Internal Audit

1.1 The full role and scope of the Council's Internal Audit Service is set out within the Internal Audit Charter and Terms of Reference (attached as Appendix B).

1.2 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined as *"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

1.3 The organisation's response to internal audit activity should lead to a strengthening of the control environment, thus contributing to the overall achievement of organisational objectives.

## 2. Risk Assessment and Audit Planning

2.1 East Sussex County Council's Internal Audit Strategy and Annual Audit Plan is updated annually and is based on a number of factors, especially management's assessment of risk (including that set out within the strategic and departmental risk registers) and our own risk assessment of the Council's major systems and other auditable areas. This allows us to prioritise those areas to be included within the audit plan on the basis of risk.

2.2 Due to the uncertainty created by the impact of Covid 19, the 2021/22 plan focusses primarily on the core assurance areas (such as all key financial systems), the highest priority reviews across the Council, grant claims and known key priority projects/programmes, with the remainder of the direct audit days earmarked as emerging risks/contingency. Appropriate provision will also be made for counter fraud activities, which will continue in 2021/22 as normal. By adopting this approach, as well as delivering the planned work on core assurance areas, we will add internal audit activities to our plans throughout the year as new risks and priorities emerge. All of this will be regularly and comprehensively reported to CMT and the Audit Committee and will enable us to maximise our responsiveness and focus our resources on the most relevant and priority areas.

2.3 It is important to note that this slightly revised planning strategy for the year ahead will not result in any reduced internal audit coverage for the Council. The approach is simply intending to help ensure we remain as reactive as possible to the rapidly changing risk landscape across the Authority in such unprecedented times.

2.4 The annual planning process has once again involved consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts will continue to be made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2021/22 audit planning process:



2.5 In order to ensure audit and assurance activity is properly focussed on supporting the delivery of the Council’s priorities, the audit plan has taken into account the key corporate priority outcomes of the Council as set out within the Council Plan. These are:

- Helping people help themselves;
- Keeping vulnerable people safe;
- Driving sustainable economic growth; and
- Making best use of resources.

2.6 In producing the audit plan (which is set out in Appendix A to this report) the following key principles continue to be applied:

- All key financial systems are subject to a cyclical programme of audits covering, as a minimum, compliance against key controls;
- Previous reviews which resulted in ‘minimal assurance’ audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed actions. This will also include a number of previous reviews with a ‘partial assurance’ opinion where deemed necessary or where the area under review is considered to be of a higher risk nature;
- Any reviews which we were unable to deliver during the previous financial year will be considered once again as part of our audit planning risk assessment, and prioritised as appropriate.

2.7 In addition, formal action tracking arrangements are in place to monitor the implementation by management of all individual high risk recommendations, with the results of this work reported to CMT and the Audit Committee on a quarterly basis.

2.8 During the last four years, East Sussex County Council, Surrey County Council and Brighton and Hove City Council have been working together to develop and form the Orbis Partnership, covering a range of business services, including internal audit. This work has resulted in the formation of a single, integrated internal audit service from April 2018, involving three locality based teams supported by two specialist teams in the areas of ICT audit and counter fraud. This provides greater resilience and capacity for our partner councils whilst also building on existing high quality services.

### 3. Key Issues

3.1 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place. In order to respond to the continued reduction in financial resources and the increased demand for services, the Council needs to consider some radical changes to its service offer in many areas.

3.2 Internal Audit must therefore be in a position to give an opinion and assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered. During 2021/22, a number of major organisational initiatives will feature within the audit plan, with the intention that Internal Audit is able to provide proactive advice, support and assurance as these programmes progress. These include the:

- Ongoing impact of Covid 19 and associated recovery programmes;
- Adult Social Care Transformation programme;
- Modernising Back Office Systems (MBOS) programme;
- Highways Maintenance Contract Re-procurement programme;

3.3 As explained above, in recognition of current uncertainties and that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2021/22 audit plan will, as in previous years, include a proportion of time classified as 'Emerging Risks'. This approach has been adopted to enable Internal Audit to react appropriately throughout the year as new risks materialise and to ensure that expertise in governance, risk and internal control can be utilised early in the change process.

