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Hinckley & Bosworth
Borough Council

Bill Cullen MBA (ISM), BA(Hons) MRTPI
Chief Executive

Date: 03 May 2022

To: Members of the Audit Committee

| | |
|-----------------------------------|------------------|
| Cllr DS Cope (Chairman) | Cllr MR Lay |
| Cllr A Pendlebury (Vice-Chairman) | Cllr RB Roberts |
| Cllr MA Cook | Cllr BR Walker |
| Cllr REH Flemming | Cllr HG Williams |
| Cllr L Hodgkins | Cllr P Williams |
| Cllr C Ladkin | |

Copy to all other Members of the Council

(other recipients for information)

Dear member,

There will be a meeting of the **AUDIT COMMITTEE** in the De Montfort Suite, Hinckley Hub on **WEDNESDAY, 11 MAY 2022** at **6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Owen'.

Rebecca Owen
Democratic Services Manager

Fire Evacuation Procedures

- On hearing the fire alarm, leave the building **at once** quickly and calmly by the nearest escape route (indicated by green signs).
- *There are two escape routes from the Council Chamber – at the side and rear. Leave via the door closest to you.*
- Proceed to **Willowbank Road car park**, accessed from Rugby Road then Willowbank Road.
- **Do not** use the lifts.
- **Do not** stop to collect belongings.

Recording of meetings

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We also allow the use of social media during meetings, which helps to bring the issues discussed to a wider audience.

Members of the public, members of the press and councillors are hereby informed that, in attending the meeting, you may be captured on film. If you have a particular problem with this, please contact us so we can discuss how we may accommodate you at the meeting.

Use of mobile phones

To minimise disturbance to others attending the meeting, please switch off your phone or other mobile device or turn it onto silent or vibrate mode.

Thank you

AUDIT COMMITTEE - 11 MAY 2022

A G E N D A

1. **APOLOGIES AND SUBSTITUTIONS**

2. **MINUTES OF PREVIOUS MEETING (Pages 1 - 2)**

To confirm the minutes of the meeting held on 19 January 2022.

3. **ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES**

To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting (to be taken at the end of the agenda)

4. **DECLARATIONS OF INTEREST**

To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the agenda.**

5. **QUESTIONS**

To hear any questions received in accordance with Council Procedure Rule 12.

6. **INTERNAL AUDIT PLAN 2021-23 (Pages 3 - 20)**

To provide members with the proposed operational plan for 2021/22 and 2022/23 alongside a three year Audit Strategy (Strategy) for consideration and approval.

7. **ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY**

As announced under item 3 above.

8. **MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED**

To consider the passing of a resolution under Section 100A(4) of the Local Government Act 1972 excluding the public from the undermentioned item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 and 10 of Schedule 12A of the 1972 Act.

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HINCKLEY AND BOSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE

19 JANUARY 2022 AT 6.30 PM

PRESENT: Cllr DS Cope - Chairman
Cllr A Pendlebury – Vice-Chairman
Cllr MA Cook, Cllr REH Flemming, Cllr MR Lay, Cllr HG Williams and Cllr P Williams

Members in attendance: Councillors

Officers in attendance: Rebecca Valentine-Wilkinson, Ashley Wilson and Emily J Mayne (internal audit) was also present.

287 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Ladkin, Roberts and Walker.

288 MINUTES OF PREVIOUS MEETING

Councillor Flemming confirmed that his name had been spelt incorrectly in the minutes.

It was moved by Councillor Flemming, seconded by Councillor P Williams and

RESOLVED – the minutes of the meeting held on 24 November 2021 be confirmed as a correct record.

289 DECLARATIONS OF INTEREST

No interests were declared.

290 INTERNAL AUDIT ANNUAL REPORT & ANNUAL HEAD OF INTERNAL AUDIT OPINION FOR FINANCIAL YEAR 2020/21

Members were updated on the report from the internal auditor who presented the internal audit annual report and annual head of internal audit opinion for financial year 2020/21.

It was confirmed that any follow up action and further recommendations would be reported to a future meeting.

It was moved by Councillor Pendlebury and seconded by Councillor Flemming and

RESOLVED – the report be noted.

