

NON-CONFIDENTIAL



Borough of Tamworth

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AUDIT AND GOVERNANCE COMMITTEE

11 March 2025

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Town Hall, Market Street, Tamworth on Wednesday, 19th March, 2025 at 6.00 pm**. Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. C. V.' with a stylized flourish at the end.

CHIEF EXECUTIVE

A G E N D A

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- 1 Apologies for Absence**
- 2 Minutes of the Previous Meeting (Pages 5 - 12)**
- 3 Declarations of Interest**

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

- 4 FHSF Risk Update January 2025** (Pages 13 - 52)
(Report of the Assistant Director Growth and Regeneration)
- 5 Introduction of Bishop Fleming as Council's External Auditors for 24/25 and Audit Plan** (Pages 53 - 68)
(Bishop Fleming)
- 6 Draft Internal Audit Plan 2025/26** (Pages 69 - 84)
(Report of the Interim Audit Manager)
- 7 Update on Global Internal Audit Standards** (Pages 85 - 244)
(Report of the Interim Audit Manager)
- 8 Review And Update Of Financial Guidance** (Pages 245 - 354)
(Report of the Interim Executive Director Finance)
- 9 Final Accounts 2024/25 – Accounting Policies And Action Plan** (Pages 355 - 392)
(Report of the Interim Executive Director Finance)
- 10 Recruitment of Independent Person** (To Follow)
(Report of the Monitoring Officer)
- 11 Audit & Governance Committee Effectiveness** (Pages 393 - 478)
(Report of the Interim Audit Manager)
- 12 Audit and Governance Committee Timetable** (Pages 479 - 484)

(Discussion Item)

A Private Meeting of the Internal and External Auditors and Committee Members will Follow this Meeting

Access arrangements

If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.

Filming of Meetings

The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found [here](#) for further information.

If a member of the public is particularly concerned about being filmed, please contact a member of Democratic Services before selecting a seat

FAQs

For further information about the Council's Committee arrangements please see the FAQ page [here](#)

To Councillors: C Adams, S Doyle, C Bain, M Couchman, J Oates, P Turner and A Wells

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MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON 5th FEBRUARY 2025

PRESENT: Councillor C Adams (Chair), Councillors S Doyle, C Bain,
M Couchman, J Oates and A Wells (Vice-Chair)

Officers Stephen Gabriel (Chief Executive), Joanne Goodfellow (Interim Executive Director Finance and Deputy Section 151 Officer), Rebecca Neill (Interim Audit Manager), Tracey Pinton (Legal Admin & Democratic Services Manager), Laura Sandland (Democratic and Executive Support Officer) and Nicola Hesketh (Monitoring Officer)

Visitors Laura Hinsley (Azets)

36 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor P Turner

37 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 13th November 2024 were approved and signed as a correct record.

(Moved by Councillor Marion Couchman and seconded by Councillor C Bain)

38 DECLARATIONS OF INTEREST

There were no declarations of Interest.

39 AUDITOR'S ANNUAL REPORT 2023/24

Report of Azets. Laura Hinsley, from Azets, the external auditors presented the report.

The Annual Report on the council's arrangements to secure Value for money 2023/24 financial year. Reported on 3 areas:

- The Council's arrangements to secure financial sustainability.
- The Council's governance arrangements
- The Council's arrangements to secure improvements in economy efficiency and effectiveness.

The External Auditor reported that the Council's accounts give a true and fair representation and are materially correct, advising they don't consider there to be significant weaknesses in the Council's arrangements and as such the external auditors have not made any key recommendations.

Attention was drawn to the issue delayed certification on their audit opinion due to the requirement from the National Audit Office to contribute towards the whole of government accounts and that they will keep in contact with the Interim Executive Director Finance when the new external Auditors take over for 24/25 period.

Member sought clarity on the following:

- What is the difference between other recommendations and key recommendations?

The External Auditor explained that key recommendation would feature in the audit opinion and would stand out as a weakness to be addressed in arrangements, whereas other recommendation is considered best practice, an improvement, rather than significant weakness.

- How long has the recommendation that the chief executive be a regular attendee at Audit and Governance Committee been in the CIPFA guidance and why did it take time to be enacted?

External Auditors informed the committee that: they took over Assurance for 23/24 and cannot comment on the process prior to this and they will provide a response as to when this came into guidance.

- What is the frequency that TBC is externally audited?

The External Auditors explained that the function as external audit is to review the financial statements so that happens once, they have been produced which tends to be between June and September, whilst most of the work is focused on the year-end position, they work with the council all year round.

- Will the External Auditors be auditing against the Financial Stability Plan going for future reports?

The External Auditors advised that this was their last committee, and that Bishop Fleming will be taking over for 24/25.

- What is the risk is of not spending the Future High Street Fund money and what provision has been made to deal with that risk?

The Interim Director Finance answered that their most recent understanding was that this 186K which might have to be reprofiled and the team had plans to spend this money.

The Chief Executive added that the council have also contributed to the scheme it was agreed that the Future High Street Fund would be used first and then the council contribution, therefore it will be spent within the timeline agreed with MHCLG.

- Members highlighted the importance of getting the benefits from the Local Strategic Partnership.

Resolved that the Committee:

1. Endorsed the report with the comments made.

(Moved by Councillor C Bain and seconded by Councillor M Couchman)

40 INTERNAL AUDIT PROGRESS UPDATE Q3

Report of the Interim Audit Manager to provide the Audit & Governance Committee with internal audit's progress report for the period to 31 December 2024.

Members sought clarity on:

- Outstanding audit actions and the process for inviting senior managers with those actions to come before the Committee to give assurance?

The Interim Audit Manager explained that outstanding high priority overdue audit actions were detailed within the report and that the Interim Director of Finance was here to give assurance on her areas of responsibility and that the Internal Audit Manager could herself give assurance on the action relating to business continuity following feedback received from the Assistant Director Assets. The Interim Audit Manager explained that she would look at how the Committee would like to receive this information in future reports.

- What happens if we don't meet the targets?

The Interim Audit Manager explained that the target of 90% achievement of the plan would be challenging but work was underway, and she was confident that there would be sufficient coverage of the plan to enable an assurance opinion at the year end.

The Interim Audit Manager explained to the Committee the forthcoming change from Public Sector Internal Audit Standards to Global Internal Audit Standards and the work being undertaken to ensure the Council remains compliant. She explained that a report would be 19th March Committee.

Resolved that the committee noted the following report

Internal Audit's Quarterly Progress Report (Q3) at Appendix 1.

(Moved by Councillor C Bain and seconded by Councillor M Couchman)

41 **AUDIT COMMITTEE EFFECTIVENESS**

Report of the Interim Audit Manager to undertake the annual self-assessment of Audit & Governance Committee effectiveness.

Resolved that the committee:

1. Considered the attached self-assessment checklist (Appendix 3) and endorses any actions to improve its effectiveness as appropriate.

(Moved by Councillor S Doyle and seconded by Councillor M Couchman)

An additional recommendation was proposed and was resolved that the Committee:

2. Asked Members to form a subcommittee to look at the CIPFA checklist.

(Moved by Councillor S Doyle and seconded by Councillor C Bain)

Councillors C Adams, A wells, C Bain and M Couchman volunteered to form this group.

42 FINANCIAL WAIVERS TO 31ST DECEMBER 2024

Councillor Oates left the meeting at 18:51 and did not vote on this item.

Report of the Interim Executive Director Finance for the Audit & Governance Committee to note the waivers to the Council's procurement processes as set out in Financial Guidance for the period 1st October 30th to 31st December 2024, for the reasons as set out, and to advise if any further information is required.

Members questioned the following:

- Should Financial Waivers be available to view?

The interim Director Finance informed the committee that the Scheme of Delegation process was being looked at as part of the constitution review.

- What are the limits on waivers?

The Interim Director Finance informed on the process and under Financial Guidance there are different thresholds for the roots of procurement, so anything over £5,000 should go through our electronic tendering portal; so, waivers would be an exception rather than the rule.

- Is there a maximum amount for waivers?

The Interim Director Finance explained that he public contracts regulations are certain thresholds whereby we have to comply with the legislation, which means we must tender those opportunities, and those thresholds are set out in the report.

Resolved that the committee:

Noted the waivers approved to the procurement processes as set out in the Council's Financial Guidance

(Moved by Councillor A Wells and seconded by Councillor M Couchman)

43 RISK MANAGEMENT QUARTERLY UPDATE QTR.3 2024/25

Report of the Interim Executive Director Finance to report on the Risk Management process and progress for Quarter 3 of the 2024/25 financial year.

- The Chair highlighted the link between cyber security and information governance risk as area for further clarification.

The interim Executive Director Finance will feed this back to the relevant Assistant Director.

Resolved that the committee:

1. Endorsed the Corporate Risk Register and receives assurance on actions taking place to manage the Council's most significant strategic risks.

(Moved by Councillor C Bain and seconded by Councillor S Doyle)

44 FHSF RISK UPDATE JANUARY 2025

The item was deferred and will come to the next Audit and Governance Committee meeting on 19th March 2025.

45 REGULATION OF STANDARDS OF CONDUCT

Report of the Monitoring Officer to provide the committee with an update on the number of Code of Conduct complaints received by the Monitoring Officer.

Resolved that the committee

Endorsed the contents of the report.

(Moved by Councillor C Bain and seconded by Councillor S Doyle)

46 COMMENTS, COMPLIMENTS AND COMPLAINTS UPDATE

Report of the Assistant Director – People to provide the committee with an overview of the Council's policy and procedures for comments, compliments and complaints including the requirements of both the Housing and Local Government and Social Care Ombudsman.

- Members asked if there had been many compliments or complaints since the reopening the front desk at Marmion House?

Officers advised that there were tablets in Marmion House that can capture that data and that they can share this with Members going forward.

Resolved that the committee:

Endorsed the contents of this report.

(Moved by Councillor A Wells and seconded by Councillor C Bain)

47 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE

The Committee reviewed the timetable and highlighted training and the committee functions as an area for further support and discussion.

Chair

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Wednesday 19th March 2025

Report of the Assistant Director - Growth & Regeneration

Future High Street Fund Risk Register

Purpose

To update the committee on Future High Street Fund (FHSF) Risks

Recommendations

It is recommended that:

1. The committee endorse the report
2. The committee endorse the risk register

Executive Summary

The full risk register prepared by the council's consultant Edge is attached in Appendix 2. The top three risks are determined by the project team based on what could have the most disruptive impact on the FHSF programme if the risk materialised and is not appropriately mitigated and/or controlled. The number next to each of these risks corresponds directly to a risk listed in Appendix 2. The risk register is organised by project area and appendix 3 explains any acronyms used in the register. A more detailed explanation of each of the three top risks is provided below within the background section.

The top 3 Risks are as follows:

- 1) Insufficient budget to cover full scope of works to Market Street Properties (Risk ID 46)**
- 2) Risk to continued building damage (post completion) from water ingress from Kier site / adjacent building detail (Risk ID 196)**
- 3) Risk relating to obtaining S111 for adopted areas. Late S111 could delay works to paving (Risk ID 178)**

Background

Risk 1 Insufficient budget to cover full scope of works to Market Street Properties (Risk ID 46)

It should be noted that initial cost indications for the Market Street properties and Castle Gateway development have not yet been finalised. Surveys have revealed that the condition of the Market Street properties is considerably worse than anticipated at the time the bid was pulled together. The existing timbers for example, show signs of deathwatch beetle infestation and damage from damp present in the buildings. Some of the timbers may need to be repaired or replaced. Speller Metcalfe have undertaken an enabling works package, this involves opening up works to better understand the condition of the building as well as weather proofing to prevent further damp.

The schedule of works for this enabling package was consented by both the Conservation Officer and Historic England given the properties have grade II listed status. Any further works that form the main works contract will also be subject to planning consent and both the Conservation Officer and Historic England will be statutory consultees in this process, this phase of design is now underway. Once the design is finalised, we can proceed to fixed costs.

Whilst we do have initial cost estimates, the enabling works have provided a greater insight into the condition of the building now that finishes are removed, and there is a risk that the full scope of works (as listed in the bid) will come in overbudget. The scope of works listed in the bid are that the ground floor of the properties will be finished to a white box standard. This involves providing a painted unit, with lighting and power points. The original scope also includes tea points and WC facilities for each unit. If this isn't achieved there isn't a risk of government withdrawing any funding, their concern is primarily with spending the funding by the deadline. Most of the funding is committed and the remaining amount will be committed when we enter into a stage 3 contract with Speller Metcalfe to deliver the full works to the Market St properties once the enabling package concludes and agreement on design and an indication on pricing is reached.

At the February Full Council (2024) meeting it was agreed that further budget be allocated to the programme, however, until fixed costs are derived it is unknown if the contingency pot will cover the costs, which is why this remains a significant risk.

Risk 2) Risk to continued building damage (post completion) from water ingress from Kier site / adjacent building detail (Risk ID 196)

The second risk refers to water ingress to the completed Tamworth Enterprise Centre that is coming from the neighbouring college site. The college build does not look to have been completed as specified in the party wall agreement. Conversations are underway with representatives from Kier (the college site contractor) and the college to find a solution. TBC to continue liaising with Kier and College site until an agreed detail is provided and the consented Party Wall detailed regarding the college building levels is achieved at their cost.

Risk 3) Risk relating to obtaining S111 for adopted areas. Late S111 could delay works to paving (Risk ID 178)

The final risk refers to securing agreements with Staffordshire County Highways. The Borough Council's project team and Speller Metcalfe are regularly meeting with Staffordshire Highways contractor Amey in regards to specifications for materials and obtaining the agreements required for works to take place. The application for the Section 111 order has been submitted and has undergone an initial review just before the Christmas break. The Borough Council's planning team is engaged in responding to any queries or objections raised by Staffordshire Highways in relation to any live planning applications. The Council is continuing to push for timescales for agreements to be completed as Highways have flagged timescales and resource issues. The TBC project team will continue to share updated plans, programmes and specifications of works with the Highways team to progress as required.

The technical review process should be completed by early March by Amey, once this is agreed they can then progress the legal agreement. Until the legal agreement is agreed, TBC's contractor Speller Metcalfe cannot progress with paving adopted areas of land included as part of the scheme. They have been able to progress with the areas of St Editha's Square that are in the Borough Council's ownership but the perimeter of the square (where the canopy line ends) up to the shop fronts is county highways land. Currently the project is on programme and due to complete in early May but there is a risk that this could be delayed if the agreement for the S111 is not agreed in time for when the works on highways land are programmed to begin, so work in this area would be paused until the agreement is in place. All landscaping elements of the scheme are not bound by the Future High Street Fund March 2025 spend deadline as these are funded by TBC match funding, Shared Prosperity funding or Community Infrastructure Levy.

Options Considered

N/A for this report

Resource Implications

None as a direct result of this report or risks identified .

Legal/Risk Implications Background

Works license to Middle Entry works no longer needed as Peer Group have withdrawn consent for the scheme, therefore this risk will be reduced and closed. This was the subject of a report and update to Full Council on January 21st 2025. All other legal agreements and funding agreements have been completed with Nationwide and South Staffordshire College. All FHSF projects are now in contract with Speller Metcalfe with the exception of the Market Street Properties. The contract for these works is anticipated to be ready for signing in March following agreement on pricing and design as outlined above.

Equalities Implications

No specific risk concerning equalities implications. Equality, Social Inclusion and Health Impact Assessment (ESHIA) for the FHSF is attached for reference also.

Environment and Sustainability Implications (including climate change)

No specific risks relating to this report or in the risk register.

Background Information

None for this report , please see appendices for risk register, Equality, Social Inclusion and Health Impact Assessment (ESHIA) .

Report Author

Anna Miller - Assistant Director, Growth and Regeneration
Alice Poulton – Future High Streets Fund Project Officer

List of Background Papers

N/A

Appendices

Appendix 1 – ESHIA
Appendix 2- Risk Register
Appendix 3- Acronyms Key

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Equality, Social Inclusion and Health Impact Assessment (ESHIA)

An ESHIA is a review of a new or existing policy, strategy, project, report or service change to establish whether this has a differential impact on specific equality groups and identifies how we can improve equality of opportunity for different groups of people.

An ESHIA aims at improving Tamworth Borough Council’s work, by promoting equality, social inclusion, health and wellbeing by ensuring that the proposed or existing policy promotes equality and can benefit a wide range of people.

Details

Title of the proposal	Future High Streets Fund	
Director responsible for the project or service area	Anna Miller	
Officer completing the assessment	Alice Poulton	
Date conducted	12.06.24	
Who are the main stakeholders?	<p>Internal council teams/services: Assets, Economic Development and Regeneration, Communications, Finance, Arts and Events, Street Scene</p> <p>Local businesses, town centre users, Tamworth residents , South Staffordshire college students , County Highways, Nationwide Building Society (property team and Tamworth branch)</p>	
What is being assessed?	A decision to review or change a service	
	A strategy, policy, report or procedure	
	A function, service, or project	x
What kind of assessment is it?	New	x
	Review of existing	

Part One - Initial screening:

This section should be used to carry out an initial screening of changes or decisions to help to decide whether a full ESHIA is required.

The following six screening questions are designed to assess whether this proposed change is likely to have an impact on equality, social inclusion, health and wellbeing.

		Yes	No
1	Does this new or revised project, proposal, policy, report, procedure likely to have an impact?	x	

2	Does the proposal seek agreement to a key decision involving allocation of resources, such as changes in funding or resources, initiation of a new programme or project or procurement?	x	
3	Does the proposal seek agreement on restructuring or reorganising of staffing?		x
4	Will this policy or proposed change have any impact on potential suppliers?		x
5	Does this policy or proposed change impact on any HR policy or practice within the council?		x
6	Does this policy or proposed change have any implications for equalities, social inclusion and health and wellbeing not covered above?	x	

1. If the answer is **no** to all the questions, please provide a summary below outlining why this conclusion has been reached.
2. If the answer is **yes** to any of the questions, please conduct the full ESHIA as detailed in Part two.

If you are unsure of any of the answers, please seek advice from Human Resources.

Summary of initial screening outcome:

FHSF programme previously undertaken CIA considering similar issues as outlined below, Programme due to conclude within next 6 months – unlikely at this stage to need any changes to policy , funding or resource not already identified.

Decision	Yes	No
Initial screening only	x	
Proceed to Part Two, full assessment	X	

Initial screening completed by	Alice Poulton
Date	21.01.2025

Full screening completed by	
Date	

Equality, Social Inclusion and Health Impact Assessment (ESHIA)

Part Two: Full assessment

Section 1

The purpose of the project, proposal or decision required. Set out the aims, objectives, purpose and outcomes of the area being impact assessed. Are any other functions, policies or services linked to this assessment?

No decision required – FHSF fund objectives and projects decided at bid stage and approved by full council in 2021 as well as any other proposed changes to scope must be reviewed at Full Council.

There will be multiple affected stakeholders , the programme of works involves internal teams but will also affect those in proximity to where the work takes place. This primarily will be town centre users, residents, businesses. It will also involve other delivery partners such as the Highways department of the county council who will be working with us on agreements for the public realm works.

Internal teams affected

Assets – acquisition and ongoing management and maintenance of TBC owned buildings that are part of the FHSF project

Economic Development – TEC2 and Flex operational activity, designing operating model as well as attracting and managing tenants.

Planning- reviewing applications and dealing with any objections

Communications- Communicating progress, responding to press enquiries . ensuring key information is available

Street Scene- additional maintenance of new public realm and any planting

Highways – As part of the existing reverse agency agreement with TBC, the Highways team will be responsible

Section 2

Evidence used and considered. Include analysis of any missing data.

Section 3

Consultation undertaken with interested parties who will/may be affected proposal? What were the outcomes of the consultation?

Tamworth What's Next Consultation

Section 4

What are the potential or actual impacts of the proposal? Please consider both the direct and indirect impact and refer to the guidance for additional information.

Impact Area	Impact? Positive (P) Negative (N) Neutral (Ne)	Details of the impact	Action to address negative impact
Protected Characteristic, as outlined in the Equality Act 2010			
Age	Positive	Outputs of scheme are designed to be beneficial for all age groups. Some schemes may be more targeted benefits e.g the college will directly advantage school leaver ages. However, the remainder of the schemes should be accessible and beneficial to all age groups as are mainly focused around accessibility , improvement of public realm surroundings and diversifying retail and business offer in the town centre.	
Disability	Positive	Accessible public realm adjustments to St Editha's Square – currently not level so can be difficult for those with wheelchairs or sight impairments to navigate. Slopes to be added to Middle Entry/Flex plaza as well as steps to provide alternate means of access that isn't currently available. Bridge in Castle Gateway area will be widened to increase capacity and will be accessible to	

		<p>wheelchair/mobility scooter uses . The new TEC2 building has a platform lift installed , building was not previously accessible .</p> <p>The paving has been chosen which is non-slip to facilitate safe use by all.</p>	
Gender reassignment	Neutral	<p>The components of the FHSF scheme are broadly : new accessible public realm, improving link between heritage assets/walkways through the town centre and new offer for retail and new services office space at TEC2. The majority of these should not have any negative impact on individuals who are going through gender reassignment. Any prospective tenants for the flexible retail space and the TEC2 would be assessed equally and not discriminated against on this basis.</p>	
Marriage and civil partnership	Neutral	<p>There is no direct impact on those who are married, civil partnered – scheme is designed to be beneficial to all town centre users regardless</p>	
Pregnancy and maternity	Neutral	<p>The components of the FHSF scheme are broadly: new accessible public realm, improving link between heritage assets/walkways through the town centre and new offer for retail and new services office space at TEC2. The majority of these should not have any negative impact on</p>	

		individuals who are pregnant or on or returning from maternity leave. Any prospective tenants for the flexible retail space and the TEC2 would be assessed equally and not discriminated against on this basis	
Race	Neutral	The components of the FHSF scheme are broadly: new accessible public realm, improving link between heritage assets/walkways through the town centre and new offer for retail and new services office space at TEC2. All schemes are designed to be accessible for anyone from any race. Any prospective tenants for the flexible retail space and the TEC2 would be assessed equally and not discriminated against on this basis.	
Religion or Belief	Neutral	The components of the FHSF scheme are broadly: new accessible public realm, improving link between heritage assets/walkways through the town centre and new offer for retail and new services office space at TEC2. All schemes are designed to be accessible for anyone from any religious background or belief. Any prospective tenants for the flexible retail space and the TEC2 would be assessed equally and not discriminated against on this basis.	
Sex	Neutral	The components of the FHSF scheme are broadly: new accessible public realm, improving link between heritage assets/walkways through	

		the town centre and new offer for retail and new services office space at TEC2. All schemes are designed to be accessible for all regardless of sexual orientation. Any prospective tenants for the flexible retail space and the TEC2 would be assessed equally and not discriminated against on the basis of sexual orientation.	
Sexual Orientation	neutral	The components of the FHSF scheme are broadly: new accessible public realm, improving link between heritage assets/walkways through the town centre and new offer for retail and new services office space at TEC2. All schemes are designed to be accessible for all regardless of sex. Any prospective tenants for the flexible retail space and the TEC2 would be assessed equally and not discriminated against on basis of an individual's sex.	
Are there socio-economic groups likely to be affected? If yes, please provide detail below			
Other social exclusion			
Digital exclusion			
Veterans and serving members of the armed forces and their families	Neutral	The components of the FHSF scheme are broadly: new accessible public realm, improving link between heritage assets/walkways through the town centre and new offer for retail and new services office space at TEC2. All schemes are designed to be accessible for all regardless of whether individuals or families associated have an armed forces	

		background. Any prospective tenants for the flexible retail space and the TEC2 would be assessed equally and not discriminated against on basis of an individual's previous service history.	
Young people leaving care			
Health and Wellbeing: Individuals and communities in Tamworth	Impact: Positive (P) Negative (N) Neutral (Ne)	Explanation	Action to address negative impact
Will the proposal have a direct impact on an individual's health, mental health and wellbeing?			
Will the proposal directly impact on housing?			
Will there be a likely change in demand for or access to public services such as health and social care services?	Neutral	No interventions of FHSF should result in changes to demands for these services	
Will there be an impact on diet and nutrition?	Neutral	No	
Will there be an impact on physical activity?	Positive	Potential positive to increase take up of walking routes through town centre to castle grounds after new public realm installed	
Will there be an impact on transport, travel and connectivity?	Positive	Sustainable transport encouraged with new bike racks and Potential positive to increase take up of walking routes through town centre to castle grounds after new public realm installed	
Will there be an impact on	Positive	Inductions of new site operatives throughout the	

employment and income?		works. Post works could see new entrants to high street in Flex building with potential need for more employees. College expansion may potentially increase in more staff required both for teaching and maintenance/operation of building	
Will there be an impact on education and skills?	Positive	New college will provide new up to date facilities for educational purposes , new skills	
Will there be an impact on community safety?	Positive	Better lighting and level access, replaced paving means perception and physical boundaries removed or bettered. New lighting throughout centre can help with perception of safety	
Will there be an impact on the environment, air quality, climate change?	Neutral	As there is new builds and demolition taking place there is a potential for negative carbon impact and emissions. Several of the projects within the FHSF scheme are refurbishments designed to restore original buildings in favour of demolish and rebuild so this has been kept to a minimum where possible. Additionally, additional planting and greenery will be added to new public realm areas and has potential to positively increase biodiversity. Whilst Tamworth Borough Council are not managing the college build, it should be noted that the influx of new students and staff into the town centre presents an opportunity to promote cycling and use of public transport as a more sustainable form of travel. However, it is to be expected that additional	

		car users will be present in town centre, thus potentially resulting in a small increase in emissions in the town centre.	
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If there are no adverse impacts or any issues of concern or you can adequately explain or justify them, please move to section 6.

Section 5

Where a potential negative impact has been identified, can continuation of the proposal be objectively justified? If yes, please explain your reasons.

Project almost at completion so will be a continuation , interventions are required to reverse town centre decline and to justify objectives and spend of fund in line with government’s approval of the bid.

Section 6: Decisions or actions proposed

The assessment may result in some recommendations or suggestions to mitigate any negative impact and maximise positive impacts or actions to reduce the risk of an adverse impact.

Climate Change – potential negative of increased town centre usage , primarily by car – although sustainable transport encouraged. Specifically as a result of increased use in town centre as has shown decline in previous years. Will likely require monitoring of additional traffic and footfall and measures to ensure additional waste and usage of town centre is effectively managed and cleaned . As a positive impact, there will be increased biodiversity as a result of new planting in public realm and castle gateway areas and installation of sustainable urban drainage systems.

Completion of project and continued monitoring and maintenance of new planting . Will require college and council to monitor parking data and parking permits and emissions from any new buildings. Whilst new buildings are replacing other buildings that has existing energy output and uses – most should be more efficient as either new builds or refurbishments with more efficient energy out puts and EPC ratings.

Section 7: Monitoring arrangements

Who will be responsible for monitoring	Anna Miller/Alice Poulton
----------------------------------------	----------------------------------

Frequency of monitoring	Until end of FHSF project
Where will the impact assessment be reported to?	Reviewed within project team if and when required
Where this impact assessment will be stored and for how long	Until end of FHSF project

Section 8: Summary of actions to mitigate negative impact (if required)

Impact Area	Action required	Lead officer/responsible person	Target date	Progress

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#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
Projects: CSTL		SUM						SUM 20	SUM 32	SUM 69			
1	Risk associated with National Grid and impacting the electrical mains cable running on the underside of the existing bridge.	2	17/10/2...	Constru...	Delay Cost Quality	Infrastr...	Client	3	4	12	Early liaison with relevant statutory authority. Early scoping of electrical works and proposed cable routes. Gain an understanding of areas this cable feeds.	Open	CSTL
2	Risk relating to obtaining S.111 for adopted areas. Late S.111 could delay works to adopted paving areas.	178	31/10/2...	Pre-Con...	Delay Cost	Highw...	Client	2	5	10	Public realm paving works are towards latter stages of Castle Gateway programme. Agreed timescales for S.111 technical review with SCC for March 25.	Open	CSTL
3	Risk to programme due to added complications and need for archeological input and specialist structural input	119	16/2/2024	Pre-Con...	Delay Cost	Design	Client	3	3	9	SML to confirm extent of required specialist input.	Open	CSTL
4	Risk of not obtaining SMC as per the project programme, thus potentially delaying the programme.	1	25/10/2...	Pre-Con...	Delay	Appro...	Client	2	4	8	Early liaison with Heritage consultant and Historic England to fully understand SMC process and inform the project of latest date the consent must be applied for, without lengthening the programme.	Open	CSTL
5	Finding unknown archeology / structural complications as part of the excavation survey works (including any potential issues with the demo of NBS). Thus causing potential delay and cost impact.	3	25/10/2...	Constru...	Delay Cost	Existin...	Client	2	4	8	Heritage consultant to carry out a Written Scheme of Investigation, if deemed required. Ensure surveys are procured and carried out immanently with Historic England approval.	Open	CSTL
6	Sheer quantity of required permits (as per SML draft programme)for this project. Not all required permits being obtained against the programme.	5	18/10/2...	Pre-Con...	Delay Safety	Appro...	Client	2	3	6	SML detail out in their programme all required permits and backward link the latest dates in which these would need to be obtained in order to maintain programme.	Open	CSTL
7	Poor public perception and backlash due to restricted access routes between castle grounds and town centre.	6	23/10/2...	Constru...	Delay	Stakeh...	Client	3	2	6	TBC to provide narrative to general public at appropriate time explaining benefits of the works, and early establishment of pedestrians movements around town centre.	Open	CSTL
8	Lack of understanding on archeological factors in the scheme causing design challenges and added time to design periods.	116	16/2/2024	Pre-Con...	Delay Quality	Design	Client	2	3	6	SML to bring on board archeological consultant to advise on design.	Open	CSTL
9	Specialist structural elements involving the castle walls not being understood by SML design team.	117	16/2/2024	Pre-Con...	Delay Quality	Design	Client	1	4	4	SML to bring on board specialist structural consultant to advise on castle walls structures / design.	Open	CSTL

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
10	SML PCSA submission is returned later than agreed.	4	16/10/2...	Pre-Con...	Delay	Progra...	Client	0	0	0	SML to be reminded of their previous delays in submitting PCSA costs. Regular driving of the programme between EDGE and SML.	Closed	CSTL
11	Risk of Freeths not issuing PCSA for execution as per agreed programme dates (24/11/23.)	7	21/11/2...	Pre-Con...	Delay	Contract	Client	0	0	0	TBC to inform Freeths of required contract execution date and EDGE to issue all information required by Freeths for completing PCSA document.	Closed	CSTL
12	Risk of the PCSA costs being returned overbudget. Thus, also delaying programme, whilst the client looks to bring the project back to budget.	8	16/10/2...	Pre-Con...	Cost Delay	Comm...	Client	0	0	0	Early communication between SML and EDGE on high risk packages and package returns as they come in (open book basis).	Closed	CSTL
13	Delay to PCSA commencement due to PCSA not signed by both parties	100	15/12/2...	Pre-Con...	Delay Cost	Contract	Client	0	0	0	PCSA has been issued by Freeths to SML for signatures. TBC left as the final party to review and sign the PCSA. TBC to confirm PCSA execution.	Closed	CSTL
14	Risk of not obtaining planning consent in accordance with the current programme.	101	15/12/2...	Pre-Con...	Delay Cost	Planning	Client	0	0	0	ML to issue planning response from Shire to appease planning queries. RISK Duplicate of RISK ID 153.	Closed	CSTL
15	Risk to general phasing of works. If Peel is delayed, so will NBS demo, which facilitates Castle Gateway.	102	15/12/2...	Pre-Con...	Delay Cost	Progra...	Client	0	0	0	Peel Cafe and NBS programmes to be closely coordinated to ensure phasing is understood and Castle Gateway commencement is known. CLOSED - RISK REALISED - ALSO DUPLICATE RISK.	Closed	CSTL
16	Risk to budget due to requiring archeological and specialist structural consultants.	118	16/2/2024	Pre-Con...	Cost Delay	Design	Client	0	0	0	Obtain competitive quotations from trusted / known suppliers to TBC, including historic building consultants via Donald Insall. Captured within SML cost return.	Closed	CSTL
17	Programme phasing - Construction may need to be delayed due to Summer operations which will require bridge use.	128	25/3/2024	Pre-Con...	Delay Cost	Progra...	Client	0	0	0	TBC to provide guidance on likely period that works could practically take place against latest SML programme. CLOSED - Programme delay, now due to start on site Jan 25.	Closed	CSTL
18	Risk to programme & abortive design work if trial holes return results that mean structural design needs to be reconsidered.	130	25/3/2024	Pre-Con...	Delay Cost	Design	Client	0	0	0	To maintain programme, SML to continue designing on current structural allowances. Regular engagement with HE to try push through consent for trial holes. CLOSED - Trial holes returned and results included in contract docs.	Closed	CSTL

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
19	Risk of delaying proceeding to contract due to PI issue with SML.	145	23/4/2024	Pre-Con...	Delay	Legal	Contra...	0	0	0	Agreed wording to be added to contract. Minor risk should PI ever need to be realised. Wording now agreed. CLOSED.	Closed	CSTL
20	Risk of construction works overlapping with Fireworks event.	146	23/4/2024	Constru...	Delay Cost	Progra...	Client	0	0	0	SML to provide required programme and specific actions to achieve bridge install by Oct 2024. This could involve bringing bridge design and procurement forward. CLOSED - Duplicate of risk ID 153.	Closed	CSTL
21	Trial holes completion at risk due to NBS scaffold. Critical path programme item.	152	31/5/2024	Pre-Con...	Delay Quality	Surveys	Client	0	0	0	TBC to liaise with NBS to remove scaffold to trial holes can be completed. RISK REALISED - TRIAL HOLES NOW UNDERWAY / COMPLETE	Closed	CSTL
22	Risk of not meeting July or August planning committee, due to programme issues (NGED, trial holes, remaining design)	153	31/5/2024	Pre-Con...	Delay Cost	Planning	Client	0	0	0	Arrangements likely to be made for works to now go ahead post firework event, and potentially post Christmas 2024. TBC to liaise with NBS on their scaffold to allow trial holes completion and programme continuation. CLOSED - Scheme to commence in Jan 25, and planning obtained	Closed	CSTL
23	Risk to budget should SML 2nd stage cost return come in overbudget.	154	4/7/2024	Pre-Con...	Delay Cost Quality	Comm...	Client	0	0	0	Apply VE as discussed for public realm areas on paving spec and build up. EDGE cost review of SML return. CLOSED - Contract Agreed.	Closed	CSTL
24	Risk that chosen bridge supplier taken forward into contract (most competitive £120k option) does not meet the scope requirements, therefore opting for a more expensive bridge balustrading option and supplier.	173	29/8/2024	Pre-Con...	Quality Cost	Scope	Client	0	0	0	Review of supplier's quotations and sketch proposals for bridge balustrading by TBC to check this meets requirements. Also input from Glazzards to determine if the £120k option satisfies their design aspiration. CLOSED - entered in contract	Closed	CSTL
25	Risk of receiving for onerous planning conditions.	177	30/10/2...	Pre-Con...	Delay Cost	Planning	Client	0	0	0	Early sighting of planning decision and attached conditions to begin working through. CLOSED - Planning decision and conditions received.	Closed	CSTL

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
26	Impact on Castle Gateway programme being pushed back due to delay in NBS demo commencement.	193	6/12/2024	Constru...	Delay	Progra...	Client	0	0	0	TBC programme board to confirm Castle Gateway can be pushed back to start March 25, ensuring continuity of work. CLOSED - RISK REALISED. Works now contractually deferred until 03/03/2025. SML to provide pre-con programme and offer any efficiencies in getting to site any earlier than 03/03/2025.	Closed	CSTL
Projects: EDSQ		SUM						SUM 24	SUM 34	SUM 89			
27	Risk that S.111 not in place in March for adopted areas.	195	6/12/2024	Constru...	Delay Cost	Highw...	Client	3	5	15	Submission in Dec 2024, for technical review by March 25. Also legal agreement to be drawn up and agreed between SCC and TBC in advance. SML providing 17/04/25 fall back date for agreement to be in place.	Open	EDSQ
28	Specific risk to scheme for change in landscaping proposals to maintain Spud Man's pitch. Programme & cost implications to the scheme.	206	17/2/2025	Constru...	Cost Delay	Comm...	Client	3	5	15	EDGE to provide initial programme and cost impact for proposed change from soft landscaping area to paving. Continued liaison between TBC and Spud Man.	Open	EDSQ
29	Risk of impacting TBC public perception due to minor relocation of Spud Man's pitch in St Editha's square.	207	17/2/2025	Constru...	Delay Cost	Stakeh...	Client	5	3	15	Continued key stakeholder engagement by TBC.	Open	EDSQ
30	Risk of impacting local businesses and inefficiencies on site due to poor logistics.	170	30/8/2024	Constru...	Safety Delay Cost	Logistics	Contra...	3	4	12	Clear logistics plan to be inserted into the contract detailing phase by phase workings of the site, and clear demonstration of which areas of the square will be opened up and when.	Open	EDSQ
31	H&S risk due to groundworks taking place in such close proximity to general public, heavy pedestrian traffic areas and retailers	181	30/10/2...	Constru...	Safety Delay Cost	H&S	Contra...	2	5	10	Robust CPP H&S Plan to be developed. Clear pedestrian diversion and signage routes, as well as clear established site boundary.	Open	EDSQ
32	Risk of market traders / local businesses backlash due to requirement for temporary relocation.	151	31/5/2024	Pre-Con...	Delay Safety	Stakeh...	Client	3	2	6	Early wider stakeholder engagement from TBC to market traders.	Open	EDSQ
33	Discovery of below ground risk items - services, archeological, materials etc now that CWM wording on 2.9.A1 is agreed.	171	29/8/2024	Constru...	Delay Cost	Scope	Contra...	2	3	6	Ensure archeological watching brief is as detailed under the contract. Early notification from SML on any ground issues. Low risk following shallow excavations required.	Open	EDSQ

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
34	Risk to budget through client changes	172	29/8/2024	Constru...	Cost Delay Quality	Chang...	Client	2	3	6	Carry through an established and robust change control procedure into contract. Clear requirements for changes understood across all parties,	Open	EDSQ
35	Risk to quality and scope delivery due to Stage 4 design being the previous iteration, but with a VE schedule.	186	30/8/2024	Constru...	Quality	Contract	Client	1	4	4	Clear and robust VE schedule to be inserted in to contract to ensure the full VE scope is fully captured. Stage 4 drawings to be updated and issued soon after contract signatures.	Open	EDSQ
36	Due to Highway's dictated specifications, the design for landscaping and lighting is compromised.	9	23/10/2...	Pre-Con...	Quality Cost	Design	Client	0	0	0	Early liaison with Highways to negotiate and agree acceptable design parameters - away from SCC Highways specs. CLOSED - SCC have provided acceptance of Eon lighting design.	Closed	EDSQ
37	Risk that SML are late with their PCSA submission.	10	20/10/2...	Pre-Con...	Delay	Progra...	Client	0	0	0	SML to be reminded of their previous delays in submitting PCSA costs. Regular driving of the programme between EDGE and SML.	Closed	EDSQ
38	Risk of delayed return in Eon lighting design / Eon lighting design does not cover the proposed area.	11	21/11/2...	Pre-Con...	Delay	Progra...	Client	0	0	0	Early liaison with Eon. SML to brief Eon on design aspirations whilst understanding the compromises in design that will be required to achieve a compliant design for SCC. CLOSED - Eon Lighting design received.	Closed	EDSQ
39	Risk of the PCSA costs being returned overbudget. Thus, also delaying programme, whilst the client looks to bring the project back to budget.	12	23/10/2...	Pre-Con...	Cost Delay	Comm...	Client	0	0	0	Early communication between SML and EDGE on high risk packages and package returns as they come in (open book basis). EDGE to query how framework rates have been applied to the PCSA costs.	Closed	EDSQ
40	Due to the wider programme budget limitations, there may not be sufficient budget to fund this element of works.	13	23/10/2...	Pre-Con...	Cost	Comm...	Client	0	0	0	Clear project scoping and budget management, with clear decisions being made at board level on the overall project spend, and budget allocation. CLOSED - Duplicate of RISK ID 103.	Closed	EDSQ
41	Risk that SCC Highways do not accept the adopted (S.111) proposals for landscaping due to any deviations from standard specs.	14	20/10/2...	Pre-Con...	Quality Cost Delay	Highw...	Client	0	0	0	SML to ensure SCC comments in response to the S.111 application for public realm areas are incorporated in the St Editha's Square design. Majority of areas are not adopted land. CLOSED - Captured under Middle Entry & Public Realm risks.	Closed	EDSQ

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
42	Risk to programme if PCSA is not issued for signatures / execution as planned.	99	15/12/2...	Pre-Con...	Delay	Progra...	Client	0	0	0	EDGE / TBC to chase Freeths to understand contract preparation process and timescales. CLOSED - PCSA issued.	Closed	EDSQ
43	Risk to budget as SML cost plan is over the budget. Large area of 150mm structural sub-base required for paving rigid construction.	103	15/12/2...	Pre-Con...	Delay Cost	Comm...	Client	0	0	0	SML, TBC, EDGE to carry out review of current proposals and determine VE proposals. CLOSED - TBC acceptance on 28/08 of proposed CSA.	Closed	EDSQ
44	Risk of SML design coordination standards dropping due to Node being the main design contributor and the familiar presence of Glazzards not being as involved in St. Editha's.	107	22/1/2024	Pre-Con...	Quality Delay	Design	Contra...	0	0	0	Design kick off meeting to be set up to understand design deliverables and key milestones where design coordination will be essential. RISK CLOSED - Design progressed to a position suitable for costing.	Closed	EDSQ
45	Satisfying planning department based on outstanding responses dating back to May 2023.	114	16/2/2024	Pre-Con...	Delay Quality	Planning	Contra...	0	0	0	ML to pass on Nodes planning response to appease planners. CLOSED - Planning obtained with conditions.	Closed	EDSQ
46	Risk to programme and delivering against initial programme provided at PCSA.	127	25/3/2024	Pre-Con...	Delay Cost	PCSA	Client	0	0	0	Updated programme to be issued by SML following VE process / exercise to agree affordable scope. CLOSED - Proposed contract programme agreed.	Closed	EDSQ
47	Risk of delaying proceeding to contract due to PI issue with SML.	144	23/4/2024	Pre-Con...	Delay	Legal	Contra...	0	0	0	Agreed wording to be inserted to contract. Smaller value works poses lesser risk. CLOSED - wording now agreed.	Closed	EDSQ
48	Risk to programme as current proposed programme assumes contract instruction for Aug 24, when it is likely to come end of Sept 24.	168	30/8/2024	Pre-Con...	Delay Cost	Progra...	Client	0	0	0	SML to update programme to reflect actual contract signatures date. Potential to provide early instruction under PCSA for permits and permissions to bring forward the start date again. CLOSED - Contract in place with Nov 24 start.	Closed	EDSQ
49	Risk of onerous planning conditions.	179	30/10/2...	Pre-Con...	Delay Cost	Planning	Client	0	0	0	Early sighting of planning decision and conditions for SML to begin addressing. CLOSED - Planning received	Closed	EDSQ

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
50	Risk that existing infrastructure, as well as assets create delay to SML meaningful commencement	180	30/10/2...	Constru...	Delay Cost	Assets	Client	0	0	0	TBC to arrange removal of bins, benches, CCTV etc ahead of Nov 24 start date. Contingency plan for SML to temporarily locate these objects in the site, however this does leave them exposed to possible damage. CLOSED - WORKS COMMENCED in Nov 24.	Closed	EDSQ
51	Risk of pulling up paving / abortive Zone C works once ME works commence.	191	29/10/2...	Constru...	Quality Delay Cost	Phasing	Contra...	0	0	0	RISK CLOSED - Middle Entry works omitted from contract.	Closed	EDSQ
Projects: FLEX		SUM						SUM 26	SUM 40	SUM 104			
52	Programme Risk - 23 weeks total delay. This is made up of 4 EoTs. However, further substantiation of time associated with each EoT is to be provided by SML for EDGE review.	203	17/2/2025	Constru...	Delay Cost Quality	Progra...	Client	4	5	20	SML to provide full cost and programme impact they are associating with each delay notice. To then be reviewed by EDGE. SML to also explore any possible further programme efficiencies.	Open	FLEX
53	Preliminaries cost risk - 8 weeks total further prelims. EoT 3 and 4 are still to be substantiated by SML, however we know the Gas diversion took 6 weeks, and we are estimating a 2 week delay allowance for EoT 4. 8 week preliminaries = £78k.	204	17/2/2025	Constru...	Delay Cost Quality	Comm...	Client	4	5	20	SML to provide full cost and programme impact they are associating with each delay notice. Validity of claims to then be reviewed by EDGE.	Open	FLEX
54	Risk of compromised quality of works due to delays incurred, and rush to complete.	205	17/2/2025	Constru...	Quality	Defects	Contra...	4	3	12	Regular on site quality monitoring of progress. SML to commence early snagging of internal fit out works.	Open	FLEX
55	Risk of not successfully discharging the planning conditions. Of the three schemes, this one has the most onerous and extensive conditions.	22	3/5/2023	Pre-Con...	Delay	Planning	Contra...	2	5	10	EDGE to persist in chasing Glazzards for the issue of discharge information. Glazzards to maintain liaison with the planning officer on likely discharge requirements.	Open	FLEX
56	Risk of complaints / negative relationship with Cosy Coffee / The Venue, due to exposing their façade from Flex demo.	126	25/3/2024	Constru...	Cost Quality	Stakeh...	Client	3	3	9	SML & TBC liaison with wider stakeholder. Potential for TBC to fund recommended bracing works from Shire's letter for Cosy Coffee.	Open	FLEX
57	Risk of asbestos disturbance in areas where asbestos has been found, or records are not in place for Flex / Middle Entry.	28	3/7/2023	Pre-Con...	Safety Delay	H+S	Contra...	2	4	8	Prior to SML taking site over, any areas where asbestos has been detected, tenants are strongly advised to shut off the area (North bridge link.) Any gaps of asbestos information, SML to procure all necessary R&D asbestos surveys before works	Open	FLEX