3.4 In view of the above, Internal Audit will continue to work closely with senior management and Members throughout the year to identify any new risks and to agree how and where audit resources can be utilised to best effect.

3.5 The results of all audit work undertaken will be summarised within quarterly update reports to CMT and the Audit Committee, along with any common themes and findings arising from our work.

### 4. Counter Fraud

4.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy.

4.2 The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

4.3 In addition, Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud. Through the work of the Counter Fraud Team, Internal Audit will maintain a fraud risk assessment and deliver a programme of proactive and reactive counter fraud services to help ensure that the Council continues to protect its services from fraud loss. This will include leading on the National Fraud Initiative data matching exercise on behalf of the Council.

## 5. Matching Audit Needs to Resources

5.1 The overall aim of the Internal Audit Strategy is to allocate available internal audit resources so as to focus on the highest risk areas and to enable an annual opinion to be given on the adequacy and effectiveness of the Council’s governance, risk and control framework.

5.2 In addition to this, resources have been allocated to the external bodies for whom Orbis Internal Audit also provide internal audit services, at an appropriate charge. These include Horsham District Council, Elmbridge District Council, East Sussex Fire Authority and South Downs National Park.

5.3 Internal audit activities will be delivered by a range of staff from across the Orbis Internal Audit Service, maximising the value from a wide range of skills and experience available. In the small number of instances where sufficient expertise is not available from within the team, mainly in highly technical areas, externally provided specialist resources will continue to be utilised.

5.4 The following table summarises the level of audit resources expected to be available for the Council in 2021/22 (expressed in days), compared to the equivalent number of planned days in previous years. The overall level of resource has increased compared with the previous year as a result of efficiencies generated from within the service, particularly associated with successful recruitment processes and the associated reduction in reliance on more expensive external contractors/agency staff. The level of resource is considered to be sufficient to allow Internal Audit to deliver its risk based plan in accordance with professional standards<sup>1</sup> and to enable the Chief Internal Auditor to provide his annual audit opinion.

**Table 1: Annual Internal Audit Plan – Plan Days**

	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Plan Days</b>	1,583	1,417	1,400	1,450	1,595

<sup>1</sup> Public Sector Internal Audit Standards (PSIAS)  
East Sussex County Council

## 6. Audit Approach

6.1 The approach of Internal Audit is to use risk-based reviews, supplemented in some areas by the use of compliance audits and themed reviews. All audits have regard to management's arrangements for:

- Achievement of the organisation's objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

6.2 In addition to these audits, and the advice on controls given on specific development areas which are separately identified within the plan, there are a number of generic areas where there are increasing demands upon Internal Audit, some of which cannot be planned in advance. For this reason, time is built into the plan to cover the following:

- Contingency – an allowance of days to provide capacity for unplanned work, including special audits and management investigations. This contingency also allows for the completion of work in progress from the 2020/21 plan;
- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.

6.3 In delivering this strategy and plan, we will ensure that liaison has taken place with the Council's external auditors, Grant Thornton, to ensure that the use of audit resources is maximised, duplication of work is avoided, and statutory requirements are met.

## 7. Training and Development

7.1 The effectiveness of the Internal Audit Service depends significantly on the quality, training and experience of its staff. Training needs of individual staff members are identified through a formal performance and development process and are delivered and monitored through on-going management supervision.

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification as well as several members of the team continuing new apprenticeship training and professional training during 2021/22.

## 8. Quality and Performance

8.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, adopted a common set of Public Sector Internal Audit Standards (PSIAS). These are based on the Institute of Internal Auditors International Professional Practices Framework and replace the previous Code of Practice for Internal Audit in Local Government.

8.2 Included within the new Standards is the requirement for the organisation to define the terms 'Board' and 'senior management' in the context of audit activity. This has been set out within the Internal Audit Charter, which confirms the Audit Committee's role as the Board.

8.3 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to the Audit Committee, usually as part of the annual internal audit report. For clarity, the Standards specify that the following core principles underpin an effective internal audit service:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused;
- Promotes organisational improvement.