291 LEISURE SERVICES CONTRACT

Members were updated on the report from the internal auditor.

Auditors confirmed that Covid still presented a risk to the leisure centre and that the council must remain vigilant with its management of this contract.

It was moved by Councillor Pendlebury and seconded by Councillor Flemming and

RESOLVED – the report be noted.

292 LEICESTERSHIRE REVENUE AND BENEFITS PARTNERSHIP TEST & TRACE
SUPPORT GRANT PAYMENT SCHEME

Members were updated on this report that had already been to the Partnership Board and had come to this meeting for information.

Auditors confirmed that they had provided significant assurance in this area and no further recommendations had been made.

It was moved by Councillor P Williams, seconded by Councillor HG Williams and

RESOLVED – the report be noted.

The Chairman thanked Grant Thornton for their work especially having to work through some very difficult conditions throughout the Covid pandemic.

It was confirmed that a detailed handover would be carried out with the new internal auditors.

(The Meeting closed at 6.52 pm)

CHAIRMAN

Hinckley and Bosworth Borough Council

Internal Audit Plan 2021-23

Draft

Prepared by: Mazars LLP

Date: April 2022

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Disclaimer
This report (“Report”) was prepared by Mazars LLP at the request of Hinckley and Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. The Report was prepared solely for the use and benefit of the [Client Organisation] and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility on the final page of this report for further information about responsibilities, limitations and confidentiality.



01

Section 01: **Introduction**



Introduction

Following a procurement exercise, Mazars LLP were appointed as internal auditors to Hinckley and Bosworth Borough Council (the Council) for four years from 1 April 2022.

The purpose of this document is to provide the Audit Committee with the proposed Operational Plan for 2021/22 and 2022/23 alongside a three year Audit Strategy (Strategy) for consideration and approval.

The Strategy is used to direct Internal Audit resources to those aspects of the organisation that are assessed as generating the greatest risk to the achievement of its objectives. This is subject to review and update on at least an annual basis, to ensure it meets the needs of the Council and takes account of any areas of new and emerging risks within the Risk Register.

In considering the document, Audit Committee is asked to consider:

- whether the balance is right in terms of coverage and focus;
- whether we have captured key areas that would be expected; and
- whether there are any significant gaps.

We are also seeking approval from AC for the Internal Audit Charter in Section 04, which we request on an annual basis.

Scope and Purpose of Internal Audit

 **IA's Role**

Internal Audit provides independent and objective assurance to the organisation, its Members, the Chief Executive, the Senior Management Team, and in particular the Head of Finance to help him discharge his responsibilities relating to the proper administration of the Authority's financial affairs under S151 of the Local Government Act 1972.


 **IA Plan**

Completion of the internal audits proposed in the Operational Plan 2021/22 and 2022/23 should be used to help inform the Council's Annual Governance Statement.

