

Internal Audit
Annual Plan
2016-2017

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Internal Audit Annual Plan 2016-17

1. Introduction

- 1.1 The purpose of this report is to obtain approval for the internal audit and corporate fraud plan of work for 2016/17. This plan principally covers internal control review and anti-fraud and corruption work. The Public Sector Internal Audit Standards recommends that the audit plan is approved by both the Audit Committee and senior management.
- 1.2 In terms of reporting lines for the service the Chief Internal Auditor reports to the Director of Resources on operational issues and the Chief Executive and Audit Committee as appropriate on strategic issues.
- 1.3 The audit plan is based on the service structure, which includes six full time equivalent operational audit staff.
- 1.4 The service will report summary findings of work undertaken on a quarterly basis to the Audit Committee, Corporate Leadership Team and Resources Directorate Management Team. As in previous years, the Audit Committee can request more detailed information on any work undertaken. The annual opinion of the Chief Internal Auditor will contribute to the Council's Annual Governance Statement.
- 1.5 Professional standards require the internal audit charter and anti-fraud and corruption strategies to be periodically reviewed and reapproved by the organisation. In the current times of significant organisational change it is considered that annual review of these documents is appropriate and they are both appended to this plan for members' consideration. It should be noted that a fundamental review of the internal audit charter has taken place for 2016/17 and it is now based on best practice from the Chartered Institute of Internal Auditors and therefore there are a number of changes from 2015/16.

2. Overall balance of coverage

- 2.1 The work of the team is divided into four main services to the Council:
 - Reviews of Council systems and processes on a risk assessed basis to ensure controls are adequate, coupled with a programme of follow-up work to ensure significant findings are implemented;
 - Compliance testing to ensure:
 - Significant financial systems remain 'fit for purpose'
 - Adequate financial procedures in schools
 - Appropriate controls over capital contracts and larger revenue contracts
 - Effective procurement activity, including non-contracted spend
 - Provision of consultancy and advice to service management on request regarding aspects of internal control;

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- Fraud investigation, where appropriate in conjunction with the Corporate Fraud Officer.

2.2 Internal audit continues to work closely with the Council's external auditors, KPMG. Regular liaison meetings are held to avoid duplication and exchange key findings on areas of mutual concern.

3. Risk-based reviews

3.1 Within each risk based review we will continue to include core areas of internal control such as business planning, performance monitoring and security of assets. Segregation of duties in key processes will remain an important focus given the current economic climate and issues identified from past work.

3.2 Planned audit work has been discussed with the Chief Executive, Senior Management and the Director of Resources. The plan has also been discussed by the Corporate Leadership Team on the 9th February 2016.

3.3 The demand for audit work in 2016/2017 has exceeded the available resource and therefore a decision has been taken to focus on the areas with the highest perceived risk.

3.4 The plan has been compared to the financial risk assessment included in the Council's budget to help ensure that key areas of financial risk are aligned to the audit plan.

3.5 Changes to the programme of risk based work will only be made following discussion with the Council's Section 151 officer. Any changes will be made known to the Audit Committee through the quarterly report of the Chief Internal Auditor.

3.6 A list of risk based reviews which will be covered in 2016/2017 can be found in **Appendix A**.

4. Compliance testing

4.1 Compliance testing accounts for approximately fifty percent of the allocated audit resource. As set out in the 2014/17 audit strategy, the overall approach remains, to complement risk based audit work with a robust set of compliance testing. The compliance element of the audit programme can be split into the following sub-headings, further details as to the areas of coverage can be found in **Appendix A** of this report.

Financial Control Assurance Testing

4.2 This involves the testing of core financial system transactions to ensure that all major financial systems are subject to an adequate level of audit review work annually. Computer audit techniques have been extended and manual sample testing reduced to help ensure the widest range of coverage focused on transactions which warrant further investigation.

4.3 The results of the Financial Control Assurance Testing are reported each quarter to the relevant Head of Service with a full copy of the results provided to the Director of Resources. These reports offer assurance throughout the year that key financial controls are working effectively and also identify any control weaknesses for follow-up and resolution.