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58	Risk of not achieving building control approval by construction.	29	11/5/2023	Pre-Con...	Delay	Buildin...	Client	2	4	8	Carry out a programme review to confirm this item does not fall within the project's critical path. Liaison with BCO to take place in regard to flex and middle entry, similar to the discussions had on Peel cafe.	Open	FLEX
59	Risk of not being Building Regs compliant - due to building regs PD role.	155	4/7/2024	Pre-Con...	Safety Cost Delay	Buildin...	Client	2	4	8	TBC to appoint Glazzards direct for the BR PD role.	Open	FLEX
60	Risk that project could be put on hold by either HSE or BCO due to Cosy Coffee party wall issue.	183	29/10/2...	Constru...	Delay Cost Safety	Party ...	Client	1	5	5	Confirmation from AMC that Party Wall process has been followed. Agreement on extent of remedial works to be made between TBC and Cosy. Remedial works based on independent structural engineer proposal.	Open	FLEX
61	Risk of public resistance / push back due to the nature of the works in a public space, with high levels of footfall.	17	1/6/2023	Constru...	Delay	Political	Client	2	2	4	High levels of public engagement required. Local retail units who may be impacted by the works are to be regularly updated before and through construction.	Open	FLEX
62	Risk to budget if deep excavations are required as a result of SCC standards for newly installed paving.	16	21/11/2...	Pre-Con...	Cost Quality Delay	Existin...	Client	0	0	0	Early liaison with Highways on minimum standards for depths. Trial holes / digs to fully determine existing services locations. This will be sufficient to satisfy highways providing trial holes are carried out as per Highway Equilibrium CBR testing. CLOSED - CBR test results show good ground bearing ratio and extensive excavations not required.	Closed	FLEX
63	Risk of late contract execution due to contract preparation process and cost agreement.	18	21/11/2...	Pre-Con...	Delay Cost	Contract Progra...	Client	0	0	0	LOI to be put in place for the value of the enabling works with reference to the contract. Costs to be agreed with SML. CLOSED - Contract now signed.	Closed	FLEX
64	Programme risk - prolonged S.111 process with SCC Highways could impact SMLs programmed dates for works associated with external landscaping as part of the contract.	19	18/8/2023	Pre-Con...	Delay	Highw...	Client	0	0	0	EDGE & SML to agree S.111 fees for progressing. SML to review latest SCC report and include latest design proposals for all public realm areas. CLOSED - Captured in Middle Entry Risks	Closed	FLEX
65	Party wall Agreement being delivered late due to number of Peer Group owned properties requiring Party Wall.	20	5/6/2023	Pre-Con...	Delay	Stakeh...	Client	0	0	0	Regular liaison required with AMC. Look to try and get 1 notice in place for the freeholder (Peer Group) across all properties. Programme to link Part Wall to the specific works actually affected by the PWA.	Closed	FLEX

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
66	Risk of Staffordshire Highways not accepting the proposed areas for stopping up orders due to objection (S.247)	21	5/6/2023	Pre-Con...	Delay Cost	Highw...	Client	0	0	0	SCC to look into lifting the objection to allow works to continue, with S.111 then being resolved in the back ground. CLOSED - S.247 now agreed.	Closed	FLEX
67	Risk of limited liability and future latent defects surrounding RAAC being identified at both ends of Middle Entry links.	23	3/7/2023	Constru...	Quality Cost	Scope	Client	0	0	0	Share RAAC survey results with Peer Group. Peer Group ensure the temporary propping works are carried out, as advised by the RAAC surveyor. Consideration in design and VE process and on extent of works that will / wont affect the RAAC.	Closed	FLEX
68	SML not returning costs for VE feasibility options on time (as per programme.) Also delayed issue of updated design information following potential instruction of agreed VE.	24	25/9/2023	Pre-Con...	Delay Cost	Value ...	Client	0	0	0	Clear identification by EDGE of required, strict timescales for the full VE process and obtaining buy in from SML and TBC.	Closed	FLEX
69	Risk of poor public perception and backlash due to non-visual commencement on site.	26	7/6/2023	Constru...	Delay	Progra...	Client	0	0	0	Increase public engagement. Possible option to hoard the site, to demonstrate SML are progressing with works.	Closed	FLEX
70	Risk that Staffordshire Highways do not accept the proposals for adopted areas and highways affected areas in the design.	27	3/5/2023	Pre-Con...	Cost Delay	Highw...	Client	0	0	0	Carry out workshops / meetings with SCC members to understand likely blockers to obtaining S.111 agreements. CLOSED - Duplicate of Risk ID 115.	Closed	FLEX
71	Risk of asbestos presence in north bridge link. Threat to H&S as well as delay to works commencing in this area until asbestos is removed.	31	18/7/2023	Pre-Con...	Delay Quality	H+S	Contra...	0	0	0	SML to provide quotation for safe removal of asbestos from north bridge link.	Closed	FLEX
72	Risk that the VE proposals are not affordable following full VE process.	32	25/9/2023	Pre-Con...	Cost Delay	Comm...	Client	0	0	0	Client decision to increase / change the budget or potential omission of the project from the overall programme	Closed	FLEX
73	Risk to programme if SML do not submit design information for PTE production as per the programme dates.	33	3/7/2023	Pre-Con...	Delay	Design Finance	Contra...	0	0	0	SML to provide regular updates on issue of design information including a design release schedule.	Closed	FLEX
74	Risk to programme due to Flex & Middle Entry second stage cost submission delay.	34	3/7/2023	Pre-Con...	Delay	Progra...	Contra...	0	0	0	SML to provide clarity within their programme when they expect to submit second stage costs.	Closed	FLEX

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
75	Risk of existing services clashing with proposed Flex structures / landscaping proposals. Potential for service diversions.	35	3/5/2023	Constru...	Cost Delay	Infrastr...	Contra...	0	0	0	Obtain any existing services information from the statutory authority, as well as carry out sufficient utilities surveys, to establish exact service locations. CLOSED - Time elapsed. SML are out of the ground and any services impacting foundations have been managed.	Closed	FLEX
76	Risk of extending programme due to delayed decision on Middle Entry scope of works.	36	5/6/2023	Pre-Con...	Delay Cost	Scope	Contra...	0	0	0	The project team (EDGE / SML) to provide TBC with the necessary information around scope, costs and programme to help inform this key decision made at board level.	Closed	FLEX
77	Risk to budget and programme if full excavations are required to areas outside Flex in order to meeting the highways spec.	97	15/12/2...	Pre-Con...	Delay Cost Quality	Surveys	Client	0	0	0	SML to use highways specification to carry out CBR tests at appropriate locations across the public realm areas. Providing this is done against Highway's spec for equilibrium CBR testing.	Closed	FLEX
78	Political risk - Risk of project going on hold. Risk to holding SML's price and direct programme impact.	98	15/12/2...	Pre-Con...	Delay Cost	Political	Client	0	0	0	EDGE have confirmed TBC committed costs with reference to the LOI, in the event the project not proceeding. LOI will be issued however should the programme not proceed, EDGE have advised the cost risk position. CLOSED - now in contract.	Closed	FLEX
79	Risk to budget and programme if partial re-introduction of middle entry bridge links only are added back into scheme. Re-design period and additional costs.	112	16/2/2024	Pre-Con...	Delay Cost	Scope	Client	0	0	0	TBC to provide clarity on extent of scope. SML to provide indicative costs / programme should this partial re-introduction of ME bridge links removal be added back into scope. EDGE to advise cost risk position. CLOSED - Decision for full scope provided by TBC.	Closed	FLEX
80	Risk that current PW awards do not cover the extent of temporary works to support the adjacent buildings one Flex is demolished.	113	16/2/2024	Pre-Con...	Delay Quality Safety	Party ...	Contra...	0	0	0	SML to provide clarity around demolition proposals and any required temporary support both sides. Structural investigation permission to be sought from Cosy Coffee. AMC to confirm if these proposals would be covered under the current party wall award wording. CLOSED - PWA contains wording to temp support structures either end.	Closed	FLEX

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
81	Risk to the budget and programme if Hardsape paving proposals are accepted by SCC as part of the S.111, but then the VE paving is not able to be quickly swapped into the scheme.	115	16/2/2024	Pre-Con...	Delay Cost Quality	Highw...	Client	0	0	0	Establish with SCC if this level of change could be incorporated following S.111 approval. Time allowance in programme to be made / potential re-sequencing if it takes longer to get the paving proposals accepted. CLOSED - New paving proposals being formulated by design team to a flexible construction and adequate for highway specs.	Closed	FLEX
82	Risk of cost split increasing due to SML splitting out all works and prelims specific to each project (Flex only associated works).	134	22/4/2024	Pre-Con...	Cost Delay	Comm...	Client	0	0	0	SML to provide responses to EDGE's latest position on prelims and programme. CLOSED - Contract sum agreed and contract signed.	Closed	FLEX
83	Risk of delaying proceeding to contract due to PI issue with SML.	142	23/4/2024	Pre-Con...	Delay	Legal	Contra...	0	0	0	Agreed wording to be inserted in to contract. Minor risk remains if PI should be realised, based on wording interpretation. Contract now signed.	Closed	FLEX
84	Risk of programmed delay due to access permission denied by Cosy Coffee for parapet walling structural solution.	150	31/5/2024	Constru...	Delay Cost Quality Safety	Progra...	Client	0	0	0	Temporary solution to be quickly agreed with Shire and Cosy. Works to go ahead whilst permanent solution is agreed. CLOSED - temp solution agreed and access been permitted.	Closed	FLEX
85	Programme delay due to Flex plaza element of works due to likely change in paving spec and build up.	156	4/7/2024	Constru...	Delay Cost Quality	Progra...	Client	0	0	0	S.111 to be resolved and VE paving proposals for St Editha's to be agreed so this can be applied throughout public realm and Flex plaza. CLOSED - Flex VE paving taken forward to contract with lesser build ups.	Closed	FLEX
86	Additional design fees from SML based on information produced for S.111.	158	3/7/2024	Pre-Con...	Cost Delay	Highw...	Client	0	0	0	Suitable cost allowances to be made for this risk by EDGE. Scope review of information produced by SML under their scope, against any additional information they have had to produce for the S.111. RISK captured under Middle Entry risks.	Closed	FLEX

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
87	Risk to programme delay based on 3 weeks EoT submitted by SML for parapet walling claim.	163	29/8/2024	Constru...	Delay Cost	Progra...	Contra...	0	0	0	EDGE assessment of delay and alleged related items, against actual reasons for delayed progress on site. Review to be carried out in line with contract clauses relating to time. RISK CLOSED - Risk superseded by Risk 203 for overall programme impact.	Closed	FLEX
88	Risk to programme and therefore additional prelims should Cosy Coffee attend site to remedy their party wall structural issues.	164	29/8/2024	Constru...	Delay Cost	Progra...	Client	0	0	0	Early access facilitated to Cosy Coffee structural engineer to review their wall, as well as a separate assessment made by Shire to determine extent of possible delay in that area of site. CLOSED - DUPLICATE - Refer to risk ID 183.	Closed	FLEX
89	Risk to programme delay based on further 6 weeks of delay notified by SML taking completion to April 25.	182	30/10/2...	Constru...	Delay Cost	Progra...	Client	0	0	0	EDGE assessment of delay and alleged related items, against actual reasons for delayed progress on site. Review to be carried out in line with contract clauses relating to time. RISK CLOSED - Risk superseded by Risk 203 for overall programme impact.	Closed	FLEX
90	Risk that BT & Gas diversions (statutory authorities) delay current programme for excavations on site.	184	29/10/2...	Constru...	Delay Cost	Progra...	Client	0	0	0	SML to sequence excavations and groundworks so this area of site is addressed last in the ground. Further resequencing potentially possible. Pressure to be put on Cadent and BT for their attendance. CLOSED - SML Confirmed this will not delay the works.	Closed	FLEX
Projects: ME		SUM						SUM 25	SUM 29	SUM 86			
91	Risk of additional S.111 fees are incurred due to additional time spent on resolving S.111 with SCC.	202	17/2/2025	Pre-Con...	Cost	Comm...	Client	4	4	16	EDGE to report additional total risk of £80,000. 75% of this figure to be reported against the ME & Public realm contract. Further substantiation and justification of overall fee to be provided by SML.	Open	ME
92	Programme risk - prolonged S.111 process with SCC Highways could impact SMLs programmed dates for works associated with external landscaping as part of the contract.	135	18/8/2023	Pre-Con...	Delay	Highw...	Client	3	5	15	S.111 technical information submitted in Dec 24 for SCC review. Awaiting SCC technical approval. Meetings with SCC and SML to address any concerns SCC may have.	Open	ME

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
93	Risk that despite any change / omission to scope, there will still likely be a cost incurred due to the pre-con work / preliminaries expended by SML, in preparation for commencing the Middle Entry Bridge links in Jan 2025.	197	7/1/2025	Pre-Con...	Cost	Scope	Client	4	3	12	Agreement to be reached between EDGE and SML. Overall saving agreed at £663k between SML and EDGE. TBC to confirm EAI total value.	Open	ME
94	Programme risk that deferment of possession goes beyond the contract 6 weeks. Thus making the deferment a relevant matter.	199	24/1/2025	Pre-Con...	Delay Cost	Progra...	Client	3	4	12	Review of newly submitted programme required. EAI to be issued instructing out the agreed scope for ME and agreed costs. EAI to confirm that despite going beyond the 6 week deferment, there should not be a further impact to costs.	Open	ME
95	H&S risk due to groundworks taking place in such close proximity to general public, heavy pedestrian traffic areas and retailers.	187	30/10/2...	Constru...	Safety Delay Cost	H&S	Contra...	2	5	10	Robust CPP H&S Plan to be developed. Clear pedestrian diversion and signage routes, as well as clear established site boundary.	Open	ME
96	Risk of impacting daily operations of ME retailers due to phasing and one end being shut at a time. Could cause retailer downtime, and possible compensation claims.	188	29/10/2...	Constru...	Delay Cost Safety	Stakeh...	Client	3	3	9	CONSIDERABLY MITIGATED - Based on Middle Entry element of the scheme being omitted, levels of disruption will significantly reduce due to neither end requiring to be shut. However, the public realm paving works could still cause some disruption.	Open	ME
97	Risk that SML's intended, revised public realm start on site date is prior to when we obtain S.111 legal agreement.	200	24/1/2025	Pre-Con...	Delay Cost	Progra...	Client	2	4	8	Liaison with SML to see if they can allow for commencement mid-March, in line with expected S.111 legal agreement, with minimal impact to costs.	Open	ME
98	Risk of public and ME shop owners / occupiers negative feedback to the proposals and inconvenience caused.	167	2/10/2024	Pre-Con...	Cost Delay	Stakeh...	Client	4	1	4	Public and shop owners liaison via TBC comms.	Open	ME
99	Now the full extent of Middle Entry scope is instructed by TBC, the current budget for these works being insufficient.	15	8/6/2023	Pre-Con...	Cost Quality	Scope	Client	0	0	0	TBC to review budget allowances and look into further funding opportunities. Additional budget to be requested. Current substantial delta between budget and likely cost by re-adding Middle Entry. CLOSED - FULL SCOPE WILL NOT GO AHEAD DUE TO NO PEER GROUP AGREEMENT	Closed	ME
100	H&S risk associated with RAAC removal and methodology at Christopher Jeweler's property, especially if Middle Entry bridge link removals are re-introduced.	37	21/11/2...	Pre-Con...	Delay Quality Cost Safety	Existin...	Client	0	0	0	SML to confirm work around for RAAC, works methodology avoids extensive RAAC disturbance and risk. CLOSED - Demolitions complete	Closed	ME

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
101	Risk that Peer Group do not sign a license agreement for the agreed extent of works in line with the contract programme.	125	25/3/2024	Constru...	Delay Cost	Stakeh...	Client	0	0	0	CLOSED - RISK REALISED. No agreement from Peer Group to sign license agreement. TBC to confirm scope of work and ME omissions.	Closed	ME
102	Risk of cost split increasing due to SML splitting out all works and prelims specific to each project (Flex only associated works). Should Middle Entry works extent beyond Flex completion.	136	22/4/2024	Pre-Con...	Cost Delay	Comm...	Client	0	0	0	EDGE to assess preliminaries submission with each cost submission and request for efficiencies where there IS any overlap due to close proximity of the sites. CLOSED - Contract now signed with agreed programme and rates.	Closed	ME
103	Risk to the budget and programme if Hardscape paving proposals are accepted by SCC as part of the S.111, but then the VE paving is not able to be quickly swapped into the scheme.	137	16/2/2024	Pre-Con...	Delay Cost Quality	Highw...	Client	0	0	0	Establish with SCC if this level of change could be incorporated following S.111 approval. Time allowance in programme to be made / potential re-sequencing if it takes longer to get the paving proposals accepted. CLOSED - New paving proposals being developed for lesser build ups and in accordance with SCC standard specs.	Closed	ME
104	If full scheme is proceeded with, risk of public backlash, especially from Middle Entry tenants.	139	23/4/2024	Pre-Con...	Delay Cost	Stakeh...	Client	0	0	0	Liaison with Peer Group on acceptable extent of works. Regular contractor / public liaison plan to be put in place by SML. CLOSED - FULL SCHEME NOT AGREED BY PEER GROUP	Closed	ME
105	Risk to programme should decision on extent of scope be delayed.	140	23/4/2024	Pre-Con...	Delay Cost	Progra...	Client	0	0	0	SML to provide high level costed options for Middle Entry reduced scope. This will inform a scope and design decision. CLOSED - Costed options now provided by SML.	Closed	ME
106	Potential further design fees for Middle Entry link bridge hybrid solution from SML.	141	23/4/2024	Pre-Con...	Cost Delay	Design	Client	0	0	0	Further scope direction to be clarified by TBC. This may remove the need for further design fees if the currently design hybrid demo solution is the opted scope.	Closed	ME
107	Risk of party wall process delaying commencement.	149	31/5/2024	Pre-Con...	Cost Delay	Party ...	Client	0	0	0	CLOSED Risk mitigated or removed should the Middle Element of the scheme be omitted. With just public realm works, PWA will not be required. TBC to confirm decision on Middle Entry scope.	Closed	ME

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
108	Risk of additional drainage provision required due to new bridge link roof details.	157	4/7/2024	Constru...	Delay Cost Quality	Draina...	Client	0	0	0	CLOSED SML confirmed attenuation for south can be captured in Flex, and North captured by St Editha's.	Closed	ME
109	Risk to programme should outline dates for Middle Entry re-design and 2nd stage costings not be met by SML, thus impacting end of Sept 24 funding deadline.	165	29/8/2024	Pre-Con...	Cost Delay	Progra...	Client	0	0	0	Regular design, costings and progress updates to be provided by SML, and notification of any agreed dates to be given by SML so funders can be informed. CLOSED - Contract signed and agreed for start on site Jan 25.	Closed	ME
110	Risk to budget should the finalised 2nd stage costs be greater than the indicative estimate costs provided against Glazzard's maximum intervention sketch.	166	29/8/2024	Pre-Con...	Cost Delay	Comm...	Client	0	0	0	SML to provide regular cost updates and flag any developed cost risks throughout pricing prior to 13/09/24. CLOSED - Contract signed at cost agreeable in line with the estimate previously provided.	Closed	ME
111	Risk of RAAC removal works impacting structural integrity of existing RAAC planks and connections.	189	15/10/2...	Constru...	Delay Safety Cost	H+S	Contra...	0	0	0	CLOSED - Risk closed based on Middle Entry Bridge Links element of the scheme not proceeding. No works to RAAC will be carried out or impacted.	Closed	ME
Projects: MRKT		SUM						SUM 27	SUM 31	SUM 99			
112	Risk of not meeting end of March 25 funding deadline.	190	29/10/2...	Pre-Con...	Cost Delay	Comm...	Client	4	5	20	Committed timescales for PCSA to be put in place. Mid March issue of MSP CP's (inc. costs, programme, design etc) Advance warning to respective legal teams to get this agreement in place.	Open	MRKT
113	SML contract sum for white box lettable premises - returned overbudget following extent of Stage 1 & 2 works / rectifications required.	46	16/10/2...	Pre-Con...	Cost Delay	Comm...	Client	4	4	16	SML to provide cost estimate following completion of stage 1 and 2 as works. Glazzards to produce full schedule of works to support costings. Costings to be presented in a shopping list for prioritisation of works against available budget.	Open	MRKT
114	Extent of commercial opportunity limited by budget allowances to rectify shopping list of items to make the MSP's a lettable space.	194	6/12/2024	Pre-Con...	Cost Delay	Scope	Client	4	4	16	Initial prioritisation to make safe in all locations. Consideration by TBC on spaces that will be available for letting following schedule of works produced by SML.	Open	MRKT
115	NBS demo being brought into this contract. Likely to push project over budget against current allocated budget allowance.	175	29/8/2024	Pre-Con...	Cost Delay	Demol...	Client	4	3	12	SML to carry out early access investigations in NBS to determine extent of demo and structural works required..	Open	MRKT

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
116	Heritage & planning risk - limiting extent of proposed structural and timber restoration works beyond what is deemed practical and reasonable.	176	29/8/2024	Pre-Con...	Delay Cost Quality	Planning	Client	3	4	12	Ongoing consultation with conservation officer and HE by Glazzards & SML. SML to confirm any necessary consents required.	Open	MRKT
117	Additional fees required due to specialist and archeological input from specialist consultants.	124	25/3/2024	Pre-Con...	Quality Cost	Design	Client	5	2	10	SML to provide quoted fees from Donald Insall for providing consultancy services. To ensure these fees are captured in the CSA issued in March 25.	Open	MRKT
118	H&S risk associated with working in a structurally unstable building.	106	22/1/2024	Constru...	Safety Delay	H+S	Contra...	2	4	8	SML to ensure robust RAMS are produced as well CPHS plan. Stage 1 enabling works will help inform true extent of structural damage / risk of the building.	Open	MRKT
119	H&S risks associated with demolition work in a town centre environment.	42	16/10/2...	Constru...	Safety Cost	H+S	Contra...	1	5	5	Robust PCI produced capturing key current risks. SML to produce robust CPHS Plan. Relevant sign off and review of H&S plan by TBC.	Open	MRKT
120	Risk of late contract execution for Stage 1 Works (Likely JCT Minor Works Contract)	40	21/11/2...	Pre-Con...	Delay	Contract	Client	0	0	0	EDGE & ML to coordinate with Freeths and SML for when PI issue can be resolved. Potentially lesser cover to be agreed, or demonstration that framework minimum level of cover cannot be obtained by SML. CLOSED - CONTRACT ISSUED FOR SIGNATURES	Closed	MRKT
121	Following surveys and stage 1 works, building is still deemed in extremely poor condition. Risk to works proceeding from both a budget and H&S perspective.	41	19/10/2...	Pre-Con...	Delay Cost Quality Safety	Decision	Client	0	0	0	SML to regularly report survey results and stage 1 progress to aid informed client decision making as part of the overall project. CLOSED - Risk realised. Building is indeed in poor condition. Another phase to bring building to safe condition required,	Closed	MRKT
122	Risk to delaying demolition of existing NBS building, until the Peel Café is ready for NBS move in.	43	13/10/2...	Constru...	Delay Cost	Adjace...	Client	0	0	0	Wider programme management required from both SML and EDGE. SML to develop a project programme once they have been appointed under Minor Works Contract. CLOSED - Peel now handed over, with a Nov 24 date agreed for NBS to move out by.	Closed	MRKT
123	SML quotations for Stage 1 works returned higher than expected, or without suitable level of substantiation or number of quotes.	44	20/10/2...	Pre-Con...	Delay Cost	Comm...	Client	0	0	0	Regular, ongoing liaison on costs between SML and EDGE. EDGE to provide SML with expectations for returned quotations.	Closed	MRKT

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
124	Unforeseen works arising out of SML clearance and current surveys due to poor condition of existing building.	45	19/10/2...	Surveys	Delay Cost Safety	Surveys	Client	0	0	0	Ensure sufficient contingencies allowed for within the project for Stage 1 works related changes. As much access as possible to be facilitated and early surveys. CLOSED - Stage 1 Works complete	Closed	MRKT
125	Risk to Stage 1 Enabling Works programme due to turn around period of Minor Works Contract being pulled together.	111	16/2/2024	Pre-Con...	Delay	Contract	Client	0	0	0	EDGE / TBC chase Freeths on likely issue of Minor Works contract. CLOSED - Duplicate of Risk ID 40.	Closed	MRKT
126	Risk that £10m PI cannot be applied to each and every claim.	129	25/3/2024	Pre-Con...	Cost Delay Safety	Contract	Client	0	0	0	Agreed wording to be inserted to contract. Still smaller risk remains should PI need to be realised. Wording agreed.	Closed	MRKT
127	Risk of Stage 2 works (further rectification/making safe the building structure etc) returned over budget, or under budget in terms of meeting the end of September 24 spend deadline.	174	30/8/2024	Pre-Con...	Cost	Comm...	Client	0	0	0	SML to scope out required phase 2 works, and TBC to provide guidance on all monies expended / committed to date, thus informing what the Stage 2 works by end of Sept 24 needs to equate to against the budget for Market St. CLOSED - time passed. Stage 2 works in contract	Closed	MRKT
Projects: PEEL		SUM						SUM 4	SUM 2	SUM 8			
Projects: TEC		SUM						SUM 6	SUM 14	SUM 28			
128	Risk to continued building damage (Post PC) from water ingress from Kier site / adjacent building detail.	196	7/1/2025	Constru...	Delay Quality Cost	Defects	Contra...	3	5	15	TBC to continue liaising with Kier and College site until an agreed detail is provided / the consented Party Wall detailed regarding the college building levels is achieved.	Open	TEC
129	Risk of loss & expense claim following EAI 3 and 7 earlier on in the contract (regarding new windows and encapsulated windows installation.	201	10/2/2025	Post Co...	Cost	Comm...	Client	2	4	8	Once relevant detail is issued by SML, EDGE to assess. Also notice to levy LADS to be issued by EDGE. Should an EoT not be agreed, LADS could be claimed.	Open	TEC
130	Risk of not achieving Part M access requirements due to varying floor levels across the ground floor.	92	18/7/2023	Pre-Con...	Cost Delay	Design	Client	1	5	5	Risk remains open as BCO Certificate not received. However, offline comments from BCO indicate this certificate will be issued immanently. Therefore this remains a low risk.	Open	TEC

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
131	Budget overspend - Circa £400k over budget based on SML's cost submission.	71	25/9/2023	Pre-Con...	Cost Delay Quality	Comm...	Client	0	0	0	EDGE, SML and TBC to undergo a VE process to bring the refurbishment project into budget.	Closed	TEC
132	Risk of inaccuracy in design due to insufficient measured survey data.	72	6/6/2023	Pre-Con...	Cost Quality Delay	Design	Contra...	0	0	0	Scantech Digital have carried out a point cloud survey for the building. Model and data to be issued. Once the output is received the risk will have been effectively mitigated.	Closed	TEC
133	Risk of poor public perception and backlash due to non-visual commencement on site.	73	7/6/2023	Constru...	Delay	Progra...	Client	0	0	0	Increase public engagement. Possible option to hoard the site, to demonstrate SML are progressing with works.	Closed	TEC
134	Non-coordinated final Stage 3 design and submitted planning design having a negative impact on the forecast budget and programme should alteration be needed to the planning approval.	74	7/6/2023	Pre-Con...	Delay Cost	Design Planning	Contra...	0	0	0	Confirmation from TBC regarding preferred scope required.	Closed	TEC
135	Risk of break in to site due to building being unoccupied.	75	28/6/2023	Pre-Con...	Safety	H+S	Client	0	0	0	TBC to ensure site is secured. Request issued to adjacent site (Kier) to help board up the property. Once SML take over site, ensure sufficient levels of security.	Closed	TEC
136	Risk to budget depending on extent of remedial works required to basement.	76	3/5/2023	Pre-Con...	Cost	Enabli...	Contra...	0	0	0	Carry out dilapidations survey of the existing basement to better understand extent of remedial works	Closed	TEC
137	Risk to budget as a result of client change.	77	21/11/2...	Constru...	Cost Delay	Chang...	Client	0	0	0	Robust change control procedure to be identified amongst all parties, and clear understanding of contingencies available. RISK CLOSED - No further change since PC date is agreed at 24/01/25.	Closed	TEC
138	Risk of Kier phasing and logistics negatively impacting SML's proposed build sequence of the gable end rendering.	78	5/6/2023	Constru...	Delay Safety Cost	Adjace...	Contra...	0	0	0	Kier to provide certainty that SML will access the gable end off their levels to complete rendering. Kier to also provide records of their surveys and programme. CLOSED - Duplicate item of risk ID 96	Closed	TEC
139	Risk that despite the VE process, the project still cannot be brought back into budget.	79	20/10/2...	Pre-Con...	Cost Delay	Comm...	Client	0	0	0	Further VE proposals to be discussed, followed by scope rationalisation options to be put forward.	Closed	TEC

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
140	Potential quality risk when opening up a partition that is proposed to be removed. If the structural reports state that opening up this space is not possible, this could present a risk to quality.	80	4/5/2023	Constru...	Quality	Demol...	Contra...	0	0	0	Obtain confidence from the structural engineer on the reporting notes. Architect / structural engineer to be prepared to potentially produce an alternative design that includes retaining this wall.	Closed	TEC
141	Risk of not achieving contract execution by the agreed date between Freeths, TBC and SML.	81	21/11/2...	Pre-Con...	Delay Cost	Contract	Client	0	0	0	TBC to confirm with Freeths that TEC JC DB Contract documentation is issued by COP 24/11/23. EDGE to work up contract documents and register in the background. If Freeths do not meet this date, then LOI to be issued referring to the contract.	Closed	TEC
142	Risk to programme due to late second stage tender return by SML.	82	18/8/2023	Pre-Con...	Cost Delay	Comm... Progra...	Contra...	0	0	0	SML to reflect within their programme the date for tender return (likely 01/09/23) and any impact this has on overall programme.	Closed	TEC
143	Delay of stakeholder sign off for TEC proposals (including sample room).	83	25/9/2023	Pre-Con...	Delay Cost Quality	Appro...	Client	0	0	0	Early engagement and involvement for stakeholders. SML to provide updated programme detailing dates for client sign off of proposals, including site visitation to view sample room.	Closed	TEC
144	Risk of proposed piling impacting historic fabric should a party wall agreement not be in place with the adjacent college site.	84	5/6/2023	Constru...	Cost	Legal	Client	0	0	0	Have regular update meetings with AMC who are the party wall surveyors for both the college and TEC site. Obtain both sets of party wall requirements and distribute accordingly so that piling impacts can be reviewed as part of the design.	Closed	TEC
145	Risk to programme due to underpinning works needing to take place. Small opportunity to carry out underpinning works due to Kier's programme. Risk of not being able to successfully carry out the works in Dec 23.	85	21/11/2...	Constru...	Cost	Comm...	Client	0	0	0	Works to be instructed by TBC / EDGE, with a clear understanding around programme dates and methodology of the underpinning.	Closed	TEC
146	Risk of ACM being present in building despite a previous contractor removing any ACMs.	86	18/8/2023	Pre-Con...	Safety Delay	H+S	Contra...	0	0	0	SML and Armac to meet on site to confirm any presence of asbestos and mitigating options should any asbestos still be present.	Closed	TEC
147	Risk of planning items not being closed out.	87	21/7/2023	Pre-Con...	Delay	Planning	Client	0	0	0	Glazzards to have regular liaison with planning and carry out update on progress meetings. Glazzards to update planning tracker including wrap up of shopfront window proposals. RISK CLOSED - SML Planning tracker included in O&M submission by Glazzards	Closed	TEC

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
148	Risk of existing TEC structure being compromised due to Kier's groundworks. Likely delay to programme due to any structural rectifications required.	88	18/10/2...	Constru...	Cost Delay Quality Safety	Struct...	Client	0	0	0	SML structural engineer to attend site and put forward their analysis of the current structural status. Kier to rectify any structural issues that have resulted from their scope of works.	Closed	TEC
149	H&S risk to operatives as a result of underpinning works. Including the nature of the works itself as well as working close proximity to Kier's site and an existing building with a weakened structure.	89	21/11/2...	Constru...	Safety Cost Delay	H+S	Contra...	0	0	0	Robust RAMS to be developed by SML and reviewed by Kier. Clear methodology of works to be defined.	Closed	TEC
150	General overspend risk. The underpinning works with a cost impact of circa £33k, and any future changes bringing the project back overbudget.	90	21/11/2...	Constru...	Cost Delay	Comm...	Client	0	0	0	TBC to discuss with College site at high level where the underpinning costs will sit. Ensure cost effect agreement on changes throughout works. RISK REALISED	Closed	TEC
151	Risk of finished sample room not providing anticipated and desire finish, leading to further design and construction periods.	91	25/9/2023	Constru...	Delay Quality Cost	Appro...	Client	0	0	0	Early site visitation prior to completion of sample to understand progress and likely finish. Regular quality checking of built items against design.	Closed	TEC
152	Risk of reactive variations / changes during construction due to existing building condition. Especially in relation to extent of repair / replacement required to the roof and windows.	93	4/5/2023	Constru...	Cost Delay	Chang...	Client	0	0	0	SML to scope the full extent of surveys required and detail areas where the condition remains unknown. This includes scaffolding up to the roof to determine extent of damage and existing condition. SML to provide costed options for windows resolution. CLOSED - duplicate of risk ID 77.	Closed	TEC
153	Works not commencing on the agreed date of 08/01/24 due to prepared SML labour and the finalisation of contract signatures.	94	15/12/2...	Pre-Con...	Delay Cost	Progra...	Client	0	0	0	SML to provide update on labour available for starting on site 08/01/24. TEC contracts to be issued.	Closed	TEC
154	Logistics and coordinating with Kier on the adjacent site. Including H&S risk with number of operatives, vehicles and equipment.	95	15/12/2...	Constru...	Safety Delay Cost	H+S	Contra...	0	0	0	Weekly coordination meetings to be set up between the contractors to brief each other on activities upcoming. CLOSED - Duplicate of risk ID 96.	Closed	TEC

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
155	General programme planning and coordination with works on Kier site. Risk of delaying SML programme due to remaining works to wall only accessible from Kier site.	96	29/10/2...	Constru...	Delay Cost Quality	Adjace...	Contra...	0	0	0	TBC / EDGE & College liaison to agree access period (3 weeks) for SML use their bricklayer's scaffolding. SML to pass on proposed scaffold amendments to Kier. CLOSED - Risk realised. Kier have now given access - work dependent on access from Kier site due to complete by 13/12/24.	Closed	TEC
156	Risk that Stage 5 TEC drawings do not reflect accurately the Stage 4 design, plus the content in the agreed value engineering schedule.	105	22/1/2024	Constru...	Quality Delay Cost	Design	Client	0	0	0	SML to arrange TEC drawing review sign off with EDGE and TBC to go through Stage 5 drawings awaiting approval. SML to issue updated Stage 5 design. SIGNED OFF	Closed	TEC
157	Discovered overlap between site boundaries / ownership. Affecting escape access for College and plant location for TBC.	108	16/2/2024	Constru...	Delay Cost Quality	Adjace...	Client	0	0	0	Liaison between 2 client parties and contractors. TBC to check land ownership agreement and SML / Kier to coordinate their designs. CLOSED - Risk realised and ownership established.	Closed	TEC
158	Risks arising out of the GAP analysis and items coming in over or more expensive than portrayed in the GAP.	131	22/4/2024	Constru...	Cost Delay	Scope	Client	0	0	0	SML to provide clear outline of any GAP expenditure and required instructions. CLOSED - Gap items agreed and forming part of FA.	Closed	TEC
159	PI risk due to SML being in breach and not possessing cover as stated in the contract - £10m for each and every event	133	19/4/2024	Constru...	Cost Safety	Legal	Contra...	0	0	0	Freeths amended wording to be agreed for contract. Still remaining risk should PI need to be realised. Wording agreed	Closed	TEC
160	Risk of lost momentum and new Kier / Locals relationships to be built following change of site manager.	147	31/5/2024	Constru...	Delay Quality	Site M...	Contra...	0	0	0	SML to provide CV for new site manager. Robust handover process from Mark Darler for both SML and TBC. CLOSED	Closed	TEC
161	Risk to achieving the contract PC date following SML notification of delay. Thus impacting time and prelims impact	160	29/8/2024	Constru...	Delay Cost Quality	Progra...	Contra...	0	0	0	Weekly EDGE site visits to determine true progress of works. No EoT to be awarded whilst contract works are ongoing. EDGE & TBC to look into possible extent of LADS based on contract works delay. CLOSED - PC Date agreed as 24/01/25, once BCO Certificate is issued. Please refer to separate risk regarding loss and expense risk.	Closed	TEC

#	Risk description	Risk ID	Raised	Project phase	Impact	Category	Owner	Probability rating	Impact rating	Risk score	Mitigation	Status	Projects
162	Risk to build quality. Due to programme delays, SML could 'rush' to complete and compromise quality.	161	29/8/2024	Constru...	Delay Quality Cost	Defects	Contra...	0	0	0	Regular site visitation and reporting on quality finishes by PM and client team. Early snagging process to commence by SML. Clear understanding on required finishes under the contract. RISK CLOSED - PC Date agreed at 24/01/25. Building now fully snag inspected, with an agreed schedule with minimal items remaining.	Closed	TEC
163	Risk to TBC should the instruction of the shopfront windows be deemed to cause the delay. TBC potentially liable to pay prelims for completion of shopfronts and remaining critical path activities (flooring)	162	29/8/2024	Constru...	Delay Cost	Chang...	Client	0	0	0	Regular monitoring of progress on site, to determine if any works remain incomplete aside from shopfronts and flooring from the PC date. Robust EDGE review of shopfronts validity in terms of being a relevant event / matter. CLOSED - Risk realised. EoT / LADS discussion ongoing with SML.	Closed	TEC
164	Risk that extent of snagging required extends SML attendance to site post PC.	192	6/12/2024	Constru...	Delay Quality	Hando...	Contra...	0	0	0	SML robust snagging programme to be provided. Agreement with TBC on suitable times for rectification of snags, and workplace RAMS in place / passed on to TBC. RISK CLOSED - PC Date now agreed at 24/01/25. Snagging inspections complete with agreed list of snags,	Closed	TEC
		SUM						SUM 132	SUM 182	SUM 483			

Acronyms Key for Risk Register

TBC- Tamworth Borough Council
SML – Speller Metcalfe Limited
EDGE- PM/Cost Consultants
NODE- Landscape Architects
ML- Programme Manager
Glazzards – Architects
SCC- Staffordshire County Council
BCO- Building Control
AMC- Party Wall Surveyors
NBS- Nationwide Building Society
Freeths- Tamworth Borough Council’s Construction Solicitors
NGED- National Grid
EDSQ- St Editha’s Square
ME- Middle Entry
CSTL- Castle Gateway
MKT ST – Market Street
MSP- Market St Properties
TEC- Tamworth Enterprise Centre
CLIE- Client Owned Risk
CO- Contractor Owned Risk
LOI- Letter of Intent
SMC- Scheduled Monument Consent
PCSA- Pre Construction Services Agreement
PC- Practical Completion
CSA- Construction Services Agreement
S111- Section 111 Highways Agreement
S247 – Section 247 Highways Agreement

CPP- Construction Phase Plan
H&S- Health and Safety
CPHS – Construction Phase Health and Safety Plan
CWM – Construction West Midlands Framework
PW- Party Wall
VE- Value Engineering
PI – Professional Indemnity
EoT- Extension of Time request
BR PD- Building Regulations Principal Designer
PCI - Pre Construction Information
GAP – Budget gap analysis
RAAC- Reinforced Autoclaved Aerated Concrete
RAMS – Risk Assessment Method Statement
LAD – Liquidated and Ascertained Damage
SVP – Soil Vent Pipe
ACM – Aluminium Composite Material

External Audit Plan Tamworth Borough Council

For the year ended 31 March 2025



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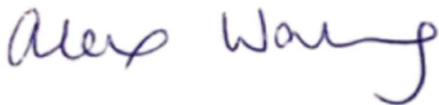
Welcome

The purpose of this report is to give you an overview of the nature and scope of our audit work and bring to your attention the key aspects of the audit. The document also ensures that there is good communication between us, as auditors, and you.

If you have any queries regarding the plan, including the arrangements noted below, then please do not hesitate to contact us.

This Audit Plan has been prepared for the sole use of the management and those charged with governance of the Council. Except where required by law or regulation, this report should not be made available to any other parties without our prior written consent. No responsibilities are accepted by Bishop Fleming towards any party acting or refraining from action as a result of this plan.

We are issuing our 2024/25 External Audit Plan now to ensure that there is timely discussion of the key areas of focus.



Alex Walling – Key Audit Partner

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1. General Audit Information

Engagement objectives and scope

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Throughout the audit we will also ensure that, in line with the latest Auditing Standards, we communicate on a regular basis with the Audit and Governance Committee as those charged with governance.

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The respective responsibilities of the audited body and the auditor are summarised in The Code. They are also set out in the PSAA Statement of Responsibilities of auditors and audited bodies issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your external auditor.

Audit reports

Financial statements

On completion of our audit work on the financial statements, we will issue our Audit Completion Report to the Audit and Governance Committee, which will set out our findings.

In our auditor's report, we will report on the basis under which the financial statements have been prepared and whether they give a true and fair view. The audit report will also:

- report on whether other information presented with the audited financial statements (for example, the Narrative Report and Annual Governance Statement) is materially consistent with the financial statements or our knowledge obtained in the audit; and
- conclude on the appropriateness of management's use of the going concern basis of accounting.

The form and content of our auditor's report may need to be amended in light of our audit findings.

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

Where no matters are identified, this will also be confirmed.

Value for Money arrangements

On the completion of our work on whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we will issue our Auditor’s Annual Report to the Audit and Governance Committee. This will provide a commentary on the Council’s arrangements under the three specified criteria. The report will also set out whether any significant weaknesses were identified and any relevant recommendations.

Audit materiality

In planning and performing our audit work we will consider whether the financial statements are free from ‘material misstatement’.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements. Thus, different materiality levels may be appropriate when considering different aspects of the financial statements.

If there are any areas of specific concern in which you would like us to pay particular attention to then we will be pleased to discuss this with you, and whether our audit approach can be readily adapted to accommodate such a level in that area, or whether it will be more appropriate for a special exercise to be carried out on the area.

Our basis of materiality has been set as follows:

	Basis of materiality
Tamworth Borough Council	2% of gross expenditure This equates to £1,520k (based on the prior year audited accounts).

Whilst the level of materiality is applied to the financial statements as a whole, we must also address the risk that any identified unadjusted audit differences are material when considered in aggregate. To reduce the risk of this being the case, we apply a lower level of materiality which we utilise within our work, known as Performance Materiality. This is set at a lower level than overall materiality and is determined by our assessment of the element of audit risk that pertains to the internal control environment of the Council.

Risk assessment and significant risks

Financial statements

When planning our audit work, we will seek to minimise the risk of material misstatements occurring in the financial statements. To do this, we consider both the risk inherent in the financial statements themselves and the control environment in which the Council operates. We then use this assessment to develop an effective approach to the audit.

This risk assessment directs our testing towards the balances and transactions at the greatest risk of material misstatement so as to minimise the risk of undetected material misstatements. However, we do not test every group of transactions or balances but carry out sample testing of balances and transactions.

Therefore, there is an inherent and unavoidable risk that some material misstatements may not be detected and therefore audit procedures should not be relied upon to detect all material misstatements, fraud, irregularities or instances of non-compliance.

Based on our knowledge of the Council, we have identified the following as significant risk areas to be addressed during the audit along with our proposed audit approach.

Significant risks:

Risk	Audit Approach
Management override of controls (required under the ISAs)	<p>We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed. To address this risk, we will:</p> <ul style="list-style-type: none"> • Review the reasonableness of accounting estimates and critical judgements made by management; • Test material journals processed at the year-end; and • Test other journals with key risk attributes. <p>In testing journals, we will use data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.</p>
Valuation of land and buildings (and council dwellings)	<p>There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements. To address this risk, we will:</p> <ul style="list-style-type: none"> • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Confirm that the basis of valuation for assets valued in year is appropriate based on their usage; • Review the appropriateness of assumptions used in the valuation of land and buildings. For assets not formally revalued in the year we will assess how management has satisfied itself that these assets are not materially different from the current value at the year-end; • Review accuracy and completeness of information provided to the valuer, such as floor areas; • Test a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and

Risk	Audit Approach
	<ul style="list-style-type: none"> Form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.
Valuation of investment properties	<p>There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements. To address this risk, we will:</p> <ul style="list-style-type: none"> Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; Review the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert; Write to the valuer to confirm the basis on which the valuation was carried out; Confirm that the basis of valuation for assets valued in year is appropriate based on their usage; Review the appropriateness of assumptions used in the valuation; Review accuracy and completeness of information provided to the valuer, such as floor areas; Test a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and Form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.
Valuation of the pension fund net liability	<p>There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions. To address this risk, we will:</p> <ul style="list-style-type: none"> Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; Review the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert; Consider the accuracy and completeness of the information provided to the actuary; Ensure that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary; Carry out procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and Obtain assurances from the auditor of Staffordshire Pension Fund in respect of the controls around the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

As part of our planning, we have rebutted the risks of fraud in revenue recognition (required under the ISAs) and fraud in expenditure recognition (required under the Financial Reporting Council's Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom).