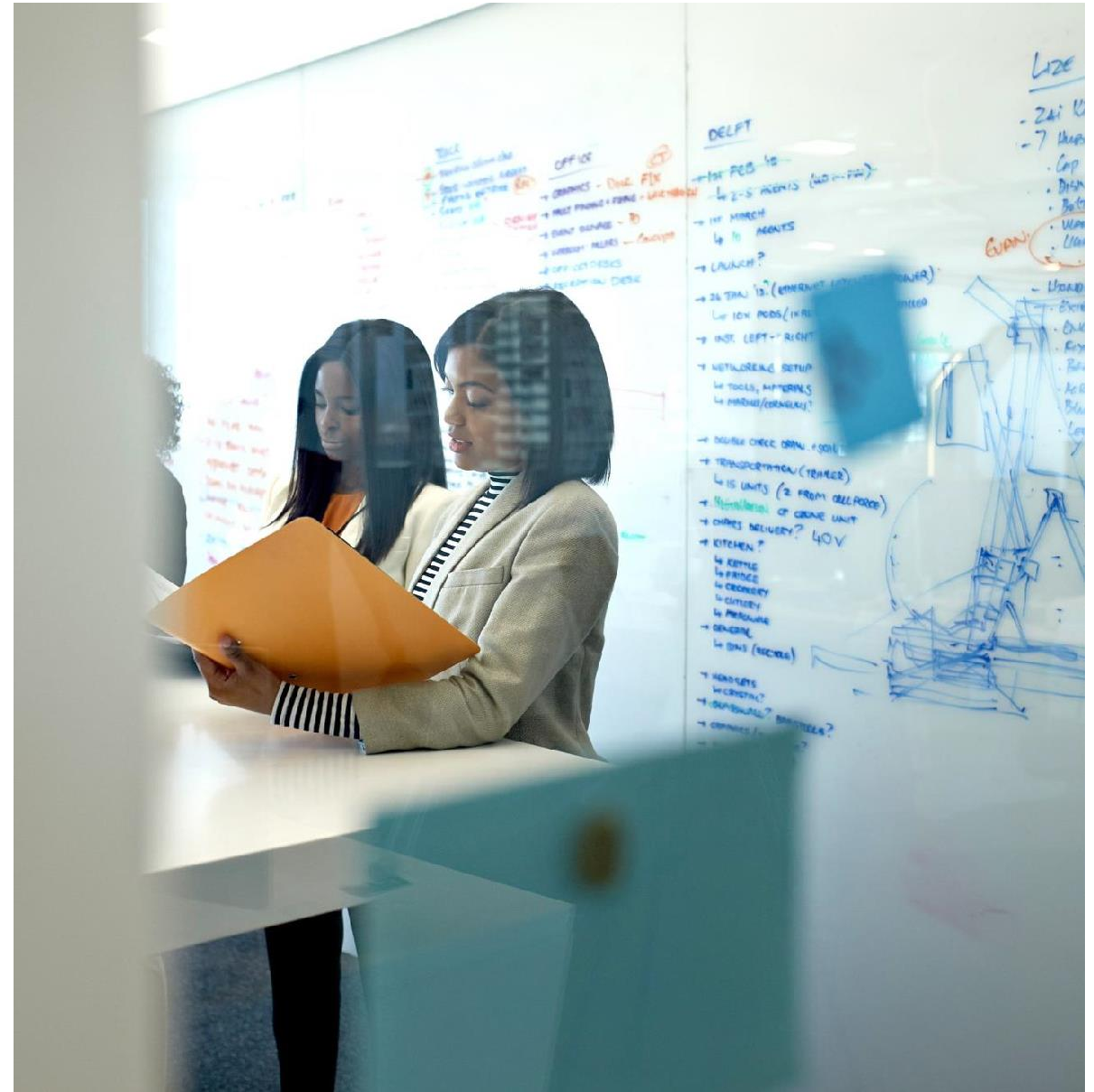
 **Objective**

The Accounts and Audit Regulations 2015 specifically require the provision of an internal audit service. In accordance with UK Public Sector Internal Audit Standards (PSIAS), as produced by the Internal Audit Standards Advisory Board, Internal Audit provides independent assurance on the adequacy and effectiveness of the Authority's governance, risk management and internal control system.

Internal auditing is 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 also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

 **Charter**

We have included our Internal Audit Charter in Section 04. The Charter sets out terms of reference and serves as a basis for the governance of the Council's IA function, establishing our purpose, authority, responsibility, independence and scope, in accordance with PSIAS.





Preparing the Strategy and Operational Plans for 2021-23

As part of our approach, it is important we consider the Council's strategic priorities, as well as the key strategic risks

identified, as we seek to align our risk-based approach accordingly.

In preparing the Strategy update we have undertaken the following:

- Discussions with the Senior Management Team and other senior management;
- Reviewed risks and priorities contained in Hinckley's Corporate Risk Register;
- Requested input from Audit Committee Members;
- Considered areas which are not necessarily high risk (such as core operational controls), but where the work of internal audit can provide a tangible input to assurance; and
- Considered the results of internal audit across our wider client base.

The proposed Operational Plans for 2021-23 are included in Section 02. They also include a proposed high level scope for each review which will be revisited as part of the detailed planning for each review.

Preparing the Strategy and Operational Plans for 2021-23 (cont.)