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Procurement and Contract Audit

- 4.4 A number of reviews will be undertaken to ensure that adequate procurement arrangements are in place and that contracts are being effectively managed.

Schools Audit

- 4.5 It is intended that each maintained school will be subject to an audit of its core financial controls every three years, or more frequently if necessary. A risk assessment has been undertaken to assess which schools will be subject to audit in 2016/2017 and provision has been made in the plan for up to six schools to be visited.

Establishment Visits

- 4.6 A small programme of establishment visits will take place to ensure that financial controls are operating effectively.

Grants and Service Level Agreements

- 4.7 This year's audit programme will also include a review of ward budgets and various grant certifications which require sign-off by the Chief Internal Auditor.

Carbon Reduction commitment

- 4.8 The Carbon Reduction Commitment (CRC) scheme is a mandatory energy efficiency scheme which uses an emissions trading mechanism. The CRC scheme was introduced in April 2010 and involves large public and private sector organisations in the UK. Non-compliance with the scheme will expose the participating organisations to potentially significant financial penalties. To mitigate against this, organisations must develop reliable systems for energy data collection that provide timely, complete and accurate information.
- 4.9 A requirement of the CRC scheme is that each organisation implements a system for regular internal audits, and copies of the audit reports need to be included in the CRC evidence packs.
- 4.10 The first CRC audit at Blackpool Council took place in 2011/2012 and it is intended that a programme of annual audits will be implemented going forward.

5. Counter-fraud and corruption work

- 5.1 The counter fraud programme is based on the guidance in the CIPFA 'Red Book' on fraud prevention and the 'Protecting the Public Purse' document to ensure that it takes account of emerging threats and focuses on priority fraud risks.
- 5.2 As well as work by Risk Services, vigilance and a commitment to tackling fraud by frontline staff remains a vital safeguard in preventing and detecting fraud.

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6. Consultancy and advice

- 6.1 The provision of advice to management on matters of risk and control remains an important aspect of the internal audit service. As in prior years a proportion of audit management time has been set aside for ad hoc consultancy work at management request.

7. External work

- 7.1 The internal audit team also undertakes work for a range of external clients. These include Blackpool Coastal Housing where a separate internal audit plan is in place and audit findings are reported to their Finance, Audit and Corporate Services Committee.
- 7.2 In addition, the internal audit team carries out reviews at a number of the leisure assets owned by the Council. An annual audit is undertaken of the Sandcastle Waterpark with the findings reported to the Blackpool Operating Company Board. An audit approach has also been developed with Merlin Entertainment to facilitate an annual review of the controls in place at Blackpool Tower, the Dungeons and Madame Tussauds.
- 7.3 The internal audit team is also looking to implement arrangements with Blackpool Transport Services, Blackpool Housing Company and Blackpool Entertainment Company.
- 7.4 A service offer has also been provided to schools to provide support to them in completing the Schools Financial Value Standard. Whilst there is no requirement that schools are externally assessed against their self-assessment the internal audit team recognise that schools may welcome support. A service offer to schools who have obtained academy status has also been developed to support academies with the provision of an internal audit service.
- 7.5 Blackpool Council provides a number of shared services with Fylde Borough Council, particularly in relation to the provision of revenues and benefits services. These key financial systems are subject to regular audit review and therefore the Council's Internal Audit Team undertake the required work jointly with Fylde Borough Council's audit team to reduce the audit burden on the service .

8. Monitoring performance

- 8.1 As head of the Council's independent assurance service, the Chief Internal Auditor will issue quarterly reports to the Section 151 Officer, Corporate Leadership Team and Audit Committee, to enable any areas of concern to be acted upon as necessary. The Chief Internal Auditor's opinion on the effectiveness of the system of internal control for the 2015/16 year will be included in the fourth quarter report in May 2016.
- 8.2 As with all Council services, performance indicators will be used for monitoring and managing the team. Wherever possible, performance indicators are intended to remain the same year on year to enable trends to be identified. The five PIs in place are:
- Audit plan completed;
 - Reviews delivered to deadline;
 - Reviews delivered to time budget;
 - Customer satisfaction;

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- Compliance of audit reviews with department quality standards.