Other risks:

For the 2024/25 audit, we have included an 'other risk' relating to the first-year implementation of IFRS 16 Leases.

Risk	Audit Approach
Implementation of IFRS 16 Leases	<p>2024/25 will be the first year in which local government bodies are required to implement the provisions of IFRS 16 leases. There are transitional arrangements in place for the 'cumulative catch-up' approach mandated by CIPFA in the 2024/25 Code of Practice which will require an adjustment to the opening balances as well as supporting disclosures in the accounts. The value of the right of use assets and lease liabilities arising will depend on the nature and value of the underlying leases as well as assumptions adopted by the Council for the incremental borrowing rate.</p> <p>From discussions with officers the risk of material misstatement at Tamworth Borough Council is expected to be minimal based on the value of the estimate and its sensitivity to changes in assumptions. Therefore we do not consider this to be a significant risk, but as this is the first year of implementation, we have included this as an 'other risk' in our Audit Plan. To address this risk, we will:</p> <ul style="list-style-type: none">• Document our understanding of the processes and controls put in place by management for identifying lease contracts, including those not covered by the transitional arrangements, and evaluate the design of the controls;• Review the appropriateness of assumptions used in calculating the estimate;• Review the completeness and accuracy of the data gathering exercise;• Confirm the appropriateness of application of exemptions for existing contracts such as short term and low value leases;• Review the required transitional disclosures and the application of the adjustment to the opening balances; and,• Test a sample of leases for accuracy in calculating the right of use asset and lease liabilities. <p>Additional guidance on the implementation of the new standard is included in Appendix 2 of this Audit Plan.</p>

We will report back to you, as part of our completion audit work, on the outcome of our work addressing both the significant and other risk areas.

Value for money arrangements

As part of our planning work, we have also considered whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on.

We have not identified any risks of significant weakness at this stage.

We will keep our risk assessment under continual review and any changes will be communicated to those charged with governance.

Control environment

Through our audit planning procedures, we will continue to develop our understanding of the control environment in which the Council operates.

At the time of issuing our Audit Plan we have concluded that the control environment in which the Council operates is effective and we will tailor our audit approach accordingly.

Although we consider that the Council operates effective and formalised controls, we will not incorporate controls-based testing into our audit approach. Therefore, our work will focus on substantive procedures.

Adjusted and unadjusted items

Of the potential audit adjustments that we identify during our audit work, some may require adjustment. The decision to make an adjustment to the financial statements is one that the Council will need to make.

At the conclusion of the audit, we shall provide you with a schedule of potential adjustments that we identified during our audit work.

We will require you to confirm that you have considered the items and whether you have decided to adjust them in the financial statements; this will be included in the letter of representation.

We shall also provide you with a schedule, detailing those items that we identified during our audit work, which have not been adjusted for in the financial statements. This summary will not include errors that are 'clearly trivial', defined by us as those errors which individually account for no more than 5% of our materiality level.

We will require you to confirm that you have duly considered these unadjusted errors and that you have decided not to adjust for them in the financial statements; this will also be included in the letter of representation.

Fraud

While the Council has the ultimate responsibility for the prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit, including making enquiries of management and those charged with governance.

Prior year recommendations

We will follow up on the progress made by the Council in addressing the recommendations made by the Council's previous auditor in respect of deficiencies reported in their ISA260 Audit Report.

2. The Audit Team

Key Audit Partner: Alex Walling
Email: awalling@bishopfleming.co.uk

Engagement Manager: Muhammad Khan
Email: mkhan@bishopfleming.co.uk

3. Timetable

A full audit timetable has been included below:

Tamworth Borough Council YEAR END: 31 March 2025			
Date	Requirement	Bishop Fleming	Council
Throughout 2025	Regular liaison meetings with management and the Chair of Audit and Governance Committee	✓	✓
18 February 2025	Date for issue of audit deliverables	✓	
24 February 2025	Date for receipt of audit deliverables		✓
w/c 24 February 2025	Planning procedures and interim audit work undertaken, examining systems and controls in place, and completion of early substantive testing on transactions to January 2025.	✓	✓
31 March 2025	Date for receipt of VFM self-assessment from management		✓
w/c 14 July 2025	Audit team to undertake VFM work	✓	
30 June 2025	Date for receipt of the draft financial statements		✓
w/c 14 July 2025	Audit fieldwork to be undertaken, completing work on significant risk areas and other material balances.	✓	✓
w/c 22 September 2025	Audit completion meeting to discuss draft year-end draft Audit Completion Report	✓	✓
November 2025	Presentation of Audit Completion Report and Auditor's Annual Report to those charged with governance	✓	✓

4. Audit Fees

Tamworth Borough Council, in line with most other local government bodies, opted into the national scheme run by Public Sector Audit Appointments (PSAA) for the appointment of its external auditor for the five-year period with effect from 2023/24. PSAA set the scale fee for the audit of Tamworth Borough Council under the contract. The audit scale fee set by PSAA for the Council and our proposed variations are set out below:

PSAA scale fee 2024/25	£161,236
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Proposed fee variations at the planning stage:

Review of implementation of IFRS 16	TBC
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Total (excluding VAT)	TBC
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The scale fees set by PSAA:

- are based on the expectation that complete and materially accurate financial statements, with supporting working papers, will be available within agreed timeframes (as set out in [PSAA's Statement of Responsibilities document](#)); and
- reflect as far as possible the predecessor auditor's previous assessment of audit risk and complexity.

Where work was substantially more or less than envisaged by the scale fee, we will propose that the fees should be varied. PSAA determine the outcome of any fee variations. The proposed fee variations set out above reflect issues that were not reflected in the scale fee when it was set by PSAA.

As the individual responsible for the project management of the audit Muhammad will monitor the position in relation to any issues that could potentially give rise to a fee variation and discuss them with the Interim Executive Director Finance and S151 Officer at the earliest opportunity.

There are no non-audit fees proposed at the planning stage.

5. Ethical Issues

In order to comply with professional and ethical standards we are required to communicate to you all significant facts and matters that, in our professional judgement, may affect the firm's independence. This is for reference only, and unless you wish to make any comments, there is no need to respond.

Threats & safeguards

The standards require us to consider the perceived potential threats to our objectivity and independence in carrying out the audit. We are not providing any other audit related or non-audit related services. We have not identified any threats to the firm's independence.

Overall assessment

We can confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. There are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.

Maintaining objectivity & independence

As a firm we have policies and procedures in place to monitor auditor objectivity and independence on a regular basis. If any additional threats are identified, we will of course advise you immediately.

We also perform an annual review of completed audit engagements for quality control purposes.

If you would like to discuss any of the above, please contact us.

Appendices

1. Required communications with the Audit and Governance Committee

Under the auditing standards, there are certain communications that we must provide to the Audit and Governance Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report Discussions at audit and governance committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at audit and governance committees
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report

Implementation of IFRS 16 Leases

The CIPFA Code of Practice 2024/25 requires local authorities to adopt the provisions of IFRS 16 Leases from 1 April 2024. This standard replaces IAS 17 Leases.

The Code includes one adaptation to the standard for leases with nil consideration and several interpretations for the transitional arrangements applied at 1 April 2024. Under the transitional arrangements, local authorities are required to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4.

The key tasks for authorities are:

- To apply the standard to any leases classified as such under IAS 17
- Consider any exemptions for existing contracts (short term and low value leases)
- Review any arrangements which are not covered by the transitional provisions (leases for nil consideration and, where relevant, housing tenancies)
- Determine and adopt accounting policies for recognition and measurement at transition
- Document key judgements and estimates
- Adjust opening balance sheet at transition (1 April 2024) for cumulative impact

CIPFA has mandated a 'cumulative catch-up' approach, in which the application is retrospective but does not restate comparative information. The cumulative effect of initial application should be recognised as an adjustment to the opening balances at the date of initial application (1 April 2024).

In the year of implementation additional disclosures will be required confirming that the change in accounting policy is in accordance with transitional provisions in Code and describing the nature of the change in accounting policy and the transitional provisions. Authorities will also be required to explain the difference between the operating lease commitments disclosed at 31 March 2024, discounted using the incremental borrowing rate at application date, and liabilities recognised at initial application date, and disclose the weighted average incremental borrowing rate applied to lease liabilities recognised in the Balance Sheet at the date of initial application.

As your auditors, we will engage with you to undertake early work on arrangements for transitional implementation as part of our interim audit. In order to facilitate this, best practice for authorities will be to prepare an accounting paper detailing:

- what the authority has done to identify arrangements covered by the Code's definition of a lease, including those which may not be covered by the transitional provisions such as those for nil consideration
- key accounting policy approaches, including the threshold for low value items and the framework for determining discount rates, and any supporting detail for those judgments
- any application of materiality and the justification for this, and the approach to determining any arrangements for consolidating leases into portfolios
- draft disclosures for the impact of the transitional arrangements.

2. Sector updates

Devolution and Local Government Reorganisation

On 16 December 2024 the Secretary of State for Housing, Communities and Local Government published the English Devolution White paper. The White Paper announced planned changes to the Devolution Framework, aimed at “completing the map” by establishing new Strategic Authorities throughout England. Although the White Paper allows for other options, these Strategic Authorities are intended to be partnerships of multiple Local Authorities across a large geography with their own Mayor. These Strategic Authorities will be given a range of competences in areas such as transport and local infrastructure and skills and employment support and empowered to deliver on them.

In concert with the Devolution Framework, the White Paper also announced a significant programme of Local Government Reorganisation. The programme will see an end to the remaining two-tier areas, with all local authorities reorganised into unitary councils. It is expected that these new unitary councils will have a minimum population of 500,000. The government’s plan is for devolution and reorganisation to work in sequence in order to facilitate changes being made quickly, based on the proposals put forward by existing authorities.

Since the White Paper was published, six new devolved areas have been announced under the Devolution Priority Programme – Cumbria, Cheshire and Warrington, Greater Essex, Hampshire and Solent, Norfolk and Suffolk, and Sussex and Brighton.

Local audit reform and the local audit backstop

The White Paper also included proposals for local audit reform. A consultation was held from 18 December 2024 to 29 January 2025 to receive responses in this area. As of 12 February 2025, the Financial Reporting Council (FRC) stepped back from the role of system leader for local audit, to be replaced by the Local Audit Office which will combine powers and responsibilities currently dispersed across the sector.

Local audit reform follows on from the backstop arrangements implemented in 2024 to address the outstanding backlog of local authority audits. Outstanding audit opinions for the financial years 2022/23 and earlier were required to be issued by 13 December 2024 except in exceptional circumstances, in the form of a disclaimer if necessary. For 2023/24 opinions, this date was 28 February 2025. The system is intended to allow both local authorities and audit providers to focus their resources on current years of account, with the intention to rebuild assurance across a number of years in cases where disclaimers of opinion were necessary. For the next four years, the statutory publication date for unaudited accounts will be 30 June, while the planned backstop dates are:

- 2024/25: 27 February 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028



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Audit and Governance Committee

19 March 2025

Report of the Interim Audit Manager

DRAFT INTERNAL AUDIT PLAN 2025/26

Exempt Information

None.

Purpose

For the Audit and Governance Committee to comment on and approve the draft internal audit plan for Tamworth Borough Council (TBC) for 2025/26 at **Appendix 1**.

Recommendations

It is recommended that:

1. The Committee comment on and approve the draft internal audit plan for TBC for 2025/26.

Executive Summary

As the Council is currently considering options for the management and delivery of Internal Audit, in line with Lichfield District Council as part of the shared services arrangement, this draft plan allows audit work to continue while a preferred option is determined.

The purpose of this plan is to identify the work required to achieve a reasonable level of assurance to be provided by Internal Audit in compliance with Internal Audit's professional codes of practice.

The plan has been commented on and approved by CMT in advance of its submission to the Audit and Governance Committee.

The Internal Audit Charter has been reviewed as part of the assessment of our compliance against the new Global Internal Audit Standards (GIAS) and CIPFA's latest associated guidance and application notes. The updated Charter is reported within the GIAS Update on today's agenda.

Options Considered

This draft plan allows audit work to continue while a preferred option for the future service delivery of internal audit is determined.

Resource Implications

The plan assumes the same level of resources as previous years at @ 250 days.

Legal / Risk Implications

The audit planning process follows the processes outlined in the Global Internal Audit Standards. Delivery of the plan allows the Council to discharge its legal mandate in line with the Accounts and Audit Regulations 2015. The audit planning process based on risk, ensures that the audit resources are directed to areas of most significant / highest risk.

Equalities Implications

Equality, Social Inclusion and Health Impact Assessment (ESHIA) completed at **Appendix 2**.

Environment and Sustainability Implications (including climate change)

None.

Background Information

None.

Report Author

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List of Background Papers

Appendices

Appendix 1 – Draft Internal Audit Plan 2025/26.
Appendix 2 – ESHIA

Appendix 1



Internal Audit
Draft Audit Plan 2025/26

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- 03 Draft Audit Plan 2025/26
- 04 Joint Working
- 05 Charter

Appendices

- 01 Draft Audit Plan 2025/26

In the event of any questions arising from this report please contact Rebecca Neill, Interim Audit Manager Rebecca-Neill@tamworth.gov.uk

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. This report was produced solely for the use and benefit of Tamworth Borough Council. The Council 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.

01 Introduction

Background

This report sets out the proposed approach for the risk-based audit plan for Tamworth Borough Council (TBC) for 2025/26 for endorsement by the Audit & Governance Committee. As the Council is currently considering options for the management and delivery of Internal Audit, in line with Lichfield DC as part of the shared services arrangement, this draft provisional plan allows audit work to continue while a preferred option is determined.

The purpose of this plan is to identify the work required to achieve a reasonable level of assurance to be provided by Internal Audit in compliance with Internal Audit's professional codes of practice.

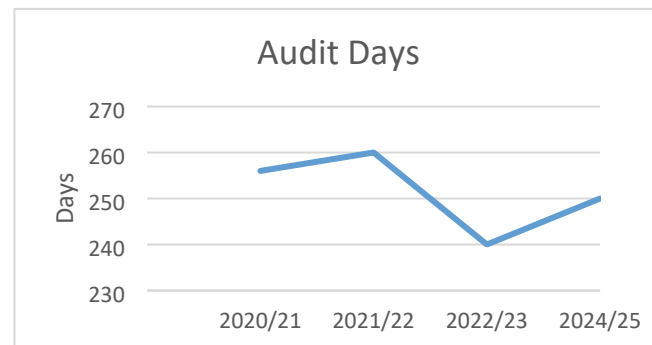
The fundamental role of Internal Audit is to provide senior management and the Audit Committee with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work in accordance with an annual operational plan as endorsed by the Audit Committee.

02 Audit Planning

As part of the planning for 2025/26, the proposed plan of work has been developed based on:

- **Key risks** – the plan for 2025/26 is based on an analysis of strategic and operational risks; strategic objectives; internal control and governance processes and other factors which may affect the year ahead, including any changes within the external environment and the sector.

- **Previous assurance work** – a review of the outcome of previous audit and assurance work undertaken and where assurance is now required again.
- **Level of resources** – The level of planned resources have remained relatively stable during the last 4 years at around 250 days mark. A similar level of resources has been assumed for planning purposes.

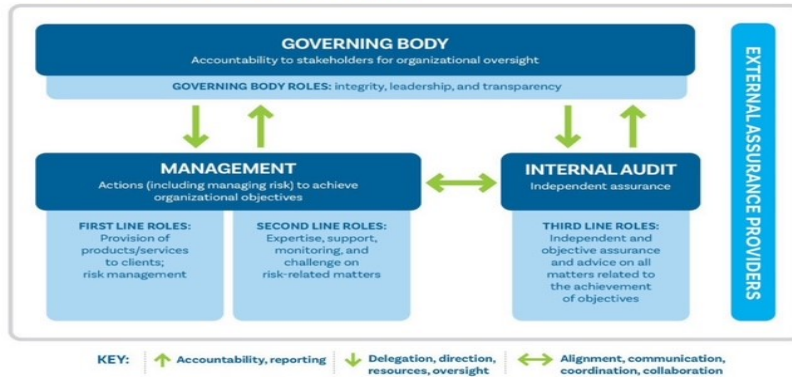


- **Agile approach** – our approach will be one where we will respond to the changing assurance need, by having a level of contingency, we will be able to change the focus of the audits / audit delivery.

The draft provisional plan was agreed with the Council's senior management, include the Section 151 Officer and their comments and observations have been included and reflected.

Our strategy is based upon the three lines of assurance model. Internal Audit seeks to identify assurances provided through the first and second lines of defence and selects the most appropriate method for obtaining assurance to support Internal Audit's opinion and the Council's governance requirements.

The IIA's Three Lines Model



03 Draft Audit Plan

The draft audit plan at **Appendix 1** sets out the assurance requirement in terms of core financial systems; strategic and operational risk; ICT; governance, fraud and other assurance. The plan is for a total of 246 days and in particular seeks to provide assurance over areas of higher risk.

04 Joint Working

The joint working arrangement with Lichfield District Council was renewed to 1st October 2025 allowing for the sharing of resources. Work is currently being undertaken to determine a preferred option for future service delivery.

05 Charter

The Internal Audit Charter has been reviewed as part of the assessment of our compliance against the new Global Internal Audit Standards (GIAS) and CIPFA's latest associated guidance and application notes. The updated Charter is reported as part of the GIAS Update on today's Committee agenda.

Appendix 01: Draft Audit Plan 2025/26

Assurance Requirement	Audit	Scope	Risk	Planned Days	Total Days	Proposed Quarter
Core Financial Systems	Capital Strategy and Programme Management	Risk based review of the Council's capital strategy and accompanying programme management delivery controls.	CR1, CR9	10	45	Q1
	Housing & Council Tax Benefits	Risk based review of housing and council tax benefits including policies, procedures and compliance with legislation; administration and assessment of new claims; local housing allowance, backdated benefits, discretionary payments; payments and reconciliations; cancelations, overpayments and recovery; and fraud management.	CR1	15		Q2
	Medium Term Financial Planning / Financial Resilience	Risk based review of the medium-term financial plan to strengthen the Council's financial resilience. To include development of the plan and required approvals; that assumptions within the plan are based on reliable source data (e.g. in terms of growth, use of reserves, inflation and other financial pressures); robust sensitivity analysis; and savings plans are in place to sufficiently meet any funding gaps.	CR1, CR5, CR9	10		Q3
	Treasury Management	Risk based review to include borrowing, lending and investing; cashflow forecasting; monitoring and reporting; data and system security; officer direction, training and resilience; and governance and treasury risk management.	CR1	10		Q4
Strategic & Operational Risks	Peer Review Action Plan	Review of evidence to support progress being made against actions contained within the approved peer review action plan.	CR1-9	8	66	Q2
	Housing Asset Management and Stock Condition	Risk based review of the Council's asset management strategy, stock condition arrangements, capital programme, records and data management.	CR4	10		Q2
	Planned Maintenance	Risk based review of the Council's planned maintenance programme, linking strategy to delivery, use of contractors and monitoring quality of delivery.	CR4	10		Q3
	Climate change, net zero	Risk based review of the council's governance, reporting and response to climate change risk including how well	CR6	8		Q4

Assurance Requirement	Audit	Scope	Risk	Planned Days	Total Days	Proposed Quarter
		the council is integrating climate change into decision making, reporting of progress against climate change strategies and on climate change emissions.				
	Housing Allocations	Risk based review of the processes and controls surrounding the allocation of housing, including assessing the fairness and transparency of the system, eligibility checks, application management, priority banding, waiting list management and effectiveness of procedures to prevent fraud in the allocation process.	CR4	8		Q4
	Social Housing Regulatory Programme	Risk based review looking at key aspects of the council's compliance with the Social Housing Regulation regime to ensure compliance (cfid from 2024/25).	CR4	7		Q2
	Performance Management	Risk based review of performance management arrangements (cfid from 2024/25).	CR2	7		Q2
	Information Governance, Data Protection	Risk based review of policies, procedures and practices related to how the Council collects, stores, manages and protects sensitive data, including personal data, ensuring compliance with data protection regulations, proper record keeping, access controls, staff training and response to information requests (Freedom of Information).	CR7	8		Q3
ICT	Network Infrastructure Management and Monitoring	Risk based audit of the Council's network infrastructure management and monitoring (cfid from 2024/25).	CR5, CR7, CR9	20	20	Q2
	Cyber Security	Cyber incident preparedness and response and Microsoft 365 Cloud Services.				TBA
Governance, Fraud & Other Assurance	Disabled Facilities Grant	Assurance statement and embedded processes.		5	115	Q3
	Municipal Charities	Preparation of municipal charities accounts.		2		Q3
	Counter Fraud	Work to support the mitigation of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.	CR2	10		Q1-Q4
	Risk Management	Review of Council's Risk Management processes.	CR1-9	10		Q1-Q4
	Annual Governance Statement	Production of the AGS.	CR2	13		Q1-Q2
	Annual Audit Opinion	Production of the Annual Audit Opinion.	CR2	3		Q1-Q2

Assurance Requirement	Audit	Scope	Risk	Planned Days	Total Days	Proposed Quarter	
	Follow Up of Recommendations	To follow up all no and limited assurance reports and all high priority recommendations.	CR2	20		Q1-Q4	
	Management and Planning	Management, planning and assurance reporting to CMT and Audit & Governance Committee.		30		Q1-Q4	
	Ad hoc / Contingency / Consultancy	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.	CR1-9	22		Q1-Q4	
					Total	246	

The Council's Corporate Risks:



CR1 FINANCE /
FINANCIAL
STABILITY



CR2 GOVERNANCE



CR3 COMMUNITY
RESILIENCE AND
COHESIVE
COMMUNITIES



CR4 SOCIAL
HOUSING



CR5
ORGANISATIONAL
RESILIENCE



CR6 CLIMATE
CHANGE / NET
ZERO TARGETS



CR7
INFORMATION
AND DATA
MANAGEMENT



CR8 ECONOMIC
GROWTH



CR9 CYBER
SECURITY

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Equality, Social Inclusion and Health Impact Assessment (ESHIA)

An ESHIA is a review of a new or existing policy, strategy, project, report or service change to establish whether this has a differential impact on specific equality groups and identifies how we can improve equality of opportunity for different groups of people.

An ESHIA aims at improving Tamworth Borough Council’s work, by promoting equality, social inclusion, health and wellbeing by ensuring that the proposed or existing policy promotes equality and can benefit a wide range of people.

Details

Title of the proposal	Draft Internal Audit Plan 2025/26	
Director responsible for the project or service area	Jo Goodfellow, Acting Executive Director, Finance	
Officer completing the assessment	Rebecca Neill, Interim Audit Manager, Shared Service	
Date conducted	27 February 2025	
Who are the main stakeholders?	Elected members	
What is being assessed?	A decision to review or change a service	
	A strategy, policy, report or procedure	x
	A function, service, or project	
What kind of assessment is it?	New	
	Review of existing	x

Part One - Initial screening:

This section should be used to carry out an initial screening of changes or decisions to help to decide whether a full ESHIA is required.

The following six screening questions are designed to assess whether this proposed change is likely to have an impact on equality, social inclusion, health and wellbeing.

		Yes	No
1	Does this new or revised project, proposal, policy, report, procedure likely to have an impact?		x
2	Does the proposal seek agreement to a key decision involving allocation of resources, such as changes in funding or resources, initiation of a new programme or project or procurement?		x
3	Does the proposal seek agreement on restructuring or reorganising of staffing?		x
4	Will this policy or proposed change have any impact on potential suppliers?		x

5	Does this policy or proposed change impact on any HR policy or practice within the council?		x
6	Does this policy or proposed change have any implications for equalities, social inclusion and health and wellbeing not covered above?		x

1. If the answer is **no** to all the questions, please provide a summary below outlining why this conclusion has been reached.
2. If the answer is **yes** to any of the questions, please conduct the full ESHIA as detailed in Part two.

If you are unsure of any of the answers, please seek advice from Human Resources.

Summary of initial screening outcome:

This report comprises the draft internal audit plan 2025/26 for Audit & Governance Committees approval. The audit planning process follows the processes outlined in the Global Internal Audit Standards. Delivery of the plan allows the Council to discharge its legal mandate in line with the Accounts and Audit Regulations 2015. The audit planning process based on risk, ensures that the audit resources are directed to areas of most significant / highest risk.

No differential impact on specific equality groups has been identified during the process.

Having due regard to best practice in internal audit and good governance will only have a positive effect on the Council's arrangements for equality, social inclusion, health and wellbeing.

Decision	Yes	No
Initial screening only	x	
Proceed to Part Two, full assessment		x

Initial screening completed by	Rebecca Neill, Interim Audit Manager, Shared Service
Date	27 February 2025

Full screening completed by	N/A
Date	

Equality, Social Inclusion and Health Impact Assessment (ESHIA)

Part Two: Full assessment

Section 1

The purpose of the project, proposal or decision required. Set out the aims, objectives, purpose and outcomes of the area being impact assessed. Are any other functions, policies or services linked to this assessment?

Section 2

Evidence used and considered. Include analysis of any missing data.

Section 3

Consultation undertaken with interested parties who will/may be affected proposal? What were the outcomes of the consultation?

Section 4

What are the potential or actual impacts of the proposal? Please consider both the direct and indirect impact and refer to the guidance for additional information.

Impact Area	Impact? Positive (P) Negative (N) Neutral (Ne)	Details of the impact	Action to address negative impact
Protected Characteristic, as outlined in the Equality Act 2010			
Age			
Disability			
Gender reassignment			
Marriage and civil partnership			
Pregnancy and maternity			
Race			
Religion or Belief			
Sex			
Sexual Orientation			

Are there socio-economic groups likely to be affected? If yes, please provide detail below			
Other social exclusion			
Digital exclusion			
Veterans and serving members of the armed forces and their families			
Young people leaving care			
Health and Wellbeing: Individuals and communities in Tamworth	Impact: Positive (P) Negative (N) Neutral (Ne)	Explanation	Action to address negative impact
Will the proposal have a direct impact on an individual's health, mental health and wellbeing?			
Will the proposal directly impact on housing?			
Will there be a likely change in demand for or access to public services such as health and social care services?			
Will there be an impact on diet and nutrition?			
Will there be an impact on physical activity?			
Will there be an impact on transport, travel and connectivity?			
Will there be an impact on employment and income?			

Will there be an impact on education and skills?			
Will there be an impact on community safety?			
Will there be an impact on the environment, air quality, climate change?			

If there are no adverse impacts or any issues of concern or you can adequately explain or justify them, please move to section 6.

Section 5

Where a potential negative impact has been identified, can continuation of the proposal be objectively justified? If yes, please explain your reasons.

Section 6: Decisions or actions proposed

The assessment may result in some recommendations or suggestions to mitigate any negative impact and maximise positive impacts or actions to reduce the risk of an adverse impact.

Section 7: Monitoring arrangements

Who will be responsible for monitoring	
Frequency of monitoring	
Where will the impact assessment be reported to?	
Where this impact assessment will be stored and for how long	

Section 8: Summary of actions to mitigate negative impact (if required)

Impact Area	Action required	Lead officer/responsible person	Target date	Progress

Wednesday, 19 March 2025

Report of the Interim Audit Manager

Global Internal Audit Standards

Exempt Information

None.

Purpose

To update the Audit & Governance Committee on the new arrangements for Internal Audit under the Global Internal Audit Standards (GIAS), CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector and CIPFA’s Code of Practice for the Governance of Internal Audit (the Code).

To ensure that the Audit & Governance Committee understands its role in respect of Internal Audit as set out under the new arrangements and to approve the new Audit Charter.

To inform the Committee of actions being undertaken, following a gap analysis to achieve full compliance with the new arrangements which come into place on 1 April 2025.

Recommendations:

- 1. To approve the Audit Charter and note this report.**

Executive Summary

The Institute of Internal Auditors (IIA) published the Global Internal Audit Standards in January 2024. These are intended to guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function (**Appendix 1**). The GIAS are organised into 5 domains: –



Domain 1: Purpose of Internal Auditing – is intended to assist internal auditors and internal audit stakeholders in understanding and articulating the value of internal auditing.

Domain 2: Ethics and Professionalism – outline the behavioural expectations for professional internal auditors, including Chief Audit Executives (Internal Audit Manager acting as the Head of Internal Audit). Conformance with these principles and standards instils trust in the profession of internal auditing, creates an ethical culture within the internal audit function, and provides the basis for reliance on internal auditors' work and judgement.

Domain 3: Governing the Internal Audit Function – appropriate governance arrangements are essential to enable the internal audit function to be effective. This domain outlines the requirements for the Chief Audit Executive to work closely with the Board (Audit Committee) to establish the internal audit function, position it independently, and oversee its performance. This domain also outlines senior managements responsibilities that support the Board's responsibilities and promote strong governance of the internal audit function.

Domain 4: Managing the Internal Audit Function - the Chief Audit Executive is responsible for managing the internal audit function in accordance with the internal audit charter and Global Internal Audit Standards. This responsibility includes strategic planning, obtaining and deploying resources, building relationships, communicating with stakeholders, and ensuring and enhancing the performance of the function.

Domain 5: Performing Internal Audit Services – this requires internal auditors to effectively plan engagements, conduct the engagement work to develop findings and conclusions, collaborate with management to identify recommendations and / or action plans that address the findings, and communicate with management and the employees responsible for the activity under review throughout the engagement and after it closes.

Within these domains are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfil the purpose of internal auditing.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

While the Global Internal Audit Standards (GIAS) apply to all internal audit functions, internal auditors in the public sector work in a political environment under governance, organisational and funding structure. The CIPFA Application Note (**Appendix 2**) therefore sets out the interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector.

CIPFA Code of Practice for the Governance of Internal Audit in Local Government (the Code)

CIPFA has developed the Code of Practice for the Governance of Internal Audit in Local Government (the Code) (**Appendix 3**) to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit. The Code is designed to work alongside the new Standards.

Gap Analysis

A self-assessment has been undertaken against the Global Internal Audit Standards using the Institute of Internal Auditors self-assessment toolkit and a gap analysis has been undertaken against CIPFA's Application Note and Code.

While the majority of the new arrangements are already complied with (Internal Audit as a shared service with Lichfield District Council was externally assessed as compliant against the PSIAS in 2023), areas requiring attention have been identified to ensure the Council achieves full compliance with the new GIAS and associated CIPFA notes and codes.

The audit manual has now been updated and a new GIAS compliant Audit Charter, which has been approved by CMT, is detailed at **Appendix 4** for the Committee's approval.

Remaining actions for full compliance are included in the action plan at **Appendix 5**.

Options Considered

Not applicable.

Resource Implications

The GIAS can be implemented within the current resources available.

Legal/Risk Implications Background

The core mandate for Internal Audit is derived from the statutory responsibility under the Accounts & Audit Regulations 2015 which require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'.

Equalities Implications

Equality, Social Inclusion and Health Impact Assessment (ESHIA) completed at **Appendix 6**.

Environment and Sustainability Implications (including climate change)

None.

Background Information

None otherwise appended or linked within this report.

Report Author

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Rebecca-Neill@tamworth.gov.uk

List of Background Papers

None, otherwise referenced above.

Appendices

Appendix 1 – Global Internal Audit Standards

Appendix 2 – CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

Appendix 3 - Code of Practice for the Governance of Internal Audit in Local Government (the Code)

Appendix 4 – Audit Charter

Appendix 5 – Global Standards, Application Note and Code Action Plan – March 2025

Appendix 6 – ESHIA

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Global Internal Audit Standards™



The Institute of
Internal Auditors

Published January 9, 2024

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Acknowledgements

The Institute of Internal Auditors is grateful to the stakeholders that provided guidance and assistance in the development of the Global Internal Audit Standards™. The IIA particularly recognizes members of the International Internal Audit Standards Board – a global group of internal auditors who have generously volunteered their time and expertise to ensure the Standards elevate the professional practice of internal auditing. The IIA thanks the International Professional Practices Framework Oversight Council for its essential role in ensuring the standard-setting process serves the public interest, the Professional Certifications Board for its advice, and IIA staff and technical advisors for ensuring the successful implementation and management of all aspects of the project.

About the International Professional Practices Framework

A framework provides a structural blueprint and coherent system that facilitates the consistent development, interpretation, and application of a body of knowledge useful to a discipline or profession. The International Professional Practices Framework (IPPF)® organizes the authoritative body of knowledge, promulgated by The Institute of Internal Auditors, for the professional practice of internal auditing. The IPPF includes Global Internal Audit Standards, Topical Requirements, and Global Guidance.

The IPPF addresses current internal audit practices while enabling practitioners and stakeholders globally to be flexible and responsive to the ongoing needs for high-quality internal auditing in diverse environments and organizations of different purposes, sizes, and structures.

Mandatory	<p>Global Internal Audit Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing.</p>
	<p>Topical Requirements are designed to enhance the consistency and quality of internal audit services related to specific audit subjects and to support internal auditors performing engagements in those risk areas. Internal auditors must conform with the relevant requirements when the scope of an engagement includes one of the identified topics.</p> <p>Topical Requirements strengthen the ongoing relevance of internal auditing in addressing the evolving risk landscape across industries and sectors.</p>

Global Guidance supports the Standards by providing nonmandatory information, advice, and best practices for performing internal audit services. It is endorsed by The IIA through formal review and approval processes.

Global Practice Guides provide detailed approaches, step-by-step processes, and examples on subjects including:

- Assurance and advisory services.
- Engagement planning, performance, and communication.
- Financial services.
- Fraud and other pervasive risks.
- Strategy and management of the internal audit function.
- Public sector.
- Sustainability.

Global Technology Audit Guides (GTAG®) provide auditors with the knowledge to perform assurance or consulting services related to an organization's information technology and information security risks and controls.

Fundamentals of the Global Internal Audit Standards



The Institute of Internal Auditors’ Global Internal Audit Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing.

Internal Auditing and the Public Interest

Public interest encompasses the social and economic interests and overall well-being of a society and the organizations operating within that society (including those of employers, employees, investors, the business and financial community, clients, customers, regulators, and government). Questions of public interest are context specific and should weigh ethics, fairness, cultural norms and values, and potential disparate impacts on certain individuals and subgroups of society.

Internal auditing plays a critical role in enhancing an organization’s ability to serve the public interest. While the primary function of internal auditing is to strengthen governance, risk management, and control processes, its effects extend beyond the organization. Internal auditing contributes to an organization’s overall stability and sustainability by providing assurance on its operational efficiency, reliability of reporting, compliance with laws and/or regulations, safeguarding of assets, and ethical culture. This, in turn, fosters public trust and confidence in the organization and the broader systems of which it is a part.

The IIA is committed to setting standards with input from the public and to benefit the public. The International Internal Audit Standards Board is responsible for establishing and maintaining the Standards in the interest of the public. This is achieved through an extensive, ongoing due process overseen by an independent body, the IPPF Oversight Council. The process includes soliciting input from and considering the interests of various stakeholders—including internal audit practitioners, industry experts, government bodies, regulatory agencies, public representatives, and others—so that the Standards reflect the diverse needs and priorities of society.

Applicability and Elements of the Standards

The Global Internal Audit Standards set forth principles, requirements, considerations, and examples for the professional practice of internal auditing globally. The Standards apply to any individual or function that provides internal audit services, whether an organization employs internal auditors directly, contracts them through an external service provider, or both. Organizations receiving internal audit services vary in sector and industry affiliation, purpose, size, complexity, and structure.

The Standards apply to the internal audit function and individual internal auditors including the chief audit executive. While the chief audit executive is accountable for the internal audit function's implementation of and conformance with all principles and standards, all internal auditors are responsible for conforming with the principles and standards relevant to performing their job responsibilities, which are presented primarily in Domain II: Ethics and Professionalism and Domain V: Performing Internal Audit Services.

The Standards are organized into five domains:

- Domain I: Purpose of Internal Auditing.
- Domain II: Ethics and Professionalism.
- Domain III: Governing the Internal Audit Function.
- Domain IV: Managing the Internal Audit Function.
- Domain V: Performing Internal Audit Services.

Domains II through V contain the following elements:

- Principles: broad descriptions of a related group of requirements and considerations.
- Standards, which include:
 - Requirements: mandatory practices for internal auditing.
 - Considerations for Implementation: common and preferred practices to consider when implementing the requirements.
 - Examples of Evidence of Conformance: ways to demonstrate that the requirements of the Standards have been implemented.

The Standards use the word “must” in the Requirements sections and the words “should” and “may” to specify common and preferred practices in the Considerations for Implementation sections. Each standard ends with a list of examples of evidence. The examples are neither requirements nor the only ways to demonstrate conformance; rather, they are provided to help internal audit functions prepare for quality assessments, which rely on demonstrative evidence. The Standards use certain terms as defined in the accompanying glossary. To understand and implement the Standards correctly, it is necessary to understand and adopt the specific meanings and usage of the terms as described in the glossary.

Demonstrating Conformance with the Standards

The requirements, considerations for implementation, and examples of evidence of conformance are designed to help internal auditors conform with the Standards. While conformance with the requirements is expected, internal auditors occasionally may be unable to conform with a requirement yet still achieve the intent of the standard. Circumstances that may necessitate adjustments are often related to resource limitations or specific aspects of a sector, industry, and/or jurisdiction. In these exceptional circumstances, alternative actions should be implemented to meet the intent of the related standard. The chief audit executive is responsible for documenting and conveying the rationale for the deviation and the adopted alternative actions to the appropriate parties. Related requirements and information appear in Standard 4.1 Conformance with Global Internal Audit Standards and Domain III: Governing the Internal Audit Function together with its principles and standards. While the circumstances necessitating adjustments are too varied to list, the following section acknowledges two areas that consistently draw questions: small internal audit functions and those in the public sector.

Application in Small Internal Audit Functions

The internal audit function's ability to fully conform with the Standards may be affected by its size or the size of the organization. With limited resources, completing certain tasks may be challenging. Additionally, if the internal audit function comprises only one member, an adequate quality assurance and improvement program will require assistance from outside the internal audit function. (See also Standards 10.1 Financial Resource Management, 12.1 Internal Quality Assessment, and 12.3 Oversee and Improve Engagement Performance.)

Application in the Public Sector

While the Global Internal Audit Standards apply to all internal audit functions, internal auditors in the public sector work in a political environment under governance, organizational, and funding structures that may differ from those of the private sector. The nature of these structures and related conditions may be affected by the jurisdiction and level of government in which the internal audit function operates. Additionally, some terminology used in the public sector differs from that of the private sector. These differences may affect how internal audit functions in the public sector apply the Standards. The section "Applying the Global Internal Audit Standards in the Public Sector," which follows Domain V: Performing Internal Audit Services, describes strategies for conformance amid the circumstances and conditions unique to internal auditing in the public sector.

Glossary

activity under review – The subject of an internal audit engagement. Examples include an area, entity, operation, function, process, or system.

advisory services – Services through which internal auditors provide advice to an organization’s stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. “Advisory services” are also known as “consulting services.”

assurance – Statement intended to increase the level of stakeholders’ confidence about an organization’s governance, risk management, and control processes over an issue, condition, subject matter, or activity under review when compared to established criteria.

assurance services – Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational/performance, and technology engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed.

board – Highest-level body charged with governance, such as:

- A board of directors.
- An audit committee.
- A board of governors or trustees.
- A group of elected officials or political appointees.
- Another body that has authority over the relevant governance functions.

In an organization that has more than one governing body, “board” refers to the body/bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities.

If none of the above exist, “board” should be read as referring to the group or person that acts as the organization’s highest-level governing body. Examples include the head of the organization and senior management.

chief audit executive – The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards. The specific job title and/or responsibilities may vary across organizations.

competency – Knowledge, skills, and abilities.

compliance – Adherence to laws, regulations, contracts, policies, procedures, and other requirements.

conflict of interest – A situation, activity, or relationship that may influence, or appear to influence, an internal auditor’s ability to make objective professional judgments or perform responsibilities objectively.

control – Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

control processes – The policies, procedures, and activities designed and operated to manage risks to be within the level of an organization’s risk tolerance.

criteria – In an engagement, specifications of the desired state of the activity under review (also called “evaluation criteria”).

engagement – A specific internal audit assignment or project that includes multiple tasks or activities designed to accomplish a specific set of related objectives. See also “assurance services” and “advisory services.”

engagement conclusion – Internal auditors’ professional judgment about engagement findings when viewed collectively. The engagement conclusion should indicate satisfactory or unsatisfactory performance.

engagement objectives – Statements that articulate the purpose of an engagement and describe the specific goals to be achieved.

engagement planning – Process during which internal auditors gather information, assess and prioritize risks relevant to the activity under review, establish engagement objectives and scope, identify evaluation criteria, and create a work program for an engagement.

engagement results – The findings and conclusion of an engagement. Engagement results may also include recommendations and/or agreed upon action plans.

engagement supervisor – An internal auditor responsible for supervising an internal audit engagement, which may include training and assisting internal auditors as well as reviewing and approving the engagement work program, workpapers, final communication, and performance. The chief audit executive may be the engagement supervisor or may delegate such responsibilities.

engagement work program – A document that identifies the tasks to be performed to achieve the engagement objectives, the methodology and tools necessary, and the internal auditors assigned to perform the tasks. The work program is based on information obtained during engagement planning.

external service provider – Resource from outside the organization that provides relevant knowledge, skills, experience, and/or tools to support internal audit services.

finding – In an engagement, the determination that a gap exists between the evaluation criteria and the condition of the activity under review. Other terms, such as “observations,” may be used.

fraud – Any intentional act characterized by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organizations to secure unjust or illegal personal or business advantage.

governance – The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

impact – The result or effect of an event. The event may have a positive or negative effect on the entity’s strategy or business objectives.

independence – The freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner.

inherent risk – The combination of internal and external risk factors that exists in the absence of any management actions.

integrity – Behavior characterized by adherence to moral and ethical principles, including demonstrating honesty and the professional courage to act based on relevant facts.

internal audit charter – A formal document that includes the internal audit function’s mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications.

internal audit function – A professional individual or group responsible for providing an organization with assurance and advisory services.

internal audit mandate – The internal audit function’s authority, role, and responsibilities, which may be granted by the board and/or laws and regulations.

internal audit manual – The chief audit executive’s documentation of the methodologies (policies, processes, and procedures) to guide and direct internal auditors within the internal audit function.

internal audit plan – A document, developed by the chief audit executive, that identifies the engagements and other internal audit services anticipated to be provided during a given period. The plan should be risk-based and dynamic, reflecting timely adjustments in response to changes affecting the organization.

internal auditing – An independent, objective assurance and advisory service designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

likelihood – The possibility that a given event will occur.

may – As used in the Considerations for Implementation of the Global Internal Audit Standards, the word “may” describes optional practices to implement the Requirements.

methodologies – Policies, processes, and procedures established by the chief audit executive to guide the internal audit function and enhance its effectiveness.

must – The Global Internal Audit Standards use the word “must” to specify an unconditional requirement.

objectivity – An unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise.

outsourcing – Contracting with an independent external provider of internal audit services. Fully outsourcing a function refers to contracting the entire internal audit function, and partially outsourcing (also called “cosourcing”) indicates that only a portion of the services are outsourced.

periodically – At regularly occurring intervals, depending on the needs of the organization, including the internal audit function.

professional skepticism – Questioning and critically assessing the reliability of information.

public sector – Governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver programs, goods, or services to the public.

quality assurance and improvement program – A program established by the chief audit executive to evaluate and ensure the internal audit function conforms with the Global Internal Audit Standards, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments.

residual risk – The portion of inherent risk that remains after management actions are implemented.

results of internal audit services – Outcomes, such as engagement conclusions, themes (such as effective practices or root causes), and conclusions at the level of the business unit or organization.

risk – The positive or negative effect of uncertainty on objectives.

risk and control matrix – A tool that facilitates the performance of internal auditing. It typically links business objectives, risks, control processes, and key information to support the internal audit process.

risk appetite – The types and amount of risk that an organization is willing to accept in the pursuit of its strategies and objectives.

risk assessment – The identification and analysis of risks relevant to the achievement of an organization's objectives. The significance of risks is typically assessed in terms of impact and likelihood.

risk management – A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

risk tolerance – Acceptable variations in performance related to achieving objectives.

root cause – Core issue or underlying reason for the difference between the criteria and the condition of an activity under review.

senior management – The highest level of executive management of an organization that is ultimately accountable to the board for executing the organization's strategic decisions, typically a group of persons that includes the chief executive officer or head of the organization.

should – As used in the Considerations for Implementation of the Global Internal Audit Standards, the word "should" describes practices that are preferred but not required.

significance – The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

stakeholder – A party with a direct or indirect interest in an organization’s activities and outcomes. Stakeholders may include the board, management, employees, customers, vendors, shareholders, regulatory agencies, financial institutions, external auditors, the public, and others.

workpapers – Documentation of the internal audit work done when planning and performing engagements. The documentation provides the supporting information for engagement findings and conclusions.

Domain I: Purpose of Internal Auditing



The purpose statement is intended to assist internal auditors and internal audit stakeholders in understanding and articulating the value of internal auditing.

Purpose Statement

Internal auditing strengthens the organization’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organization’s:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Domain II: Ethics and Professionalism



The principles and standards in the Ethics and Professionalism domain of the Global Internal Audit Standards replace The IIA’s former Code of Ethics and outline the behavioral expectations for professional internal auditors; including chief audit executives, other individuals, and any entities that provide internal audit services. Conformance with these principles and standards instills trust in the profession of internal auditing, creates an ethical culture within the internal audit function, and provides the basis for reliance on internal auditors’ work and judgment.