8.4 In addition, the performance of Orbis Internal Audit continues to be measured against key service targets focussing on service quality, productivity and efficiency, compliance with professional standards, influence and our staff. These are all underpinned by appropriate key performance indicators as set out in Table 2 below.

8.5 At a detailed level, each audit assignment is monitored and customer feedback sought. There is also ongoing performance appraisals and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.

8.6 In addition to the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the audit plan are made to the Audit Committee on a quarterly basis. An Annual Internal Audit Opinion is also produced each year.

8.7 Whilst Orbis Internal Audit liaises closely with other internal audit services through the Sussex and Surrey audit and counter fraud groups, the Home Counties Chief Internal Auditors' Group and the Local Authority Chief Auditors' Network, we are continuing to develop joint working arrangements with other local authority audit teams to help improve resilience and make better use of our collective resources.

**Table 2: Performance Indicators**

Aspect of Service	Orbis IA Performance Indicators	Target
<b>Quality</b>	<ul style="list-style-type: none"> <li>Annual Audit Plan agreed by Audit Committee</li> <li>Annual Audit Report and Opinion</li> <li>Satisfaction levels</li> </ul>	By end April  To inform Annual Governance Statement (AGS)  90% satisfied
<b>Productivity and Process Efficiency</b>	<ul style="list-style-type: none"> <li>Audit Plan – completion to draft report stage by 31 March 2022</li> </ul>	90%
<b>Compliance with Professional Standards</b>	<ul style="list-style-type: none"> <li>Public Sector Internal Audit Standards</li> <li>Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act</li> </ul>	Conforms Conforms
<b>Outcomes and degree of influence</b>	<ul style="list-style-type: none"> <li>Implementation of management actions agreed in response to audit findings</li> </ul>	95% for high priority
<b>Our Staff</b>	<ul style="list-style-type: none"> <li>Professionally Qualified/Accredited</li> </ul>	80%

Russell Banks  
Orbis Chief Internal Auditor



# INTERNAL AUDIT PLAN

## 2021/22



### Planned Audit Reviews

Review Name	Outline Objective
Accounts Payable (Procure to Pay)	To review the processes and key controls relating to the accounts payable system, including those in place for ordering, the creation and maintenance of vendor details, the payment of invoices, goods receipting and promptness of payments.
Accounts Receivable	To review the processes and key controls relating to the accounts receivable system, including those in place for ensuring the accuracy of customer details, completeness, accuracy and timeliness of invoicing, recording and matching payments to invoices, and debt recovery.
Payroll	To review controls in relation to the staff payment system, including those relating to starters, leavers, temporary and permanent payments, variations of pay, and pre-employment checks.
Treasury Management	To assess the adequacy of key controls and procedures across the Council's Treasury Management arrangements, including cash flow forecasting, segregation of duties, financial investments and use of treasury advisers.
East Sussex Pension Fund	The following audits will be completed in relation to the East Sussex Pension Fund in accordance with the Internal Audit Pension Fund Strategy and Plan: <ul style="list-style-type: none"> <li>• Governance.</li> <li>• Investments and External Control Assurance.</li> <li>• Compliance with Regulatory Requirements.</li> <li>• Pension Administration – People, Processes and Systems.</li> <li>• Altair Application Audit (see below).</li> </ul>
Direct Payments	To examine the system of control associated with the administration, payment and monitoring of direct payments to adult social care clients.
Capital Project Management	To review the adequacy and effectiveness of project management arrangements for a sample of critical Council capital projects, where inadequate arrangements could impact on the Council's ability to deliver key services in accordance with its core offer.