9. Recommendation

9.1 Audit Committee are asked to:

- Approve the internal audit plan for 2016/17, including the plan for counter-fraud and corruption work.
- Approve the anti-fraud and corruption statement.
- Approve the Internal Audit Charter.

Tracy Greenhalgh CMIIA, MSc
Chief Internal Auditor
10th March 2016

Appendix A - Planned Risk Based and Compliance Reviews

Directorate	Service / Topic	Provisional Timings	Allocated Days
Risk Based Reviews			
Community and Environment	Selective Licensing Scheme	Q1	20
Community and Environment	Flood Management	Q2	20
Community and Environment	Commercial Waste	Q4	20
Corporate	Staff Time Recording	Q1	10
Corporate	Driving at Work (Council Vehicles)	Q2	20
Deputy Chief Executive	Cyber Security	Q1	20
Deputy Chief Executive	Health and Safety	Q3	20
Governance and Regulatory	Governance Arrangements and Boards and Panels	Q4	20
People	Direct Payments	Q2	20
People	Managing Client Finances	Q4	20
People	Cost of External Placements	Q2	20
People	Safeguarding (Adult Compliance)	Q1	20
People	Safeguarding Team	Q4	20
People	Placement Orders and Legal Costs	Q2	20
People	Adolescent Hub	Q3	20
People	Framework-I	Q2	15
Place	Beach Patrol	Q1	20
Place	Economic Development (including commercial development and business loans)	Q4	25
Public Health	Integration with Council Services	Q2	20
Public Health	Measuring Outcomes from Preventative Measures	Q4	20
Resources	Social Care Benefits Debts	Q1	20
Resources	Estate Management and Investment Portfolio	Q3	20
Resources	Blue Badge Award Process	Q1	20
Resources	Budgetary and Financial Management	Q2	20
Resources	Treasury Management	Q3	20
Resources (joint with Fylde)	Refunds of Council Tax and Business Rates	Q3	20
Contract / Procurement Audits			
Place	Blackpool Museum	Q2	15
Resources	The Chest and Contract Register	Q4	20
Resources	Catalogue Prices	Q1	20
Compliance Testing			
Children's Services	Bispham Endowed Primary School	TBC	2
Children's Services	Holy Family Primary School	TBC	2
Children's Services	Claremont Community Primary School	TBC	2

Children's Services	Highfield Humanities College	TBC	2
Children's Services	St John Vianney Primary School	TBC	2
Children's Services	Stanley Primary School	TBC	2
Children's Services	Troubled Families	TBC	10
Community and Environment	Parks and Public Playgrounds	Q1	10
Community and Environment	HWRC Establishment Visit	Q3	10
Corporate	Financial Control Assurance Testing	Quarterly	150
Governance and Regulatory	Ward Budgets	Q4	10
Governance and Regulatory	Executive Decisions – Resources	Q3	15
People	Phoenix Centre (Establishment Visit)	Q1	5
People	Keats Centre (Establishment Visit)	Q1	5
Place	Positive Steps into Work	Q4	10
Resources	Carbon Reduction Commitment	Q2	5
Total			807

Appendix B – Proactive anti-fraud workplan 2016/17

The proactive fraud anti-fraud workplan includes the following actions:

Internal Audit

- 1) Undertake Financial Control Assurance Testing (FCAT) compliance audit work using IDEA software to deliver maximum assurance that core systems are operating as described.
- 2) Continue to promote register of interests through internal audit work to reduce the likelihood of undeclared conflicts of interest.