All internal auditors are required to conform with the standards of ethics and professionalism. If internal auditors are expected to abide by other codes of ethics, behavior, or conduct, such as those of an organization, conformance with the principles and standards of ethics and professionalism contained herein is still expected. The fact that a particular behavior is not mentioned in these principles and standards does not preclude it from being considered unacceptable or discreditable.

While internal auditors are responsible for their own conformance, the chief audit executive is expected to support and promote conformance with the principles and standards in the Ethics and Professionalism domain by providing opportunities for training and guidance. The chief audit executive may choose to delegate certain responsibilities for managing conformance but retains accountability for the ethics and professionalism of the internal audit function.

Principle 1 Demonstrate Integrity

Internal auditors demonstrate integrity in their work and behavior.

Integrity is behavior characterized by adherence to moral and ethical principles, including demonstrating honesty and the courage to act based on relevant facts, even when facing pressure to do otherwise, or when doing so might create potential adverse personal or organizational consequences. In simple terms, internal auditors are expected to tell the truth and do the right thing, even when it is uncomfortable or difficult.

Integrity is the foundation of the other principles of ethics and professionalism, including objectivity, competency, due professional care, and confidentiality. The integrity of internal auditors is essential to establishing trust and earning respect.

Standard 1.1 Honesty and Professional Courage

Requirements

Internal auditors must perform their work with honesty and professional courage.

Internal auditors must be truthful, accurate, clear, open, and respectful in all professional relationships and communications, even when expressing skepticism or offering an opposing viewpoint. Internal auditors must not make false, misleading, or deceptive statements, nor conceal or omit findings or other pertinent information from communications. Internal auditors must disclose all material facts known to them that, if not disclosed, could affect the organization's ability to make well-informed decisions.

Internal auditors must exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.

The chief audit executive must maintain a work environment where internal auditors feel supported when expressing legitimate, evidence-based engagement results, whether favorable or unfavorable.

Considerations for Implementation

Internal auditors should enhance their awareness and understanding of honesty and professional courage by seeking opportunities to obtain ethics-related continuing professional education. While education helps create awareness in hypothetical situations, workplace training, mentorship, and supervision allow internal auditors to learn and practice skills such as tact and respectful communication, which are needed to apply professional courage effectively in real situations. When internal auditors encounter situations that challenge their honesty or professional courage, they should discuss the circumstances with a supervisor to determine the best course of action.

To support internal auditors, the chief audit executive should arrange opportunities for education and training as well as discussions of hypothetical and real situations that require making ethical choices. Effective management of the internal audit function includes proper engagement supervision and periodic reviews of internal auditors' performance. For example, when approving work programs or reviewing engagement workpapers, an engagement supervisor may provide appropriate guidance to help internal auditors address potential or encountered situations that could pose a threat to their honesty and integrity. As part of evaluating internal auditors' performance, the chief audit executive may solicit feedback about their honesty and professional courage from the stakeholders with whom internal auditors interact.

Examples of Evidence of Conformance

- A training plan that includes ethics education and training.
- Documents that evidence internal auditors' attendance or participation in ethics education and training.
- Performance evaluations showing honesty and professional courage as objectives.
- Feedback from key stakeholders regarding the honesty and courage of internal auditors.

Standard 1.2 Organization's Ethical Expectations

Requirements

Internal auditors must understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and must be able to recognize conduct that is contrary to those expectations.

Internal auditors must encourage and promote an ethics-based culture in the organization. If internal auditors identify behavior within the organization that is inconsistent with the organization's ethical expectations, they must report the concern according to applicable policies and procedures.

Considerations for Implementation

An organization's ethical expectations usually are documented in a code of ethics, code of conduct, and/or policies related to professional behavior and ethical conduct. Such policies, along with the organization's objectives and processes for promoting its ethics and values, provide the basis for an ethical culture.

The internal audit plan may include assessments of the organization's ethics-related risks to determine whether existing policies and control processes adequately and effectively address those risks. For example, the organization's policies may specify the criteria and process for handling and communicating about ethics-related issues, the parties that should receive the communication, and the protocol for escalating unresolved issues. The chief audit executive also should determine a methodology for addressing ethical issues and discuss the methodology with the board and senior management to ensure alignment of the approaches.

Internal auditors should consider ethics-related risks and controls during individual engagements. If internal auditors identify behavior within the organization that is inconsistent with the organization's ethical expectations, they should communicate the concerns according to the methodology established by the chief audit executive, which takes into account the organization's policies and processes as well as laws and/or regulations.

If internal auditors determine that a member of senior management has behaved in a manner that is inconsistent with the organization's ethical expectations – whether documented in a code of conduct, code of ethics, or otherwise – the chief audit executive should report the violation to the board. If an ethics-related concern involves the chairman of the board, the chief audit executive should report the concern to the entire board. Internal auditors should follow up on ethics-related issues involving the board or senior management and validate that appropriate actions were taken to address the concern.

Examples of Evidence of Conformance

- Records of internal auditors' participation in workshops, training events, or meetings where ethical expectations and issues were discussed.
- Forms signed by individual internal auditors acknowledging their understanding of and commitment to follow ethics policies and procedures of the organization.

- The internal audit plan, work program, or workpapers showing consideration of the organization's ethics-related objectives, risks, and control processes.
- Documentation demonstrating that ethical issues were communicated to the board, senior management, and regulators in accordance with the organization's policies and relevant laws and/or regulations.

Standard 1.3 Legal and Ethical Behavior

Requirements

Internal auditors must not engage in or be a party to any activity that is illegal or discreditable to the organization or the profession of internal auditing or that may harm the organization or its employees.

Internal auditors must understand and abide by the laws and/or regulations relevant to the industry and jurisdictions in which the organization operates, including making disclosures as required.

If internal auditors identify legal or regulatory violations, they must report such incidents to individuals or entities that have the authority to take appropriate action, as specified in laws, regulations, and applicable policies and procedures.

Considerations for Implementation

If organizational policies are not sufficiently specific to address the situations that the internal audit function encounters, then the chief audit executive may develop and implement a methodology that specifies the actions internal auditors are expected to take in response to legal or regulatory violations of which they become aware. The methodology may include a procedure for validating that adequate actions are taken to address the violation.

The chief audit executive should establish a methodology to ensure that internal auditors are properly supervised, conform with the Global Internal Audit Standards, and behave in alignment with ethical and professional values.

Examples of discreditable behaviors include but are not limited to:

- Bullying, harassment, or discrimination.
- Lying, deceiving, or intentionally misleading others, including misrepresenting one's competency or qualifications (such as claiming to hold a certification or displaying credentials when the designation is expired or inactive, has been revoked, or was never earned).
- Intentionally issuing false reports or communications or allowing or encouraging others to do so, including minimizing, concealing, or omitting internal audit findings, conclusions, or ratings from engagement reports or overall assessments.
- Overlooking illegal activities that the organization may tolerate or condone.
- Soliciting or disclosing confidential information without proper authorization.
- Performing internal audit services with undeclared impairments to objectivity or independence.

- Stating that the internal audit function is operating in conformance with the Global Internal Audit Standards when the assertion is not supported.
- Failing to accept responsibility for mistakes.

Examples of Evidence of Conformance

- Records of internal auditors' participation in training on laws, regulations, and ethical and professional behavior.
- Internal auditors' acknowledgments of their understanding of and commitment to act in accordance with relevant legal and professional expectations.
- Documented methodologies for handling illegal or discreditable behavior by internal auditors and legal or regulatory violations by individuals within the organization.
- Documented communication between internal auditors and their supervisors and/or legal counsel that address concerns about illegal or unprofessional actions.
- Sign-off that workpapers were reviewed.
- Final engagement communication, if applicable.

Principle 2 Maintain Objectivity

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

Objectivity is an unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise. An independently positioned internal audit function supports internal auditors' ability to maintain objectivity.

Standard 2.1 Individual Objectivity

Requirements

Internal auditors must maintain professional objectivity when performing all aspects of internal audit services. Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances.

Internal auditors must be aware of and manage potential biases.

Considerations for Implementation

Objectivity means internal auditors perform their work without compromise or subordination of judgment to others. The Global Internal Audit Standards, along with the policies established and training arranged by the chief audit executive, support objectivity by providing requirements, procedures, and guidance that set forth a systematic and disciplined approach for gathering and evaluating information to provide a balanced assessment of the activity under review. Training may help internal auditors to better understand objectivity-impairing scenarios and how best to address them.

Making objective assessments requires an impartial mindset, free from bias and undue influence, which is essential to providing objective assurance and advice to the board and senior management. Internal auditors should develop awareness of the ways in which situations, activities, and relationships may affect their ability to be objective.

Internal auditors should consider the human tendency to misinterpret information or make assumptions or mistakes, which impairs the ability to evaluate information and evidence objectively.

Examples of biases include but are not limited to:

- Self-review bias – lack of critical perspective when reviewing one’s own work, which may lead to overlooking mistakes or shortcomings.
- Familiarity bias – making assumptions based on past experiences, which may compromise professional skepticism.
- Prejudice or unconscious bias – misinterpretation of information, based on predisposed ideas about culture, ethnicity, gender, ideology, race, or other characteristics, which may cause inaccurate judgments.

Examples of Evidence of Conformance

- References in the internal audit charter to internal auditors’ responsibility for maintaining objectivity.
- Policies and procedures related to objectivity.
- Records of planned and completed objectivity training, including list of participants.
- Attestation forms that confirm internal auditors’ awareness of objectivity’s importance and the obligation to disclose any potential impairments.
- Documented disclosures of potential conflicts of interest or other impairments to objectivity.
- Notes from supervisory reviews and mentoring of internal auditors.

Standard 2.2 Safeguarding Objectivity

Requirements

Internal auditors must recognize and avoid or mitigate actual, potential, and perceived impairments to objectivity.

Internal auditors must not accept any tangible or intangible item, such as a gift, reward, or favor, that may impair or be presumed to impair objectivity.

Internal auditors must avoid conflicts of interest and must not be unduly influenced by their own interests or the interests of others, including senior management or others in a position of authority, or by the political environment or other aspects of their surroundings.

When performing internal audit services:

- Internal auditors must refrain from assessing specific activities for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous 12 months.
- If the internal audit function is to provide assurance services where it had previously performed advisory services, the chief audit executive must confirm that the nature of the advisory services does not impair objectivity and must assign resources such that individual objectivity is managed. Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by an independent party outside the internal audit function.
- If internal auditors are to provide advisory services relating to activities for which they had previous responsibilities, they must disclose potential impairments to the party requesting the services before accepting the engagement.

The chief audit executive must establish methodologies to address impairments to objectivity. Internal auditors must discuss impairments and take appropriate actions according to relevant methodologies.

Considerations for Implementation

Objectivity is impaired when situations, activities, or relationships may influence internal auditors' judgments and decisions in a way that may change internal audit findings and conclusions. Impairments to objectivity may exist, in fact or appearance, even when they are unintended. Objectivity may be perceived by others to be impaired, even when no impairment has occurred in fact. Internal auditors should apply judgment regarding additional circumstances that may impair or be presumed to impair objectivity.

Conflicts of interest are situations in which an internal auditor has a competing professional or personal interest that may make it difficult to fulfill internal audit duties impartially. Conflicts of interest may create the appearance of impropriety that could undermine the confidence in an internal auditor, the internal

audit function, and the internal audit profession, even if no unethical or improper acts result.

Examples of conflicts of interest include situations, activities, and relationships that may, in fact or appearance:

- Oppose or compete with the interests of the organization.
- Create the potential for undue financial or other personal gain.
- Be established solely to protect oneself from potential or actual loss or harm.
- Be nepotistic or provide favoritism to certain individuals.

The internal audit function's methodologies should specify the expectations and requirements for internal auditors related to:

- Receiving gifts, favors, and rewards.
- Identifying situations that may impair objectivity.
- Responding appropriately upon becoming aware of an impairment.

Many organizations have a policy related to the acceptance of gifts, rewards, and favors, such as a policy limiting the value of gifts that can be accepted. Because of the importance of objectivity in the practice of internal auditing, the chief audit executive may have a policy that is more restrictive than that of the organization. Internal auditors should follow the more restrictive policy and carefully consider whether accepting a gift, reward, or favor may be perceived to affect their judgment or be given in exchange for producing favorable internal audit findings, conclusions, or results.

The policies of the organization and/or the internal audit function may prohibit specific activities or relationships that could create conflicts of interest. Internal auditors should be aware that close personal relationships outside work and relationships involving financial ties, such as investments, may be or appear to be conflicts of interest.

The chief audit executive should take precautions to reduce the potential impairments to objectivity that may result from the design of performance evaluations and remuneration arrangements, bonuses, and incentives. Examples of remuneration arrangements that may impair objectivity include:

- Basing performance evaluations and remuneration primarily on surveys of or input from the management of the activity under review.
- Measuring performance against the number of findings identified during engagements, the revenue growth of the activity under review, or the cost savings or job eliminations imposed upon the activity under review.
- Allowing management to provide indirect compensation in the form of gifts and gratuities.

Internal auditors should apply their understanding of objectivity and relevant policies and procedures to evaluate whether any situations, activities, or relationships may impair, or may be presumed to impair, their objectivity. The perceptions of other people should be considered.

The requirements for staffing and supervising engagements are intended to ensure that the internal auditors assigned to an engagement were not recently responsible for any aspect of the activity under review, which may bias their view, give them a vested interest in a particular outcome, or create the perception or appearance that their objectivity is impaired. For each engagement, the internal auditors performing and supervising the engagement should be independent from the activity under review.

When planning resources for an engagement, the chief audit executive or a designated supervisor should discuss the engagement with internal auditors to identify any current or potential impairments to objectivity.

The discussion should include consideration of any impairments previously disclosed.

As part of the process for supervising engagements, workpapers are reviewed to ensure findings and conclusions are adequately supported. Engagement supervision also provides opportunities for more experienced internal auditors to provide feedback and mentoring regarding potential objectivity concerns. (See also Standards 12.3 *Oversee and Improve Engagement Performance* and 13.5 *Engagement Resources*.) If an impairment is unavoidable, it should be disclosed and mitigated as described in Standard 2.3 *Disclosing Impairments to Objectivity*.

Examples of Evidence of Conformance

- Policies and procedures for identifying potential impairments and necessary safeguards.
- Records of objectivity training.
- Documentation through which internal auditors attest that they either have no known impairments or have disclosed potential impairments.
- Sources of feedback on the perception of internal auditors' objectivity, such as surveys of the internal audit function's stakeholders.
- Notes from supervisory reviews.
- Remuneration plan.
- Minutes of board meetings where impairments to objectivity were discussed.
- Plans showing alternative provisions to fulfill the internal audit plan activities where impairments to objectivity were unavoidable.
- Results of external quality assessments performed by an independent assessor.

Standard 2.3 Disclosing Impairments to Objectivity

Requirements

If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.

If internal auditors become aware of an impairment that may affect their objectivity, they must disclose the impairment to the chief audit executive or a designated supervisor. If the chief audit executive determines that an impairment is affecting an internal auditor's ability to perform duties objectively, the chief audit executive must discuss the impairment with the management of the activity under review, the board, and/or senior management and determine the appropriate actions to resolve the situation.

If an impairment that affects the reliability or perceived reliability of the engagement findings, recommendations, and/or conclusions is discovered after an engagement has been completed, the chief audit executive must discuss the concern with the management of the activity under review, the board, senior management, and/or other affected stakeholders and determine the appropriate actions to resolve the situation. (See also Standard 11.4 *Errors and Omissions*.)

If the objectivity of the chief audit executive is impaired in fact or appearance, the chief audit executive must disclose the impairment to the board. (See also Standard 7.1 *Organizational Independence*.)

Considerations for Implementation

The requirements for disclosing impairments to objectivity are typically defined in the internal audit function's methodologies and describe the actions to be taken to address each impairment to objectivity. The general approach to disclosing and mitigating impairments to objectivity is typically determined by the chief audit executive in agreement with the board and senior management.

If an impairment to objectivity cannot be avoided, the chief audit executive may consider options to manage the impairment, including:

- Reassigning internal auditors to remove the impaired internal auditor from the engagement.
- Rescheduling an engagement to ensure it is properly staffed.
- Adjusting the scope of an engagement.
- Outsourcing the performance or supervision of the engagement.

When a concern arises during engagement planning that relates solely to the perception of an impairment, the chief audit executive may choose to discuss the concern with the management of the activity under review and/or senior management, explain why the risk exposure is minimal and how it will be managed, and document the discussion and the final decision about how to proceed.

Standard 7.1 Organizational Independence provides additional requirements and information related to the chief audit executive assuming roles or responsibilities beyond internal auditing.

Examples of Evidence of Conformance

- Internal audit methodologies for disclosing objectivity impairments.
- Documentation disclosing the presence or affirming the absence of objectivity impairments.
- Records of the disclosure of objectivity impairments and the response from and/or approval of the mitigation by appropriate parties.

Principle 3 Demonstrate Competency

Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.

Demonstrating competency requires developing and applying the knowledge, skills, and abilities to provide internal audit services. Because internal auditors provide a diverse array of services, the competencies needed by each internal auditor vary. In addition to possessing or obtaining the competencies needed to perform services, internal auditors improve the effectiveness and quality of services by pursuing professional development.

Standard 3.1 Competency

Requirements

Internal auditors must possess or obtain the competencies to perform their responsibilities successfully. The required competencies include the knowledge, skills, and abilities suitable for one's job position and responsibilities commensurate with their level of experience. Internal auditors must possess or develop knowledge of The IIA's Global Internal Audit Standards.

Internal auditors must engage only in those services for which they have or can attain the necessary competencies.

Each internal auditor is responsible for continually developing and applying the competencies necessary to fulfill their professional responsibilities. Additionally, the chief audit executive must ensure that the internal audit function collectively possesses the competencies to perform the internal audit services described in the internal audit charter or must obtain the necessary competencies. (See also Standards 7.2 Chief Audit Executive Qualifications and 10.2 Human Resources Management.)

Considerations for Implementation

Internal auditors should develop competencies related to:

- Communication and collaboration.
- Governance, risk management, and control processes.
- Business functions, such as financial management and information technology.
- Pervasive risks, such as fraud.
- Tools and techniques for gathering, analyzing, and evaluating data.
- The risks and potential impacts of various economic, environmental, legal, political, and social conditions.
- Laws, regulations, and practices relevant to the organization, sector, and industry.
- Trends and emerging issues relevant to the organization and internal auditing.
- Supervision and leadership.

To develop and demonstrate competencies, internal auditors may:

- Obtain appropriate professional credentials, such as the Certified Internal Auditor® designation and other certifications and credentials.
- Identify opportunities for improvement and competencies that need development, based on feedback provided by stakeholders, peers, and supervisors.
- Seek relevant training not only in internal audit methodologies but also on business activities relevant to the organization. Training opportunities may include enrolling in courses, working with a mentor, or being assigned new tasks under supervision during an engagement.

While internal auditors are responsible for ensuring their individual professional development and may assess their own skills and opportunities for development, the chief audit executive should support the professional development of internal auditors. The chief audit executive may establish minimum

expectations for professional development and should encourage the pursuit of professional qualifications. The chief audit executive should include funding for training and professional development in the internal audit budget and provide opportunities internally as well as externally, through continuing professional education, training, and conferences. (See also Standards 10.1 Financial Resource Management and 10.2 Human Resources Management.)

To ensure the internal audit function collectively possesses the competencies to perform the internal audit services, the chief audit executive should:

- Maintain knowledge of internal auditors' competencies to be used when assigning work, identifying training needs, and recruiting internal auditors to fill open positions.
- Participate in the performance reviews of individual internal auditors.
- Identify areas in which the competencies of the internal audit function should be improved.
- Encourage internal auditors' intellectual curiosity and invest in training and other opportunities to improve internal audit performance.
- Understand the competencies of other providers of assurance and advisory services and consider relying upon those providers as a source of additional or specialty competencies not available within the internal audit function.
- Consider contracting with an independent, external service provider when the internal audit function collectively does not possess the competencies to perform requested services.
- Effectively implement a quality assurance and improvement program.

Examples of Evidence of Conformance

- Documentation listing the certifications, education, experience, work history, and other qualifications of internal auditors.
- Internal auditors' self-assessments of their competencies and plans for professional development.
- Documentation of internal auditors' completion of continuing professional education, such as courses, conference sessions, workshops, and seminars.
- Documented performance reviews of internal auditors.
- Documented supervisory reviews of engagements, post-engagement surveys completed by internal audit stakeholders, and other forms of feedback indicating competencies exhibited by individual internal auditors and the internal audit function.
- The results of internal and external quality assessments.
- Documentation of relevant competencies necessary to fulfill the internal audit plan, an analysis of resource gaps, and the identification of the training and budget necessary to fill the gaps.
- Documentation such as an assurance map that indicates the competencies of other providers of assurance and advisory services upon which the internal audit function may rely.

Standard 3.2 Continuing Professional Development

Requirements

Internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services. Internal auditors must pursue continuing professional development including education and training. Practicing internal auditors who have attained professional internal audit certifications must follow the continuing professional education policies and fulfill the requirements applicable to their certifications.

Considerations for Implementation

Continuing professional development may include self-study, on-the-job training, opportunities to learn new skills on special assignments (such as rotational programs), mentorship, supervisory feedback, and free and paid education. To improve the quality of performing internal audit services, internal auditors should seek opportunities to learn about trends and best practices as well as emerging topics, risks, trends, and changes that may affect the organizations for which they work and the internal audit profession.

Internal auditors are responsible for developing their competencies and should seek opportunities to learn. However, the chief audit executive is responsible for the competencies of the internal audit function and should budget and plan for opportunities to train and educate internal audit staff. For example, internal auditors can develop new knowledge when properly supervised and assigned to engagements involving processes or areas with which they have had limited experience. Internal auditors should seek and welcome opportunities for supervision and mentorship through which they can receive robust feedback, guidance, and insight.

Many professional credentials require a minimum number of hours of continuing professional education within specific periods, such as annually. The chief audit executive should consider implementing a plan that requires internal auditors to obtain specific types and quantities of continuing professional education.

Internal auditors possessing credentials, such as the Certified Internal Auditor® designation, should be aware of the specific requirements of the certifying body's policy for maintaining their credentials. Failing to fulfill such requirements may result in consequences, including jeopardizing internal auditors' permission to use the credentials. All internal auditors should develop a plan and schedule for ongoing training and education. As part of the required continuing professional education, The IIA requires holders of its certifications to complete ethics training. While this requirement is linked specifically to IIA certifications, all internal audit professionals should obtain ethics-focused continuing professional education or training regularly.

News service subscriptions, webinars, and professional events provide internal auditors with opportunities to stay abreast of current developments in the internal audit profession and industries relevant to the organizations for which they work. Training may be used to introduce new technology or changes in internal audit practices.

Professional development initiatives should include a regular review and assessment of internal auditors' career paths and needs for professional development. The chief audit executive should ensure plans and budgets for training reflect a balance between investing in developing the competencies of the internal audit function as a whole and providing internal auditors with opportunities to achieve their individual goals to grow professionally.

Examples of Evidence of Conformance

- Documented plans for attending training events, professional conferences, and other continuing professional education.
- Records of internal auditors' completed continuing professional education and credentials obtained.
- Internal auditors' performance reviews and/or plans for professional development.
- Evidence of active involvement in The IIA and other relevant professional organizations, such as volunteer service.

Principle 4 Exercise Due Professional Care

Internal auditors apply due professional care in planning and performing internal audit services.

The standards that embody exercising due professional care require:

- Conformance with the Global Internal Audit Standards.
- Consideration of the nature, circumstances, and requirements of the work to be performed.
- Application of professional skepticism to critically assess and evaluate information.

Due professional care requires planning and performing internal audit services with the diligence, judgment, and skepticism possessed by prudent and competent internal auditors. When exercising due professional care, internal auditors perform in the best interests of those receiving internal audit services but are not expected to be infallible.

Standard 4.1 Conformance with the Global Internal Audit Standards

Requirements

Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards.

The internal audit function's methodologies must be established, documented, and maintained in alignment with the Standards. Internal auditors must follow the Standards and the internal audit function's methodologies when planning and performing internal audit services and communicating results.

If the Standards are used in conjunction with requirements issued by other authoritative bodies, internal audit communications must also cite the use of the other requirements, as appropriate.

If laws or regulations prohibit internal auditors or the internal audit function from conforming with any part of the Standards, conformance with all other parts of the Standards is required and appropriate disclosures must be made.

When internal auditors are unable to conform with a requirement, the chief audit executive must document and communicate a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale. Requirements related to disclosing nonconformance with the Standards are described in Standards 8.3 Quality, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication.

Considerations for Implementation

The chief audit executive should review the Standards when changes occur and align the internal audit function's methodologies accordingly. If inconsistencies exist between the Standards and requirements issued by other authoritative bodies, internal auditors and the internal audit function may be required to or may choose to conform with the more stringent requirements.

The chief audit executive or a designated engagement supervisor should ensure that engagement work programs align with the requirements of the Standards and that internal audit engagements are conducted in accordance with the Standards' requirements.

While conformance with the requirements is expected, internal auditors or the internal audit function may occasionally be unable to conform with a requirement yet may take alternative actions to achieve the related principle. Such circumstances are usually related to specific sectors, industries, and jurisdictions. By documenting the circumstance, alternative actions taken, the impact, and the rationale, the chief audit executive provides information to support the external quality assessment such that the internal audit function may be able to achieve conformance with a principle, even when conformance with a standard is not possible.

If internal auditors are unable to conform with a standard when performing an internal audit engagement, they should discuss with the chief audit executive or a designated supervisor the reason for the nonconformance and the effect of the nonconformance on the engagement. The chief audit executive or supervisor should provide guidance regarding to whom and how to communicate the nonconformance. (See Standard 15.1 Final Engagement Communication.)

Additionally, laws, regulations, internal audit methodologies, and organizational policies may provide specifications for determining when and how nonconformance is to be disclosed.

Examples of Evidence of Conformance

- Documentation of the internal audit function's methodologies and an indication of when they were last updated.
- If applicable, final engagement communications and communications with the board and senior management where nonconformance has been disclosed.

- Documentation referencing the laws and/or regulations with which internal auditors were required to comply that prevented their conformance with the Standards.
- Documentation referencing authoritative requirements to which the internal audit function adheres in addition to the Standards.
- Results of the quality assurance and improvement program.

Standard 4.2 Due Professional Care

Requirements

Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided, including:

- The organization's strategy and objectives.
- The interests of those for whom internal audit services are provided and the interests of other stakeholders.
- Adequacy and effectiveness of governance, risk management, and control processes.
- Cost relative to potential benefits of the internal audit services to be performed.
- Extent and timeliness of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of risks to the activity under review.
- Probability of significant errors, fraud, noncompliance, and other risks that might affect objectives, operations, or resources.
- Use of appropriate techniques, tools, and technology.

Considerations for Implementation

To perform services with due professional care requires that internal auditors consider and understand the Purpose of Internal Auditing and the nature of the internal audit services to be provided. Internal auditors should start by understanding the internal audit charter, the internal audit plan, and the factors that help determine which engagements are included in the plan. When planning and performing internal audit services, internal auditors also consider the interests of the organization's customers and other stakeholders (including the public) affected by the organization's actions. Such interests include stakeholders' expectations (such as fair and honest business practices), needs (such as safety), and potential exposure to underlying risks that may not be obviously related to the organization's strategy and objectives.

The considerations in due professional care comprise the circumstances and aspects of risk that the chief audit executive must consider when performing the risk assessment on which the internal audit plan is based. Relevant circumstances include the organization's strategy and objectives and the adequacy and effectiveness of the organization's governance, risk management, and control processes.

Additionally, internal auditors consider these circumstances relative to an activity under review during engagement planning, as described in Domain V: Performing Internal Audit Services. The complexity, materiality, and significance of risks being evaluated is relative. A risk may not be material or significant to the organization but may be material or significant in an engagement or to an activity under review.

Thus, understanding the complexity, materiality, and significance in context is necessary to properly assess relevant risks and determine which risks should be prioritized for further evaluation.

Due professional care also requires weighing the costs (such as resource requirements) of the internal audit services against the benefits that may result. For example, if the controls in an activity under review are not adequately designed, the benefits of fully evaluating the effectiveness of those controls are not likely to be worth the costs. Internal auditors seek to provide the most value or benefit for the organization's investment in internal audit services. Additionally, thorough planning requires internal auditors to consider the techniques, tools, technology, and extent and timeliness of work needed to achieve the engagement objectives most efficiently. Internal auditors, especially the chief audit executive, should consider the use of data analysis software and other technology that support the review and evaluation processes.

Proper engagement supervision and a quality assurance and improvement program promote due professional care. (See also Standards 8.3 Quality, 8.4 External Quality Assessment, and Principle 12 Enhance Quality and its standards.)

Examples of Evidence of Conformance

- Planning notes documenting the strategy and objectives of the organization and activity under review.
- Documented assessments of governance, risk management, and control processes.
- Notes showing assessment of risks including errors, noncompliance, and fraud.
- Notes from meetings or discussions of the potential costs and benefits of internal audit services and the extent and timeliness of engagement work.
- Workpapers indicating supervisory review of engagements.
- Internal auditors' performance reviews.
- Notes from meetings, training, or other discussion of due professional care.
- Feedback from stakeholders solicited through surveys or other tools.
- Internal and external assessments performed as part of the internal audit function's quality assurance and improvement program.

Standard 4.3 Professional Skepticism

Requirements

Internal auditors must exercise professional skepticism when planning and performing internal audit services.

To exercise professional skepticism, internal auditors must:

- Maintain an attitude that includes inquisitiveness.
- Critically assess the reliability of information.
- Be straightforward and honest when raising concerns and asking questions about inconsistent information.
- Seek additional evidence to make a judgment about information and statements that might be incomplete, inconsistent, false, or misleading.

Considerations for Implementation

Professional skepticism enables internal auditors to make objective judgments based on facts, information, and logic, rather than trust or belief. Skepticism is the attitude of always questioning or doubting the validity and truthfulness of claims, statements, and other information. Internal auditors apply professional skepticism when they seek evidence to support and validate statements made by management, rather than simply trusting the information presented as true or genuine without question or doubt. Professional skepticism requires curiosity and the willingness to explore beyond the surface level of a given topic.

When gathering and analyzing information, internal auditors should apply professional skepticism to determine whether information is relevant, reliable, and sufficient. If internal auditors determine that information is incomplete, inconsistent, false, or misleading, they should perform additional analyses to identify the correct and complete information needed to support engagement results. Additional validation is provided by the review and approval of workpapers and/or engagement communications by the chief audit executive or a designated engagement supervisor.

Chief audit executives should help internal auditors build their competency related to professional skepticism. Workshops and other training opportunities can help internal auditors develop and learn to apply professional skepticism and understand the importance of avoiding bias and maintaining an open and curious mindset. Internal auditors can learn to recognize information that is inconsistent, incomplete, false, and/or misleading.

Examples of Evidence of Conformance

- Records of relevant training planned and completed, including a list of participants.
- Workpapers identifying an internal auditor's approach to evaluate and validate information gathered during an engagement.
- Documentation that false or misleading information was handled as an engagement finding.
- Workpapers and engagement communications, reviewed and signed or initialed by the engagement supervisor.

Principle 5 Maintain Confidentiality

Internal auditors use and protect information appropriately.

Because internal auditors have unrestricted access to the data, records, and other information necessary to fulfill the internal audit mandate, they often receive information that is confidential, proprietary, and/or personally identifiable. (See also Principle 6 Authorized by the Board and its standards.) This includes information in physical and digital form as well as information derived from oral communication, such as formal or informal meeting discussions. Internal auditors must respect the value and ownership of information they receive by using it only for professional purposes and protecting it from unauthorized access or disclosure, internally and externally.

Standard 5.1 Use of Information

Requirements

Internal auditors must follow the relevant policies, procedures, laws, and regulations when using information. The information must not be used for personal gain or in a manner contrary or detrimental to the organization's legitimate and ethical objectives.

Considerations for Implementation

Internal auditors have unrestricted access to information to enable them to provide internal audit services without interference. However, using and handling information appropriately is the responsibility of every internal auditor. The inappropriate use and handling of information that is confidential, proprietary, and/or personally identifiable may have unintended consequences, such as reputational damage and fines for violating laws and/or regulations.

The policies and procedures of the organization and the internal audit function generally govern internal auditors' handling and use of information throughout its lifecycle, from its point of access to its collection, transfer, storage, and/or destruction. Additionally, internal auditors should be aware of and compliant with any policies and procedures related to the third-party information they may access.

The chief audit executive should discuss with internal auditors the policies, procedures, and expectations related to the appropriate use of information to which they have access. The chief audit executive may require internal auditors to acknowledge their understanding through signed attestations or other formats.

When handling sensitive and/or personal data, the internal audit function should apply appropriate digital security measures. Examples include automated controls such as passwords and encryption.

Examples of misusing information include using, selling, or releasing insider financial, strategic, or operational knowledge of the organization to inform decisions to purchase or sell stock or to create a competitive product.

Examples of Evidence of Conformance

- Effectively designed and operating controls over access to and use of information.
- Documentation of relevant policies, procedures, and training related to the proper use of information.
- Minutes from meetings during which the appropriate use of information was discussed.
- Attendance records of training on use of information.
- Documentation by which internal auditors acknowledge their understanding of relevant policies, procedures, laws, and regulations.
- Performance reviews demonstrating that relevant policies, procedures, laws, and regulations have been followed.

Standard 5.2 Protection of Information

Requirements

Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.

Internal auditors must understand and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security that apply to the organization and internal audit function.

Considerations specifically relevant to the internal audit function include:

- Custody, retention, and disposal of engagement records.
- Release of engagement records to internal and external parties.
- Handling of, access to, or copies of confidential information when it is no longer needed.

Internal auditors must not disclose confidential information to unauthorized parties unless there is a legal or professional responsibility to do so.

Internal auditors must manage the risk of exposing or disclosing information inadvertently.

The chief audit executive must ensure that the internal audit function and individuals assisting the internal audit function adhere to the same protection requirements.

Considerations for Implementation

The information acquired, used, and produced by the internal audit function is protected by laws, regulations, and the policies and procedures of the organization and the internal audit function and generally cover physical and digital security and access, retention, and disposal of information.

The chief audit executive should consult with legal counsel to better understand the impact of legal and/or regulatory requirements and protections (for example, legal privilege or attorney-client privilege). The organization's policies and procedures may require that specific authorities review and approve business information before external release.

Information access may be monitored to verify whether methodologies are followed. Information may be protected from intentional or unintentional disclosure through controls such as data encryption, password protection, email distribution, restrictions on the use of social media, and restrictions on physical access. When internal auditors no longer need access to the data, digital permissions should be revoked and printed copies should be handled according to established methodologies.

Examples of confidential information that may be protected from disclosure include individual salaries and records of personnel issues.

The chief audit executive should periodically assess and confirm internal auditors' needs for access to information and whether access controls are working effectively.

Examples of Evidence of Conformance

- Documentation demonstrating application of relevant methodologies.
- Documentation regarding the implementation of mechanisms that restrict information access and mitigate the risk of circumventing prevailing controls.
- Attendance records of training on protection of information.
- Documentation by which internal auditors acknowledge their understanding of relevant policies, procedures, laws, and regulations.
- Documentation of restrictions on the distribution of workpapers and final communication.
- Documentation of authorized disclosures and distribution.
- Records of disclosures required by law or approved by legal counsel, if applicable, and/or the board and senior management.
- Signed agreements to confidentiality or nondisclosure of information.
- Performance reviews demonstrating that policies and procedures related to the protection and disclosure of information have been followed.

Domain III: Governing the Internal Audit Function



Appropriate governance arrangements are essential to enable the internal audit function to be effective. This domain outlines the requirements for chief audit executives to work closely with the board to establish the internal audit function, position it independently, and oversee its performance. This domain also outlines senior management’s responsibilities that support the board’s responsibilities and promote strong governance of the internal audit function.

While the chief audit executive is responsible for the requirements in this domain, activities of the board and senior management are essential to the internal audit function’s ability to fulfill the Purpose of Internal Auditing. These activities are identified as “essential conditions” in each standard and establish a necessary foundation for an effective dialogue between the board, senior management, and the chief audit executive, ultimately enabling an effective internal audit function.

Meeting with the Board and Senior Management

The chief audit executive must discuss this domain with the board and senior management. The discussions should focus on:

- The Purpose of Internal Auditing as articulated in Domain I: Purpose of Internal Auditing.
- The essential conditions outlined under each of the standards in Domain III: Governing the Internal Audit Function.
- The potential impact on the effectiveness of the internal audit function if the board or senior management does not provide the support outlined in the essential conditions.

The discussions are needed to inform the board and senior management about the importance of the essential conditions and to gain alignment among their respective responsibilities.

The nature and frequency of these discussions depend on the circumstances and changes in the organization. For example, the chief audit executive should discuss these essential conditions with the board and senior management if:

- The Standards change significantly or a new internal audit function is created.
- The chief audit executive is new to the role or organization.
- There are significant changes in the relationship between the board and the chief audit executive, such as a new chairperson to whom the chief audit executive reports or a change in the structure or composition of the board that affects this reporting relationship.
- There are significant changes in the structure or composition of senior management that affect the chief audit executive’s positioning within the organization.

It is important for the chief audit executive to receive input from both the board and senior management. While the board may have the ultimate responsibility to approve the internal audit mandate, charter, and other requirements outlined in this domain, senior management typically has a key role in providing input to the board and the chief audit executive. Senior management's perspective is valuable and helps support the internal audit function's positioning and authority in the organization.

Disagreements on Essential Conditions

If either the board or senior management disagrees with one or more of these essential conditions, the chief audit executive must emphasize – with examples – how absence of the condition(s) may affect the internal audit function's ability to fulfill its purpose or conform with specific standards. The chief audit executive should also discuss alternatives to the essential conditions that may provide the same results.

The chief audit executive may reach agreement with the board and senior management that one or more of the essential conditions are not necessary to conform with the Standards. In such instances, the chief audit executive must document:

- The reasons for agreeing that a particular condition is unnecessary.
- Alternative conditions that compensate for the absent conditions, to support the judgments of the board and senior management.

If the chief audit executive does not agree with the board's and/or senior management's reasons for not performing one or more of the conditions, the chief audit executive may conclude that the internal audit function cannot conform with the Standards. In such cases, the chief audit executive should document the reasons why the board and/or senior management will not perform the essential conditions. This documentation should be shared with the board and senior management to ensure clarity regarding their positions and made available to an external quality assessor.

If the chief audit executive position is open for any reason, the board should appoint one or more individuals in the interim.

Definition of Board

The glossary to the Global Internal Audit Standards defines the term "board" as the highest-level body charged with governance, such as:

- A board of directors.
- An audit committee.
- A board of governors or trustees.
- A group of elected officials or political appointees.
- Another body that has authority over the relevant governance functions.

In an organization that has more than one governing body, "board" refers to the body or bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities.

If none of the above exists, "board" should be read as referring to the group or person that acts as the organization's highest-level governing body. Examples include the head of the organization and senior management.

If the nature of the board varies from the definition provided in the glossary, the chief audit executive should document the governing structure to which the internal audit function reports and how this structure is consistent with the definition of board. This may include environments where multiple boards exist, sometimes found in multi-national organizations or the public sector, or where a multi-tiered structure is in place.

Application of this Domain

The Standards apply to individuals and functions that provide internal audit services. Internal audit services may be provided by persons within or outside the organization for organizations that vary in purpose, size, complexity, and structure. The Standards apply whether an organization employs internal auditors directly, contracts them through an external service provider, or both. The chief audit executive's responsibilities are performed by one or more individuals designated by the board. The chief audit executive, whether employed directly by the organization or through an external service provider, is responsible for conformance with the Standards as demonstrated through the quality assurance and improvement program. In all cases, the board retains the responsibility to support and oversee the internal audit function.

Principle 6 Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

The internal audit function receives its mandate from the board (or applicable law in certain public sector environments). The mandate specifies the authority, role, and responsibilities of the internal audit function and is documented in the internal audit charter. The mandate empowers the internal audit function to provide the board and senior management with objective assurance, advice, insight, and foresight. The internal audit function carries out the mandate by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes throughout the organization.

Standard 6.1 Internal Audit Mandate

Requirements

The chief audit executive must provide the board and senior management with the information necessary to establish the internal audit mandate. In those jurisdictions and industries where the internal audit function's mandate is prescribed wholly or partially in laws or regulations, the internal audit charter must include the legal requirements of the mandate. (See also Standard 6.2 Internal Audit Charter and "Applying the Global Internal Audit Standards in the Public Sector.")

To help the board and senior management determine the scope and types of internal audit services, the chief audit executive must coordinate with other internal and external assurance providers to gain an understanding of each other's roles and responsibilities. (See also Standard 9.5 Coordination and Reliance.)

The chief audit executive must document or reference the mandate in the internal audit charter, which is approved by the board. (See also Standard 6.2 Internal Audit Charter.)

Periodically, the chief audit executive must assess whether changes in circumstances justify a discussion with the board and senior management about the internal audit mandate. If so, the chief audit executive must discuss the internal audit mandate with the board and senior management to assess whether the authority, role, and responsibilities continue to enable the internal audit function to achieve its strategy and accomplish its objectives.

Essential Conditions

Board

- Discuss with the chief audit executive and senior management the appropriate authority, role, and responsibilities of the internal audit function.
- Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.

Senior Management

- Participate in discussions with the board and chief audit executive and provide input on expectations for the internal audit function that the board should consider when establishing the internal audit mandate.
- Support the internal audit mandate throughout the organization and promote the authority granted to the internal audit function.

Considerations for Implementation

The chief audit executive informs the board and senior management about the characteristics of an effective internal audit function by sharing knowledge about the Standards, relevant laws and/or regulations, and the results of research into leading practices of internal audit functions.

The chief audit executive should discuss with the board and senior management the internal audit mandate and other key considerations in the internal audit charter, focusing on helping the board and senior management to understand:

- **Authority** – The internal audit function’s authority is created by its direct reporting relationship to the board. Such authority allows for free and unrestricted access to the board, as well as all activities across the organization (for example, records, personnel, and physical property).
- **Role(s)** – The primary role of the internal audit function is to conduct internal audit activities and deliver internal audit services. There may be situations where roles beyond internal auditing are part of the chief audit executive’s responsibilities, such as risk management or compliance. These nonaudit roles are discussed further in Standard 7.1 Organizational Independence.
- **Responsibilities** – An internal audit function’s responsibilities comprise its accountability and obligations to carry out its role(s), as well as the specific expectations of key stakeholders. For example, responsibilities typically include expectations regarding performance of audit services; communications; compliance with laws, regulations, and policies; conformance with the Global Internal Audit Standards; and other activities incumbent in the role.

- Scope – The scope of internal audit services covers the entire breadth of the organization for which the internal audit function is responsible for providing services. This may include all activities, assets, and personnel of the organization or may be restricted to a subset according to geography or other division. The scope may specify the nature of internal audit services (for example, assurance only or assurance and advisory, focus on financial statements, compliance with laws and/or regulations), or may specify other limitations on the coverage of internal audit services.
- Internal audit services – Internal audit services may simply be defined as assurance and advisory services or may be more specifically defined, such as performance auditing, assurance regarding internal controls over financial reporting, and investigations.

Circumstances may justify a follow-up discussion with the board and senior management on the internal audit mandate or other aspects of the internal audit charter. These conditions may include, but are not limited to:

- A notable change in the Global Internal Audit Standards.
- A significant acquisition or reorganization within the organization.
- Significant changes in the board and/or senior management.
- Significant changes to the organization’s strategies, objectives, risk profile, or the environment in which it operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

These conditions may arise at any point during the year. However, the chief audit executive should formally consider any such changes at least annually.

The chief audit executive coordinates with the organization’s assurance providers and advises the board regarding how other functions may contribute to the internal audit mandate. By helping the board understand the roles and responsibilities of other internal and external assurance providers and regulators, the chief audit executive may provide clarity about an appropriate internal audit mandate. (See also Standard 9.5 Coordination and Reliance.)

Examples of Evidence of Conformance

- Minutes of board meetings where the mandate was discussed, which may be part of the broader approval of the internal audit charter.
- Minutes of board meetings during which any changes to the internal audit charter are discussed and approved by the board.

Standard 6.2 Internal Audit Charter

Requirements

The chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:

- Purpose of Internal Auditing.
- Commitment to adhering to the Global Internal Audit Standards.
- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function. (See also Standard 6.1 Internal Audit Mandate.)
- Organizational position and reporting relationships. (See also Standard 7.1 Organizational Independence.)

The chief audit executive must discuss the proposed charter with the board and senior management to confirm that it accurately reflects their understanding and expectations of the internal audit function.

Essential Conditions

Board

- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function.
- Approve the internal audit charter.
- Review the internal audit charter with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization.

Senior Management

- Communicate with the board and chief audit executive about management's expectations that should be considered for inclusion in the internal audit charter.

Considerations for Implementation

Key requirements for the internal audit charter are outlined in Standards 6.1 Internal Audit Mandate and 7.1 Organizational Independence.

The internal audit charter should describe administrative reporting responsibilities, such as the processes for:

- Approving the internal audit function's human resources administration and budgets.
- Approving the chief audit executive's expenses.
- Reviewing the chief audit executive's performance.

Where laws or regulations specify the reporting relationship, references to such documents should be included in the charter. If laws and/or regulations comprehensively cover the requirements for a charter, they may be substituted for the formal charter.