# INTERNAL AUDIT PLAN

## 2021/22



Review Name	Outline Objective
Contract Management	To assess the adequacy and effectiveness of contract management arrangements within the Council, specifically in relation to reviewing the adequacy of any contract management frameworks, guidance and training for Council staff to ensure contracts are managed appropriately and in line with best practice.
Revenue Budget Management	A review of the Council's budget management arrangements, including in relation to the setting and monitoring of budgets across the Council.
LAS/Controcc	A review to assess the adequacy of controls within the LAS (client information and management system for Adults) and Controcc (the social care payments and billing system).
LCS/Controcc	To assess the adequacy of controls within the LCS (client information and case management system for Children) and Controcc (the social care payments and billing system).
Risk Management	To assess the arrangements in place to identify, assess and mitigate risk across the organisation.
Corporate Governance	To review the adequacy of corporate governance arrangements within the Council, including assessing the extent to which previously identified governance improvement actions have been implemented.
Health and Safety	This review, potentially utilising specialist external expertise, will cover the adequacy of arrangements for ensuring that the Council provides a safe working environment for all staff, contractors and others affected by the services it provides. This will include reviewing the Council's health and safety policies and procedures, communication and awareness arrangements, compliance with health and safety legislation and arrangements in relation to Covid-19.
Schools	We will continue our audit coverage in schools which will involve a range of assurance work, including key controls testing in individual schools, follow-ups of previous audit work and themed reviews. We will also work with our Orbis partners to provide information bulletins and guidance for schools on risk, governance and internal control matters.
Property Transformation Programme	To provide a watching brief over the arrangements for the transformation programme within Property, advising on risk, governance and internal control matters as they arise.

# INTERNAL AUDIT PLAN

## 2021/22



Review Name	Outline Objective
Adult Social Care Transformation Programme	The objective of the transformation programme is to develop and coordinate a coherent response to Covid-19 which has fundamentally changed the way Adult Social Care and Health operates. Where appropriate, we will continue to support the programme through providing advice on risk and control issues, specifically in relation to individual projects within the programme.
Highways Maintenance Contract Reprocurement	To provide advice and support in relation to the arrangements for the re-procurement of a new highways maintenance contract, advising on risk, governance and internal control matters as they arise.
Electronic Signatures	Electronic signatures deliver a way to sign documents online and their use is increasing across the organisation. This review will seek to identify and review the arrangements in place within the Council over the use of these to ensure any associated risks are being appropriately managed.
ERP Replacement Programme (MBOS)	We will continue to attend programme board and working group meetings to provide independent advice, support and challenge on risk, control, probity and governance issues. In addition, our work will focus on providing assurance over key areas such as: <ul style="list-style-type: none"> <li>• programme governance/risk management</li> <li>• business processes (both on and off system)</li> <li>• system security</li> <li>• user access, authentication and authorisations</li> <li>• testing arrangements</li> <li>• data cleansing and migration</li> <li>• interfaces and reconciliation</li> <li>• disaster recovery and business continuity</li> <li>• training.</li> </ul>
Property Asset Management Replacement System	To continue to attend project board and working group meetings to provide independent advice, support and challenge on risk, control, probity and governance issues and to provide assurance over key areas as per the ERP replacement programme above.
Children's Safeguarding Data Handling	Social workers/safeguarding teams often use video to record interviews and other interactions with children. This audit will seek to ensure there is an appropriate Data Protection Impact Assessment (DPIA) in place and being complied with, appropriate permissions are sought, and data is encrypted in transit and deleted as appropriate.

# INTERNAL AUDIT PLAN

## 2021/22



Review Name	Outline Objective
Email Communication (Personal and Sensitive Encryption)	This audit will seek to provide assurance over the effectiveness of the arrangements for email communication involving personal and sensitive information. The audit will consider the methods used to encrypt emails, training/awareness of staff and a high-level review of compliance across the Council.
Post Brexit Information Governance Arrangements	Following the Brexit transition period ending, this audit will seek to provide assurance that Council data is being stored appropriately and in-line with relevant legislation. The review will also consider the guidance being provided to members of staff across the Council to help ensure continued compliance.
IT&D Strategic and Operational Risk Management Arrangements	With organisations placing an even greater reliance on IT and the support provided by their IT departments, the Council needs to adapt to address the risks accordingly and ensure that ownership is appropriate. This audit will seek to provide assurance that appropriate risk management arrangements are in place across the Council in relation to IT&D with awareness and ownership of risks across all departments, including within IT&D.
Digital Postal Hub Application Audit	The Digital Postal Hub (DPH) is a Council service allowing all inbound post to go to one place where it will be scanned and directly sent to the addressee via SharePoint. Similarly, outgoing post can be sent through a 'print and post' function, allowing post to be automatically printed, enveloped and franked in the post room and then sent via Royal Mail. This application audit will review all major input, processing and output controls, will review the controls in place to interface with any other systems and ensure appropriate system ownership and responsibilities are in place.
Access Management	This audit will seek to provide assurance over access management to the Council's network. This will include a review of controls used to manage users' network accounts and their access to systems and data, in particular for new starters, department movers and those leaving. It will also consider the Council's Active Directory and how this is managed, the content contained within it and controls in place to ensure that it is accurate.