Corporate Fraud

- 1) Develop the use of IDEA software to better target proactive resources for fraud and error testing on a quarterly basis.
- 2) Attend the Greater Manchester Fraud Group, half yearly meetings, to share intelligence, best practice and develop training opportunities and promote work on joint initiatives.
- 4) Develop the resources available on the Hub such as updates, warnings of emerging fraud risks, case summaries on proven cases and fraud prevention information.
- 5) Promote the Fraud Awareness I-Pool course and encourage all managers to complete the training.
- 6) Pursue civil, disciplinary and/or criminal sanctions, picked up during investigation process.
- 7) Identify and recover all losses identified during investigation process and recovery action sought through POCA, insurance, payroll and legal means.
- 10) Promote the Council's arrangements on prevention of money laundering, the Bribery Act and whistleblowing, in the latter case in conjunction with Human Resources.
- 11) Undertake proactive fraud detection work on the following risk assessed systems:
 - Insurance Fraud
 - Payroll
 - Purchase Cards
 - Petty Cash
 - Procurement (using CIPFA guidance)
 - Council Tax (including data matching with temporary benefits)
 - Blue badge fraud drive
 - Expenses fraud
- 12) Ensure that all members of the Corporate Fraud Team are suitably qualified to deal with corporate fraud investigations.

Appendix C - Anti-fraud and corruption statement

Blackpool Council is committed to the prevention of fraud and corruption.

It is important to Blackpool Council to use its income and resources in the most effective way for the delivery of high quality services to the community. Blackpool Council requires all employees and elected members to act honestly and with integrity and to safeguard the public resources for which they are responsible. Blackpool Council also expects the same levels of honesty and integrity from all individuals and companies dealing with the Council and will take appropriate action when fraud, bribery or corruption is suspected.

Introduction

The purpose of this statement is to set out the procedures to be followed where fraud, bribery or corruption is suspected or detected. It is part of Blackpool Council's overall approach to security and therefore it applies to the Council and all other parties who are given access to the Council's information and premises. It covers all personnel including Council staff, freelance, casual and temporary agency staff, contractors and elected members.

There is an expectation and requirement that all individuals, businesses and organisations dealing in any way with the Council will act with integrity and that Council employees at all levels will lead by example to prevent and detect fraud, bribery and corruption. The Council subscribes fully to the principles laid down by the Nolan Committee which include:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Senior management and elected members are also expected to deal effectively with any potentially fraudulent or corrupt activity that comes to their attention.

Blackpool Council can be the victim of a variety of frauds, bribes or corrupt acts from time to time.

Definitions of Fraud

Fraud

The Council regards fraud as being any intentional distortion of financial statements and other records to achieve inappropriate gain, and the misappropriation of assets. This may involve:

- Falsification or alteration of accounting records or other documents
- Misappropriation of assets or theft
- Suppression or omission of the effects of transactions from records or documents
- Recording transactions which have no substance

- Wilful misrepresentations of transactions or of the Council's state of affairs

The Fraud Act 2006 categorises fraud into three main types, namely dishonestly intending to make a gain, or cause a loss or risk of loss by:

- Making a false representation
- Failing to disclose information when there is a duty to do so
- Abuse of position

Bribery & Corruption

Corruption is a serious criminal offence, set out principally in the Prevention of Corruption Acts and now the Bribery Act 2010. Corruption includes offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers. Some of the main areas of activity, which may be particularly susceptible to corruption include:

- Contracts and commissioning
- Grants
- Asset disposal
- Planning consents
- Licenses and other approvals

The Bribery Act 2010 has established 4 offences:

- Offering, promising or giving a bribe
- Requesting, receiving or accepting a bribe (whether directly or through a third party)
- Bribing a foreign public official
- The failure of a commercial organisation to prevent bribery

Legislation

The Council will at all times whilst conducting investigations utilise and comply with the requirements of the appropriate legislation including:

- The Police and Criminal Evidence Act 1984 (PACE)
- The Theft Acts of 1968
- The Fraud Act 2006
- Audit Commission Act 1998
- Serious Crime Act 2007
- Proceeds of Crime Act 2002 (POCA)
- The Data Protection Act 1998
- Criminal Attempts Act 1981
- Forgery and Counterfeiting Act 1981

- The Corruption Acts (1889-1916)
- The Public Interest Disclosure Act 1998
- The Human Rights Act 1998
- The Regulation of Investigatory Powers Act 2000
- Criminal Procedures and Investigations Act 1996
- Criminal Justice Act 1987
- Bribery Act 2010

Council rules relating to fraud and corruption

Council employees are expected to abide by the National and Local Conditions of Service relating to their employment, which include conduct issues. Employees are also expected to follow any code of conduct related to their profession where these require a further duty of care.