The format of an internal audit charter may vary from one organization to another. While there are models for an internal audit charter, the chief audit executive should customize the internal audit charter to address the unique organizational aspects that may affect the internal audit mandate, scope, and internal audit services.

The chief audit executive typically presents a final draft of the internal audit charter during a board meeting to be discussed and approved.

The chief audit executive and the board should also agree on the frequency with which to review and reaffirm whether the charter's provisions continue to enable the internal audit function to accomplish its objectives. A leading practice is to review the charter periodically, reference it when questions about the internal audit mandate arise, and update it as needed.

Other topics for consideration in the internal audit charter include:

- Safeguards to objectivity and independence, including processes for addressing potential impairments, and the frequency with which those safeguards are re-evaluated to ensure they are achieving the desired result. (See also Standard 7.1 Organizational Independence.)
- Unrestricted access, including how the internal audit function accesses the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.
- Communications, including the nature and timing of communicating with the board and senior management.
- Audit process, including any expectations regarding communications with management in the area under review (before, during, and after an engagement) and how disagreements with management are handled.
- Quality assurance and improvement, including expectations for developing and conducting internal and external assessments of the internal audit function and communicating the results of the assessments. (See also Standards 8.3 Quality and 8.4 External Quality Assessment, and Principle 12 Enhance Quality and its standards.)
- Approvals, including any circumstances specified by the board and senior management.

Examples of Evidence of Conformance

- Minutes of the board meetings during which the internal audit charter was discussed and approved.
- The approved charter and the date approved.
- Minutes of board meetings that include evidence that the chief audit executive periodically reviews the internal audit charter with the board and senior management.

Standard 6.3 Board and Senior Management Support

Requirements

The chief audit executive must provide the board and senior management with the information needed to support and promote recognition of the internal audit function throughout the organization.

The chief audit executive must coordinate the internal audit function's board communications with senior management to support the board's ability to fulfill its requirements.

Essential Conditions

Board

- Champion the internal audit function to enable it to fulfill the Purpose of Internal Auditing and pursue its strategy and objectives.
- Work with senior management to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.
- Support the chief audit executive through regular, direct communications.
- Demonstrate support by:
 - Specifying that the chief audit executive reports to a level within the organization that allows the internal audit function to fulfill the internal audit mandate.
 - Approving the internal audit charter, internal audit plan, budget, and resource plan.
 - Making appropriate inquiries of senior management and the chief audit executive to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.
 - Meeting periodically with the chief audit executive in sessions without senior management present.

Senior Management

- Support recognition of the internal audit function throughout the organization.
- Work with the board and management throughout the organization to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.

Considerations for Implementation

The board and the chief audit executive should meet at least annually without management present. Holding such meetings quarterly is considered a leading governance practice. Such meetings often occur as a private or closed session following a normally scheduled board meeting.

The chief audit executive should also have other interactions with the board between official meetings to keep the board apprised of the internal audit function's progress. The types of information and the level of detail to be communicated by the chief audit executive to the board should be agreed upon by both parties.

As discussed in Standard 7.1 Organizational Independence, it is important that the chief audit executive report administratively to an individual in the organization who can support the internal audit function's pursuit of the internal audit mandate. A leading practice is for the chief audit executive to report to the chief executive officer or equivalent.

While it is critical for the chief audit executive to meet privately with the board, the chief audit executive should inform senior management of such discussions, unless doing so is inappropriate (for example, if a private conversation relates to an impropriety by a member of senior management).

The chief audit executive should work with senior management to understand each other's reporting requirements to the board to help enable timely, clear, and transparent reporting that is not redundant or conflicting. This helps the board exercise its oversight responsibilities and enables a collaborative working relationship between the chief audit executive and senior management.

The board's approval of the internal audit budget and resource plan is important as these demonstrate that the internal audit function has the resources necessary to complete its planned audit activities. The details provided to the board are subject to the judgment of the chief audit executive.

Examples of Evidence of Conformance

- Minutes of board meetings indicating board review and approval of the internal audit plan, internal audit budget, and resource plan.
- Minutes or other documentation of communication between the board and senior management in which the internal audit function's unrestricted access was discussed.
- An agreed-upon matrix or similar documentation showing what information should be communicated by the chief audit executive to the board and senior management and the expected frequency.

Principle 7 Positioned Independently

The board establishes and protects the internal audit function's independence and qualifications.

The board is responsible for enabling the independence of the internal audit function. Independence is defined as the freedom from conditions that impair the internal audit function's ability to carry out its responsibilities in an unbiased manner. The internal audit function is only able to fulfill the Purpose of Internal Auditing when the chief audit executive reports directly to the board, is qualified, and is positioned at a level within the organization that enables the internal audit function to discharge its services and responsibilities without interference.

Standard 7.1 Organizational Independence

Requirements

The chief audit executive must confirm to the board the organizational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired and the actions or safeguards employed to address the impairment.

The chief audit executive must document in the internal audit charter the reporting relationships and organizational positioning of the internal audit function, as determined by the board. (See also Standard 6.2 Internal Audit Charter.)

The chief audit executive must discuss with the board and senior management any current or proposed roles and responsibilities that have the potential to impair the internal audit function's independence, either in fact or appearance. The chief audit executive must advise the board and senior management of the types of safeguards to manage actual, potential, or perceived impairments.

When the chief audit executive has one or more ongoing roles beyond internal auditing, the responsibilities, nature of work, and established safeguards must be documented in the internal audit charter. If those areas of responsibility are subject to internal auditing, alternative processes to obtain assurance must be established, such as contracting with an objective, competent external assurance provider that reports independently to the board.

When the chief audit executive's nonaudit responsibilities are temporary, assurance for those areas must be provided by an independent third party during the temporary assignment and for the subsequent 12 months. Also, the chief audit executive must establish a plan to transition those responsibilities to management.

If the governing structure does not support organizational independence, the chief audit executive must document the characteristics of the governing structure limiting independence and any safeguards that may be employed to achieve this principle.

Essential Conditions

Board

- Establish a direct reporting relationship with the chief audit executive and the internal audit function to enable the internal audit function to fulfill its mandate.
- Authorize the appointment and removal of the chief audit executive.
- Provide input to senior management to support the performance evaluation and remuneration of the chief audit executive.
- Provide the chief audit executive with opportunities to discuss significant and sensitive matters with the board, including meetings without senior management present.

- Require that the chief audit executive be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the board when necessary.
- Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the chief audit executive that are beyond the scope of internal auditing.
- Engage with senior management and the chief audit executive to establish appropriate safeguards if chief audit executive roles and responsibilities impair or appear to impair the internal audit function's independence.
- Engage with senior management to ensure that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.

Senior Management

- Position the internal audit function at a level within the organization that enables it to perform its services and responsibilities without interference, as directed by the board.
- Recognize the chief audit executive's direct reporting relationship with the board.
- Engage with the board and the chief audit executive to understand any potential impairments to the internal audit function's independence caused by nonaudit roles or other circumstances and support the implementation of appropriate safeguards to manage such impairments.
- Provide input to the board on the appointment and removal of the chief audit executive.
- Solicit input from the board on the performance evaluation and remuneration of the chief audit executive.

Considerations for Implementation

Internal auditing is most effective when the internal audit function is directly accountable to the board (also known as “functionally reporting to the board”), rather than directly accountable to management for the activities over which it provides assurance and advice. A direct reporting relationship between the board and the chief audit executive enables the internal audit function to perform internal audit services and communicate engagement results without interference or undue limitations. Examples of interference include management failing to provide requested information in a timely manner and restricting access to information, personnel, or physical properties. Limiting budgets or resources in a way that interferes with the internal audit function's ability to operate effectively is an example of undue limitation. (See also Standard 11.3 Communicating Results.)

While the chief audit executive reports functionally to the board, the administrative reporting relationship is often to a member of management. This enables access to senior management and the authority to challenge management's perspectives. To achieve this authority, it is leading practice for the chief audit executive to report administratively to the chief executive officer or equivalent, although reporting to

another senior officer may achieve the same objective if appropriate safeguards are implemented. Subsidiary, branch, and divisional heads of the internal audit function should be able to communicate directly with the senior management responsible for those areas.

When evaluating whether independence is impaired, the chief audit executive should consider reporting relationships, roles, and responsibilities to determine whether actual, potential, or perceived impairments exist. Additionally, through discussions with the concerned parties, the chief audit executive may be able to resolve any situations of perceived impairments that do not in fact affect the internal audit function's ability to perform its responsibilities independently.

Situations that may introduce impairments to independence include:

- The chief audit executive lacks direct communication or interaction with the board.
- Management attempts to limit the scope of the internal audit services that were previously approved by the board and documented in the internal audit charter.
- Management attempts to restrict access to the data, records, information, personnel, and physical properties required to perform the internal audit services.
- Management pressures internal auditors to suppress or change internal audit findings.
- The budget for the internal audit function is reduced to a level that leaves the function unable to fulfill its responsibilities as outlined in the internal audit charter.
- An assurance engagement is performed by the internal audit function or supervised by the chief audit executive in a functional area for which the chief audit executive is responsible, has oversight, or is otherwise able to exert significant influence.
- The internal audit function performs, or the chief audit executive supervises, assurance services related to an activity that is managed by a senior executive (non-CEO) to which the chief audit executive reports administratively. For example, the chief audit executive reports to the chief financial officer and is responsible for auditing treasury, a function that also reports to the chief financial officer.

In addition to the responsibilities of managing the internal audit function, the chief audit executive is sometimes asked to take on nonaudit roles that may impair or appear to impair the internal audit function's independence. Examples include situations such as:

- A new regulatory requirement prompts an immediate need to develop controls and other risk management activities to ensure compliance.
- The chief audit executive has the most appropriate expertise to adapt existing risk management activities to a new business segment or geographic market.
- The organization's resources are too constrained or the organization is too small to afford a separate compliance function.

When discussing nonaudit roles and responsibilities with the board and senior management, the chief audit executive should identify appropriate safeguards depending on whether the roles are permanent or temporary and intended to be transferred to management.

When the board agrees that an impairment has occurred, the chief audit executive should suggest to the board and senior management potential safeguards to manage the risks. It is also important to specify a timeline for transitioning temporary nonaudit responsibilities to management.

The requirement is to have assurance activities overseen by an independent third party for the subsequent 12 months after the chief audit executive completes temporary responsibilities in that area. However, judgment should be used as there may be circumstances whereby the perception of impairment may exist beyond 12 months. The chief audit executive should discuss with the board and senior management whether 12 months is appropriate or not.

To determine the other parties to which disclosure of existing impairments must be made, the chief audit executive should consider the nature of the impairment, the impairment's impact on the reliability of the results of internal audit services, and the expectations of relevant stakeholders. If a potential impairment of the internal audit function's independence is discovered after an engagement has been completed that may affect the reliability or perceived reliability of the engagement findings, recommendations, and/or conclusions, the chief audit executive should discuss the concern with the management of the activity under review, the board, senior management, and/or other affected stakeholders and determine the appropriate actions to resolve the situation. (See also Standards 2.3 Disclosing Impairments to Objectivity and 11.4 Errors and Omissions.)

Before a chief audit executive is hired, the board should be involved in the recruitment and appointment process. For example, the board may discuss the qualifications and competencies necessary to lead the internal audit function and perform any additional roles and responsibilities expected by the organization. Additionally, the board should consider reviewing candidates' résumés and participating in interviews before a candidate is selected.

Examples of Evidence of Conformance

- The internal audit charter, which documents the internal audit function's reporting relationships.
- Meeting minutes or other evidence of the chief audit executive's direct communication with the board and senior management regarding potential impairments to independence and planned safeguards.
- Board meeting minutes or other documentation showing that the chief audit executive confirmed with the board the ongoing independence of the internal audit function or discussed impairments affecting the internal audit function's ability to fulfill its mandate and the safeguards to manage the impairments.
- The internal audit charter documenting board approval of long-term nonaudit roles and responsibilities and corresponding safeguards to independence, including the expected duration of the roles, responsibilities, and safeguards and how the effectiveness of the safeguards will be evaluated periodically.
- Documented methodologies to be followed when an impairment is suspected or identified.
- Formal action plans that outline specific safeguards to address independence concerns.
- Documentation of assurance services to be provided by other internal or external providers as a safeguard to independence.
- Minutes or other documentation evidencing the board's approval of the appointment or removal of the chief audit executive.

Standard 7.2 Chief Audit Executive Qualifications

Requirements

The chief audit executive must help the board understand the qualifications and competencies of a chief audit executive that are necessary to manage the internal audit function. The chief audit executive facilitates this understanding by providing information and examples of common and leading qualifications and competencies.

The chief audit executive must maintain and enhance the qualifications and competencies necessary to fulfill the roles and responsibilities expected by the board. (See also Principle 3 Demonstrate Competency and its standards.)

Essential Conditions

Board

- Review the requirements necessary for the chief audit executive to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function.
- Approve the chief audit executive's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.
- Engage with senior management to appoint a chief audit executive with the qualifications and competencies necessary to manage the internal audit function effectively and ensure the quality performance of internal audit services.

Senior Management

- Engage with the board to determine the chief audit executive's qualifications, experience, and competencies.
- Enable the appointment, development, and remuneration of the chief audit executive through the organization's human resources processes.

Considerations for Implementation

The board collaborates with senior management to determine which competencies and qualifications the organization expects in a chief audit executive. The competencies may vary according to the internal audit mandate, the complexity and specific needs of the organization, the organization's risk profile, and the industry and jurisdiction within which the organization operates, among other factors. The desired competencies and qualifications are typically documented in a job description and include:

- A comprehensive understanding of the Global Internal Audit Standards and leading internal audit practices.
- Experience building and managing an effective internal audit function by recruiting, hiring, and training internal auditors and helping them develop relevant competencies.
- Certified Internal Auditor® designation or other relevant professional education, certifications, and credentials.
- Leadership experience.
- Industry or sector experience.

While this list includes ideal competencies and qualifications, the chief audit executive may be selected for other qualities or areas of expertise that are supplemented by the competencies of other members of the internal audit function, especially when the chief audit executive has entered the position from a different role, industry, or sector. In such cases, the chief audit executive should work collaboratively with knowledgeable members of the internal audit function and network with others in the profession to gain relevant experience.

The board may review and approve the job description for the chief audit executive to ensure it reflects the expected qualifications and competencies.

The board should encourage the chief audit executive to pursue continuing professional education, membership in professional associations, professional certifications, and other opportunities for professional development. (See also Principle 3 Demonstrate Competency and its standards.)

Given the importance of the chief audit executive role, a succession plan should be developed to identify internal or external candidates for replacing the chief audit executive. Such plans should be aligned with the organization's overall succession-planning process and be shared with the board and senior management.

Examples of Evidence of Conformance

- Documented approval by the board of the chief audit executive's job description and/or appointment or other evidence that the board evaluated the qualifications and competencies required for the chief audit executive's role.
- The chief audit executive's professional education plans and evidence of completion.
- Documented participation in professional associations.
- Documented succession-planning conversations with the board, senior management, and/or the organization's human resources function.

Principle 8 Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

Board oversight is essential to enable the overall effectiveness of the internal audit function. Achieving this principle requires collaborative and interactive communication between the board and the chief audit executive as well as the board's support in ensuring the internal audit function obtains sufficient resources to fulfill the internal audit mandate. Additionally, the board receives assurance about the quality of the performance of the chief audit executive and the internal audit function through the quality assessment and improvement program, including the board's direct review of the results of the external quality assessment.

Standard 8.1 Board Interaction

Requirements

The chief audit executive must provide the board with the information needed to conduct its oversight responsibilities. This information may be specifically requested by the board or may be, in the judgment of the chief audit executive, valuable for the board to exercise its oversight responsibilities.

The chief audit executive must report to the board and senior management:

- The internal audit plan and budget and subsequent significant revisions to them. (See also Standards 6.3 Board and Senior Management Support and 9.4 Internal Audit Plan.)
- Changes potentially affecting the mandate or charter. (See also Standards 6.1 Internal Audit Mandate and 6.2 Internal Audit Charter.)
- Potential impairments to independence. (See also Standard 7.1 Organizational Independence.)
- Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results. (See also Standards 11.3 Communicating Results, 14.5 Engagement Conclusions, and 15.2 Confirming the Implementation of Recommendations or Action Plans.)
- Results from the quality assurance and improvement program. (See also Standards 8.3 Quality, 8.4 External Quality Assessment, 12.1 Internal Quality Assessment, and 12.2 Performance Measurement.)

There may be instances when the chief audit executive disagrees with senior management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities. In such cases, the chief audit executive must provide the board with the facts and circumstances to allow the board to consider whether, in its oversight role, it should intervene with senior management or other stakeholders.

Essential Conditions

Board

- Communicate with the chief audit executive to understand how the internal audit function is fulfilling its mandate.
- Communicate the board's perspective on the organization's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.
- Set expectations with the chief audit executive for:
 - The frequency with which the board wants to receive communications from the chief audit executive.
 - The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board's risk tolerance.

- The process for escalating matters of importance to the board.
- Gain an understanding of the effectiveness of the organization's governance, risk management, and control processes based on the results of internal audit engagements and discussions with senior management.
- Discuss with the chief audit executive disagreements with senior management or other stakeholders and provide support as necessary to enable the chief audit executive to perform the responsibilities outlined in the internal audit mandate.

Senior Management

- Communicate senior management's perspective on the organization's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.
- Assist the board in understanding the effectiveness of the organization's governance, risk management, and control processes.
- Work with the board and the chief audit executive on the process for escalating matters of importance to the board.

Considerations for Implementation

To provide the board with the information needed to exercise its oversight responsibilities, two-way communication is needed. The chief audit executive may use a variety of communication methods such as written and oral reports and presentations, formal meetings, and informal discussions. The chief audit executive may document the board's expectations formally in the internal audit methodologies. Periodically, the chief audit executive should confirm with the board that the frequency, nature, and content of communications meet the board's expectations and help the board achieve its oversight responsibilities.

The frequency of communication between the board and the chief audit executive should consider the need for timely communication about significant issues. The chief audit executive should seek information from the board about its perspectives and expectations related to understanding and oversight of not just financial risk management but also a broad range of nonfinancial governance and risk management concerns including, for example, strategic initiatives, cybersecurity, health and safety, sustainability, business resilience, and reputation.

To identify the issues the chief audit executive escalates beyond senior management, criteria may be established outlining the significance or materiality that exceeds the risk tolerance. The criteria should be linked to a process for the chief audit executive to follow to escalate communications from management to the board. Typically, disagreements between the chief audit executive and senior management should be discussed with senior management to ensure the information presented to the board is accurate and reflects management's perspective.

Typically, formal board meetings allow formal communication at least quarterly. Additionally, the chief audit executive and board members often communicate between meetings as needed, sometimes informally.

Examples of Evidence of Conformance

- Board agendas and meeting minutes documenting the nature, topics, and frequency of discussions with the chief audit executive.
- Presentations made by the chief audit executive to the board.
- Internal audit communications to board members.
- Documentation of the criteria for identifying issues to be brought to the attention of the board and a process for communicating or escalating such issues.

Standard 8.2 Resources

Requirements

The chief audit executive must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the chief audit executive must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how any resource shortfalls will be addressed.

Essential Conditions

Board

- Collaborate with senior management to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Discuss with the chief audit executive, at least annually, the sufficiency, both in numbers and capabilities, of internal audit resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Consider the impact of insufficient resources on the internal audit mandate and plan.
- Engage with senior management and the chief audit executive on remedying the situation if the resources are determined to be insufficient.

Senior Management

- Engage with the board to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Engage with the board and the chief audit executive on any issues of insufficient resources and how to remedy the situation.

Considerations for Implementation

To analyze the sufficiency of the resources necessary to fulfill the internal audit mandate and achieve the plan, the chief audit executive may perform a gap analysis between the resources available within the internal audit function and those needed to perform internal audit services. (See also Principle 10 Manages Resources and its standards.) The chief audit executive's strategy should provide a resource plan, which may include a budget request, and should consider options for staffing the internal audit function and using technology to perform services. This plan may also include a cost-benefit analysis of the various approaches to present to the board.

Although a discussion of resources between the board and the chief audit executive typically occurs at least annually in connection with presentation of the internal audit plan, having a quarterly discussion is a leading practice. The discussion should include considering the options to achieve the desired internal audit coverage, including outsourcing or using guest auditors, as well as implementing technology to improve the internal audit function's efficiency and effectiveness.

Examples of Evidence of Conformance

- Agendas, meeting minutes, and communications between the chief audit executive and the board and/or senior management, documenting discussions of the sufficiency of internal audit resources.
- Internal audit resource plans indicating the sufficiency of resources needed to achieve the internal audit plan.
- Budget requests pertaining to internal audit resources.
- Documentation of gap analyses between the internal audit plan and available resources.
- Documentation of a cost-benefit analysis.
- Documentation of the chief audit executive's resourcing strategy.

Standard 8.3 Quality

Requirements

The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments:

- External assessments. (See also Standard 8.4 External Quality Assessment.)
- Internal assessments. (See also Standard 12.1 Internal Quality Assessment.)

At least annually, the chief audit executive must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include:

- The internal audit function's conformance with the Standards and achievement of performance objectives.
- If applicable, compliance with laws and/or regulations relevant to internal auditing.
- If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.

Essential Conditions

Board

- Discuss with the chief audit executive the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function.
- Approve the internal audit function's performance objectives at least annually. (See also Standard 12.2 Performance Management.)

- Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes:
 - Reviewing the internal audit function’s performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal audit mandate; and progress towards completion of the internal audit plan.
 - Considering the results of the internal audit function’s quality assurance and improvement program.
 - Determining the extent to which the internal audit function’s performance objectives are being met.

Senior Management

- Provide input on the internal audit function’s performance objectives.
- Participate with the board in an annual assessment of the chief audit executive and internal audit function.

Considerations for Implementation

The chief audit executive’s communications to the board and senior management regarding the internal audit function’s quality assurance and improvement program should include:

- The scope, frequency, and results of internal and external quality assessments conducted under the direction of, or with the assistance of, the chief audit executive.
- Action plans that address deficiencies and opportunities for improvement. Actions should be agreed upon with the board.
- Progress toward completing the agreed-upon actions.

An assessment of the internal audit function’s quality may consider:

- The level of contribution to the improvement of governance, risk management, and control processes.
- Productivity of internal audit staff (for example, planned hours compared to actual hours on projects or time used on audit projects compared to administrative time).
- Compliance with internal audit laws and/or regulations.
- Cost efficiency of the internal audit processes.
- Strength of relationships with senior management and other key stakeholders.
- Other performance measures. (See also Standard 12.2 Performance Measurement.)

Examples of Evidence of Conformance

- Agendas and minutes from board meetings documenting discussions with the chief audit executive about the internal audit function’s quality assurance and improvement program.
- Chief audit executive presentations and other communications covering the results of the quality assessments and status of action plans to address any opportunities for improvement.
- Quality assurance and improvement program workpapers or other evidence demonstrating the completion of related activities.

Standard 8.4 External Quality Assessment

Requirements

The chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation.

When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor® designation.

Essential Conditions

Board

- Discuss with the chief audit executive the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team.
- Collaborate with senior management and the chief audit executive to determine the scope and frequency of the external quality assessment.
- Consider the responsibilities and regulatory requirements of the internal audit function and the chief audit executive, as described in the internal audit charter, when defining the scope of the external quality assessment.
- Review and approve the chief audit executive's plan for the performance of an external quality assessment. Such approval should cover, at a minimum:
 - The scope and frequency of assessments.
 - The competencies and independence of the external assessor or assessment team.
 - The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
- Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.
- Review and approve the chief audit executive's action plans to address identified deficiencies and opportunities for improvement, if applicable.
- Approve a timeline for completion of the action plans and monitor the chief audit executive's progress.

Senior Management

- Collaborate with the board and the chief audit executive to determine the scope and frequency of the external quality assessment.
- Review the results of the external quality assessment, collaborate with the chief audit executive and board to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.

Considerations for Implementation

The board and chief audit executive may determine that it is appropriate to conduct an external assessment more frequently than every five years. There are several reasons to consider a more frequent review, including changes in leadership (for example, senior management or the chief audit executive), significant changes in internal audit methodologies, the merger of two or more internal audit functions, or significant staff turnover. Additionally, some organizations, such as those in highly regulated industries may prefer or be required to increase the frequency or scope of the external quality assessments.

The external quality assessment should include a comprehensive review of the adequacy of the internal audit function's:

- Conformance with the Global Internal Audit Standards.
- Mandate, charter, strategy, methodologies, processes, risk assessment, and internal audit plan.
- Compliance with applicable laws and/or regulations.
- Performance criteria and measures as well as assessment results.
- Competencies and due professional care, including the sufficient use of tools and techniques, and focus on continual development.
- Qualifications and competencies, including those of the chief audit executive role, as defined by the organization's job description and hiring profile.
- Integration into the organization's governance processes, including the relationships among those involved in positioning the internal audit function to operate independently.
- Contribution to the organization's governance, risk management, and control processes.
- Contribution to the improvement of the organization's operations and ability to attain its objectives.
- Ability to meet expectations articulated by the board, senior management, and stakeholders.

In addition to the requirement that at least one member of the external assessment team be a Certified Internal Auditor[®], other important qualifications of the assessment team to consider include:

- Experience with and knowledge of the Standards and leading internal audit practices.
- Experience as a chief audit executive or comparable senior level of internal audit management.
- Experience in the organization's industry or sector.
- Previous experience performing external quality assessments.
- Completion of external quality assessment training recognized by The Institute of Internal Auditors.
- Attestation by assessment team members that they have no conflicts of interest, in fact or appearance.

The chief audit executive should consider potential impairments to the independence of assessors driven by past, present, or anticipated future relationships with the organization, its personnel, or its internal audit function. If a potential assessor is a former employee of the organization, the length of time the assessor has been independent should be evaluated. Examples of potential impairments include:

- External audits of financial statements.
- Assistance to the internal audit function.
- Personal relationships.
- Previous or planned participation in internal quality assessments.
- Advisory services in governance, risk management, and control processes; financial reporting; or other areas.

Individuals from another department of the organization, although organizationally separate from the internal audit function, are not considered independent for the purpose of conducting an external assessment. Likewise, individuals from a related organization (for example, a parent organization, an affiliate in the same group of entities, or an entity with regular oversight, supervision, or quality assurance responsibilities with respect to the subject organization) are not considered independent. In the public sector, internal audit functions in separate entities within the same tier of government are not considered independent if they report to the same chief audit executive.

Reciprocal peer assessments between two organizations are not considered independent. However, assessments rotated among three or more peer organizations – organizations within the same industry, regional association, or other affinity group – may be considered independent. Care should be exercised to ensure that independence and objectivity are not impaired and that all team members are able to exercise their responsibilities fully.

A self-assessment with independent validation typically includes:

- A comprehensive and fully documented internal assessment that emulates the external quality assessment process in terms of evaluating the internal audit function's conformance with the Standards.
- Validation by a qualified, independent external quality assessor or assessment team. The independent validation should determine that the internal assessment was conducted completely and accurately.
- Benchmarking, leading practices, and interviews with key stakeholders, such as board members, senior management, and operational management.

Examples of Evidence of Conformance

- Board meeting minutes where the chief audit executive's external quality assessment plan is discussed and approved by the board.
- Formal external quality assessment report prepared and validated by a qualified, independent assessor.
- Presentations to the board by external assessors covering the results of the external quality assessment.
- Chief audit executive presentations to the board covering external assessment results and action plans, as appropriate.

Domain IV: Managing the Internal Audit Function



The chief audit executive is responsible for managing the internal audit function in accordance with the internal audit charter and Global Internal Audit Standards. This responsibility includes strategic planning, obtaining and deploying resources, building relationships, communicating with stakeholders, and ensuring and enhancing the performance of the function.

The individual responsible for managing the internal audit function is expected to conform with the Standards including performing the responsibilities described in this domain whether the individual is directly employed by the organization or contracted through an external service provider. The specific job title and responsibilities may vary across organizations.

The chief audit executive may delegate appropriate responsibilities to other qualified professionals in the internal audit function but retains ultimate accountability.

The direct reporting relationship between the board and the chief audit executive enables the internal audit function to fulfill its mandate. (See also Standard 7.1 Organizational Independence.) In addition, the chief audit executive typically has an administrative reporting line to the highest-ranking person in senior management, such as the chief executive officer, to support day-to-day activities and establish the status and authority necessary to ensure the results of the internal audit services are given due consideration.

Principle 9 Plan Strategically

The chief audit executive plans strategically to position the internal audit function to fulfill its mandate and achieve long-term success.

Planning strategically requires the chief audit executive to understand the internal audit mandate and the organization’s governance, risk management, and control processes. A properly resourced and positioned internal audit function develops and implements a strategy to support the organization’s success. In addition, the chief audit executive creates and implements methodologies to guide the internal audit function and develop the internal audit plan.

Standard 9.1 Understanding Governance, Risk Management, and Control Processes

Requirements

To develop an effective internal audit strategy and plan, the chief audit executive must understand the organization's governance, risk management, and control processes.

To understand governance processes, the chief audit executive must consider how the organization:

- Establishes strategic objectives and makes strategic and operational decisions.
- Oversees risk management and control.
- Promotes an ethical culture.
- Delivers effective performance management and accountability.
- Structures its management and operating functions.
- Communicates risk and control information throughout the organization.
- Coordinates activities and communications among the board, internal and external providers of assurance services, and management.

To understand risk management and control processes, the chief audit executive must consider how the organization identifies and assesses significant risks and selects appropriate control processes. This includes understanding how the organization identifies and manages the following key risk areas:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws and/or regulations.

Considerations for Implementation

The chief audit executive's understanding is developed by gathering information broadly and viewing it comprehensively. Sources of information include discussions with the board and senior management, reviews of board and senior management minutes and presentations, communications and workpapers from internal audit engagements, and assessments and reports completed by other providers of assurance and advisory services.

Understanding Governance Processes

The chief audit executive should be well informed about leading governance principles, globally accepted governance frameworks and models, and professional guidance specific to the industry and sector within which the organization operates. Based on this knowledge, the chief audit executive should identify whether any of these have been implemented in the organization and should gauge the maturity of the organization's governance processes. The organization's governance structure, processes, and practices may be affected by unique organizational characteristics such as its type, size, complexity, structure, and process maturity as well as the legal and/or regulatory requirements to which the organization is subject.

The chief audit executive may review board and committee charters and agendas and minutes from their meetings to gain additional insight into the role the board plays in the organization's governance, especially regarding strategic and operational decision-making.

The chief audit executive may speak with individuals in key governance roles (for example, the board chair, top elected or appointed official in a governmental organization, chief ethics officer, human resources officer, chief compliance officer, and chief risk officer) to gain a clearer understanding of the organization's processes and assurance activities. The chief audit executive may review the reports and/or results of previously completed governance reviews, paying particular attention to any identified concerns.

Understanding Risk Management Processes

The chief audit executive should understand globally accepted risk management principles, frameworks, and models as well as professional guidance specific to the industry and sector within which the organization operates. The chief audit executive should gather information to assess the maturity of the organization's risk management processes, including identifying whether the organization has defined its risk appetite and implemented a risk management strategy and/or framework. Discussions with the board and senior management help the chief audit executive understand their perspectives and priorities related to the organization's risk management.

To gather risk information, the chief audit executive should review recently completed risk assessments and related communications issued by senior and operational management, those charged with risk management, external auditors, regulators, and other internal and external providers of assurance services.

Understanding Control Processes

The chief audit executive should become familiar with globally accepted control frameworks and consider those used by the organization. For each identified organizational objective, the chief audit executive should develop and maintain a broad understanding of the organization's control processes and their effectiveness. The chief audit executive may develop an organizationwide risk and control matrix to:

- Document identified risks that may affect the ability to achieve organizational objectives.
- Indicate the relative significance of risks.
- Understand key controls in organizational processes.
- Understand which controls have been reviewed for design adequacy and deemed to be operating as intended.

A thorough understanding of the organization's governance, risk management, and control processes enables the chief audit executive to identify and prioritize opportunities to provide internal audit services that may enhance the organization's success. The identified opportunities form the basis of internal audit strategy and plan.

Examples of Evidence of Conformance

- Documentation of the chief audit executive's inquiry, gathering, review, and consideration of the governance, risk management, and control frameworks and processes used by the organization, including:
 - The organization's board and committee charters, which outline the governance expectations of the organization.
 - Assessment of laws, regulations, and other requirements related to governance, risk management, and control processes.

- Review of the agendas and minutes from board meetings documenting discussion of the organization’s governance, risk management, and control processes, including the strategies, approaches, and oversight of each.
- Meeting minutes or notes from discussions between the chief audit executive and those in the organization with roles in governance and risk management.
- Review of the organization’s risk appetite statement or documented communication with the board and senior management regarding the organization’s risk appetite and risk tolerance.
- Documentation of orientation or training provided to internal audit staff regarding the organization’s governance, risk management, and control processes.
- Review of business strategies and business plans.
- Review of communications received from regulators.
- Demonstrated understanding of the organization’s risk and control matrix.

Standard 9.2 Internal Audit Strategy

Requirements

The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.

An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfillment of the internal audit mandate.

The chief audit executive must review the internal audit strategy with the board and senior management periodically.

Considerations for Implementation

To develop the vision and strategic objectives of the internal audit strategy, the chief audit executive should start by considering the organization’s strategy and objectives and the expectations of the board and senior management. The chief audit executive also may consider the types of services to be performed and the expectations of other stakeholders served by the internal audit function, as agreed in the internal audit charter.

The vision describes the desired future state – in the next three to five years, for example – of the internal audit function and provides direction to help the function fulfill its mandate. The vision is also designed to inspire internal auditors to continuously improve. The strategic objectives define achievable targets to attain the vision. The supporting initiatives outline more specific tactics and steps for achieving each strategic objective.

One approach to developing a strategy is to identify and analyze the internal audit function's strengths, weaknesses, opportunities, and threats – an exercise designed to determine ways to improve the function. Another approach is to perform a gap analysis between the current and the desired states of the internal audit function.

The initiatives supporting the strategy should include:

- Opportunities to help internal auditors develop their competencies.
- The introduction and application of technology when it improves the internal audit function's efficiency and effectiveness.
- Opportunities to improve the internal audit function as a whole.

When the chief audit executive determines the strategic objectives and supporting initiatives, the actions to be taken should be prioritized and assigned target dates.

The internal audit strategy should be adjusted whenever changes occur in the organization's strategic objectives or stakeholders' expectations. Factors that may prompt a more frequent review of the internal audit strategy include:

- Changes in the organization's strategy or the maturity of its governance, risk management, and control processes.
- Changes in the organization's policies and procedures or the laws and/or regulations to which the organization is subject.
- Changes in members of the board, senior management, or the chief audit executive.
- Results of internal and external assessments of the internal audit function.

The chief audit executive may design a timeline for implementation of the internal audit strategy and related performance measures. (See also Standard 12.2 Performance Measurement.) A periodic review of the internal audit strategy should include a discussion of the internal audit function's progress on initiatives with the board and senior management.

Examples of Evidence of Conformance

- Documented internal audit strategy, including vision, strategic objectives, and supporting initiatives.
- Minutes or correspondence from meetings with the board, senior management, and/or other stakeholders where expectations were discussed.
- Notes showing the information and analyses that informed the strategy.
- Internal audit methodologies for producing and reviewing the internal audit strategy and monitoring its implementation.
- Results of periodic self-assessments or other reviews of the progress on initiatives.

Standard 9.3 Methodologies

Requirements

The chief audit executive must establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards. The chief audit executive must evaluate the effectiveness of the methodologies and update them as necessary to improve the internal audit function and respond to significant changes that affect the function. The chief audit executive must provide internal auditors with training on the methodologies. (See also Principles 13 Plan Engagements Effectively, 14 Conduct Engagement Work, and 15 Communicate Engagement Results and Monitor Action Plans, and their standards.)

Considerations for Implementation

The form, content, level of detail, and degree of documentation of methodologies may differ based on the size, structure, complexity, industry/regulatory expectations, and maturity of the organization and the internal audit function. Methodologies may exist as individual documents (such as standard operating procedures) or may be collected into an internal audit manual or integrated into internal audit management software. Internal audit methodologies supplement the Standards by providing specific instructions and criteria that help internal auditors implement the Standards and perform services with quality. Additionally, internal audit methodologies describe processes and procedures for communicating, handling operational and administrative matters, and overseeing the internal audit function. (See also Standards 14.3 Evaluation of Findings, 14.5 Engagement Conclusions, and 15.2 Confirming the Implementation of Recommendations or Action Plans.)

Documented methodologies that are most likely to be necessary to implement the strategy, achieve the internal audit plan, and conform with Standards include the internal audit function's approach to:

- Assessing risks for the organization and for each engagement.
- Developing and updating the internal audit plan.
- Determining the balance between assurance and advisory engagements.
- Coordinating with internal and external assurance providers.
- Managing external service providers, when used.
- Performing internal audit engagements.
- Communicating throughout internal audit services.
- Retaining and releasing engagement records and other information, consistent with the organization's guidelines and pertinent regulatory or other requirements.
- Monitoring and confirming the implementation of internal auditors' recommendations or management's action plans.
- Assuring the quality and improvement of the internal audit function.
- Developing performance measurements to assess progress toward meeting objectives.
- Performing additional services identified in the internal audit mandate.

The effectiveness of the internal audit methodologies should be reviewed during assessments of the internal audit function's quality. Reasons for updating established methodologies include significant changes in professional internal audit standards and guidance, legal and/or regulatory requirements, technology, and department size or composition. A change of the chief audit executive or board chairman may also warrant the review and revision of internal audit methodologies.

Examples of Evidence of Conformance

- Documentation of software program incorporating methodologies.
- Meeting agendas and minutes, emails, signed acknowledgments, training schedules, or similar documentation evidencing communications to internal audit personnel about internal audit methodologies.
- Documentation of quality reviews of audit work demonstrating that methodologies are followed.
- Footnotes or endnotes within the methodologies or internal audit manual citing the standard that the content is addressing.
- Documentation of updates to the methodologies.

Standard 9.4 Internal Audit Plan

Requirements

The chief audit executive must create an internal audit plan that supports the achievement of the organization's objectives.

The chief audit executive must base the internal audit plan on a documented assessment of the organization's strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive's understanding of the organization's governance, risk management, and control processes. The assessment must be performed at least annually.

The internal audit plan must:

- Consider the internal audit mandate and the full range of agreed-to internal audit services.
- Specify internal audit services that support the evaluation and improvement of the organization's governance, risk management, and control processes.
- Consider coverage of information technology governance, fraud risk, the effectiveness of the organization's compliance and ethics programs, and other high-risk areas.
- Identify the necessary human, financial, and technological resources necessary to complete the plan.
- Be dynamic and updated timely in response to changes in the organization's business, risks operations, programs, systems, controls, and organizational culture.

The chief audit executive must review and revise the internal audit plan as necessary and communicate timely to the board and senior management:

- The impact of any resource limitations on internal audit coverage.
- The rationale for not including an assurance engagement in a high-risk area or activity in the plan.
- Conflicting demands for services between major stakeholders, such as high-priority requests based on emerging risks and requests to replace planned assurance engagements with advisory engagements.
- Limitations on scope or restrictions on access to information.

The chief audit executive must discuss the internal audit plan, including significant interim changes, with the board and senior management. The plan and significant changes to the plan must be approved by the board.

Considerations for Implementation

This standard requires an organizationwide risk assessment to be completed at least annually as the basis for the plan. However, the chief audit executive should keep continuously apprised of risk information, updating the risk assessment and internal audit plan accordingly. If the organization's environment is dynamic, the internal audit plan may need to be updated as frequently as every six months, quarterly, or even monthly. The size, complexity, and type of changes occurring in the organization relative to the maturity of the organization's governance, risk management, and control processes should be considered when determining the appropriate level of effort to update the risk assessment.

One approach to preparing the internal audit plan is to organize potentially auditable units within the organization into an audit universe to facilitate the identification and assessment of risks. An audit universe is most useful when it is based on an understanding of the organization's objectives and strategic initiatives and aligned with the organization's structure or risk framework. Auditable units may include business units, processes, programs, and systems. The chief audit executive can link those organizational units to key risks in preparation for a comprehensive risk assessment and the identification of assurance coverage throughout the organization. This process enables the chief audit executive to prioritize the risks to be evaluated further during internal audit engagements.

To strive to ensure that the audit universe and risk assessment cover the organization's key risks, the internal audit function should independently review and validate the key risks that were identified within the organization's risk management system. The internal audit function should only rely on management's information about risks if it has concluded that the organization's risk management processes are effective.

To complete the organizationwide risk assessment, the chief audit executive should consider objectives and strategies not just at the broad organizational level but also at the level of specific auditable units. Additionally, the chief audit executive should give due consideration to risks – such as those related to ethics, fraud, information technology, third-party relationships, and noncompliance with regulatory requirements – that may be tied to more than one business unit or process and may require more complex evaluation.

To support this risk assessment, the chief audit executive may gather information from recently completed internal audit engagements as well as discussions with members of the board and senior management. (See also Standards 9.1 Understanding Governance, Risk Management, and Control Processes and 11.3 Communicating Results.) The chief audit executive may implement a methodology for continuously assessing risks. Risks should be considered not only in terms of negative effects and barriers to achieving objectives but also in terms of opportunities that enhance the organization's ability to achieve its objectives.

The chief audit executive should develop a process to identify and assess significant, new, and emerging risks that should be considered for coverage in the audit plan. For example, resource limitations may make it impossible for the internal audit function to assess every risk in the audit universe annually. In such cases, the chief audit executive may need to increase reliance on sources of risk information such as management's risk assessments, meetings with the board and senior management, and the results of previous engagements and other audit work.

To create the internal audit plan, the chief audit executive considers the level of risk identified across each of the auditable units relative to the known level of control effectiveness. Also influencing the internal audit plan are requests made by the board and senior management, the assurance coverage expected throughout the organization, engagements required by laws or regulations, and the internal audit function's ability to rely on the work of other assurance providers. The chief audit executive should plan to reevaluate reliance periodically.

When developing the internal audit plan, the chief audit executive should consider the following:

- Engagements required by laws or regulations.
- Engagements critical to the organization's mission or strategy.
- Areas and activities with significant levels of risk.
- Whether all significant risks have sufficient coverage by assurance providers.
- Advisory and ad hoc requests.
- The time and resources required for each potential engagement.
- Each engagement's potential benefits to the organization, such as the engagement's potential to contribute to the improvement of the organization's governance, risk management, and control processes.

To schedule internal audit engagements, the chief audit executive should consider:

- The organization's operational priorities.
- Schedule of external audit engagements and regulatory reviews.
- Competencies and availability of internal auditors.
- Ability to access the activity under review.

The proposed internal audit plan should include:

- The resources and hours available for engagements compared to other administrative and nonaudit activities or initiatives focused on improving the internal audit function.
- The list of proposed engagements and related analysis, specifying the degree to which the engagements are:
 - Assurance or advisory.
 - Focused on certain departments, units, or objectives of the organization.
 - Predominately addressing financial, compliance, operational, cybersecurity, or other objectives.

- The rationale for selecting each proposed engagement; for example, significance of risk, organizational theme or trend (root cause), regulatory requirement, or time since last engagement.
- General purpose and preliminary scope of each proposed engagement.
- A percentage of hours to be reserved for contingencies and ad hoc requests.
- The next set of engagements that would have been performed if additional resources were available. Discussion regarding these engagements may help the board assess the adequacy of resources available to the internal audit function.

The chief audit executive, the board, and senior management should agree upon the criteria that define the significant changes that require a revision of the audit plan. The agreed-upon criteria and protocol should be incorporated into the internal audit function's methodologies. Examples of significant changes include canceling or postponing engagements related to significant risks or critical strategic objectives. If risks arise that necessitate revisions to the plan before a formal discussion with the board can be scheduled, the board should be informed of the changes immediately, and a formal approval should occur as soon as possible.

Examples of Evidence of Conformance

- Approved internal audit plan.
- Documented risk assessment and prioritization, including the inputs upon which the plan is based.
- Minutes of meetings in which the chief audit executive discussed with the board and senior management the audit universe, organizationwide risk assessment, internal audit plan, and the criteria and protocol for handling significant changes to the plan.
- Notes documenting discussions to gather information to inform the organizationwide risk assessment and internal audit plan.
- Documented list of those to whom the internal audit plan was distributed.
- Documented methodologies for organizationwide risk assessment and protocol for handling significant changes.

Standard 9.5 Coordination and Reliance

Requirements

The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers.

If unable to achieve an appropriate level of coordination, the chief audit executive must raise any concerns with senior management and, if necessary, the board.

When the internal audit function relies on the work of other assurance service providers, the chief audit executive must document the basis for that reliance and is still responsible for the conclusions reached by the internal audit function.

Considerations for Implementation

The chief audit executive should develop a methodology for evaluating other providers of assurance and advisory services that includes a basis for relying upon their work. The evaluation should consider the providers' roles, responsibilities, organizational independence, competency, and objectivity, as well as the due professional care applied to their work. The chief audit executive should understand the objectives, scope, and results of the work performed.

The chief audit executive should identify the organization's assurance and advisory service providers by communicating with senior management and reviewing the organizational reporting structure and board meeting agendas or minutes. Internal providers of assurance and advice include functions that may report to or be part of senior management, such as compliance, environmental, financial control, health and safety, information security, legal, risk management, and quality assurance. External assurance providers may report to senior management, external stakeholders, or the chief audit executive.