The areas presented within this Operational Plan document were narrowed from a wider starting point, which will allow flexibility if there are changes required during the year. Details on alternative areas are outlined within Section 03.

Prior to conducting each internal audit, we will undertake a more detailed planning meeting in order to discuss and agree the specific focus of each review.

Following the planning meeting, we will produce Terms of Reference, which we will agree with key representatives at the Council prior to commencement of the fieldwork.

The results of our work will be communicated via an exit meeting. A draft report will then be issued for review and management comments and in turn a final report issued. Final reports as well as progress against the plan will be reported to each Audit Committee and the Senior Management Team as required.

Following completion of the planned assignments and the end of the Financial Year, we will summarise the results of our work within an Annual Report, providing an opinion on the Council's governance, risk management and internal control framework.



02

Section 02:

**Internal Audit Operational Plans 2021-
23**

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Operational Plan 2021/22

An overview of the Operational Plan 2021/22 is set out below:

| Proposed Operational Plan for Approval | | | | |
|--|-----------|---|--------------|-------------------|
| Area | Days | Scope | Risk No | Target Start Date |
| Key Financial Systems | | | | |
| Accounts Payable | 8 | Covering continuous auditing of the adequacy and effectiveness of controls over the payment of creditor invoices. | S43 | May 2022 |
| Payroll & Pensions Administration | 8 | Covering the adequacy and effectiveness of controls over starters, leavers, amendments, etc. | S43 | June 2022 |
| Corporate Services | | | | |
| IT Audits | 10 | To be confirmed with management | S12 | May 2022 |
| Risk Management | 10 | To provide assurance that managers understand their requirements and take ownership of their responsibilities in relation to Risk Management. Review of individual risks registers as agreed with management. | S01 | July 2022 |
| Community Services | | | | |
| Responsive Repairs | 10 | To assess key controls in place in relation to the Council's responsive repairs service | S04 | June 2022 |
| Housing Rents | 8 | To provide assurance that the Council has effective controls in place over rent arrears recovery arrangements for both current and former tenants. | S11 EAS24 | July 2022 |
| Environment & Planning | | | | |
| Carbon Neutral Action Plan | 6 | Covering controls in place over management of actions and reporting requirements | S01 | June 2022 |
| Revenue & Benefits | | | | |
| To be confirmed | 10 | To be approved by the Management Board and Joint Committee | S17 | TBC |
| Management and Reporting Activities | | | | |
| Follow Up | 3 | Follow-up of all High and Medium priority recommendations made in final reports issued. | N/A | Ongoing |
| Management | 9 | Including attendance at Audit Committee | N/A | N/A |
| Total | 82 | | | |

Operational Plan 2022/23

An overview of the Operational Plan 2022/23 is set out below:

| Proposed Operational Plan for Approval | | | | |
|--|-----------|--|--------------|-------------------|
| Area | Days | Scope | Risk No | Target Start Date |
| Key Financial Systems | | | | |
| Accounts Receivable | 8 | Covering continuous auditing of the adequacy and effectiveness of controls over the accounts receivable system. | S43 | October 2022 |
| Procurement | 12 | Covering the adequacy and effectiveness of controls over the Council's corporate approach to procurement | S43 | November 2022 |
| Corporate Services | | | | |
| IT Audits | 10 | To be confirmed with management | S12 | January 2023 |
| Commercial Asset Management | 10 | Assurance over the design and application of controls relating to the management of the Council's Commercial Assets | EAS24 S48 | September 2022 |
| Community Services | | | | |
| Statutory Property Compliance | 10 | To provide assurance that the Council has adequate controls in place to oversee and manage statutory property compliance | S04 | December 2022 |
| Environment & Planning | | | | |
| Section 106 Planning Obligations and Community Infrastructure Levy | 10 | Covering controls in place over the decision making, management and spend of S106 and CIL monies received | EAS24 | September 2022 |
| Revenue & Benefits | | | | |
| To be confirmed | 10 | To be approved by the Management Board and Joint Committee | S17 | TBC |
| Management and Reporting Activities | | | | |
| Follow Up | 3 | Follow-up of all High and Medium priority recommendations made in final reports issued. | N/A | Ongoing |
| Management | 9 | Including attendance at Audit Committee | N/A | N/A |
| Total | 82 | | | |