Council members are required to comply with the Model Code of Local Government Conduct and associated protocols, which provide guidance to members on recommended standards of conduct in carrying out their duties and in their relationships with the Council and Council officers.

All members and employees are required to declare any offer or receipt of gifts or hospitality that are in any way related to their relationship with the Council. A hospitality register is maintained of all declarations. A register is also maintained for officers to declare any business or related interests, membership of, or associations with, clubs, societies and other organisations.

The Council's constitution governs the way the Council conducts its activities and places an obligation on all members and employees to act in accordance with procedure rules, responsibilities and functions and supporting financial regulations.

Senior management have a role in ensuring that the Council takes adequate steps to safeguard against the risk of bribery.

The Corporate Leadership Team must ensure that all staff have access to these rules and regulations and that staff receive suitable training where appropriate. Members and employees must make sure that they read, understand and comply with the rules and regulations that apply to them.

Should any person knowingly break the rules and regulations then the Council may take formal action. The Council not taking adequate precautions to reduce the risk of bribery could also lead to a criminal conviction.

Fraud and Corruption Reporting

It is the responsibility of all staff to be alert for occurrences of fraud, bribery and corruption and to be aware that unusual events, transactions or behaviours could be indications of fraud (or attempted fraud) and corrupt practices. Fraud, bribery and corruption may also be highlighted as a result of specific management checks, by a third party, or in the course of audit reviews by both internal and external audit.

Service managers are responsible for maintaining an adequate framework of internal control to minimise potential losses by the Council. Risk Services is available to provide advice and assistance in

this area, but service management retains responsibility for preventing and highlighting possible fraudulent and corrupt activity.

Any suspicion of fraud will be taken seriously. If you become aware of a suspected fraud or irregularity you should report it to either:

- your Line Manager;
- your Head of Service or Director,
- the Chief Internal Auditor; or
- via the whistle blowing procedure.

When a member of staff reports suspicions to their line manager or head of service, their information should be taken seriously and they should be dealt with in a considerate way. Managers receiving the information should report it to the Chief Internal Auditor as soon as possible so that a decision can be made about the need for an investigation.

Confidentiality for all parties will be maintained over reports made in good faith which cannot be substantiated following investigation. A reporting member of staff may choose to remain anonymous and such anonymity will be respected. However, identification is preferred and will assist the investigation. An anonymous disclosure cannot be made under the Public Interest Disclosure Act 1998 (the 'Whistleblowing Act'); staff must identify themselves to receive protection under the Act.

Employees must not do any of the following:

- contact the suspected individual in an effort to determine facts or demand restitution;
- discuss the case facts, suspicions, or allegations with anyone outside the Council (including the press) unless specifically asked to do so by the Monitoring Officer or the Chief Internal Auditor;
- discuss the case with anyone within the Council other than the people listed above;
- attempt to seize paperwork or other evidence.

Investigation Procedure

All fraud, bribery and corruption investigations should be discussed at the outset with the Chief Internal Auditor and Deputy Chief Executive to ensure appropriate procedures are followed and any necessary support is provided.

You must not attempt to personally conduct investigations or interviews or question anyone unless asked to do so by the leader of the investigation team.

Investigation results will not be disclosed to, or discussed with, anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputation of persons subsequently found innocent of alleged wrongful conduct, and to protect the Council from potential civil liability.

In cases where an individual is suspected of fraud, which a subsequent investigation does not substantiate, it is important that the potential damage to the individual's reputation is minimised. Whoever originally reported the suspected fraud or irregularity will be informed that the investigation has revealed no wrongdoing.

Any necessary investigative activity will be conducted without regard to any person's relationship to the Council, position or length of service.

Conduct of Investigation

Investigations will be carried out by the Chief Internal Auditor or Corporate Fraud Officer, or a senior manager who is independent of the direct line responsibility, and will be conducted with discretion and sensitivity.

Those carrying out the investigation will confine themselves to investigating those matters that are the subject of, or relevant to, the suspected fraud, bribery or corruption.

On completion of the investigation, a written report will be prepared stating the facts established by the investigation. The report should avoid speculation or any statement that cannot be supported by evidence.