Examples of coordination include:

- Synchronizing the nature, extent, and timing of planned work.
- Establishing a common understanding of assurance techniques, methods, and terminology.
- Providing access to one another's work programs and reports.
- Using management's risk management information to provide joint risk assessments.
- Creating a shared risk register or list of risks.
- Combining results for joint reporting.

The process of coordinating assurance activities varies by organization, from informal in small organizations to formal and complex in large or heavily regulated organizations. The chief audit executive considers the organization's confidentiality requirements before meeting with the various providers to gather the information necessary to coordinate services. Frequently, the providers share the objectives, scope, and timing of upcoming engagements and the results of prior engagements. The providers also discuss the potential for relying on one another's work.

One method to coordinate assurance coverage is to create an assurance map, or a matrix of the organization's risks and the internal and external providers of assurance services that cover those risks. The assurance map links identified significant risk categories with relevant sources of assurance and provides an evaluation of the level of assurance for each risk category. Because the map is comprehensive, it exposes gaps and duplications in assurance coverage, enabling the chief audit executive to evaluate the sufficiency of assurance services in each risk area. The results can be discussed with the other assurance providers so that the parties may reach an agreement about how to coordinate activities. In a combined assurance approach, the chief audit executive coordinates the internal audit function's assurance engagements with other assurance providers to reduce the frequency and redundancy of engagements, maximizing the efficiency of assurance coverage.

The chief audit executive may choose to rely on the work of other providers for various reasons, such as to assess specialty areas outside the internal audit function's expertise, to decrease the amount of testing needed to complete an engagement, and to enhance risk coverage beyond the resources of the internal audit function.

To determine whether the internal audit function may rely on the work of another provider, the methodology should consider the provider's:

- Potential or actual conflicts of interest and whether disclosures were made.
- Reporting relationships and the potential impacts of this arrangement.
- Relevance and validity of professional experience, qualifications, and certifications.
- Methodology and the due professional care applied in planning, supervising, documenting, and reviewing the work.
- Findings and conclusions and whether they are reasonable, based on sufficient, reliable, and relevant evidence.

After evaluating the work of another assurance provider, the chief audit executive may determine that the internal audit function cannot rely upon the work. Internal auditors may either retest the work and gather additional information or independently perform assurance services.

If the internal audit function intends to rely upon the work of another assurance provider on an ongoing or long-term basis, the parties should document the agreed-upon relationship and specifications for the assurance to be provided and the testing and evidence required to support the assurance.

Examples of Evidence of Conformance

- Communications regarding distinct assurance and advisory roles and responsibilities, which may be documented in the notes from meetings with individual providers of assurance and advisory services or in minutes of meetings with the board and senior management.
- Assurance maps and/or combined assurance plans that identify which provider is responsible for assurance services in each area.
- Documentation and implementation of the methodology to determine whether to rely on a provider's work.
- Documented agreements with other assurance providers confirming the specifications of the assurance work they will perform.

Principle 10 Manage Resources

The chief audit executive manages resources to implement the internal audit function's strategy and achieve its plan and mandate.

Managing resources requires obtaining and deploying financial, human, and technological resources effectively. The chief audit executive needs to obtain the resources required to perform internal audit responsibilities and deploy the resources according to the methodologies established for the internal audit function.

Standard 10.1 Financial Resource Management

Requirements

The chief audit executive must manage the internal audit function's financial resources.

The chief audit executive must develop a budget that enables the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and acquisition of technology and tools. The chief audit executive must manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

The chief audit executive must seek budget approval from the board. The chief audit executive must communicate promptly the impact of insufficient financial resources to the board and senior management.

Considerations for Implementation

The chief audit executive should follow the budget processes established by the organization. Whether the internal audit function is insourced or outsourced, an adequate budget should still be approved by the board.

Periodically, the chief audit executive should review the planned budget compared to the actual budget and analyze significant variances to determine whether adjustments are needed. The budget may include reserves for unexpected but necessary changes to the internal audit plan. If an audit function's budget is established within a larger budget managed by another department, business unit, or authority, the chief audit executive still should understand the funds allocated to the internal audit function, track spending, and monitor the sufficiency of the financial resources deployed in the internal audit function.

If significant additional resources are needed due to unforeseen circumstances, the chief audit executive should discuss the circumstances with the board and senior management promptly.

Examples of Evidence of Conformance

- Documentation of the internal audit plan against the budget, forecast, and actual expenses.
- Minutes of meetings in which the chief audit executive discussed the internal audit budget with the board and senior management.
- Board meeting minutes discussing the internal audit function's budget and approval.

Standard 10.2 Human Resources Management

Requirements

The chief audit executive must establish an approach to recruit, develop, and retain internal auditors who are qualified to successfully implement the internal audit strategy and achieve the internal audit plan.

The chief audit executive must strive to ensure that human resources are appropriate, sufficient, and effectively deployed to achieve the approved internal audit plan. *Appropriate* refers to the mix of knowledge, skills, and abilities; *sufficient* refers to the quantity of resources; and *effective deployment* refers to assigning resources in a way that optimizes the achievement of the internal audit plan.

The chief audit executive must communicate with the board and senior management regarding the appropriateness and sufficiency of the internal audit function's human resources. If the function lacks appropriate and sufficient human resources to achieve the internal audit plan, the chief audit executive must determine how to obtain the resources or communicate timely to the board and senior management the impact of the limitations. (See also Standard 8.2 Resources.)

The chief audit executive must evaluate the competencies of individual internal auditors within the internal audit function and encourage professional development. The chief audit executive must collaborate with internal auditors to help them develop their individual competencies through training, supervisory feedback, and/or mentoring. (See also Standard 3.1 Competency.)

Considerations for Implementation

The structure and approach to resourcing the internal audit function should align with the internal audit charter and support the achievement of the internal audit function's strategy and implementation of the internal audit plan.

In formulating an approach for managing the internal audit function's human resources, the chief audit executive should:

- Consider organizational characteristics, such as structure and complexity, geographic complexities, diversity of cultures and languages, and volatility of the risk environment in which the organization operates.
- Consider the internal audit budget and the cost effectiveness and flexibility of various staffing approaches (for example, hiring an employee or contracting with an external service provider).
- Understand the options for obtaining the human resources needed to fulfill the internal audit charter and achieve the internal audit plan.
- Communicate with the board and senior management to agree upon an approach.
- Consider succession planning for the chief audit executive position including discussions with the board.

To support an approach for recruiting competent internal auditors, the chief audit executive should:

- Collaborate with the human resources function to develop job specifications or descriptions that align with Standard 3.1 Competency and relevant professional competency frameworks.
- Consider the benefits of recruiting internal auditors with diverse backgrounds, experiences, and perspectives and creating an inclusive work environment that allows for effective collaboration and sharing of diverse views.
- Participate in recruitment activities, such as job fairs, student events, professional networking opportunities, and interviews with prospective candidates for hire.

To develop and retain internal auditors, the chief audit executive should:

- Implement compensation, promotion, and recognition activities that support the achievement of the internal audit function's strategic objectives.
- Implement methodologies for training, evaluating performance, improving competencies, and promoting the professional development of internal auditors.
- Consider the human resources objectives of the internal audit function and the organization, such as cross-functional sharing of knowledge and succession planning.
- Cultivate an ethical, professional environment in which internal auditors are trained adequately and collaborate effectively. (See also Domain II: Ethics and Professionalism.)

To evaluate whether the human resources are appropriate and sufficient to achieve the internal audit plan, the chief audit executive should consider:

- The competencies of the internal auditors and the competencies needed to perform internal audit services.
- The nature and complexity of the services.
- The number of internal auditors and productive work hours available.
- Scheduling constraints, including the availability of internal auditors and the organization's information, people, and properties.
- The ability to rely on the work of other assurance providers. (See also Standard 9.5 Coordination and Reliance.)

In addition to competencies, the chief audit executive considers the timing or schedule of internal audit engagements, based on the schedules of individual internal auditors and the availability of staff responsible for the activity under review. If an engagement is scheduled to occur at a specific time, then the resources needed to complete that engagement should be available at that time.

If the resources are insufficient to cover the planned engagements, the chief audit executive may provide training for existing staff, request an expert from within the organization to serve as a guest auditor, hire additional staff, rely on other assurance providers, develop a rotational auditing program, or contract with an external service provider. External service providers may provide specialized skills, complete special projects, or perform engagements.

When the internal audit function is sourced internally, internal audit staffing may be supplemented by a rotational staffing model, whereby employees from other business units join the internal audit function temporarily and later return to the business unit. Employees transferring into the internal audit function may provide specialized skills and knowledge as well as unique perspectives and insights. Additionally, when employees transfer back into business units, their internal audit experiences contribute to a deeper understanding of the organization's governance, risk management, and control processes. When a rotational

model is used, the chief audit executive should be aware of potential impairments to objectivity and should implement related safeguards. (See also Standard 2.2 Safeguarding Objectivity.)

The internal audit methodology for supervising engagements should include sufficient opportunities for internal auditors to receive constructive feedback from more experienced internal auditors in supervisory roles; such feedback may be provided through written or oral comments in the supervisory reviews of workpapers and other communications. Mentorship programs offer on-the-job experiences through which less experienced internal auditors can follow and directly observe knowledgeable staff performing engagements. The ongoing monitoring and periodic self-evaluations that comprise the internal audit function's internal quality assessments provide additional opportunities for internal auditors to receive feedback and suggestions to increase their effectiveness. (See also Standard 12.1 Internal Quality Assessment.) Individual performance evaluations carried out at regular intervals, such as annually, are another source of input that can contribute to internal auditors' professional development.

The chief audit executive should follow the organization's human resources policies or, as in the public sector, follow regulatory or contractually driven human resources frameworks. In these cases, the chief audit executive should work to thoroughly understand the frameworks and optimize the job classifications, assessment processes, and other mandated human resources frameworks to support the internal audit function. The board and senior management should be advised when these mandated frameworks diminish the ability to fulfill the human resources needs of the internal audit function.

Examples of Evidence of Conformance

- Documented analysis of gaps between competencies of internal auditors on staff and those required.
- Job descriptions.
- Résumés of internal auditors employed by the organization.
- Documented training plans and evidence of completed training.
- External service provider contracts and résumés of internal auditors assigned by the provider.
- The internal audit plan, with the estimated schedule of engagements and resources allocated.
- Meeting minutes documenting discussions regarding the internal audit budget.
- Post-engagement comparison of budgeted work hours to actual hours.
- Assessments of the performance of the internal audit function and individual internal auditors.

Standard 10.3 Technological Resources

Requirements

The chief audit executive must strive to ensure that the internal audit function has technology to support the internal audit process. The chief audit executive must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency.

When implementing new technology, the chief audit executive must implement appropriate training for internal auditors in the effective use of technological resources. The chief audit executive must collaborate with the organization's information technology and information security functions to implement technological resources properly.

The chief audit executive must communicate the impact of technology limitations on the effectiveness or efficiency of the internal audit function to the board and senior management.

Considerations for Implementation

The internal audit function should use technology to improve its effectiveness and efficiency. Examples of such technology include:

- Audit management systems.
- Governance, risk management, and control process mapping applications.
- Tools that assist with data science and analytics.
- Tools that assist with communication and collaboration.

To evaluate whether the internal audit function has technological resources to perform its responsibilities, the chief audit executive should:

- Assess the feasibility of acquiring and implementing technology-enabled enhancements across the internal audit function's processes.
- Collaborate with other departments on shared governance, risk, and control management systems.
- Present sufficiently supported technology funding requests to the board and senior management for approval.
- Develop and implement plans to introduce approved technologies. Plans should include training internal auditors and demonstrating the realized benefits to the board and senior management.
- Identify and respond to the risks that arise from technology use, including those related to information security and privacy of individual data.

Examples of Evidence of Conformance

- Sections of the internal audit strategy describing current or planned initiatives for using technology to advance the internal audit function's objectives.
- Documented discussions or plans related to requests for and implementation of technologies.

- Records of technology implementation, training, and use, including workpapers evidencing use of technology during engagements.
- The names of internal auditors and their technology-related certifications and qualifications.
- Information security, records management, and other policies and procedures relevant to the internal audit function's use of technological resources.

Principle 11 Communicate Effectively

The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.

Effective communication requires building relationships, establishing trust, and enabling stakeholders to benefit from the results of internal audit services. The chief audit executive is responsible for helping the internal audit function establish ongoing communication with stakeholders to build trust and foster relationships. Additionally, the chief audit executive oversees the internal audit function's formal communications with the board and senior management to enable quality and provide insights based on the results of internal audit services.

Standard 11.1 Building Relationships and Communicating with Stakeholders

Requirements

The chief audit executive must develop an approach for the internal audit function to build relationships and trust with key stakeholders, including the board, senior management, operational management, regulators, and internal and external assurance providers and other consultants.

The chief audit executive must promote formal and informal communication between the internal audit function and stakeholders, contributing to the mutual understanding of:

- Organizational interests and concerns.
- Approaches for identifying and managing risks and providing assurance.
- Roles and responsibilities of relevant parties and opportunities for collaboration.
- Relevant regulatory requirements.
- Significant organizational processes, including financial reporting.

Considerations for Implementation

Regular, ongoing communication among the board, senior management, and the internal audit function contributes to a common understanding of the organization's risks and assurance priorities and promotes adaptability to changes. The chief audit executive should be included in the organization's communication channels to keep current with major developments and planned activities that could affect the objectives

and risks of the organization. The chief audit executive also should attend meetings with the board and key governance committees, as well as senior management and groups that report directly to senior management, such as compliance, risk management, and quality control.

In addition, the chief audit executive should discuss a methodology for communication with the board and senior management to determine the criteria defining significant issues requiring formal communication, the format and content of formal communication, and the frequency with which such communication should occur.

Meeting independently with individual senior executives and members of the board allows the chief audit executive to build relationships with them and learn about their concerns and perspectives. To better understand business objectives and processes, internal auditors should meet with key members of operational management, such as the heads of business units and employees who perform operational tasks. In certain highly regulated industries or sectors, meetings between the chief audit executive and external auditors and regulators may be appropriate.

The chief audit executive and internal auditors may initiate discussions with management and the board about strategies, objectives, and risks as well as industry news, trends, and regulatory changes. Such discussions, along with surveys, interviews, and group workshops, are useful tools for obtaining input, especially on fraud and emerging risks. Websites, newsletters, presentations, and other forms of communication can be effective methods for sharing the internal audit function's role and benefits with employees and other stakeholders.

The chief audit executive may delegate individual internal auditors to be responsible for maintaining ongoing communication with the management of key functions such as business segment leaders, global operations, information technology, finance, compliance, and human resources. (See also Standard 9.5 Coordination and Reliance.)

Communication should include opportunities for ongoing, informal interaction between internal auditors and the organization's employees. When informal interactions occur consistently, employees gain trust in internal auditors, increasing the likelihood of candid discussions that may not occur in formal meetings. As a part of relationship-building, informal interaction may enhance internal auditors' comprehensive understanding of the organization and its control environment. Rotating internal auditors into and out of assignments in specific business units or locations may balance the benefits of informal communication against the need to protect internal auditors' objectivity.

Examples of Evidence of Conformance

- Documentation of the internal audit function's plan for managing stakeholder relationships.
- Agendas or minutes from meetings among members of the internal audit function and stakeholders.
- Surveys, interviews, and group workshops through which internal auditors solicit input from internal stakeholders.
- Websites or web pages, newsletters, presentations, and other outlets through which the internal audit function communicates with stakeholders in the organization.

Standard 11.2 Effective Communication

Requirements

The chief audit executive must establish and implement methodologies to promote accurate, objective, clear, concise, constructive, complete, and timely internal audit communications.

Considerations for Implementation

Methodologies may include policies, criteria, style guides, and procedures to guide the internal audit function's communications and achieve consistency. Communication methodologies should consider the expectations of the board, senior management, and other relevant stakeholders. (See also Standards 9.3 Methodologies and 15.1 Final Engagement Communication.) The chief audit executive may provide communications training to internal auditors, such as training in writing or preparing presentations of final communications.

Methodologies, such as supervisory reviews, should enhance the degree to which engagement communications are:

- **Accurate** – free from errors and distortions and faithful to the underlying facts. When communicating, internal auditors should use precise terms and descriptions, supported by information gathered. Internal auditors also should consider other standards related to accuracy, including Standard 11.4 Errors and Omissions.
- **Objective** – impartial, unbiased, and the result of a fair and balanced assessment of all relevant facts and circumstances. Findings, conclusions, recommendations and/or action plans, and other results of internal audit services should be based on balanced assessments of relevant circumstances. Communications should focus on identifying factual information and linking the information to objectives. Internal auditors should avoid terms that may be perceived as biased. (See also Principle 2 Maintain Objectivity and its standards.)
- **Clear** – logical and easily understood by relevant stakeholders, avoiding unnecessary technical language. Clarity is increased when internal auditors use language that is consistent with terminology used in the organization and easily understood by the intended audience. Internal auditors should avoid unnecessary technical language and define important terms that are uncommon or used in a way that is specific or unique to the communication or presentation. Internal auditors improve the clarity of their communications by including significant details that support findings, conclusions, recommendations and/or action plans.
- **Concise** – succinct and free from unnecessary detail and wordiness. Internal auditors should avoid redundancies and exclude information that is unnecessary, insignificant, or unrelated to the engagement or service.
- **Constructive** – helpful to stakeholders and the organization and enabling improvement where needed. Internal auditors should express information with a cooperative and helpful tone that facilitates collaboration with the activity under review to determine opportunities for improvement.
- **Complete** – relevant, reliable, and sufficient information and evidence to support the results of internal audit services. Completeness enables the reader to reach the same conclusions as those reached by internal auditors. Internal auditors should adapt communications to meet the needs

of various recipients and consider the information they need to take the actions for which they are responsible. For example, communications to the board and senior management may differ from those delivered to the management of an activity under review.

- Timely – appropriately timed, according to the significance of the issue, allowing management to take corrective action. Timeliness may be different for each organization and depend upon the nature of the engagement.

The chief audit executive may establish key performance measures to monitor the effectiveness of internal audit communication, which can be used as part of the function's quality assurance and improvement program. (See also Standard 8.3 Quality, and Principle 12 Enhance Quality and its standards.)

Examples of Evidence of Conformance

- Style guides, templates, and other documented methodologies for effective communication.
- Records of participation in training or meetings on effective communication skills.
- Final communications and other documents approved by the chief audit executive, as well as supporting documents that demonstrate the characteristics of effective communications.
- Presentation slides or meeting minutes that demonstrate the characteristics of effective communications.
- Records demonstrating the timeliness of communications.
- Workpapers that demonstrate the characteristics of effective communications.
- Workpapers with supervisory review notes on improving communication effectiveness.
- Results of stakeholder surveys regarding the quality of internal audit communications.
- Results of quality assurance and improvement program.

Standard 11.3 Communicating Results

Requirements

The chief audit executive must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate. The chief audit executive must understand the expectations of the board and senior management regarding the nature and timing of communications.

The results of internal audit services can include:

- Engagement conclusions.
- Themes such as effective practices or root causes.
- Conclusions at the level of the business unit or organization.

Engagement Conclusions

The chief audit executive must review and approve final engagement communications, which include engagement conclusions, and decide to whom and how they will be disseminated before they are issued. If these duties are delegated to other internal auditors, the chief audit executive retains overall responsibility. The chief audit executive must seek the advice of legal counsel and/or senior management as required before releasing final communications to parties outside the organization, unless otherwise required or restricted by laws and/or regulations. (See also Standards 11.4 Errors and Omissions, 11.5 Communicating the Acceptance of Risks, and 15.1 Final Engagement Communication.)

Themes

The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the chief audit executive identifies themes related to the organization's governance, risk management, and control processes, the themes must be communicated timely, along with insights, advice, and/or conclusions, to the board and senior management.

Conclusions at the Level of the Business Unit or Organization

The chief audit executive may be required to make a conclusion at the level of the business unit or organization about the effectiveness of governance, risk management, and/or control processes, due to industry requirements, laws and/or regulations, or the expectations of the board, senior management, and/or other stakeholders. Such a conclusion reflects the professional judgment of the chief audit executive based on multiple engagements and must be supported by relevant, reliable, and sufficient information.

When communicating such a conclusion to the board or senior management, the chief audit executive must include:

- A summary of the request.
- The criteria used as a basis for the conclusion, for example a governance framework or risk and control framework.
- The scope, including limitations and the period to which the conclusion pertains.
- A summary of the information that supports the conclusion.
- A disclosure of reliance on the work of other assurance providers, if any.

Considerations for Implementation

The results of internal audit services may be based on individual engagements, multiple engagements, and interactions with the board and senior management over time.

Engagement Conclusions

While Standard 13.1 Engagement Communication requires internal auditors to communicate throughout an engagement with those responsible for the activity under review, the chief audit executive is responsible for the dissemination of final engagement communications to the appropriate parties. Appropriate parties may include the board, senior management, and/or those responsible for developing and implementing management's action plans. (See also Standard 15.1 Final Engagement Communication.)

The chief audit executive should encourage internal auditors to acknowledge satisfactory and positive performance in engagement communications. Examples of good practices identified across engagements may be transferable to other parts of the organization or serve as a benchmark throughout the organization.

Themes

Tracking the findings and conclusions of multiple engagements may enable the identification of trends, such as the improvement or worsening of conditions compared to criteria, a root cause underlying the conditions, or an opportunity to share a practice that increases effectiveness or efficiency. Such trends also may lead to additional engagements that focus on the theme across the organization.

Communications to the board and senior management should include:

- Significant control weaknesses and robust root cause analysis.
- Thematic or systemic issues, actions, or progress across multiple engagements or business units.

Insights obtained from other assurance providers should be considered when identifying themes. (See also Standard 9.5 Coordination and Reliance.)

Conclusions at the Level of the Business Unit or Organization

When communicating conclusions at the levels of the business unit or organization overall, the chief audit executive should consider how a conclusion relates to the strategies, objectives, and risks of the organization. The chief audit executive also should consider whether the conclusion solves a problem, adds value, and/or provides management or other stakeholders with confidence regarding an overall theme or condition.

The chief audit executive also considers the time period to which the conclusion relates and any scope limitations to determine which engagements would be relevant to the overall conclusion. All related engagements or projects are considered, including those completed by other internal and external assurance providers. (See also Standard 9.5 Coordination and Reliance.)

For example, an overall conclusion may be based on aggregate engagement conclusions at the organization's local, regional, and national levels, along with results reported from outside entities such as independent third parties or regulators. The scope statement provides context for the overall conclusion by specifying the time period, activities, limitations, and other variables that describe the conclusion's boundaries.

The chief audit executive should summarize the information on which the overall conclusion is based and identify the relevant risk or control frameworks or other criteria used as a basis for the overall conclusion. The chief audit executive should articulate how the overall conclusion relates to the strategies, objectives, and risks of the organization. Overall conclusions are usually communicated in writing but also may be provided orally.

Examples of Evidence of Conformance

- Final engagement communications, including engagement findings, recommendations, and conclusions.
- The chief audit executive's outline, meeting minutes, speaking notes, slides, or documents indicating communication with the board and senior management.
- Analyses including data reports, diagrams, and graphs showing trends.
- Relevant risk or control frameworks or other criteria used as a basis for the overall conclusion.

Standard 11.4 Errors and Omissions

Requirements

If a final engagement communication contains a significant error or omission, the chief audit executive must communicate corrected information promptly to all parties who received the original communication.

Significance is determined according to criteria agreed upon with the board.

Considerations for Implementation

The chief audit executive and the board should agree on a protocol for communicating the correction. To determine the significance, the chief audit executive should evaluate whether the mistaken or omitted information could have legal or regulatory consequences or change the findings, conclusions, recommendations, or management's action plans.

The chief audit executive determines the most appropriate method of communication so that the corrected information is received by all parties who received the original communication. In addition to communicating the corrected information, the chief audit executive should identify the cause of the error or omission and take corrective action to prevent a similar situation from occurring in the future.

Examples of Evidence of Conformance

- Internal audit methodologies for handling errors and omissions.
- Criteria agreed upon with the board and used by the chief audit executive to determine the level of significance.
- Correspondence and other records showing how the chief audit executive determined the significance and cause of the error or omission.
- The chief audit executive's calendar, board or other meeting minutes, memos, and email correspondence where an error or omission was discussed.
- The original and corrected final communication documents.
- Documentation that relevant parties received the corrected communications.

Standard 11.5 Communicating the Acceptance of Risks

Requirements

The chief audit executive must communicate unacceptable levels of risk.

When the chief audit executive concludes that management has accepted a level of risk that exceeds the organization's risk appetite or risk tolerance, the matter must be discussed with senior management. If the chief audit executive determines that the matter has not been resolved by senior management, the matter must be escalated to the board. It is not the responsibility of the chief audit executive to resolve the risk.

Considerations for Implementation

The chief audit executive gains an understanding of the organization's risks and risk tolerance through discussions with the board and senior management, relationships and ongoing communication with stakeholders, and the results of internal audit services. (See also Standards 8.1 Board Interaction; 9.1 Understanding Governance, Risk Management, and Control Processes; and 11.1 Building Relationships and Communicating with Stakeholders.) This understanding provides the chief audit executive with perspective about the level of risk the organization considers acceptable. If the organization has a formal risk management process, the chief audit executive should understand management's policies for acceptance of risk.

The chief audit executive may discuss and seek the board's agreement on methodologies for documenting and communicating the acceptance of risks that exceed the risk appetite or risk tolerance. In addition to the requirements in the Standards, methodologies should consider the organization's risk management process, policies, and procedures. The risk management process may include a preferred approach to communicating significant risk issues. Specifications may include the timeliness of communicating, the hierarchy of reporting, and requirements for consultation with the organization's legal counsel or head of compliance. The internal audit methodology also should include procedures for documenting the discussions and actions taken, including a description of risk, the reason for concern, management's reason for not implementing internal auditors' recommendations or other actions, the name of the individual responsible for accepting the risk, and the date of discussion.

The chief audit executive may become aware that management has accepted a risk by reviewing management's response to engagement findings and monitoring management's progress to implement recommendations and action plans. Building relationships and maintaining communication with stakeholders are additional means of remaining apprised of risk management activities including management's acceptance of risk.

When risks exceed the risk appetite, impacts may include:

- Harm to the organization's reputation.
- Harm to the organization's employees or other stakeholders.
- Significant regulatory fines, limitations on business conduct, or other financial or contractual penalties.
- Material misstatements.
- Conflicts of interest, fraud, or other illegal acts.
- Significant impediments to achieving strategic objectives.

The chief audit executive's professional judgment contributes to the determination of whether management has accepted a level of risk that exceeds the risk appetite or risk tolerance. For example, if management has made insufficient progress on action plans, the chief audit executive may conclude that management has accepted a level of risk that exceeds the risk appetite or risk tolerance. Before escalating a concern to the board and/or senior management, the chief audit executive should address the issue directly with the management responsible for the risk area to share concerns, understand management's perspective, and agree on an updated action plan.

The requirements of this standard are only implemented when the chief audit executive cannot reach agreement with the management responsible for managing the risk. If the risk identified as unacceptable remains unresolved after a discussion with senior management, the chief audit executive escalates the concern to the board. The board is responsible for deciding how to address the concern with management.

Examples of Evidence of Conformance

- Documentation of discussions and agreement with the board on methodologies for communicating risk concerns.
- Documentation of discussions about the risk and actions recommended to operational management and senior management, including minutes of meetings.
- Documentation explaining the risk concern and internal audit actions taken to address the concern, including the process of escalating the discussion from operational management to senior management.
- Documentation from meetings with the board, including private or closed sessions during which the concern was escalated to the board.

Principle 12 Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

Quality is a combined measure of conformance with the Global Internal Audit Standards and the achievement of the internal audit function's performance objectives. Therefore, a quality assurance and improvement program is designed to evaluate and promote the internal audit function's conformance with the Standards, achievement of performance objectives, and pursuit of continuous improvement. The program includes internal and external assessments. (See also Standards 8.3 Quality and 8.4 External Quality Assessment.)

The chief audit executive is responsible for ensuring that the internal audit function is continuously seeking improvement. This requires developing measures to assess the performance of internal audit engagements, internal auditors, and the internal audit function. These measures form the basis for evaluating progress toward performance objectives including continuous improvement.

Standard 12.1 Internal Quality Assessment

Requirements

The chief audit executive must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress toward performance objectives.

The chief audit executive must establish a methodology for internal assessments, as described in Standard 8.3 Quality, that includes:

- Ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards.
- Communication with the board and senior management about the results of internal assessments.

Based on the results of periodic self-assessments, the chief audit executive must develop action plans to address instances of nonconformance with the Standards and opportunities for improvement, including a proposed timeline for actions. The chief audit executive must communicate the results of periodic self-assessments and action plans to the board and senior management. (See also Standards 8.1 Board Interaction, 8.3 Quality, and 9.3 Methodologies.)

Internal assessments must be documented and included in the evaluation conducted by an independent third party as part of the organization's external quality assessment. (See also Standard 8.4 External Quality Assessment.)

If nonconformance with the Standards affects the overall scope or operation of the internal audit function, the chief audit executive must disclose to the board and senior management the nonconformance and its impact.

Considerations for Implementation

Ongoing Monitoring

Ongoing monitoring involves the day-to-day supervision, review, and measurement of the internal audit function. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit function and includes the processes, tools, and information necessary to evaluate conformance with the Standards.

The internal audit function's progress toward performance objectives and conformance with the Standards is monitored primarily through methodologies such as supervisory reviews of engagement planning, workpapers, and final communications. These methodologies enable the identification of weaknesses or areas in need of improvement and action plans to address them. The chief audit executive may develop templates or automated workpapers for internal auditors to use throughout engagements to promote standardization and consistency in the application of the work practices.

Adequate engagement supervision is a fundamental element of a quality assurance and improvement program. Supervision begins with planning and continues throughout the engagement. Supervision may include setting expectations, encouraging communications among team members throughout the engagement, and reviewing and signing off on workpapers timely. (See also Standard 12.3 *Oversee and Improve Engagement Performance*.)

Additional mechanisms commonly used for ongoing monitoring include:

- Checklists or automated tools to provide assurance on internal auditors' compliance with established methodologies and to facilitate consistent performance of internal audit services in conformance with the Standards. These may be especially important for use in internal audit functions with limited staff resources for supervision.
- Feedback from internal audit stakeholders regarding the efficiency and effectiveness of the internal audit team. Feedback may be solicited immediately after the engagement or periodically (for example, semi-annually or annually) through survey tools or discussions between the chief audit executive and management.
- Other measurements that may be valuable in determining the efficiency and effectiveness of the internal audit function include metrics indicating the adequacy of resource allocation (such as budget-to-actual variance), the timeliness of engagement completion, the achievement of the internal audit plan, and surveys of stakeholder satisfaction.

In addition to validating conformance with the Standards, ongoing monitoring may identify opportunities to improve the internal audit function. In such cases, the chief audit executive may address these opportunities by developing an action plan.

Periodic Self-assessments

Periodic self-assessments provide a more holistic, comprehensive review of the Standards and the internal audit function. Periodic self-assessments address conformance with every standard, whereas ongoing monitoring may focus on the standards relevant to performing engagements. Periodic self-assessments may be conducted by senior members of the internal audit function, a dedicated quality assurance team, individuals within the internal audit function who have attained the Certified Internal Auditor® designation or have extensive experience with the Standards, or individuals with audit competencies from elsewhere in the organization. The chief audit executive should consider including internal auditors in the periodic self-assessment process to improve their understanding of the Standards.

Periodic self-assessments enable the internal audit function to validate its conformance with the Standards. When a periodic self-assessment is performed shortly before an external assessment, the time and effort required to complete the external assessment may be reduced.

Periodic self-assessments evaluate:

- The adequacy of the internal audit function's methodologies.
- How well the internal audit function supports the achievement of the organization's objectives.
- The quality of internal audit services performed and supervision provided.
- The degree to which stakeholder expectations are met and performance objectives are achieved.

The individual or team conducting the periodic self-assessment evaluates the internal audit function's conformance against each standard and may interview and survey the internal audit function's stakeholders. Through this process, the chief audit executive can assess the quality of and adherence to the internal audit function's methodologies.

Examples of Evidence of Conformance

- Completed checklists that support workpaper reviews, survey results, and performance measures related to the efficiency and effectiveness of the internal audit function.
- Documentation of completed periodic assessments including the plan, workpapers, and communications.
- Presentations to the board and management and meeting minutes covering the results of internal assessments.
- Documented results of ongoing monitoring and periodic self-assessments, including corrective action plans.
- Actions taken to improve the internal audit function's efficiency, effectiveness, and conformance with the Standards.

Standard 12.2 Performance Measurement

Requirements

The chief audit executive must develop objectives to evaluate the internal audit function's performance. The chief audit executive must consider the input and expectations of the board and senior management when developing the performance objectives.

The chief audit executive must develop a performance measurement methodology to assess progress toward achieving the function's objectives and to promote the continuous improvement of the internal audit function.

When assessing the internal audit function's performance, the chief audit executive must solicit feedback from the board and senior management as appropriate.

The chief audit executive must develop an action plan to address issues and opportunities for improvement.

Considerations for Implementation

The establishment of performance objectives is critical to determining whether an internal audit function is fulfilling its mandate in conformance with the Standards and achieving improvement in accordance with the function's strategy.

Establishment of performance objectives should take into consideration the desired outcomes articulated within:

- The Principles of the Global Internal Audit Standards.
- The internal audit charter.
- The internal audit function's strategy.

The chief audit executive may identify a set of focused performance objectives that are reported to the board and senior management while maintaining a more comprehensive set of performance objectives for managing the internal audit function. Care should be taken to identify performance objectives that advance desired outcomes and are balanced across outcome areas: stakeholder expectations, extent of business unit or organization conclusions, human resources needs, financial and operational efficiency, and learning and development.

After identifying the performance objectives, the chief audit executive should establish targets, both quantitative and qualitative, to track progress toward meeting the performance objectives. The chief audit executive should have a methodology in place to periodically validate the accuracy of the measures being reported and raise performance expectations.

The action plans to address issues and opportunities to achieve performance objectives should be tracked by the chief audit executive and communicated with the board and senior management. Examples of performance categories to consider when establishing performance objectives and measures may include:

- Coverage of engagement objectives expected to be reviewed according to the internal audit mandate.
- The extent to which the internal audit conclusions at the level of the business unit or organization address significant objectives of the organization. (See also Standard 11.3 Communicating Results.)
- The percentage of recommendations or action plans completed by management that result in desired outcomes, as monitored by the internal audit function. This measure is not exclusively a reflection of the internal audit function's performance. While internal audit functions may track the implementation of recommendations or action plans, management is responsible for completing such actions and ensuring that desired outcomes are achieved. (See also Standard 15.2 Confirming the Implementation of Recommendations or Action Plans.)
- Percentage of the organization's key risks and controls reviewed.
- Stakeholder satisfaction regarding understanding of engagement objectives, timeliness of engagement work, and clarity of engagement conclusions.
- Percentage of internal audit plan (as adjusted and approved) completed on time.
- Balance of assurance and advisory engagements in the internal audit plan relative to the internal audit strategy.
- External quality assurance reviews confirming internal audit function conformance with the Standards.
- Quality assurance reviews confirming that adequate competencies are in place to perform the scheduled internal audit engagements.
- Internal auditor learning and development plans linked to the internal audit strategy and the organization's developing risks.
- Staff holding at least one recognizable professional certification relevant to internal auditing.

Examples of Evidence of Conformance

- Performance objectives identified as most impactful to the internal audit function fulfilling the Principles of the Standards, the internal audit charter, and the internal audit function's strategy.
- Performance measures that address the tracked performance objectives and respective targets for those measures.
- Action plans for identified issues and opportunities to achieve the identified performance objectives.

Standard 12.3 Oversee and Improve Engagement Performance

Requirements

The chief audit executive must establish and implement methodologies for engagement supervision, quality assurance, and the development of competencies.

- The chief audit executive or an engagement supervisor must provide internal auditors with guidance throughout the engagement, verify work programs are complete, and confirm engagement workpapers adequately support findings, conclusions, and recommendations.
- To assure quality, the chief audit executive must verify whether engagements are performed in conformance with the Standards and the internal audit function's methodologies.
- To develop competencies, the chief audit executive must provide internal auditors with feedback about their performance and opportunities for improvement.

The extent of supervision required depends on the maturity of the internal audit function, the proficiency and experience of internal auditors, and the complexity of engagements.

The chief audit executive is responsible for supervising engagements, whether the engagement work is performed by the internal audit staff or by other service providers. Supervisory responsibilities may be delegated to appropriate and qualified individuals, but the chief audit executive retains ultimate responsibility.

The chief audit executive must ensure that evidence of supervision is documented and retained, according to the internal audit function's established methodologies.

Considerations for Implementation

When planning engagements, the chief audit executive or a designated engagement supervisor should review the engagement objectives. Supervision may include opportunities for staff development, such as post-engagement meetings between the internal auditors who performed the engagement and the chief audit executive.

Assessing the skills of the internal audit staff is an ongoing process extending beyond reviewing engagement workpapers. Based on the results of skill assessments, the chief audit executive may identify which internal auditors are qualified to supervise engagements and assign tasks accordingly.

During the planning phase, the engagement supervisor approves the engagement work program and may assume responsibility for other aspects of the engagement. (See also Principle 13 Plan Engagements Effectively and its standards.)

The primary criterion for approval of the work program is whether it achieves the engagement objectives efficiently. The work program includes procedures for identifying, analyzing, evaluating, and documenting engagement information. Engagement supervision also involves monitoring that the work program is completed and approving changes to the work program.

The engagement supervisor should maintain ongoing communication with the internal auditors assigned to perform the engagement and the management of the activity under review. The engagement supervisor reviews the engagement workpapers, which describe the audit procedures performed, the information identified, and the findings and preliminary conclusions made during the engagement. The supervisor evaluates whether the information, testing, and resulting evidence are relevant, reliable, and sufficient to achieve the engagement objectives and support the engagement conclusions. In internal audit functions that do not have individual auditors for supervision and ongoing monitoring, the chief audit executive may consider the use of tools such as checklists or other automated tools to assist in overseeing conformance with the Standards in each engagement.

Standard 11.2 Effective Communication requires that engagement communications be accurate, objective, clear, concise, constructive, complete, and timely. An engagement supervisor reviews engagement communications and workpapers for these elements because workpapers provide the primary support for engagement communications.

Throughout the engagement, the engagement supervisor and/or chief audit executive meet with the internal auditors assigned to perform the engagement and discuss the engagement process, which provides opportunities to train, develop, and evaluate the internal auditors. A supervisor may ask for additional evidence or clarification when reviewing the engagement communications and workpapers. Internal auditors may be able to improve their work by answering questions posed by the engagement supervisor.

Usually, the supervisor's review notes are cleared from the final documentation once adequate evidence has been provided or workpapers have been amended with additional information that addresses the supervisor's concerns and questions. Alternatively, the internal audit function may retain a separate record of the supervisor's review notes, the steps taken to resolve them, and the results of those steps.

The chief audit executive is responsible for all internal audit engagements and significant professional judgments made throughout the engagements, regardless of whether the work was performed by the internal audit function or other assurance providers. The chief audit executive develops methodologies to minimize the risk that internal auditors will make judgments or take actions that are inconsistent with the chief audit executive's professional judgment and may adversely affect the engagement. The chief audit executive establishes a means to resolve any professional judgment differences. This may include discussing pertinent facts, pursuing additional inquiry or research, and documenting differing viewpoints in engagement workpapers as well as any conclusions. If there is a difference in professional judgment over an ethical issue, the issue may be referred to individuals in the organization who are responsible for ethical matters.

Examples of Evidence of Conformance

- Engagement workpapers with documentation of supervision.
- Completed checklists that support workpaper reviews.
- Interview and survey results that include feedback about the engagement experience from internal auditors and other individuals directly involved with the engagement.
- Documentation of communication between engagement supervisor and staff internal auditors regarding the engagement work.

Domain V: Performing Internal Audit Services



Performing internal audit services requires internal auditors to effectively plan engagements, conduct the engagement work to develop findings and conclusions, collaborate with management to identify recommendations and/or action plans that address the findings, and communicate with management and the employees responsible for the activity under review throughout the engagement and after it closes.

Although the standards for performing engagements are presented in a sequence, the steps in performing engagements are not always distinct, linear, and sequential. In practice, the order in which steps are performed may vary by engagement and have overlapping and iterative aspects. For example, engagement planning includes gathering information and assessing risks, which may continue throughout the engagement. Each step may affect another or the engagement as a whole. Therefore, internal auditors should review and understand all standards in this domain before beginning an engagement.

Internal audit services involve providing assurance, advice, or both. Internal auditors are expected to apply and conform with the Standards when performing engagements, whether they are providing assurance or advice, except when otherwise specified in individual standards.

Assurance services are intended to provide confidence about governance, risk management, and control processes to the organization's stakeholders, especially the board, senior management, and the management of the activity under review. Through assurance services, internal auditors provide objective assessments of the differences between the existing conditions of an activity under review and a set of evaluation criteria. Internal auditors evaluate the differences to determine whether there are reportable findings and to provide a conclusion about the engagement results, including reporting when processes are effective.

Internal auditors may initiate advisory services or perform them at the request of the board, senior management, or the management of an activity. The nature and scope of advisory services may be subject to agreement with the party requesting the services. Examples of advisory services include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. When performing advisory services, internal auditors are expected to maintain objectivity by not taking on management responsibility. For example, internal auditors may perform advisory services as individual engagements, but if the chief audit executive takes on responsibilities beyond internal auditing, then appropriate safeguards must be implemented to maintain the internal audit function's independence. (See also Standard 7.1 Organizational Independence.)

Internal audit services are performed as described in the chief audit executive's established methodologies. (See also Standard 9.3 Methodologies.) The chief audit executive may delegate appropriate responsibility to other qualified professionals in the internal audit function but retains ultimate accountability.

Principle 13 Plan Engagements Effectively

Internal auditors plan each engagement using a systematic, disciplined approach.

The Global Internal Audit Standards, along with the methodologies established by the chief audit executive, form the foundation of internal auditors' systematic, disciplined approach to planning engagements. Internal auditors are responsible for effectively communicating at all stages of the engagement.

Engagement planning starts with understanding the initial expectations for the engagement and the reason the engagement was included in the internal audit plan. When planning engagements, internal auditors gather the information that enables them to understand the organization and the activity under review and to assess the risks relevant to the activity. The engagement risk assessment allows internal auditors to identify and prioritize the risks to determine the engagement objectives and scope. Internal auditors also identify the criteria and resources needed to perform the engagement and develop an engagement work program, which describes the specific engagement steps to be performed.

Standard 13.1 Engagement Communication

Requirements

Internal auditors must communicate effectively throughout the engagement. (See also Principle 11 Communicate Effectively and its related standards and Standard 15.1 Final Engagement Communication.)

Internal auditors must communicate the objectives, scope, and timing of the engagement with management. Subsequent changes must be communicated with management timely. (See also Standard 13.3 Engagement Objectives and Scope.)

At the end of an engagement, if internal auditors and management do not agree on the engagement results, internal auditors must discuss and try to reach a mutual understanding of the issue with the management of the activity under review. If a mutual understanding cannot be reached, internal auditors must not be obligated to change any portion of the engagement results unless there is a valid reason to do so. Internal auditors must follow an established methodology to allow both parties to express their positions regarding the content of the final engagement communication and the reasons for any differences of opinion regarding the engagement results. (See also Standards 9.3 Methodologies and 14.4 Recommendations and Action Plans.)

Considerations for Implementation

Engagement communications may include initial, ongoing, closing, and final communications with the management of the activity under review. The type of engagement may affect the communications needed. To ensure effective communication, a variety of methods should be used: formal, informal, written, and oral. Engagement communications may occur through scheduled meetings, presentations, emails and other

documents, and informal discussions. Requirements for the quality and content of engagement communications should be established by the chief audit executive in alignment with the expectations of the board and senior management and documented in internal audit methodologies. (See also Standards 9.3 Methodologies and 11.2 Effective Communication.)

The extent of ongoing communication depends upon the nature and length of the engagement and may include:

- Announcing the engagement.
- Discussing the engagement risk assessment, objectives, scope, and timing.
- Requesting the information and resources necessary to perform the engagement.
- Setting expectations for additional engagement communications.
- Providing updates about the engagement progress, including governance, risk management, or control issues that require immediate attention and changes to the scope, objectives, timing, or length of the engagement.
- The engagement results, including findings, recommendations, and/or management's action plans to address the findings.
- The timing of and owner responsible for implementing recommendations and/or action plans.

Internal auditors should give advance notice of the engagement to the appropriate stakeholders, typically including management and relevant staff, to set the foundation for cooperation and open dialogue. Internal auditors should follow the policy established by the chief audit executive to determine the timing and type of notice given. The announcement should inform management about the reason for the review. It should also inform management of the proposed starting time and the approximate duration of the engagement to plan a schedule that does not conflict with other significant events occurring in the activity under review. Additionally, internal auditors should request the information and documentation needed to assess risks and begin developing the work program.

Another common initial communication is an opening or entrance meeting. When internal auditors have conducted an engagement risk assessment, they should communicate the results to the management of the activity under review. They also should communicate the initial engagement objectives and scope, preferably in a meeting. This discussion provides an opportunity for internal auditors to confirm that the management of the activity under review understands and supports the objectives, scope, and timing of the engagement. The discussion allows the parties to make any necessary adjustments to the engagement approach and establish the expectations for additional communication, including the frequency of communication and who will receive the final communication. Internal auditors should document this discussion in the engagement workpapers.

Ongoing communication throughout the engagement between internal auditors and the management of the activity under review is essential for transmitting information that requires immediate attention and updating relevant parties about engagement progress or changes to the objectives or scope. This ongoing communication provides transparency and helps internal auditors and the management of the activity identify and resolve any misunderstandings or differences.