03

Section 03:

Internal Audit Strategy Update 2021/22 – 2023/24

Internal Audit Strategy 2021/22 – 2023/24

Our Internal Audit Strategy 2021/22 – 2023/24 is provided below and sets out our risk based considerations, followed by other considerations and finally our management and reporting activities.

| Risk Based Considerations (Aligned to Hinckley and Bosworth Borough Council's RR) | | | | |
|---|---|---------|---------|---------|
| Strategic Risks | Auditable Area | 2021/22 | 2022/23 | 2023/24 |
| CLS.04 – Hinckley Leisure Centre | Income Collection | - | - | - |
| S.11 – Failure to successfully deliver the Medium Term Financial Strategy | Accounts Payable Payroll & Pensions Administration | ✓ | - | - |
| | Procurement Accounts Receivable | - | ✓ | - |
| | Budgetary Control General Ledger | - | - | ✓ |
| S.41 – Business Rates Pooling | Council Tax / NNDR | TBC | TBC | TBC |
| S16 – Failure to adhere to Health & Safety Initiations | Health & Safety | | - | ✓ |
| S.01 – Failure to Focus on Priorities and Initiatives | Risk Management Carbon Neutral Action Plan | ✓ | ✓ | ✓ |
| S.12 – Insufficient Business Continuity Management | Disaster Recovery Cyber Security Social Media | ✓ | ✓ | ✓ |

Internal Audit Strategy 2021/22 – 2023/24 (cont)

| Other Considerations | | | |
|---|-----------|-----------|------------|
| Auditable Area | 2021/22 | 2022/23 | 2023/24 |
| Governance and Risk Management | ✓ | ✓ | ✓ |
| Operational Risks | ✓ | ✓ | ✓ |
| Core Financial Systems | ✓ | ✓ | ✓ |
| IT | ✓ | ✓ | ✓ |
| Follow Up | ✓ | ✓ | ✓ |
| Management and Control (including attendance at Audit Committee and Committee training) | ✓ | ✓ | ✓ |
| Contingency | | | |
| Total | 82 | 82 | TBC |

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04

Section 04: **Internal Audit Charter**

Internal Audit Charter

The Internal Audit Charter sets out the terms of reference and serves as a basis for the governance of the Hinckley and Bosworth Borough Council Internal Audit function. It sets out the purpose, authority and responsibility of the function in accordance with the UK Public Sector Internal Audit Standards (PSIAS). The Charter will be reviewed and updated annually.

Nature and Purpose

Hinckley and Bosworth Borough Council is responsible for the development of a risk management framework, overseen by the Audit Committee (AC), which includes:

- Identification of the Council's significant risks and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Senior Management Team and the AC of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

Hinckley and Bosworth Borough Council's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Council's effective operation in the pursuit of its objectives. The risk management, control and

governance processes enable the Council to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Senior Management Team. Hinckley and Bosworth Borough Council needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the Council's business. There are also many assurance providers. The Council should, therefore, develop and maintain an assurance framework which sets out the sources of assurance to meet the assurance needs of its stakeholders.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) 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 carries out assurance and consulting activities across all aspects of Hinckley and Bosworth Borough Council's business, based on a programme agreed with the AC, and coordinates these activities via the assurance framework. In doing so, Internal Audit works closely with risk owners, and the Senior Management Team.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where the Council's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Senior Management Team and management in relevant departments. The independent assurance provided by Internal Audit also assists the Council to report annually on the effectiveness of the system of internal control included in the Annual Governance Statements.

Authority and Access to Records, Assets and Personnel

Internal Audit has unrestricted right of access to all Hinckley and Bosworth Borough Council's records and information, both manual and computerised, and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter business property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the AC.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities. Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

Responsibility

The Head of Internal Audit is required to provide an annual opinion to Hinckley and Bosworth Borough Council, through the AC, on the adequacy and the effectiveness of the Council's risk management, control and governance processes. In order to achieve this, Internal Audit will:

- Coordinate assurance activities with other assurance providers as needed (such as the external auditors) such that the assurance needs of the Council, regulators and other stakeholders are met in the most effective way. operations and control processes.