# INTERNAL AUDIT PLAN

## 2021/22



Review Name	Outline Objective
Accessibility Audit	The Council has a requirement to comply with the Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 and failure to do so will mean it will be in breach of the Equality Act 2010 and Disability Discrimination Act 1995. The new regulations mean that the Council has a legal duty to make sure all its websites and applications meet accessibility requirements. This audit will review the action taken and controls in place to ensure that all internal and externally facing websites and applications meet and continue to comply with the new regulations.
Pension System – Altair Application Audit	Altair is the Council’s platform for managing all pension administration elements. It covers the needs for all types of schemes including: Defined Benefit, Defined Contribution, Career Average, Cash Balance and AVCs. This application audit will review all major input, processing and output controls, will review the controls in place to interface with any other systems and ensure appropriate system ownership and responsibilities are in place. This audit forms part of the Pension Fund Internal Audit Strategy.
Buzz Active Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Libraries Asset Management Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Contract Management Group Cultural Compliance Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Building Condition Asset Management Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Social Value in Procurement Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Home Care Contract Management Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Robertsbridge Capital Project Follow-Up	A follow-up of the audit work previously undertaken in relation to this particular project.
Commissioning and Delivery of Property Projects Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Transport Capital Grant Certification	To check and certify the grant in accordance with the requirements of the Department for Transport.

# INTERNAL AUDIT PLAN

## 2021/22



<b>Review Name</b>	<b>Outline Objective</b>
Troubled Families Grant Certification	Certification of periodic grant claims returns in-year on behalf of Children's Services to enable the release of funds from the Ministry of Housing, Communities and Local Government (MHCLG).
Bus Subsidy Grant Certification	To check and certify the grants (including Covid 19 related grants) in accordance with the requirements of the Department for Transport.
Home to School Transport Grant Certification	To check and certify the grants (including Covid related grants) in accordance with the requirements of the Department for Education.
Track and Trace Grant Certification	To check and certify the grant in accordance with the requirements of Public Health England.
Public Health Prep Grant (HIV) Certification	To check and certify the grant in accordance with the requirements of Public Health England.
Covid-19 Emergency Active Travel Grant Certification	To check and certify the grant in accordance with the requirements of the Department for Transport.
European Social Fund Transform Project	To check and certify the grant in accordance with the requirements of the European Social Fund.

# INTERNAL AUDIT PLAN

## 2021/22



### Service Management and Delivery

Review Name	Outline Objective
Action Tracking	Ongoing action tracking and reporting of agreed, high risk actions.
Annual Internal Audit Report and Opinion	Creation of Annual Report and Opinion.
Audit and Fraud Management	Overall management of all audit and counter fraud activity, including work allocation, work scheduling and Orbis Audit Manager meetings.
Audit and Fraud Reporting	Production of periodic reports to management and Audit Committee covering results of all audit and anti-fraud activity.
Audit Committee and other Member Support	Ongoing liaison with Members on internal audit matters and attending Audit Committee meetings and associated pre-meetings.
Client Service Liaison	Liaison with clients and departmental management teams throughout the year.
Client Support and Advice	Ad hoc advice, guidance and support on risk, internal control and governance matters provided to clients and services throughout the year.
Orbis IA Developments	Audit and corporate fraud service developments, including quality improvement and ensuring compliance with Public Sector Internal Audit Standards.
Organisational Management Support	Attendance and ongoing support to organisational management meetings, e.g. Financial Management Team (FMT), Statutory Officers Group (SOG).
Strategy and Annual Audit Planning	Development and production of the Internal Audit Strategy and Annual Audit Plan, including consultation with management and Members.
System Development and Administration	Development and administration of Audit and Fraud Management systems.
<b>Contingencies</b>	
Anti-Fraud and Corruption	To cover the investigation of potential fraud and irregularity allegations as well as proactive counter fraud activities, including the National Fraud Initiative (NFI) data matching exercise.
Emerging Risks	A contingency budget to allow work to be undertaken on new risks and issues identified by Orbis IA and/or referred by management during the year.
Contingency	A contingency budget to allow for effective management of the annual programme of work as the year progresses.