Depending on the type of engagement, internal auditors may have a closing communication (also called an "exit conference"), which is an opportunity for internal auditors, the management of the activity under review, and relevant staff to finalize the engagement results before issuing a final communication. The closing communication provides an opportunity for management and internal auditors to discuss any differences or disagreements about the engagement results with a goal of reaching agreement.

Discussing the feasibility of internal auditors' recommendations or management's action plans may include weighing the costs, such as the severity of the risk compared to the benefits of implementing the recommendations or action plans. (See also Standard 14.4 Recommendations and Action Plans.) Management action plans may not be fully developed before the closing communication, but management may have ideas about the actions it will take to address the findings. Even if management has not completely developed action plans, ideas can be discussed and evaluated. After the discussion, management can confirm its action plans, the expected timing of implementation, and the personnel responsible for implementing the actions.

Examples of Evidence of Conformance

- Documentation (emails, meeting minutes, notes, or memos) showing that the required communications occurred throughout the engagement.
- Documentation of feedback received (such as through surveys) from the management of the activity under review.

Standard 13.2 Engagement Risk Assessment

Requirements

Internal auditors must develop an understanding of the activity under review to assess the relevant risks. For advisory services, a formal, documented risk assessment may not be necessary, depending on the agreement with relevant stakeholders.

To develop an adequate understanding, internal auditors must identify and gather reliable, relevant, and sufficient information regarding:

- The organization's strategies, objectives, and risks relevant to the activity under review.
- The organization's risk tolerance, if established.
- The risk assessment supporting the internal audit plan.
- The governance, risk management, and control processes of the activity under review.
- Applicable frameworks, guidance, and other criteria that can be used to evaluate the effectiveness of those processes.

Internal auditors must review the gathered information to understand how processes are intended to operate.

Internal auditors must identify the risks to review by:

- Identifying the potentially significant risks to the objectives of the activity under review.
- Considering specific risks related to fraud.
- Evaluating the significance of the risks and prioritizing them for review.

Internal auditors must identify the criteria that management uses to measure whether the activity is achieving its objectives.

When internal auditors have identified the relevant risks for an activity under review in past engagements, only a review and update of the previous engagement risk assessment is required.

Considerations for Implementation

Internal auditors should consult with the engagement supervisor while planning.

To develop an understanding of the activity under review and assess relevant risks, internal auditors should start by understanding the internal audit plan, the discussions that led to its development, and the reason the engagement was included. Engagements included in the internal audit plan may arise from the internal audit function's organizationwide risk assessment or from stakeholder requests.

When internal auditors begin an engagement, they should consider the risks applicable to the engagement and inquire whether any changes have occurred since the internal audit plan was developed. Reviewing the organizationwide risk assessment and any other risk assessments recently conducted (such as those completed by management) may help internal auditors identify risks relevant to the activity under review. Internal auditors should understand any stakeholder expectations that exist regarding the purpose, objectives, and scope of the engagement.

Internal auditors should examine the alignment between the organization and the activity under review. Internal auditors gather and consider the information about the organization's strategies and processes for governance, risk management, and control processes, as well as the organization's objectives, policies, and procedures. Internal auditors should consider how these aspects of the organization relate to the activity under review and to the engagement as they begin to develop the engagement risk assessment.

To gather information, internal auditors may:

- Review risk assessments recently conducted by the internal audit function, management, or external service providers. The objectives considered should include those related to compliance, financial reporting, operations or performance, fraud, information technology, strategy, and internal audit plans.
- Review communications of engagements previously performed by the internal audit function and other assurance and advisory service providers, such as financial, environmental, social responsibility, and governance.
- Review workpapers from previous engagements.
- Review reference materials, including authoritative guidance from The IIA and other bodies, laws, and regulations relevant to the organization's sector, industry, and jurisdiction.
- Consider the relevant risk categories of the organization, including strategic, operational, financial, and compliance.
- Consider the risk tolerance, if it has been defined.
- Use organizational charts and job descriptions to determine who is responsible for relevant information, processes, and other aspects of the activity under review.
- Inspect physical property of the activity under review.
- Examine documentation from the information owner or outside sources, including management's policies, procedures, flowcharts, and reports.
- Examine websites, databases, and systems.
- Inquire through interviews, discussions, or surveys.
- Observe a process in action.
- Meet with other assurance and advisory service providers.

Surveys, interviews, physical inspections, and process walk-throughs allow internal auditors to observe the current conditions in the activity under review.

To perform the engagement risk assessment, internal auditors use the gathered information to understand and document the objectives of the activity under review, the risks that could affect the achievement of each objective, and the controls intended to manage each risk. (See also Standard 14.6 Engagement Documentation.)

Internal auditors may create a chart, spreadsheet, risk and control matrix, process narrative, or other tool to document the risks and the controls designed to manage these risks. Such documentation enables internal auditors to apply professional judgment, experience, and logic to consider the information gathered in the context of the activity under review and to estimate the significance of the risks in terms of a combination of impact, likelihood, and possibly other risk factors.

Determining the significance of risks requires internal auditors to apply their knowledge, experience, and critical thinking to make judgments about the organization, the activity under review, and the engagement purpose and context. As part of due professional care, internal auditors should consider input from the management of the activity under review to gain insight into the business objectives, significant risks, and controls. Establishing a mutual understanding of the risks of the activity under review increases the usefulness of the engagement risk assessment.

The risks to be addressed during the engagement should be prioritized according to significance. This is often illustrated by plotting the risks on a graph, such as a heat map, based on the likelihood of the risk occurring and its potential impact. Such documentation should be retained as part of the engagement workpapers. For the most significant risks, assessing the adequacy of the design of the controls helps internal auditors determine which controls to continue testing for operating effectiveness.

When used, a risk and control matrix is typically developed throughout the engagement. As the engagement progresses through the testing phase, the matrix may be used to document the risk event, control and its type (that is, preventive, detective, directive, or corrective), cause, effect (consequence), and assessment of residual risk.

Examples of Evidence of Conformance

Workpapers documenting:

- Relevant organizational strategies, objectives, and risks of the organization.
- Objectives of the activity being reviewed.
- Governance, risk management, and control processes of the activity under review.
- Organizational charts and job descriptions.
- Notes and/or photographs from direct observation or inspection.
- Policies and procedures for the activity.
- Relevant laws and/or regulations and documented compliance assessments.
- Relevant information gathered from websites, databases, and systems.
- Notes from interviews, discussions, or surveys.
- Relevant information from previously completed risk assessments and engagements and the work of other assurance providers.
- Each risk's significance and the adequacy of the control design.

Standard 13.3 Engagement Objectives and Scope

Requirements

Internal auditors must establish and document the objectives and scope for each engagement.

The engagement objectives must articulate the purpose of the engagement and describe the specific goals to be achieved, including those mandated by laws and/or regulations.

The scope must establish the engagement's focus and boundaries by specifying the activities, locations, processes, systems, components, time period to be covered in the engagement, and other elements to be reviewed, and be sufficient to achieve the engagement objectives.

Internal auditors must consider whether the engagement is intended to provide assurance or advisory services because stakeholder expectations and the requirements of the Standards differ depending on the type of engagement.

Scope limitations must be discussed with management when identified, with a goal of achieving resolution. Scope limitations are assurance engagement conditions, such as resource constraints or restrictions on access to personnel, facilities, data, and information, that prevent internal auditors from performing the work as expected in the audit work program. (See also Standard 13.5 Engagement Resources.)

If a resolution cannot be achieved with management, the chief audit executive must elevate the scope limitation issue to the board according to an established methodology.

Internal auditors must have the flexibility to make changes to the engagement objectives and scope when audit work identifies the need to do so as the engagement progresses.

The chief audit executive must approve the engagement objectives and scope and any changes that occur during the engagement.

Considerations for Implementation

The objectives and scope for assurance engagements are determined primarily by the internal auditors, whereas the objectives and scope for advisory engagements are typically jointly established by the internal auditors and the management of the activity under review.

Internal auditors should align the engagement objectives with the business objectives of the activity under review, as well as with those of the organization. Properly defining engagement objectives and scope before the engagement starts enables internal auditors to:

- Focus efforts on the risks relevant to the activity under review based on the results of the engagement risk assessment. (See also Standard 13.2 Engagement Risk Assessment.)
- Develop the engagement work program.
- Avoid duplicating efforts or performing work that does not add value.

- Determine the engagement timeline.
- Allocate appropriate and sufficient resources to complete the engagement. (See also Standard 13.5 Engagement Resources.)
- Communicate clearly with management and the board.

Assurance engagements focus on providing assurance that the controls in place are adequately designed and operating to manage the risks that could prevent the activity under review from achieving its business objectives. The objectives of these engagements direct the priorities for testing the controls of processes and systems during the engagement. These include controls designed to manage risks related to:

- Assignment of authority and responsibility.
- Compliance with policies, plans, procedures, laws, and regulations.
- Reporting accurate, reliable information.
- Effectively and efficiently using resources.
- Safeguarding assets.

Once the engagement objectives have been established, internal auditors should use professional judgment and consult with the engagement supervisor as necessary to determine the scope of engagement work. The scope should be broad enough to achieve the engagement objectives. When determining the scope, internal auditors should consider each engagement objective independently to ensure that it can be accomplished within the scope.

Internal auditors should consider whether requests from the engagement stakeholders for items to be included in or excluded from the scope, or restrictions on the length of the engagement, constitute a scope limitation.

Examples of Evidence of Conformance

- Engagement planning memorandum.
- Engagement workpapers documenting:
 - Alignment of objectives and the engagement risk assessment.
 - Scope that achieves the engagement objectives.
 - Approved engagement work program containing the engagement objectives and scope.
 - Minutes from meetings with stakeholders about the engagement objectives and scope.
 - Scope limitations and requests from engagement stakeholders for items to be included or excluded.
 - Final engagement communication.

Standard 13.4 Evaluation Criteria

Requirements

Internal auditors must identify the most relevant criteria to be used to evaluate the aspects of the activity under review defined in the engagement objectives and scope. For advisory services, the identification of evaluation criteria may not be necessary, depending on the agreement with relevant stakeholders.

Internal auditors must assess the extent to which the board and senior management have established adequate criteria to determine whether the activity under review has accomplished its objectives and goals. If such criteria are adequate, internal auditors must use them for the evaluation. If the criteria are inadequate, internal auditors must identify appropriate criteria through discussion with the board and/or senior management.

Considerations for Implementation

As part of gathering information and planning the engagement, internal auditors identify the criteria used by the organization to evaluate the effectiveness and efficiency of the governance, risk management, and control processes of the activity under review. Internal auditors should focus on the evaluation criteria most relevant to the engagement. Such criteria should represent the desired state of the activity and be specific and practical. Internal auditors compare the criteria against the existing state (condition). For example, if an engagement objective is to assess the effectiveness of the control processes in the activity under review, the criteria could be the expected results or outcomes of the activity's control processes, while the condition is revealed by the actual outcomes.

Adequate criteria are essential for identifying a difference between the desired state and the condition, which represents potential findings. Additionally, adequate criteria are necessary for determining the significance of the findings and reaching meaningful conclusions. Internal auditors use professional judgment to determine whether the organization's criteria are adequate. Adequate criteria are relevant, aligned with the objectives of the organization and the activity under review, and produce reliable comparisons. Examples of adequate criteria include:

- Internal (policies, procedures, key performance indicators, or targets for the activity).
- External (laws, regulations, and contractual obligations).
- Authoritative practices (frameworks, standards, guidance, and benchmarks specific to an industry, activity, or profession).
- Established organizational practices.
- Expectations based on the design of a control.
- Procedures that may not be formally documented.

When evaluating the adequacy of the criteria, internal auditors should determine whether the organization has established basic principles to define appropriate governance, risk management, and control processes. Internal auditors should consider whether the organization has developed and clearly articulated its risk tolerance, including materiality thresholds for various business units, functions, or processes. Internal auditors should ascertain whether the organization has adopted or clearly articulated a satisfactory level of control.

For example, satisfactory could mean that a certain percentage of transactions within one control objective are conducted in accordance with established control procedures or that a certain percentage of controls overall are working as intended.

Additionally, internal auditors should research recommended practices and compare management's criteria to those used by other organizations. Determining the criteria that are best for achieving the engagement objectives requires internal auditors to apply professional judgment. Internal auditors may determine that the documented policies, procedures, and/or other criteria lack detail or are otherwise inadequate. Internal auditors may assist management in determining adequate criteria or may seek input from experts to help identify or develop relevant criteria. Management's criteria may appear adequate generally, but internal auditors may suggest better criteria for the engagement.

When the criteria used by the activity under review are inadequate or nonexistent, internal auditors may recommend that management implement the criteria identified by the internal auditors. The discussion about the lack of adequate criteria may lead to a decision to provide advisory services.

Internal auditors should inform the management of the activity under review of the criteria to be used during the engagement. The agreed-upon criteria should be documented to preclude misinterpretation or challenge by the management of the activity under review.

Examples of Evidence of Conformance

- Workpapers documenting the sources of criteria considered and the process used to determine the adequacy of the criteria used.
- Documentation, such as meeting minutes, a planning memorandum, or an email, indicating internal auditors' discussion of criteria with the management of the activity under review and/or the board.

Standard 13.5 Engagement Resources

Requirements

When planning an engagement, internal auditors must identify the types and quantity of resources necessary to achieve the engagement objectives.

Internal auditors must consider:

- The nature and complexity of the engagement.
- The time frame within which the engagement is to be completed.
- Whether the available financial, human, and technological resources are appropriate and sufficient to achieve the engagement objectives.

If the available resources are inappropriate or insufficient, internal auditors must discuss the concerns with the chief audit executive to obtain the resources.

Considerations for Implementation

Identifying and assigning resources when planning an engagement is typically handled by an internal auditor designated to lead and supervise the engagement. To determine the type and quantity of resources needed for an engagement, the engagement supervisor should understand the information gathered and developed throughout engagement planning, paying special attention to the nature and complexity of work to be performed. The supervisor applies professional judgment to assign resources based on the steps identified in the work program to achieve the engagement objectives and the time that each step is expected to take. (See Standard 13.6 Work Program.) It is also important to consider constraints that may affect the engagement's performance, such as the number of hours budgeted, timing, logistics, and communications in multiple languages.

When planning engagements, internal auditors should consider the most efficient and effective application of available financial, human, and technological resources. The engagement supervisor may have access to the chief audit executive's information about the specialized competencies held by members of the internal audit function, which can help inform how to assign staff. Planning the engagement requires determining whether the available resources are appropriate and sufficient or additional resources are necessary to complete the engagement.

When resource limitations interfere with the internal audit function's ability to achieve the engagement objectives, the engagement supervisor is responsible for escalating the concern to the chief audit executive. The chief audit executive is responsible for discussing with senior management and the board the implications of resource limitations and determining the course of action to take. For example, when the chief audit executive is unable to obtain the necessary resources, the engagement scope may need to be reduced. (See also Principle 10 Manage Resources and its standards.)

To improve the effective implementation of resources, internal auditors may document the actual time spent performing the engagement against the budgeted time. The documentation can be reviewed to improve future resource planning.

Examples of Evidence of Conformance

- Approved engagement work program showing utilization of appropriate and sufficient resources.
- Planning documentation analyzing the engagement's resourcing needs and assignment of resources.
- Post-engagement survey of the management of the activity under review inquiring about timeliness and resource adequacy.
- Contracts and/or relationships with external service providers.

Standard 13.6 Work Program

Requirements

Internal auditors must develop and document an engagement work program to achieve the engagement objectives.

The engagement work program must be based on the information obtained during engagement planning, including, when applicable, the results of the engagement risk assessment.

The engagement work program must identify:

- Criteria to be used to evaluate each objective.
- Tasks to achieve the engagement objectives.
- Methodologies, including the analytical procedures to be used, and tools to perform the tasks.
- Internal auditors assigned to perform each task.

The chief audit executive must review and approve the engagement work program before it is implemented and promptly when any subsequent changes are made.

Considerations for Implementation

When planning an engagement, internal auditors collect and organize information to create a work program. The engagement work program builds on the information gathered and developed during engagement planning and details the tasks and methodologies that will be used to achieve the engagement objectives and analyze and evaluate information as internal auditors develop engagement findings, recommendations, and conclusions. For advisory services, the work program should be developed in collaboration with the stakeholders who requested the service.

Work performed during the planning phase should be documented in workpapers and referenced in the work program. (See also Standard 14.6 Engagement Documentation.) Work programs should include a place to add the name of the internal auditor who completed the work, the date the work was completed, and an indication of review and approval of the various tasks completed as the work is completed.

Internal auditors may develop the work program by linking the risks and controls identified during the engagement risk assessment with a testing approach to be implemented. As analyses and evaluations are conducted, internal auditors may link the risks and controls to the findings and conclusions.

The level of analysis and detail applied during the planning phase varies by internal audit function and engagement. When sampling is used, the work program should include the sampling methodology, population, sample size, and whether the results can be projected to the population.

Evaluating the adequacy of the control design may be completed as part of engagement planning, because it helps internal auditors clearly identify key controls to be further tested for effectiveness. The evaluation of the adequacy of the control design should be documented in either the work program or a separate workpaper. (See also Standard 14.6 Engagement Documentation.) However, the most appropriate time to

perform this evaluation depends on the nature of the engagement. If it is not completed during planning, the control design evaluation may occur as a specific stage of engagement performance, or internal auditors may evaluate the control design while performing tests of the effectiveness of the controls.

Examples of Evidence of Conformance

Workpapers supporting the development of the work program, such as:

- Risk and control matrix with testing approach.
- Maps or descriptions of control processes.
- Notes on evaluation of the adequacy of the control design.
- Plan for additional testing.
- Minutes, notes, or documentation from planning meetings during which tasks and procedures were determined.
- Complete engagement work program with documented approval.
- Documented approval of changes to the work program.

Principle 14 Conduct Engagement Work

Internal auditors implement the engagement work program to achieve the engagement objectives.

To implement the engagement work program, internal auditors gather information and perform analyses and evaluations to produce evidence. These steps enable internal auditors to:

- Provide assurance and identify potential findings.
- Determine the causes, effects, and significance of the findings.
- Develop recommendations and/or collaborate with management to develop action plans.
- Develop conclusions.

Standard 14.1 Gathering Information for Analyses and Evaluation

Requirements

To perform analyses and evaluations, internal auditors must gather information that is:

- Relevant – consistent with engagement objectives, within the scope of the engagement, and contributes to the development of engagement results.
- Reliable – factual and current. Internal auditors use professional skepticism to evaluate whether information is reliable. Reliability is strengthened when the information is:
 - Obtained directly by an internal auditor or from an independent source.
 - Corroborated.
 - Gathered from a system with effective governance, risk management, and control processes.

- Sufficient – when it enables internal auditors to perform analyses and complete evaluations and can enable a prudent, informed, and competent person to repeat the engagement work program and reach the same conclusions as the internal auditor.

Internal auditors must evaluate whether the information is relevant and reliable and whether it is sufficient such that analyses provide a reasonable basis upon which to formulate potential engagement findings and conclusions. (See also Standard 14.2 Analyses and Potential Engagement Findings.)

Internal auditors must determine whether to gather additional information for analyses and evaluation when evidence is not relevant, reliable, or sufficient to support engagement findings. If relevant evidence cannot be obtained, internal auditors must determine whether to identify that as a finding.

Considerations for Implementation

When gathering information to complete each step in the engagement work program, internal auditors focus on the information that is relevant to the engagement objectives and within the engagement scope. In applying professional skepticism, internal auditors should critically assess whether the information is factual, current, and obtained directly (such as by observation) or from a source independent of those responsible for an activity under review. Corroborating the information by comparing it against more than a single source is another way to increase reliability.

Procedures to gather information for analyses may include:

- Interviewing or surveying individuals involved in the activity.
- Directly observing a process, also known as performing a walk-through.
- Obtaining confirmation or verification of information from an individual who is independent of the activity under review.
- Inspecting or examining physical evidence such as documentation, inventory, or equipment.
- Directly accessing organizational systems to observe or extract data.
- Working with system users and administrators to obtain data.

When gathering information, internal auditors should consider whether to test a complete data population or a representative sample. Using data analysis software facilitates the ability to test complete or targeted data populations. If internal auditors choose to select a sample, they should apply methods to ensure that the sample is as representative of the entire population as possible.

Examples of Evidence of Conformance

- Engagement work program, which includes procedures for gathering data relevant to the engagement objectives.
- Description of information gathered, including its source, the date it was gathered, and the period to which it pertains.
- Documented explanation of how the internal auditor determined that the information gathered was sufficient to perform an analysis.

Standard 14.2 Analyses and Potential Engagement Findings

Requirements

Internal auditors must analyze relevant, reliable, and sufficient information to develop potential engagement findings. For advisory services, gathering evidence to develop findings may not be necessary, depending on the agreement with relevant stakeholders.

Internal auditors must analyze information to determine whether there is a difference between the evaluation criteria and the existing state of the activity under review, known as the “condition.” (See also Standard 13.4 Evaluation Criteria.)

Internal auditors must determine the condition by using information and evidence gathered during the engagement.

A difference between the criteria and the condition indicates a potential engagement finding that must be noted and further evaluated. If initial analyses do not provide sufficient evidence to support a potential engagement finding, internal auditors must exercise due professional care to determine whether additional analyses are required.

If additional analyses are required, the work program must be adjusted accordingly and approved by the chief audit executive.

If internal auditors determine that no additional analyses are required and there is no difference between the criteria and the condition, the internal auditors must provide assurance in the engagement conclusion regarding the effectiveness of the activity’s governance, risk management, and control processes.

Considerations for Implementation

The engagement work program may include a list of specific analyses to be conducted, such as:

- Tests of the accuracy or effectiveness of a process or activity.
- Ratio, trend, and regression analyses.
- Comparisons between current period information and budgets, forecasts, or similar information from prior periods.
- Analyses of relationships among sets of information (for example, financial information, such as recorded payroll expenses, and nonfinancial information, such as changes in the average number of employees).
- Internal benchmarking, comparing information between different areas within the organization.
- External benchmarking, comparing information from similar organizations.

Internal auditors should understand and use technologies that improve the efficiency and effectiveness of analyses, such as software applications that enable testing of an entire population rather than just a sample.

The analyses should yield a meaningful comparison between the evaluation criteria and the condition. When the analyses indicate a difference between the criteria and the condition, subsequent engagement procedures should be applied to determine the cause and effect of the difference and significance of the potential findings. Common examples of potential engagement findings include errors, irregularities, illegal acts, and opportunities for improving efficiency or effectiveness.

Internal auditors exercise due professional care to determine the extent and type of additional procedures that should be used to evaluate the potential findings and determine their cause, effect, and significance. The chief audit executive and the internal audit methodologies may provide guidance for determining whether to perform additional analyses. Considerations include the:

- Results of the engagement risk assessment, including the adequacy of control processes.
- Significance of the activity under review and the potential findings.
- Extent to which the analyses support potential engagement findings.
- Availability and reliability of information for further evaluation.
- Costs compared to the benefits of performing additional analyses.

Examples of Evidence of Conformance

- Workpapers that document the analyses performed, including data analytics programs or software used, test populations, sampling processes, and sampling methods.
- Workpapers cross-referenced in the work program and/or final communication.
- Documentation related to the final communication.
- Supervisory reviews of the engagement.

Standard 14.3 Evaluation of Findings

Requirements

Internal auditors must evaluate each potential engagement finding to determine its significance. When evaluating potential engagement findings, internal auditors must collaborate with management to identify the root causes when possible, determine the potential effects, and evaluate the significance of the issue.

To determine the significance of the risk, internal auditors must consider the likelihood of the risk occurring and the impact the risk may have on the organization's governance, risk management, or control processes.

If internal auditors determine that the organization is exposed to a significant risk, it must be documented and communicated as a finding.

Internal auditors must determine whether to report other risks as findings, based on the circumstances and established methodologies.

Internal auditors must prioritize each engagement finding based on its significance, using methodologies established by the chief audit executive.

Considerations for Implementation

To develop engagement findings, internal auditors compare the established criteria to the existing condition in the activity under review. (See also Standard 14.2 Analyses and Potential Engagement Findings.) If there is a difference between the two, internal auditors are required to investigate the potential finding further. The evaluation should explore:

- The root cause of the difference, which often relates to a control deficiency and is a direct reason the condition exists. To the extent feasible, internal auditors should determine the root cause, which is an underlying or deeper issue that contributed to the condition. At its simplest, determining the root cause involves asking a series of questions about why the difference exists. Identifying the root cause involves collaboration with management, who may be in a better position to understand the underlying causes for the difference.
- How the impact of the difference may be quantified. In many cases, the extent of the exposure is an estimate informed by internal auditors' professional judgment with input from the management of the activity under review. (See also Principle 4 Exercise Due Professional Care and its standards.)

To determine the significance of a finding, internal auditors identify and evaluate existing controls for design adequacy and effectiveness, then determine the level of residual risk, which is the risk that remains despite having controls in place. Although internal auditors are required to communicate significant risks as findings, internal auditors may also communicate other risks as findings or in some other way.

Internal auditors prioritize findings based on the methodology established by the chief audit executive to provide consistency across all internal audit engagements. A rating or ranking can be an effective communication tool for describing the significance of each finding and may assist management with prioritizing its action plans. When determining the significance, internal auditors should consider:

- The impact and likelihood of the risk.
- The risk tolerance.
- Any additional factors important to the organization.

The chief audit executive may provide templates for internal auditors to use to document engagement findings, ensuring proper documentation of various elements such as the:

- Criteria.
- Condition.
- Root cause (when possible).
- Effect (risk or potential exposure).
- Significance and prioritization.

Findings should be written succinctly, in plain language, such that the management of the activity under review understands the internal auditors' evaluation. Findings should explain the difference between the conditions and the criteria and should provide documented evidence that supports the internal auditors' evaluation and judgment about the findings' significance.

Examples of Evidence of Conformance

- Workpapers explaining the criteria used to evaluate the findings.
- Workpaper that lists the criteria, condition, root cause (when possible), effect (risk or potential exposure), and a prioritization of each finding.

- Workpaper or other documentation explaining the materiality, risk tolerance, and elements of any cost-benefit analysis used as the basis of the finding(s) analysis.
- Relevant internal audit methodologies, templates, and guidance.
- Documentation related to the final engagement communication.

Standard 14.4 Recommendations and Action Plans

Requirements

Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions to:

- Resolve the differences between the established criteria and the existing condition.
- Mitigate identified risks to an acceptable level.
- Address the root cause of the finding.
- Enhance or improve the activity under review.

When developing recommendations, internal auditors must discuss the recommendations with the management of the activity under review.

If internal auditors and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both parties to express their positions and rationale and to determine a resolution. (See also Standard 9.3 Methodologies.)

Considerations for Implementation

Internal auditors should promptly discuss the findings and potential recommendations or action plans with the management authorized to make and oversee changes to the activity under review. The chief audit executive may create a methodology to help internal auditors identify the appropriate management. For example, the methodology may require that only a given role or level (such as a manager, director, or vice president) has such authority.

If a specific corrective action is identified that addresses a finding, internal auditors may communicate it as a recommendation. Alternatively, internal auditors may present several options for management to consider. In some cases, internal auditors may suggest that management research options and determine the appropriate course of action. A single finding may have multiple recommendations or corrective actions.

If the internal auditor and the management of the activity under review disagree about the engagement results, the chief audit executive should work with senior management to facilitate a resolution. Additionally, a formal statement from each party may be attached to the final communication or made available upon request.

Internal auditors should evaluate and discuss with management the feasibility and reasonableness of the recommendations and/or action plans. The evaluation should include a cost-benefit analysis and determination of whether the recommendations and/or action plans address the risk satisfactorily in accordance with the organization's risk tolerance.

Although internal auditors must collaborate with management on how to address the engagement findings, it is management's responsibility to implement actions to address the findings. (See also Standard 15.1 Final Engagement Communication.)

Examples of Evidence of Conformance

- Workpapers for each finding, with the criteria, condition, root cause (when possible), effect (risk or potential exposure), and recommendation(s) and/or action plans included.
- Notes, workpapers, or other documentation evidencing discussions with management regarding the findings and feasibility of recommendations and/or action plans.
- Documentation related to the final communication.

Standard 14.5 Engagement Conclusions

Requirements

Internal auditors must develop an engagement conclusion that summarizes the engagement results relative to the engagement objectives and management's objectives. The engagement conclusion must summarize the internal auditors' professional judgment about the overall significance of the aggregated engagement findings.

Assurance engagement conclusions must include the internal auditors' judgment regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgment of when processes are effective.

Considerations for Implementation

The chief audit executive's methodologies for the internal audit function may provide a rating scale indicating whether reasonable assurance exists regarding the effectiveness of controls. For example, a scale may indicate satisfactory, partially satisfactory, needs improvement, or unsatisfactory depending on the internal auditors' assessments. (See also Standard 14.3 Evaluation of Findings.)

The conclusion may add context regarding the impacts of the findings within the activity under review and the organization. For example, some findings may have a significant impact on achieving goals or managing risks at an activity level, but not at an organizational level.

Advisory engagement conclusions should align with the objectives and scope.

Examples of Evidence of Conformance

- A workpaper showing the basis for the overall engagement conclusion.
- A conclusion statement in the final communication.

Standard 14.6 Engagement Documentation

Requirements

Internal auditors must document information and evidence to support the engagement results. The analyses, evaluations, and supporting information relevant to an engagement must be documented such that an informed, prudent internal auditor, or similarly informed and competent person, could repeat the work and derive the same engagement results.

Internal auditors and the engagement supervisor must review the engagement documentation for accuracy, relevance, and completeness. The chief audit executive must review and approve the engagement documentation. Internal auditors must retain engagement documentation according to relevant laws and/or regulations as well as policies and procedures of the internal audit function and the organization.

Considerations for Implementation

Documentation of the internal audit engagement through workpapers is an important part of a systematic and disciplined engagement process because it organizes engagement information in a way that enables reperformance of the work and supports engagement results. Documentation provides the basis for supervising individual internal auditors and allows the chief audit executive and others to evaluate the quality of the internal audit function's work. Documentation also serves to demonstrate the internal audit function's conformance with the Standards.

Engagement documentation should include:

- Date or period of the engagement.
- Engagement risk assessment.
- Engagement objectives and scope.
- Work program.
- Description of analyses, including details of procedures and source(s) of data.
- Engagement results.
- Names or initials of the individuals who performed and supervised the work.
- Evidence of communication to appropriate parties.

Workpapers may be organized according to the structure developed in the work program and cross-referenced to relevant pieces of information. Templates or software may be used for developing workpapers and creating a system for retaining the documentation. The result is a complete collection of documentation of the information obtained, procedures completed, engagement results, and the logical basis for each step. This documentation constitutes the primary source of support for internal auditors' communication with stakeholders, including the board, senior management, and the management of the activity under review. Most importantly, workpapers contain relevant, reliable, and sufficient information that enables a prudent, informed, and competent person, such as another internal auditor or an external auditor, to reach the same conclusions as those reached by the internal auditors who conducted the engagement.

Common workpapers include:

- Planning documentation.
- Process map, flowchart, or narrative descriptions of key processes.
- Summaries of interviews conducted, or surveys issued.
- Risk and control matrix.
- Details of tests conducted and analyses performed.
- Conclusions, including cross-referencing to the workpaper on audit findings.
- Proposed follow-up engagement work to be performed.
- Internal audit final communication with management responses.

A basic format for workpapers:

- Index or reference number.
- Title or heading that identifies the activity under review.
- Date or period of the engagement.
- Scope of work performed.
- Statement of purpose for obtaining and analyzing the data.
- Source(s) of data covered in the workpaper.
- Description of population evaluated, including sample size and method of selection used to analyze data (testing approach).
- Name of the internal auditor(s) who performed the engagement work.
- Review notes and name of the internal auditor(s) who reviewed the work.

Examples of Evidence of Conformance

- Workpapers documenting the work performed in accordance with the established methodology.
- Results of internal quality assessment reviews validating conformance with workpaper and supervision policies.

Principle 15 Communicate Engagement Results and Monitor Action Plans

Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward the implementation of recommendations or action plans.

Internal auditors are responsible for issuing a final communication after completing the engagement and communicating the engagement results to management. Internal auditors continue to communicate with the management of the activity under review to confirm that action plans are implemented.

Standard 15.1 Final Engagement Communication

Requirements

For each engagement, internal auditors must develop a final communication that includes the engagement's objectives, scope, recommendations and/or action plans if applicable, and conclusions.

The final communication for assurance engagements also must include:

- The findings and their significance and prioritization.
- An explanation of scope limitations, if any.
- A conclusion regarding the effectiveness of the governance, risk management, and control processes of the activity reviewed.

The final communication must specify the individuals responsible for addressing the findings and the planned date by which the actions should be completed.

When internal auditors become aware that management has initiated or completed actions to address a finding before the final communication, the actions must be acknowledged in the communication.

The final communication must be accurate, objective, clear, concise, constructive, complete, and timely, as described in Standard 11.2 Effective Communication.

Internal auditors must ensure the final communication is reviewed and approved by the chief audit executive before it is issued.

The chief audit executive must disseminate the final communication to parties who can ensure that the results are given due consideration. (See also Standard 11.3 Communicating Results.)

If the engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the following details about the nonconformance:

- Standard(s) with which conformance was not achieved.
- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement findings and conclusions.

Considerations for Implementation

A statement that the engagement is conducted in conformance with the Global Internal Audit Standards should be included in the final engagement communication. Indicating that the internal audit engagement conformed with the Standards is appropriate only if supported by the results of engagement supervision and the quality assurance and improvement program.

The style and format of final engagement communication varies across organizations. The chief audit executive may provide templates and procedures.

Multiple versions of a final communication may be issued, with formats, content, and level of detail customized to address specific audiences, based upon how much they know about the activity under review, how the findings and conclusions affect them, and how they plan to use the information.

When issued as a report, the final communication may include the following components, in addition to the requirements:

- Title.
- Background (brief synopsis of the activity under review).
- Recognition (positive aspects of activity under review and/or appreciation of cooperation).
- Distribution list.

The review of the final communication should verify whether:

- The work performed and documented was consistent with the engagement objectives and scope and the Standards. (See also Standards 8.3 Quality and 12.1 Internal Quality Assessment.)
- The engagement results are clearly stated and supported by relevant, reliable, and sufficient information. (See also Standard 14.1 Gathering Information for Analyses and Evaluation.)
- The requirements for communicating with the management of the activity under review were met.

The chief audit executive determines how and to whom the final engagement communication is disseminated. Oral presentations are usually supported with a digital or printed copy of the presentation and/or a written report.

Examples of Evidence of Conformance

- Written final communications.
- Slides and/or meeting notes of presentations when final communication is oral.
- Documentation indicating that the final communication was reviewed and approved.
- Documentation that requirements for communicating with the activity under review were met.

Standard 15.2 Confirming the Implementation of Recommendations or Action Plans

Requirements

Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes:

- Inquiring about progress on the implementation.
- Performing follow-up assessments using a risk-based approach.
- Updating the status of management's actions in a tracking system.

The extent of these procedures must consider the significance of the finding.

If management has not progressed in implementing the actions according to the established completion dates, internal auditors must obtain and document an explanation from management and discuss the issue with the chief audit executive. The chief audit executive is responsible for determining whether senior management, by delay or inaction, has accepted a risk that exceeds the risk tolerance. (See also Standard 11.5 Communicating the Acceptance of Risks.)

Considerations for Implementation

Internal auditors may use a software program, spreadsheet, or system to track whether management's action plans are implemented according to the established timelines. The tracking system indicates whether action plans remain open or are past due and provides a useful tool for internal auditors to communicate with the board and senior management. In addition, a program or system may automate the workflow from risk assessment to action plan completion. For example, the workflow may include automated emails that notify the appropriate parties regarding action plans that are nearing their target completion dates.

The methodology for confirming the implementation of management's action plans should include criteria for determining when to perform follow-up assessments to confirm that management's action plans have effectively addressed findings. Follow-up assessments may be performed for completed action plans selectively, depending on the risk's significance. Under certain circumstances, regulators may require reporting on management's action plans.

If management decides on an alternative action plan and internal auditors agree that the alternative plan is satisfactory or better than the original action plan, then progress on the alternative plan should be tracked until completion.

Examples of Evidence of Conformance

- A routinely updated tracking system (for example, a spreadsheet, database, or other tool) that contains the finding, associated corrective action plan, status, and internal audit's confirmation.
- Corrective action status reports prepared for the board and senior management.

Applying the Global Internal Audit Standards in the Public Sector

While the Global Internal Audit Standards apply to all internal audit functions, internal auditors in the public sector work in a political environment under governance, organizational, and funding structures that may differ from those of the private sector. The nature of these structures and related conditions may be affected by the jurisdiction and level of government in which the internal audit function operates. Additionally, some terminology used in the public sector differs from that of the private sector. These differences may affect how internal audit functions in the public sector apply the Standards. For this reason, the external quality assessment of an internal audit function in the public sector should be performed by an assessment team knowledgeable about public sector activities and governance structures. (See also Standard 8.4 External Quality Assessment.)

The public sector is founded upon and governed under a legal framework that includes laws, regulations, administrative orders and rules, and other types of governing requirements specific to the jurisdiction(s) within which an organization operates. Throughout the Global Internal Audit Standards, the term “laws and/or regulations” is used to represent the legal framework. Laws and/or regulations may establish the mandate, organizational position, reporting relationship, scope of work, funding, and other requirements of the internal audit function.

Through such mandates, internal audit functions in the public sector are often required to focus on:

- Ensuring compliance with laws and/or regulations.
- Identifying opportunities to improve the efficiency, effectiveness, and economy of government processes and programs.
- Determining whether public resources are adequately safeguarded and used appropriately to provide services in an equitable manner.
- Assessing whether an organization’s performance aligns with its strategic objectives and goals.

The following sections describe situations in which the application of the Standards may differ for internal auditors in the public sector.

Laws and/or Regulations

The chief audit executive must be aware of the laws and/or regulations that affect the internal audit function’s ability to fully conform with all provisions in the Standards. A charter or other documentation may be used to explain how the internal audit function is meeting the requirements of the laws and/or regulations as well as the intent of the Standards. When conformance is not possible, the chief audit executive must document the reason, make appropriate disclosures, and conform with all other requirements of the Standards. (See also Standards 4.1 Conformance with Global Internal Audit Standards, 6.1 Internal Audit Mandate, 6.2 Internal Audit Charter, 8.3 Quality, 8.4 External Quality Assessment, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication.)

The following list describes situations in which laws and/or regulations may affect the ability of internal audit functions in the public sector to conform with the Standards:

- When laws and/or regulations serve as the internal audit mandate and charter, the chief audit executive may not have the authority or ability to make amendments. Thus, the requirement in Standard 6.1 Internal Audit Mandate to periodically review the mandate for updates may not be warranted. However, the chief audit executive could periodically conduct and document a focused review of the mandate and charter to determine that the established path to legal and/or regulatory compliance is accurately defined.
- Public disclosure laws and/or regulations may govern the types of documents that are required to be released to the public and those that cannot be released to the public. The methodologies of internal audit functions in the public sector should include these requirements. (See also Standards 5.1 Use of Information and 5.2 Protection of Information.)
- Laws and/or regulations may limit the type of private discussions that the chief audit executive may have with the board. (See also the Glossary definition of “board” as well as Standards 6.3 Board and Senior Management Support and 7.1 Organizational Independence.)
- Laws and/or regulations may require internal audit functions in the public sector to present internal audit results at public meetings. Methodologies for the dissemination of final communications should adhere to these requirements. (See also Standards 11.2 Effective Communication and 15.1 Final Engagement Communication.)
- In the public sector the external assurance provider is often mandated. In some jurisdictions, the authority of a supreme audit institution may supersede that of the internal audit function and internal audit functions may be required to adhere to planning as stipulated and conduct joint work. In Standard 11.1 Building Relationships and Communicating with Stakeholders the internal audit function is required to coordinate with the external assurance provider, and this authority may supersede the coordination role. (See also Standards 6.1 Internal Audit Mandate and 9.5 Coordination and Reliance.)

Internal auditors in the public sector have a broad base of stakeholders, including the public within the jurisdiction as well as appointed and elected officials. The internal audit function may be legally required to be accountable and transparent to the public. To adequately serve their stakeholders, internal auditors may consider input from the public when planning and performing internal audit services. Public input may be provided by users of government services, such as utilities, public transit systems, parks and recreation facilities, building permitting processes, and others. (See also Standards 9.4 Internal Audit Plan, 11.1 Building Relationships and Communicating with Stakeholders, and 13.2 Engagement Risk Assessment.)

Governance and Organizational Structure

Internal audit functions in the public sector are governed under a variety of structures. Some public sector organizations may be subject to multiple levels of governance, both within and outside the organization, which may complicate the reporting relationships of the chief audit executive as well as the oversight and funding of the function.

The Global Internal Audit Standards reference responsibilities related to the “board” and “senior management.” The glossary defines “board” using concepts that encompass various governance structures in the public sector. Because the board in the public sector may be a policy-setting body, it may not have authority over aspects of the chief audit executive and the internal audit function as described in the Standards. For example, such a body may not be able to appoint, remove, or set remuneration for the chief audit executive. In those situations, the board should still provide input to management regarding performance evaluations and decisions to appoint and remove the chief audit executive. In other public sector organizations, “senior management” may be defined differently than it is in the Standards. When the term is used to refer to the management of the activity under review, safeguards to independence must be implemented to mitigate the risk of interference with the internal audit function’s work.

The chief audit executive should avoid taking direction from elected officials without first consulting the board and senior management, who directly oversee the internal audit function, unless the officials have direct oversight responsibilities.

The examples below describe governance and organizational structures in which internal audit functions may need to adjust the application of some standards (the list is not exhaustive):

- Internal audit functions may be separate from other parts of the organization, and the chief audit executive reports directly to a legislative body that functions as a board.
- Internal audit functions may be placed at the highest level of the government organization, and the chief audit executive reports directly to the head of the organization.
- Internal audit functions may be placed within another component of the overall organization (such as a department or other unit within a government organization), and the chief audit executive reports to the head of the organization or a nonexecutive/supervisory board. This may occur when there is a tiered governance structure and where there is more than one governing body.
- Internal audit functions may be separate from other parts of the organization because the chief audit executive is elected and retained by the voters within a jurisdiction and does not report to any specific oversight body or person in the organization.
- Internal audit functions may be placed lower in the organization, and the chief audit executive reports to a single senior manager from that department.

While some of these situations do not meet the independence requirements in the Global Internal Audit Standards, establishing an audit committee comprising public members, independent of management, safeguards independence and provides ongoing oversight, advice, and feedback. (See also Standards 6.2 Internal Audit Charter and 6.3 Board and Senior Management Support, Principle 7 Positioned Independently and its standards, and Standard 8.1 Board Interaction.)

Funding

The funding processes for internal audit functions vary widely in the public sector. Some governance and organizational structures do not give the board and senior management authority over the budget. These conditions prevent the chief audit executive from being able to seek budget approval from the board and senior management and limit the ability to seek or obtain additional funding due to other funding priorities within the organization.

For example, some internal audit functions within the public sector can submit independent budget requests to their board or legislative body for approval. Others' budgets are part of a larger organizational budget, and the allocation to the internal audit function is determined by the head of the organization and often approved by an outside legislative body. In either case, the chief audit executive could advocate to the board for the resources needed.

Even when the budget is set by laws and/or regulations, the chief audit executive must adhere to other requirements of the standards related to managing the budget. (See also Standards 6.3 Board and Senior Management Support, 7.1 Organizational Independence, 8.2 Resources, and 10.1 Financial Resource Management.)

The following public sector conditions may limit the way the chief audit executive may spend allocated funds:

- The position classification structure and/or labor agreements often establish pay ranges for each position classification based on the knowledge, skills, and responsibilities of the position that limit the authority of the chief audit executive or board to establish the remuneration for each employee. In such situations, the chief audit executive should collaborate with the human resources function, as described in Standard 10.2 Human Resources Management.

- The internal audit function may be required to use only software approved for the organization, which may limit the chief audit executive's ability to obtain technology to support the internal audit function. Internal audit functions in the public sector should engage their board as advocates for supporting their technology needs and may need to use software available to achieve the audit plan in the most efficient way possible while maintaining conformance with the Standards. (See also Standard 10.3 Technological Resources.)
- When funding limitations prevent the chief audit executive from obtaining adequate resources to conduct an external quality assessment, internal audit functions in the public sector may benefit from participating in peer programs to conduct the assessment. (See also Standards 8.4 External Quality Assessment and 10.1 Financial Resource Management.)
- When an outside authority or oversight body provides the funding for the internal audit function in the public sector, the chief audit executive may be required to provide final engagement communications to the funding authority. (See also Standards 11.1 Building Relationships and Communicating with Stakeholders, 11.2 Effective Communication, and 15.1 Final Engagement Communication.)

About The IIA

The Institute of Internal Auditors (IIA) is a nonprofit international professional association that serves more than 245,000 global members and has awarded more than 190,000 Certified Internal Auditor® (CIA®) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit theiia.org.

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Application Note

Global Internal Audit Standards in the UK Public Sector

Applicable from 1 April 2025

Issued by the Relevant Internal Audit Standard Setters:



In collaboration with:



December 2024

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1. Purpose

This document provides a framework for the practice of internal audit in the UK public sector when taken together with the Global Internal Audit Standards (GIAS) issued by the Institute of Internal Auditors (IIA).

It sets out interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector.