Internal Audit Charter continued

- Evaluate and assess the implications of new or changing systems, products, services,
- Carry out assurance and consulting activities across all aspects of the Council's business based on a risk-based plan agreed with the AC.
- Provide the Chief Executive and Members with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issue periodic reports to the AC and the Senior Management Team summarising results of assurance activities.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud;
- Assess the adequacy of remedial action to address significant risk and control issues reported to the AC. Responsibility for remedial action in response to audit findings rests with line management.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work.

When carrying out its work, Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to Hinckley and Bosworth Borough Council's policies and standards and will monitor whether such measures are implemented on a timely basis.

The AC is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.

Scope of Activities

As highlighted in the previous section, there are inherent limitations in any system of internal control. Internal Audit therefore provides the Chief Executive through the AC with reasonable, but not absolute, assurance as to the adequacy and effectiveness of

the Council's governance, risk management and control processes using a systematic and discipline approach by:

- Assessing and making appropriate recommendations for improving the governance processes, promoting appropriate ethics and values, and ensuring effective performance management and accountability;
- Evaluating the effectiveness and contributing to the improvement of risk management processes; and
- Assisting the Council in maintaining effective controls by evaluating their adequacy, effectiveness and efficiency and by promoting continuous improvement.

The scope of Internal Audit's value adding activities includes evaluating risk exposures relating to Hinckley and Bosworth Borough Council's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic 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.

Reporting

For each engagement, Internal Audit will issue a report to the appropriate senior management and business risk owner, and depending on the nature of the engagement and as agreed in the engagement's Terms of Reference, with a summary to the Senior Management Team and the AC. The UK PSIAS require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The annual risk-based plan is compiled by the Head of Internal Audit taking account of the Council's risk management / assurance framework and after input from members of the Senior Management Team. It is then presented to the AC annually for comment and approval.
- The internal audit budget is reported to the AC for approval annually as part of the overall budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the AC.

Internal Audit Charter continued

- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from internal audit work are reported to the Senior Management Team and AC on a regular basis.
- Any significant consulting activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the AC.
- Any significant instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Senior Management Team and the AC and will be included in the Internal Audit Annual Report.

Independence

The Head of Internal Audit has free and unfettered access to the following:

- Chief Financial Officer at Hinckley and Bosworth Borough Council;
- Chair of the Council's AC; and
- Any other member of the Senior Management Team.

The independence of the contracted Head of Internal Audit is further safeguarded as their annual appraisal is not inappropriately influenced by those subject to internal audit.

To ensure that auditor objectivity is not impaired and that any potential conflicts of interest are appropriately managed, all internal audit staff are required to make an annual personal independence responsibilities declaration via the tailored 'My Compliance Responsibilities' portal which includes personal deadlines for:

- Annual Returns (a regulatory obligation regarding independence, fit and proper status and other matters which everyone in Mazars must complete);
- Personal Connections (the system for recording the interests in securities and collective investment vehicles held by partners, directors and managers, and their immediate family members); and
- Continuing Professional Development (CPD).

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the AC. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

External Auditors

The external auditors fulfil a statutory duty. Effective collaboration between Internal Audit and the external auditors will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal Audit will follow up the implementation of internal control issues raised by external audit if requested to do so by Hinckley and Bosworth Borough Council.

Internal Audit and external audit will meet periodically to:

- Plan the respective internal and external audits and discuss potential issues arising from the external audit; and
- Share the results of significant issues arising from audit work.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- PSIAS; and
- All relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the PSIAS, on-going performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of CPD is maintained for all staff working on internal audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. Both the Head of Internal Audit and the Engagement Manager are required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

Performance Measures

In seeking to establish a service which is continually improving, we acknowledge it is essential that we agree measures by which Internal Audit should demonstrate both that it is meeting the Council's requirements and that it is improving on an annual basis. We will work to any measures outlined in the original Invitation to Tender, whilst we agree performance measures with the Council.

We take responsibility to Hinckley and Bosworth Borough Council for this report, which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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