# INTERNAL AUDIT CHARTER

## 1. Introduction

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the UK Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that the Charter must be reviewed periodically and presented to “senior management” and “the board” for approval. For the purposes of this charter “senior management” will be the Corporate Management Team (CMT) and the board will be the Audit Committee.

The Charter shall be reviewed annually and approved by CMT and the Audit Committee. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date.

## 2. Internal Audit Purpose

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Internal Audit is defined in the PSIAS as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council’s vision, priorities and values.

## 3. Statutory Requirement

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which require every local authority to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

These regulations require any officer or Member of the Council to:

- make available such documents and records; and
- supply such information and explanations;

as are considered necessary by those conducting the audit.

This statutory role is recognised and endorsed within the Council’s Financial Regulations.



In addition, the Council's S151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

#### **4. Internal Audit Responsibilities and Scope**

Annually, the Chief Internal Auditor is required to provide to the Audit Committee an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

Internal Audit is not responsible for control systems. Responsibility for effective internal control and risk management rests with the management of the Council.

Internal Audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within Council risk registers). Extensive consultation also takes place with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and future focussed.

Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

#### **5. Independence**

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should have no operational responsibilities.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in their own name and without fear of favour to, all officers and Members and particularly those charged with governance. This independence is further safeguarded by ensuring that the Chief Internal

Auditor's formal appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chairman of the Audit Committee have the opportunity to contribute to this performance review.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

## **6. Appointment and Removal of the Chief Internal Auditor**

The role of Chief Internal Auditor is a shared appointment across the 3 Orbis partner authorities (East Sussex County Council, Surrey County Council and Brighton & Hove City Council).

In order to ensure organisational independence is achieved, all decisions regarding the appointment and removal of the Chief Internal Auditor will be made following appropriate consultation with Member representatives from each of the authorities' audit committees.

## **7. Reporting Lines**

Regardless of line management arrangements, the Chief Internal Auditor has free and unfettered access to report to the S151 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chair; the Leader of the Council and the Council's External Auditor.

The Audit Committee will receive reports on a periodic basis – as agreed with the Chair of the Audit Committee – on the results of audit activity and details of Internal Audit performance, including progress on delivering the audit plan.

## **8. Fraud & Corruption**

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti Fraud and Corruption Strategy.

The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

## **9. Consultancy Work**

Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the

approved audit plan and may affect the level of assurance work undertaken; this will be reported to the Audit Committee.

In order to help services to develop greater understanding of audit work and have a point of contact in relation to any support they may need, Internal Audit has put in place a set of service liaison arrangements that provide a specific named contact for each service; and, regular liaison meetings. The arrangements also enable Internal Audit to keep in touch with key developments within services that may impact on its work.

## 10. Resources

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Chief Internal Auditor is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Chief Internal Auditor is responsible for appointing Internal Audit staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Chief Internal Auditor may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

## 11. Due Professional Care

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards (PSIAS), the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations.

In carrying out their work, Internal Auditors must exercise due professional care by considering:

- The extent of work needed to achieve the required objectives;
- The relative complexity, materiality or significance of matters to which assurance procedures should be applied; and
- The adequacy and effectiveness of governance, risk management and control processes;
- The probability of significant errors, fraud or non-compliance; and
- The cost of assurance in proportion to the potential benefits.

Internal Auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.

## 12. Quality Assurance

The Chief Internal Auditor will control the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance – compliant with the PSIAS is maintained.

A Quality Assurance Improvement Programme (QAIP) is in place which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter;
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides.

The QAIP requires an annual review of the effectiveness of the system of Internal Audit to be conducted. Instances of non-conformance with the PSIAS, including the impact of any such non-conformance, must be disclosed to the Audit Committee. Any significant deviations must be considered for inclusion in the council's Annual Governance Statement.

February 2021