Prosecution Policy

Whenever possible, the Council will take action against all perpetrators of fraud and corruption, whether internal or external to the authority.

In cases of internal fraud and corruption the Chief Internal Auditor will discuss the findings of any investigation with the relevant service management and HR officers, who together will decide whether to take disciplinary action.

Cases of internal or external fraud and corruption, where there is potentially sufficient evidence for a criminal prosecution, will be referred to the police.

It may be necessary to involve the police for other reasons, e.g. to take forensic evidence or to search premises. In all instances, the investigating team should instigate contact with the police.

Learn From Past Experience

Where fraud, bribery and corruption have occurred management must take any necessary steps to amend systems and procedures to ensure that similar frauds or corrupt practices do not recur. The investigation may highlight where there has been a failure of supervision or a breakdown/absence of control. Internal audit is available to offer advice and assistance on matters relating to internal control, if considered appropriate.

Recovery of Loss

Where the Council has suffered loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from any individual(s) responsible for fraud or corruption.

As a first step the individual concerned will be asked to make good the loss. If the individual cannot or will not make good the loss consideration should be given to taking civil recovery action, subject to legal advice received.

Conclusion

Blackpool Council is committed to tackling fraud and corruption whenever it happens. The circumstances of individual frauds and corruptions will vary, but the Council's response should be effective and organised and will rely on the principles included in this document.

Appendix D – The Internal Audit Charter

Introduction

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Blackpool Council.

It assists Blackpool Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

Role

The internal audit activity is established by the Corporate Leadership Team and Audit Committee. The internal audit activity's responsibilities are defined by the Corporate Leadership Team and Audit Committee as part of their oversight role.

Professionalism

The internal audit activity will govern itself by adherence to the CIPFA and CIAA Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

In addition, the internal audit activity will adhere to Blackpool Council's relevant policies and procedures and the internal audit activity's standard operating procedures manual (Audit Manual).

Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all of Blackpool Council's records, physical properties and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Corporate Leadership Team and the Audit Committee.

Organisation

The Chief Internal Auditor will report on operational issues to the Director of Resources and the Chief Executive on strategic matters. The Chief Internal Auditor has the authority to communicate and interact directly with the Corporate Leadership Team and the Audit Committee.

Independence and Objectivity

The internal audit activity will remain free from interference by any element in Blackpool Council, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

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 internal auditor's judgement.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors

must make a balanced assessment of all of the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Chief Internal Auditor will confirm to the Corporate Leadership Team and Audit Committee, at least annually, the organisational independence of the internal audit activity.

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Blackpool Council's governance, risk management and internal control processes in relation to the Council's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programs with established objectives and goals and effective performance.
- Effectiveness and efficiency of operations and employment of resources.
- Compliance with significant policies, plans, procedures, laws and regulations.
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify and report such information.
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes (Audit Universe) of the entity including governance processes and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors and maintains a proper degree of coordination with external audit.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Corporate Leadership Team and Audit Committee, including fraud risks, governance issues and other matters requested or needed by the Corporate Leadership Team.

Internal Audit Plan

On an annual basis, the Chief Internal Auditor will submit to the Corporate Leadership Team and Audit 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 Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to the Corporate Leadership Team and the Audit Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk based methodology, including input from senior managers. Prior to submission of the plan to the Corporate Leadership Team for approval the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

Reporting and Monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be reported to the Corporate Leadership Team and the Audit Committee.

The internal audit report will include management's response and corrective action taken or to be taken with regard to specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All high risk findings will remain in an open issues file until cleared and where there is undue delay in implementing agreed actions this will be reported to Audit Committee.

Periodic Assessment

The Chief Internal Auditor is responsible for providing periodically a self-assessment on the internal audit activity regarding its conformity to the Audit Charter (purpose, authority, responsibility) and performance relative to the audit plan.

In addition, the Chief Internal Auditor will communicate to the Corporate Leadership Team and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Quality Assurance and Improvement Programme

The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Internal Auditor will communicate to the Corporate Leadership Team and Audit Committee on the internal audit activity's quality assurance programme, including results of ongoing internal assessments and external assessment conducted at least every five years.