2. Scope

The requirements herein apply to all internal audit service providers, whether in-house, shared services or outsourced, which are operating within or providing internal audit services to the UK public sector.

All internal audit assurance and advisory services fall within the scope of this document.

3. Effective date

From 1 April 2025 the requirements of this Application Note and of the Global Internal Audit Standards apply to work on internal audit engagements commenced on or after this date.

4. Review process

This Application Note will periodically be reviewed by the IASAB on behalf of the RIASS. This review will include consideration of the applicability within the UK public sector of any Topical Requirements issued by the IIA.

5. Authority for setting standards

The authority for setting standards for internal audit in the UK public sector rests with the Relevant Internal Audit Standard Setters (RIASS). These are HM Treasury in respect of central government; the Scottish Government, the Department of Finance Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health and Social Care in respect of the health sector in England; and the Chartered Institute of Public Finance and Accountancy in respect of local government across the United Kingdom. To support the development process, the UK public sector Internal Audit Standards Advisory Board (IASAB) was created. This includes representation from each of the RIASS, audit committees, internal audit practitioners and the Chartered IIA. The role of the IASAB is to develop material to support UK public sector internal audit, to consult on that material, and based on that consultation to advise the RIASS on the standards to be used.

6. Application of standards in the UK public sector

Together the RIASS determine the standards and requirements applicable to the practice of internal auditing in the UK public sector as a whole. The RIASS have determined that the Global Internal Audit Standards (GIAS) issued by the Institute for Internal Auditors (IIA) are a suitable basis for the practice of internal auditing in the UK public sector, subject to interpretations and requirements set out in this note.

The GIAS include a section on *Applying the Global Internal Audit Standards in the Public Sector*, and recognise that differences in governance structures, regulations and funding in the public sector may sometimes demand different approaches to maintain appropriate quality, efficiency and effectiveness in delivering internal audit. While the appendix is welcome, it encompasses a broader scope of public sector circumstances internationally than those which are relevant to the UK. At the same time, it is not an exhaustive guide to public sector context either internationally or in relation to the UK.

This Application Note therefore provides UK public sector-specific context, interpretations of GIAS requirements in the specific circumstances expected to apply across the UK public sector and some additional requirements which the RIASS consider essential for the practice of internal audit in the UK public sector.

Each RIASS may provide guidance or set specific requirements applicable to the part of the public sector over which they have authority. Sub-sector specific material is not presented in this note.

7. Conformance

Auditors working in the UK public sector must follow the requirements of the GIAS subject to the interpretations and additional requirements set out in this Application Note. When expressing conformance with standards, auditors must be clear that they are conforming to the GIAS subject to the Application Note, and must refer to this as conformance with *Global Internal Audit Standards in the UK Public Sector*.

Auditors must confirm adherence to the Application Note alongside all other reports on conformance with the Global Internal Audit Standards such as Standard 12.1 on internal quality assessment. Auditors must also note any non-conformance with this Application Note alongside any other non-conformance reporting such as that described in Standard 4.1 (*Conformance with the Global Internal Audit Standards*).

External Quality Assessors working in the UK public sector under Standard 8.4 (*External Quality Assessment*) must also consider conformance with this Application Note as part of reporting their results.

8. Relevant internal audit standard setters in the UK

	Central government	Health sector	Local government*
	government departments and related public bodies, parliamentary bodies and counterpart bodies in the devolved government administrations	boards, trusts and authorities managed within NHS England, NHS Scotland, NHS Wales and Health and Social Care (Northern Ireland)	elected councils and combined authorities, police bodies, fire and emergency bodies, parks authorities, passenger transport authorities and partnerships and various other bodies
UK wide bodies	HM Treasury	–	–
England	HM Treasury	Department for Health and Social Care	CIPFA
Scotland	Scottish Government	Scottish Government	CIPFA
Wales	Welsh Government	Welsh Government	CIPFA

*Internal audit functions in some smaller local government bodies may not be required to follow the global standards or this Application Note. While CIPFA is the standard setter for local government in England, some smaller authorities may instead follow guidance issued by the Joint Panel on Accountability and Governance (JPAG). Where internal audit is carried out using the Global Internal Audit Standards, it must also be carried out in conformance with the Application Note: *Global Internal Audit Standards in the UK Public Sector*.

9. General context for the UK public sector

9A. Ethics and standards in public life

The GIAS generally and GIAS 1.2 (*Organisation's Ethical Expectations*) specifically describe the importance of internal auditors encouraging and promoting an ethics-based culture alongside personal adherence to the ethical expectations of their organisation. This need for ethical behaviour is especially relevant in the UK public sector where those delivering public services are both servants of the public and stewards of public resources. The government has set out Seven Principles of Public Life (also known as the 'Nolan Principles') that apply to all public servants (including contractors working in the public service).

The Seven Principles of Public Life

- **Selflessness:** Holders of public office should act solely in terms of the public interest.
- **Integrity:** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family or their friends. They must declare and resolve any interests and relationships.
- **Objectivity:** Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability:** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **Openness:** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- **Honesty:** Holders of public office should be truthful.
- **Leadership:** Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

Internal auditors working in the UK public sector must apply these alongside all other relevant ethical frameworks.

9B. Handling information

The GIAS set out the duty on internal auditors to be faithful custodians of the information they gather, sharing only in limited, defined and controlled ways. GIAS 5.2 (*Protection of Information*) describes the need for awareness of responsibilities in protecting information and demonstrating respect for the confidentiality, privacy and ownership of information.

While the duties under GIAS mainly relate to restricting the sharing of information, auditors working in the UK public sector must also be aware of circumstances under which sharing or publication of

information will be required. They must be aware of their organisation's policies and procedures for routine publication of certain information and where there are statutory obligations to share or publish information.

9C. Value for money

GIAS 9.1 (*Understanding Governance, Risk Management, and Control Processes*) describes the need for a chief audit executive to understand the organisation's governance, risk management and control processes to develop an effective strategy and plan. Alongside the listed requirements in the Standard, auditors in the UK public sector must be aware of the importance of securing value for money and the definitions which define that term in their part of the UK public sector.

Auditors must also be aware of the importance of value for money, alongside other key considerations, when determining appropriate evaluation criteria under GIAS 13.4 (*Evaluation Criteria*).

9D. The role of regulators

GIAS 9.5 (*Coordination and Reliance*) sets out a duty for chief audit executives to co-ordinate with other assurance providers. In the UK public sector, there are various relevant outside assurance providers whose authority flows from separate legal or regulatory sources beyond the control or influence of the chief audit executive. The chief audit executive may not have any ability to access the work of those assurance providers or gain insight into the scope and timing of their work. Under these circumstances the chief audit executive must consider whether it is possible or practical to co-ordinate. Where they do not co-ordinate, they must set out to the board the barriers which prevent effective co-ordination.

10. UK public sector-specific interpretations and requirements

10A. Resources

The GIAS section on *Applying the Global Internal Audit Standards in the Public Sector* notes that funding processes for internal audit functions vary, that some governance and organisational structures do not give boards authority over budget and that such conditions prevent the chief audit executive from being able to seek or obtain additional funding due to other funding priorities within the organisation. Chief audit executives may also be constrained in the way in which they use financial resources and manage human and technological resources.

The circumstances outlined above are relevant to most UK public sector internal audit functions and their associated audit committees, and interpretation is required to provide an appropriate basis for conformance, as follows:

- Boards may not have authority over budgets and this may prevent the chief audit executive from being able to seek or obtain additional funding due to other funding priorities within the organisation. In such circumstances to fulfil GIAS 8.2 (*Resources*) the chief audit executive must develop a resource strategy which suggests practical approaches for consideration by the board.
- The chief audit executive must inform the board of the impact of insufficient resources and any options available to mitigate that impact.
- The chief audit executive may have no ability to develop resource management approaches distinct from their organisation and tailored to the needs of the internal audit function. The chief audit executive's ability to develop a strategy to obtain sufficient resources and address shortfalls may also be constrained by their organisation's legal or regulatory obligations. Under these circumstances the chief audit executive will not be expected to follow the requirements of GIAS 10.1 to 10.3 (*Manage Resources*) if they cannot develop approaches that achieve the objectives of those standards. Instead, a chief audit executive must set out in the Charter what alternative approaches apply to the internal audit service, and then seek to manage financial, human and IT resources within those constraints.

The chief audit executive must also inform the board of any resource management arrangements at the organisation that may put at risk the ability of the internal audit service to fulfil its mandate.

10B. Overall conclusions and annual reporting

GIAS 11.3 (*Communicating Results*) references the possibility that a chief audit executive may be required to make a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control. In the UK public sector, a chief audit executive must prepare such an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.

The chief audit executive must also report annually on the results of quality assessment carried out under GIAS 12.1 (*Internal Quality Assessment*), including progress against action plans to address instances of non-conformance.

The requirement for an overall conclusion must also inform planning carried out under GIAS 9.4 (*Internal Audit Plan*). The requirement for an annual conclusion does not imply that planning needs to follow an annual cycle, but where planning is carried out in other timeframes it must still be clear to senior management and the board that this supports an annual conclusion.

10C. Chief audit executive qualifications

GIAS 7.2 (*Chief Audit Executive Qualifications*) sets out expectations relevant to the global practice of internal audit. The RIASS seek to maintain an expectation that chief audit executives in the public sector hold appropriate professional qualifications alongside relevant experience. Therefore, in considering whether a chief audit executive is suitably qualified, an organisation must be looking for:

- CMIIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and
- suitable internal audit experience.

10D. Selecting independent assessors

The RIASS have determined that the qualification requirement in GIAS 8.4 (*External Quality Assessment*) should be **replaced** by a different qualification requirement.

GIAS 8.4 sets out a requirement that when selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor designation. The RIASS have determined that this requirement is **replaced** by a requirement that at least one person have the characteristics outlined for chief audit executive qualification. The RIASS consider that such a person would normally have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector. These matters must be considered as part of the selection process.


11. Determining the essential conditions in relation to governance

GIAS Domain III (*Governing the Internal Audit Function*) explains that appropriate governance arrangements with boards and senior management are essential to fulfil the Purpose of Internal Audit. The individual standards within Domain III include baseline 'essential conditions' which need to be satisfied in order to achieve conformance. The GIAS allows that in some cases it may be appropriate to determine alternatives to the essential conditions that achieve the same results.

The GIAS section *Applying the Global Internal Audit Standards in the Public Sector* includes non-exhaustive material explaining that public sector governance and organisational structures may require internal audit functions to adjust the application of some standards. This is the case in many UK public sector bodies and in these cases it will be necessary to determine alternatives to the Domain III essential conditions that achieve the same results. These must be agreed with the board/audit committee and, if permanent, must be explained in the Audit Charter.

The barriers to achievement of the baseline essential conditions vary in extent and effect across different parts of the UK public sector. The RIASS for individual sectors¹ may choose to issue specific material for their sector, which internal auditors and quality assessors in the relevant sector must comply with. For this reason no material on alternative conditions is provided in this Application Note.

¹ CIPFA as RIASS for local government has issued the *Code of Practice for the Governance of Internal Audit in UK Local Government* that among other things includes conditions, which, when applied in the local government internal audit context, will achieve the objectives of the GIAS conditions.



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Code of Practice for the Governance of Internal Audit in UK Local Government

1. Summary

CIPFA has developed the Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit.

The Code is designed to work alongside new internal audit standards and replaces the organisational responsibilities set out in the [Statement on the role of the head of internal audit](#) (CIPFA, 2019). It is aimed at those responsible for ensuring effective governance arrangements for internal audit:

- the body or individual charged with governance
- the audit committee
- senior management of the authority, including the statutory officers, head of paid service, monitoring officer and section 151/section 95 officer.

It applies to all authorities within the scope of the statutory regulations on internal audit, as set out in Appendix A of the Code. The Code applies regardless of how internal audit is provided.

2. Background to the Code

Authorities have a requirement for internal audit as set out in national regulations. As the relevant internal audit standard setter (RIASS) for UK local government, CIPFA works with other RIASS through the Internal Audit Standards Advisory Board (IASAB) to mandate the appropriate internal audit standards. Since 2013, the RIASS have jointly mandated the Public Sector Internal Audit Standards (PSIAS) based on the International Professional Practices Framework of the Institute of Internal Auditors (IIA). New standards, Global Internal Audit Standards (UK public sector), will be mandated from 1 April 2025 consisting of

the Global Internal Audit Standards (GIAS) of the IIA and the Application Note: Global Internal Audit Standards in the UK public sector.

The new standards include 'essential conditions' for the governance of internal audit. These conditions are needed to allow effective internal audit practice and for internal auditors to conform with GIAS (UK public sector). Previously, CIPFA has issued guidance to authorities on the governance of internal audit in the [Statement on the role of the head of internal audit](#) and in its [Position Statement: audit committees in local authorities and police](#), and the accompanying publication.

When the IIA published GIAS, it recognised that in the public sector, governance structures or other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government, where there isn't a straightforward replacement for the 'board' as described in GIAS. Elected representatives are ultimately those charged with governance, whether that is the full council of an authority or an elected police and crime commissioner. Audit committees are non-executive advisory bodies with limited decision-making powers and police audit committees cannot be delegated any decision-making powers. Internal audit's primary mandate comes from statutory regulations rather than the decision of the audit committee.

The GIAS also provides for the chief audit executive to reach agreement with those in governance roles and senior management on alternative conditions that still allow for conformance with the standards. The Code provides the route to satisfying the essential conditions in GIAS (UK public sector), tailored for UK local government. The GIAS (UK public sector) directs the local government sector bodies to apply this Code.

This Code meets the objectives of the essential conditions, by providing for the necessary governance of internal audit, but in a way that is appropriate for UK local government bodies. It includes roles and responsibilities of the audit committee, senior management, and those charged with governance towards internal audit.

3. Implementing the Code

By following the Code, both the authority and the chief audit executive can be confident that governance in their authority is working in the way that is expected in the Principles and Standards in Domain III of GIAS (UK public sector). The chief audit executive must, of course, conform with the full standards to achieve overall conformance. But by using the Code alongside GIAS (UK public sector), local government bodies are better placed to achieve that conformance.

The Code builds on existing CIPFA guidance, including:

- [Position Statement: audit committees in local authorities and police 2022](#)
- [The role of the head of internal audit](#) (2019) (the Code replaces the governance aspects)
- [The Financial Management Code](#) (2019)

Much of the Code is already recognised good practice as per existing CIPFA guidance, and many authorities will have these arrangements, or close to them, in place. Bringing them together into a code will strengthen the position of internal audit in local government and support its professionalism. Strengthening governance arrangements will ensure authorities are better able to meet their challenging service priorities and make best use of their resources.

4. Demonstrating compliance

The authority should explain how it complies with the Code in its annual governance statement. CIPFA is currently updating its guidance on annual governance statements for publication in 2025. It is anticipated that conformance with both the Code and GIAS (UK public sector) will be featured in the new guidance. Effective arrangements for the governance of internal audit, as well as effective internal audit, are vital parts of an authority's governance arrangements.

The Code must also be included in the chief audit executive's annual internal quality assessment for report to the audit committee. The Code should also be used for the external quality assessment that authorities need at least once every five years.

PROVISIONS OF THE CODE

1. Providing authority for internal audit

1.1 Internal audit's mandate

To be effective and to meet the requirements of professional standards, internal audit's authority needs to be established.

In local government in the UK, internal audit's authority has statutory backing through the regulations issued by national UK governments. Authorities should familiarise themselves with the appropriate regulations that apply to them (see Appendix A). Regulations also include internal audit's rights of access.

In GIAS (UK public sector) this is referred to as internal audit's mandate, so the primary mandate comes from the regulations.

In addition to internal audit's mandate from regulations, each body may agree a wider statement of internal audit's authority. In developing the mandate with the chief audit executive, senior management should consider their wider assurance framework.¹ The framework ensures that those responsible for governance and the audit committee receive the assurances they need, including assurance from first and second lines,² and clarifies how internal audit contributes.

Development of the mandate will involve the chief audit executive, senior management and the audit committee. If the audit committee has the delegated power, it must approve the mandate. Alternatively, the audit committee should recommend approval to those charged with governance.

If there are changes to the regulations, the mandate must be updated to reflect them.

1.2 Internal audit's charter

The chief audit executive has a responsibility to prepare a charter that conforms with GIAS (UK public sector). When reviewing the charter, the audit committee should be satisfied that it covers the governance arrangements for internal audit. It must include the mandate derived from the regulations, plus any additional agreed mandate, and include internal audit's reporting line to the audit committee. The charter should include the administrative reporting arrangements for internal audit and the chief audit executive.

Senior management must work with the chief audit executive to ensure that the charter sets out the arrangements the function needs to achieve internal audit's purpose. In local government, internal audit's role would normally include:

- Supporting the delivery of the authority's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls.
- Championing good practice in governance through assurance, advice and contributing to the authority's annual governance review.

¹ The means by which leaders, managers and decision makers can have confidence that the governance arrangements that they have approved are being implemented, operating as intended, and remain fit for purpose. See [Developing an effective assurance framework in a local authority](#) (CIPFA, 2023).

² Management assurance from line management and internal review or oversight functions.

- Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes.
- Access to the authority's collaborative and arm's-length arrangements.

If the audit committee has the authority, it must approve the charter; alternatively it should recommend approval to those charged with governance.

Where there are significant changes to the governance of the authority, its risks or the internal audit function, the charter must be reviewed to ensure it is still fit for purpose and new formal approval given. A regular review is recommended to confirm the charter or update as required.

1.3 Support for internal audit

Internal audit's activities require access to and support from senior management, the audit committee and those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations.

Support means:

- Championing the role and work of internal audit to the staff within the authority and to partner organisations with whom internal audit will work.
- Facilitating access to senior management, the audit committee and the authority's external auditor.
- Assisting, where possible, with access to external providers assurance such as regulators, inspectors and consultants.
- Engaging constructively with internal audit's findings, opinions and advice.
- Building awareness and understanding of the importance of good governance, risk management and internal control for the success of the authority, and of internal audit's contributions.

Support also means putting in place conditions to enable its work:

- When senior management and those charged with governance agree organisational structures, they must ensure that the reporting line of the chief audit executive is not lower than a member of the senior management team and has access to all members of the team.
- Where internal audit is outsourced or delivered through a partnership arrangement, senior management and those charged with governance should ensure there is a nominated chief audit executive, and client responsibility lies with a member of senior management.

The audit committee can demonstrate its support for internal audit by:

- Enquiring of senior management and the chief audit executive about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively.
- Considering the audit plan or planning scope, and formally approving or recommending approval to those charged with governance.
- Meeting at least annually with the chief audit executive in sessions without senior management present.

2. Positioning internal audit independently

On behalf of those charged with governance and the audit committee, senior management establishes and protects the internal audit function's independence and qualifications.

2.1 Organisational independence

On behalf of those charged with governance, senior management need to establish and safeguard internal audit's independence. These arrangements must include:

- Ensuring internal audit's access to staff and records, as set out in regulations and the charter, operates freely and without any interference.
- Ensuring that the chief audit executive reports in their own right to the audit committee on the work of internal audit.
- Providing opportunities for the chief audit executive to meet with the audit committee without senior management present.
- Where there are actual or potential impairments to the independence of internal audit, senior management should work with the chief audit executive to remove or minimise them or ensure safeguards are operating effectively.
- Recognise that if the chief audit executive has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit. The impact must be discussed with the chief audit executive and the views of the audit committee sought. Where needed, appropriate safeguards must be put in place by senior management to protect the independence of internal audit and support conformance with professional standards.

In local government, matters around the appointment, removal, remuneration and performance evaluation of the chief audit executive will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit. The audit committee should provide feedback on the proposed job description and the performance evaluation of the chief audit executive should include feedback from the chair of the audit committee.

The audit committee must support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence from the chief audit executive. The chief audit executive must have the right of access to the chair of the audit committee at any time. The audit committee can escalate its concerns about internal audit independence to those charged with governance.

2.2 Qualifications of the chief audit executive

Ensuring effective leadership of the internal audit team requires a suitably qualified and experienced chief audit executive. The GIAS (UK public sector) sets out the qualification of and competencies expected of the chief audit executive. These must be taken into account by senior management when recruiting to the post.

Where internal audit is fully outsourced, senior management should ensure that an appropriate individual from the provider is nominated as the chief audit executive and meets the qualification requirements.

3. Oversight of internal audit

To ensure the effectiveness of internal audit, it should be overseen by the audit committee on behalf of those charged with governance.

Some local authorities in the UK have legislation or statutory guidance on the responsibilities of their audit committees. Details are in Appendix B.

CIPFA has established recommended practice for audit committees in local government and police, the [Position Statement: audit committees in local authorities and police 2022](#) and its supporting guidance publication, [Audit committees: practical guidance for local authorities and police](#) (2022).³ The following principles are consistent with their recommended practices for the oversight of internal audit.

3.1 Audit committee interaction

All audit committees should follow the CIPFA audit committee guidance for the oversight of internal audit.

To ensure there is good interaction between the audit committee and internal audit, audit committees must agree its work plan with the chief audit executive to ensure there is appropriate coverage of internal audit matters within audit committee agendas. The audit committee workplan should provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports.

The audit committee must familiarise itself with the authority's assurance framework, governance, risk management and internal control arrangements to facilitate its interactions with internal audit.

Senior management should engage with the audit committee on significant changes to governance, risk and control arrangements and any concerns they may have on assurance. The audit committee should have oversight of the annual governance statement before final approval. Audit committee familiarity with these will support their effective interaction with internal audit.

Where there is disagreement about the management of risks or agreed audit actions between internal audit and senior management, the audit committee must review and make their recommendation to either management or those charged with governance.

3.2 Resources

The audit committee and senior management must engage with the chief audit executive to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS (UK public sector).

Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns should be formally recorded and reported to those charged

³ CIPFA's guidance on audit committees has been endorsed by the Ministry of Housing, Communities and Local Government as recommended practice for English authorities and by the Home Office for police audit committees in England and Wales. The Statutory and Non-Statutory Guidance for Principal Councils in Wales – supporting provisions within the Local Government Act 2000, the Local Government (Wales) Measure 2011 and the Local Government and Elections (Wales) Act 2021 also recommends CIPFA's guidance.

with governance. If resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement.

Decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the authority and internal audit's role in supporting those objectives.

Where there are temporary resource constraints, senior management must work with the chief audit executive to establish longer-term plans for sustainable internal audit resources.

3.3 Quality

Annually, the audit committee must review the results of the chief audit executive's assessment of conformance against GIAS (UK public sector), including any action plan.

The audit committee must review the chief audit executive's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives.

To meet the requirements of the regulations (the mandate) for internal audit, the audit committee must satisfy itself on the effectiveness of internal audit. They should take into account conformance with the standards, interactions with the committee, performance and feedback from senior management. Their conclusions should be reported to those charged with governance, for example, as part of the audit committee's annual report.

3.4 External quality assessment

On behalf of those charged with governance and the audit committee, senior management must ensure that internal audit has an external quality assessment at least once every five years of its conformance against GIAS (UK public sector), including this Code. Senior management and the chief audit executive should discuss the timing of the review and report the options and their recommendation to the audit committee.

The proposals for the scope, method of assessment and assessor should be brought to the audit committee for agreement. The assessor must use this Code alongside the standards and be familiar with the sector.

The audit committee must receive the complete results of the assessment and consider the chief audit executive's action plan to address any recommendations. Progress should be monitored.

Where the audit committee does not have delegated authority, the committee should report the overall results of the external quality assessment to those charged with governance.

Appendix A – Current regulations for internal audit in local government (extracts)

The regulations are the basis for internal audit's authority or mandate. Authorities should use the regulations applicable to them. Subsequent amendment regulations have not changed the paragraphs on internal audit, but they may be updated or replaced in the future.

England

The Accounts and Audit Regulations 2015

Internal Audit

5.(1) A relevant authority must undertake 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.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (a) make available such documents and records; and
- (b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation “documents and records” includes information recorded in an electronic form.

Northern Ireland

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015

Internal audit

6. (1) A local government body must undertake an adequate and effective internal audit of its accounting records and of its system of risk management, internal control and governance processes using internal auditing standards in force from time to time.

(2) Any officer or member of a local government body must, if internal audit requires—

- (a) make available such documents and records as appear to internal audit to be necessary for the purposes of the audit; and
- (b) supply internal audit with such information and explanation as internal audit considers necessary for that purpose.

(3) In this regulation “records” includes records and documents in an electronic form.

Scotland

The Local Authority Accounts (Scotland) Regulations 2014

Internal auditing

7. (1) A local authority must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing.

(2) Any officer or member of a local authority must, as required by those undertaking internal auditing—

(a) make available such documents of that authority which relate to its accounting and other records for the purpose of internal auditing; and

(b) supply such information and explanation as those undertaking internal auditing consider necessary for that purpose.

(3) A local authority must from time to time assess the efficiency and effectiveness of its internal auditing, in accordance with the standards and practices referred to in paragraph (1).

(4) The findings of the assessments referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 5(2), at the meeting referred to in regulation 5(3).

Wales

The Accounts and Audit (Wales) Regulations 2014

Internal audit

7. (1) A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.

(2) Any officer or member of that body must, if the body requires—

(a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and

(b) supply the body with such information and explanation as that body considers necessary for that purpose.

(3) A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.

(4) The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 5(3), by the committee or body referred to in that paragraph.

Appendix B – Current legislation or statutory guidance on the responsibilities of audit committees in UK local government

Local Government Measure 2011 as amended by the Local Government and Elections (Wales) Act 2021 (extract)

81. Local authorities to appoint governance and audit committees

(1) A local authority must appoint a committee (a “governance and audit committee”) to—

...

(e) oversee the authority's internal and external audit arrangements

Cities and Local Government Devolution Act 2016

Levelling Up and Regeneration Act 2023

For audit committees in combined authorities and combined county authorities.

Audit committee requirements for police

The [Financial Management Code of Practice](#) (Home Office, 2018), includes:

- The police and crime commissioner (PCC) and the chief constable should establish an independent audit committee. It is recommended that this be a combined body which will consider the internal and external audit reports of both the PCC and the chief constable.

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Tamworth Borough Council and Lichfield District Council Shared Internal Audit Service Charter

Purpose of this Charter

This Charter formally defines Internal Audit's purpose, authority and responsibilities in line with the Institute of Internal Auditors (IIA) Global Standards and associated CIPFA guidance notes.

This Charter establishes internal audit's position with the Council and defines the scope and limitations of internal audit's activities and its relationship with the Audit Committee and Senior Management. The Internal Audit Manager acts as the Council's Head of Internal Audit.

Standards for the Professional Practice of Internal Auditing

The internal audit function undertakes its work in line with the mandatory elements of the IIA's Global Standards, including the principles of Ethics & Professionalism.

Internal audit's purpose

Internal audit's purpose is to:

- Supporting the delivery of the Council's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls.

- Championing good practice in governance through assurance, advice and contributing to the Council's annual governance review.
- Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes.
- Access to the authority's collaborative and arm's-length arrangements.

Internal audit acts primarily to provide the Audit Committee with the information necessary to fulfil its own duties and responsibilities. Implicit in internal audit's role is that it supports the organisations management to fulfil its own risk, control and compliance responsibilities.

Internal audit's mandate and authority

Internal audit's mandate arises from the Accounts and Audit Regulations 2015.

Internal audit staff are authorised to:

- Have full, free and unfettered access to all of the Council's, subsidiary's and partnership's records, property and personnel relevant to the performance of engagements, while being accountable for the confidentiality and safeguarding of such records and information.

- Obtain assistance from the necessary organisational personnel in relevant engagements as well as other specialised services from within or outside the organisation.

The Head of Internal Audit will have unrestricted access to the Audit Committee and retain the right to meet in person with the Audit Committee without management present.

Internal audit's responsibility

The Head of Internal Audit is responsible for all aspects of internal audit activities, including strategy, planning, performance and reporting. Internal audit will:

- Develop and maintain an internal audit strategy
- Review the internal audit strategy at least annually with management and Audit Committee.

Planning

- Develop and maintain an Internal Audit Plan to fulfil the requirements of this Charter and the Internal Audit Strategy.
- Engage with management and consider the organisation's strategic and operational objectives and related risks in the development of the audit plan.
- Review the internal audit plan periodically with management and adjust the plan as necessary to

respond to any changing business risks, operations, systems and controls.

- Present the internal audit plan, including updates, to the Audit Committee for periodic review and approval.
- Prepare an internal audit budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan.
- Submit the Internal Audit resources available (days) to the Audit Committee for review and approval annually. The Head of Audit must inform the Audit Committee of the impact of insufficient resources and any options available to mitigate that impact.
- Coordinate with and provide oversight of other control and monitoring functions, including risk management, compliance and ethics and external audit.
- Consider the scope of work of other assurance providers for the purpose of providing optimal audit coverage to the organisation.

Reporting

- Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of management action to be taken.

- Provide periodic reports to management and the Audit Committee summarising internal audit activities and the results of internal audit engagements.
- Provide periodic reports to management and the Audit Committee on the status of management actions taken in response to internal audit engagements.
- Report annually to the Audit Committee and management on internal audit performance against the goals and objectives set out in the audit plan and agreed key performance indicators.
- Report as needed to the Audit Committee and management, resource or budgetary impediments to fulfil this Charter, the Internal Audit Strategy or the Internal Audit Plan.
- Inform the Audit Committee of emerging trends and issues that could impact the organisation.

Independence and internal audit's position within the Council

To provide for internal audit's independence, its personnel and any contractors who report to the internal audit function, will report to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee.

Internal audit reports administratively to the Section 151 Officer who provides day to day oversight.

The appointment and removal of internal audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest and perform engagements in such a manner that there are no quality compromises and judgement on audit matters is not subjugated to others.

If the independence or objectivity of the internal audit service is impaired, details of the impairment will be disclosed to the Section 151 Officer and Chair of Audit Committee, dependent upon the nature of the impairment.

The internal audit service is not authorised to perform any operational duties for the organisation, initiate or approve accounting transactions external to the internal audit service, or direct the activities of any employee not employed by the internal audit service, except to the extent such employees have been assigned to the service or to otherwise assist the internal auditor.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by the organisation including subsidiaries and partnerships. The internal audit plan identified those activities

that have been identified as the subject of specific internal audit engagements.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management. The nature and scope of consulting engagements are subject to agreement with management. When performing consulting services, internal audit will maintain objectivity and not assume management responsibility.

Quality assurance improvement programme (QAIP)

The internal audit function will maintain a QAIP. The programme will include an evaluation of the internal audit activity's conformance with the Standards. The plan will assess the efficiency and effectiveness of internal audit and identify opportunities for improvement.

Periodic reporting on compliance against the Professional Standards

Internal audit will periodically report to the Audit Committee to:

- Confirm the independence of the function on at least an annual basis.
- Report annually on conformance with the Standards.
- Confirm the maintenance of a QAIP.
- Report on the results of internal assessments and the results of the external quality assessments (undertaken at least once every 5 years by a qualified, independent assessor).

Approval and validity of this Charter

This Charter shall be reviewed and approved annually by management and by the Audit Committee.

Internal Audit Manager, February 2025

Tamworth Borough Council and Lichfield District Council Internal Audit Shared Service

Global Internal Audit Standards (GIAS)

Domain	Principle	Standard	Action	When by?	Who?
2	1-4	Ethics and Professionalism	Audit staff to receive GIAS and ethics refresher training annually. This is to include the 'Nolan Principles' specifically applicable to Public Life as required by the CIPFA Application Note. Partner staff to provide confirmation that training in this regard has also been undertaken.	June 2025	Interim Audit Manager
3 4	8.2 10.3	Resources Technological	Audit Strategy compliant with GIAS to be drafted. Strategy to include current and planned tech, including development of AI.	April 2025	Interim Audit Manager

CIPFA Application Note and Code of Practice for Governance of Internal Audit in UK Local Government

CIPFA Application Note Requirement		Action	When by?	Who?
When expressing conformance with standards, auditors must be clear that they are conforming to the GIAS subject to the Application Note and note any non-conformance.		To amend all future reporting for this requirement e.g. annual opinion.	From April 2025	Interim Audit Manager
The Code				

Requirement	Action	When by?	Who?
The authority should explain how it complies with the Code in its annual governance statement.	To include in AGS.	April 2025	Internal Audit Manager
The Code should also be used for the external quality assessment that authorities need at least once every five years.	To include in the next External QAIP	March 2028	Internal Audit Manager

Equality, Social Inclusion and Health Impact Assessment (ESHIA)

An ESHIA is a review of a new or existing policy, strategy, project, report or service change to establish whether this has a differential impact on specific equality groups and identifies how we can improve equality of opportunity for different groups of people.

An ESHIA aims at improving Tamworth Borough Council's work, by promoting equality, social inclusion, health and wellbeing by ensuring that the proposed or existing policy promotes equality and can benefit a wide range of people.

Details

Title of the proposal	Global Internal Audit Standards	
Director responsible for the project or service area	Jo Goodfellow, Acting Executive Director, Finance	
Officer completing the assessment	Rebecca Neill, Interim Audit Manager, Shared Service	
Date conducted	27 February 2025	
Who are the main stakeholders?	Elected members	
What is being assessed?	A decision to review or change a service	
	A strategy, policy, report or procedure	x
	A function, service, or project	
What kind of assessment is it?	New	
	Review of existing	x

Part One - Initial screening:

This section should be used to carry out an initial screening of changes or decisions to help to decide whether a full ESHIA is required.

The following six screening questions are designed to assess whether this proposed change is likely to have an impact on equality, social inclusion, health and wellbeing.

		Yes	No
1	Does this new or revised project, proposal, policy, report, procedure likely to have an impact?		x
2	Does the proposal seek agreement to a key decision involving allocation of resources, such as changes in funding or resources, initiation of a new programme or project or procurement?		x
3	Does the proposal seek agreement on restructuring or reorganising of staffing?		x
4	Will this policy or proposed change have any impact on potential suppliers?		x

5	Does this policy or proposed change impact on any HR policy or practice within the council?		x
6	Does this policy or proposed change have any implications for equalities, social inclusion and health and wellbeing not covered above?		x

1. If the answer is **no** to all the questions, please provide a summary below outlining why this conclusion has been reached.
2. If the answer is **yes** to any of the questions, please conduct the full ESHIA as detailed in Part two.

If you are unsure of any of the answers, please seek advice from Human Resources.

Summary of initial screening outcome:

This report comprises of a review of the Council's arrangements / compliance against the new requirements for Internal Audit, namely:

- Global Internal Audit Standards
- CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector
- Code of Practice for the Governance of Internal Audit in Local Government (the Code)

The assessment is based on industry standard good practice.

No differential impact on specific equality groups has been identified during the process.

Having due regard to best practice in internal audit practice and good governance will only have a positive effect on the Council's arrangements for equality, social inclusion, health and wellbeing.

Decision	Yes	No
Initial screening only	x	
Proceed to Part Two, full assessment		x

Initial screening completed by	Rebecca Neill, Interim Audit Manager, Shared Service
Date	27 February 2025

Full screening completed by	N/A
Date	

Equality, Social Inclusion and Health Impact Assessment (ESHIA)

Part Two: Full assessment

Section 1

The purpose of the project, proposal or decision required. Set out the aims, objectives, purpose and outcomes of the area being impact assessed. Are any other functions, policies or services linked to this assessment?

Section 2

Evidence used and considered. Include analysis of any missing data.

Section 3

Consultation undertaken with interested parties who will/may be affected proposal? What were the outcomes of the consultation?

Section 4

What are the potential or actual impacts of the proposal? Please consider both the direct and indirect impact and refer to the guidance for additional information.

Impact Area	Impact? Positive (P) Negative (N) Neutral (Ne)	Details of the impact	Action to address negative impact
Protected Characteristic, as outlined in the Equality Act 2010			
Age			
Disability			
Gender reassignment			
Marriage and civil partnership			
Pregnancy and maternity			
Race			
Religion or Belief			
Sex			
Sexual Orientation			

Are there socio-economic groups likely to be affected? If yes, please provide detail below			
Other social exclusion			
Digital exclusion			
Veterans and serving members of the armed forces and their families			
Young people leaving care			
Health and Wellbeing: Individuals and communities in Tamworth	Impact: Positive (P) Negative (N) Neutral (Ne)	Explanation	Action to address negative impact
Will the proposal have a direct impact on an individual's health, mental health and wellbeing?			
Will the proposal directly impact on housing?			
Will there be a likely change in demand for or access to public services such as health and social care services?			
Will there be an impact on diet and nutrition?			
Will there be an impact on physical activity?			
Will there be an impact on transport, travel and connectivity?			
Will there be an impact on employment and income?			

Will there be an impact on education and skills?			
Will there be an impact on community safety?			
Will there be an impact on the environment, air quality, climate change?			

If there are no adverse impacts or any issues of concern or you can adequately explain or justify them, please move to section 6.

Section 5

Where a potential negative impact has been identified, can continuation of the proposal be objectively justified? If yes, please explain your reasons.

Section 6: Decisions or actions proposed

The assessment may result in some recommendations or suggestions to mitigate any negative impact and maximise positive impacts or actions to reduce the risk of an adverse impact.

Section 7: Monitoring arrangements

Who will be responsible for monitoring	
Frequency of monitoring	
Where will the impact assessment be reported to?	
Where this impact assessment will be stored and for how long	

Section 8: Summary of actions to mitigate negative impact (if required)

Impact Area	Action required	Lead officer/responsible person	Target date	Progress

AUDIT & GOVERNANCE COMMITTEE

19th March 2025

Report of the Interim Executive Director Finance

REVIEW AND UPDATE OF FINANCIAL GUIDANCE

EXEMPT INFORMATION

None

PURPOSE

For the Audit & Governance Committee to endorse the proposed amendments to Financial Guidance.

RECOMMENDATION

That the Committee endorse the proposed amendments to the Council's Financial Guidance, to take immediate effect.

EXECUTIVE SUMMARY

As part of the core functions under terms of reference, this Committee is empowered to maintain an overview of the Council's Financial Guidance. The last review of Financial Guidance was approved by this Committee in April 2024. This latest annual review includes minor amendments with regard to some job titles, but more significantly, major changes to the Procurement guidance in accordance with the requirements of the Procurement Act 2023 which came into effect in February this year.

The proposed amendments to Financial Guidance with the revised Procurement processes are detailed at **Appendix 1 highlighted yellow**. These include details of procedures and requirements for above and below threshold contracts; guidance around use of frameworks and making a direct award through a framework; the implications of social value; requirements around contract management and KPIs, transparency reporting and notices which must be published; and the requirement for all tenders/Quick Quotes with an estimated value over £30k (gross) to be advertised on the Government's 'Find a Tender' service.

The procurement guidance also updates our requirements for spend below the public contracts regulations thresholds, as follows:

- Spend £0 - £1,999 – verbal quotes may be obtained
- Spend £2,000 - £9,999 (previously £4,999) – three written quotes or estimates
- Spend £10,000 (previously £5,000) or above to be advertised via In-Tend using Quick Quote or tender process

There is also updated guidance around the use of procurement waivers and the introduction of a procurement waiver form to be completed and authorised.

RESOURCE IMPLICATIONS

There are no additional financial implications as a direct result of this report.

LEGAL/RISK IMPLICATIONS

The proposed revisions accord with the requirements of the Procurement Act 2023 as applicable.

EQUALITIES IMPLICATIONS

None

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Jo Goodfellow, Interim Executive Director Finance on ext 241.

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix 1 – Proposed updated Financial Guidance with changes highlighted in yellow.

FINANCIAL GUIDANCE

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Section A

Financial Regulation Policy

FINANCIAL REGULATION POLICY

Purpose

The financial regulation framework within the Council aims to:

- a) Promote best value, service delivery and delivery of the Council's vision;
- b) Provide sound arrangements for all the Council's financial affairs and to be able to demonstrate that proper controls are in place;
- c) Safeguard Members and officers by setting out procedures which meet the Council's expected standards.

Financial regulations are not intended to inhibit creativity but to provide the parameters within which creativity may be exercised. They are intended to guide and support managers and their staff. Financial control at a corporate level is achieved primarily through transparency and accountability. Managers and especially Chief Officers (Chief Officer will be interpreted as Chief Executive, Executive Director and Assistant Directors from here on) and budget holders occupy key roles. Managers are given appropriate authority to deploy resources in pursuit of agreed objectives. Their activities are expected to adhere to specified standards and they are required to report upon and be accountable for their actions. Those engaged in support functions (for examples, Accountancy) do not themselves directly exert control. Their responsibilities are to support frontline services and to monitor activities. Where necessary they must act as whistle-blowers (See Whistleblowing Policy).

Controls

The financial regulation framework comprises this policy document, financial and contract procedure rules approved by Council and detailed guidance issued by the Council's Chief Executive, to support these documents. They contain a mixture of:

- a) Responsibilities;
- b) Instructions;
- c) Expected standards of behaviour;
- d) Discretionary powers.

Instructions and responsibilities are clearly set out. All employees and Members are required to comply where they are applicable. The expected standard of behaviour and discretionary powers are guidelines to aid employees and Members in their day to day activities. They cannot cover all potential circumstances. All employees and all Members are therefore required at all times when engaged on Council activities to act reasonably, having regard to this framework, and to act within the spirit of the framework.

A review of the policy and guidance is to be completed annually.

Section B

Financial Procedure Rules

FINANCIAL PROCEDURE RULES

1. All employees and all Members must at all times when engaged on Council activities act in the interests of the Council as a whole.
2. All employees and all Members must comply at all times with these regulations wherever they apply.
3. All employees and all Members must act reasonably and within the spirit of the financial regulation framework.
4. All relevant financial interests must be declared to the Monitoring Officer.
5. All activities must be in accordance with:
 - a) Legislation;
 - b) Approved service plans or corporate plans;
 - c) Approved service net revenue budgets or capital programmes;
 - d) Relevant Council policies and adopted codes of practice.

Any material departures (actual or potential) must be reported formally to Members as soon as practicable.

6. Where practicable all activities should be in accordance with accepted best practice.
7. Best value and value for money must be sought in all activities, including the procurement of goods and services.
8. Budgets at an appropriate level of detail must be prepared by the start of each financial year for all activities and units of the Council.
9. Material changes to financial policy or the distribution of resources must be referred to the Executive for approval.
10. Service managers have primary responsibility for the control and management of the resources made available to them.
11. All managers must ensure and regularly check that there is a full set of controls in every system under their management, including an adequate segregation of duties and an assessment of risk in all activities and decisions.
12. All employees must consider the need to seek appropriate views, advice and guidance before embarking on a course of action and particularly on a new course of action. This includes seeking advice from managers in other services, for example consulting the Assistant Director - People on the procurement of information technology or the Executive Director - Finance on the arrangement of leases, rentals or agreements involving the use of assets to or from the authority.

13. All managers must ensure that all assets and personnel must be adequately secured or protected and appropriate insurance arranged where necessary.
14. Adequate records must be maintained of all transactions in all systems (a complete audit trail) and unrestricted access must be allowed to all assets and records for:
 - a) The Chief Executive;
 - b) The Executive Director - Finance;
 - c) The Audit Manager;
 - d) External Auditors and other Statutory Inspectors;
 - e) Officers designated by any of the above.

Employees must supply information to those officers on request.

15. Managers must routinely monitor all activities under their control and report on any significant variations from expected standards.
16. Managers must report at regular intervals on performance on planned activities and on financial performance against approved budgets.
17. All employees and all Members must report any suspected:
 - a) Failure in any system;
 - b) Failure to comply with financial regulations;
 - c) Suspected criminal act, including fraud or corruption.

The report should normally be made to the line manager. Full guidance is provided in the Council's [Counter Fraud & Corruption Policy Statement, Strategy & Guidance Notes](#).

Any manager who suspects such an occurrence must take any immediate action necessary to rectify any failure in a control system and report the position to a relevant senior manager, who may include the Chief Executive, Executive Director– Organisation, Executive Director - Finance, Audit Manager, and the Monitoring Officer.

18. The Section 151 Officer shall, with the agreement of the Chief Executive and Monitoring Officer, issue detailed guidance on procedures to be followed in compliance with these regulations.
19. All employees must comply with any applicable instructions or responsibilities specified in the guidance. In other respects all employees must act reasonably, having regard to the guidance and within the spirit of the guidance.

CONTRACT PROCEDURE RULES

1. All employees must comply with these standing orders, the relevant regulations relating to Public Contracts and with financial regulations when procuring goods and services.
2. All Directors have primary responsibility for ensuring compliance within their service areas.
3. Best value and value for money must be sought in all procurement activities. Competition must be sought in accordance with issued guidance.
4. The financial limits as set out within financial guidance for the procurement of goods and services should be followed.

The only exception to these requirements shall be where the Cabinet has given authority in order to achieve best value.

5. Reasonable steps must be taken to manage risk throughout the procurement process and employees must have regard to the guidance that is issued for this purpose.
6. All potential suppliers of goods and services must be treated equally and without discrimination. The Council shall act in a transparent and proportionate manner.
7. In all procurement activities, arrangements must be clear regarding:
 - a) The goods or services to be supplied and the supply mechanisms;
 - b) The amount to be paid and the payment mechanisms;
 - c) The rights and responsibilities of all parties.
8. Employees must consider the need to seek appropriate views, advice and guidance before making a decision or embarking on a course of action related to procurement.
9. The Section 151 Officer shall, with the agreement of the Chief Executive and Monitoring Officer, issue detailed guidance on procedures to be followed in compliance with these standing orders. Such guidance shall include procedures for securing competition, for regulating the manner in which tenders are invited and for managing risk.
10. Employees must comply with any applicable instructions or responsibilities specified in the guidance. In other respects employees must act reasonably, having regard to the guidance and within the spirit of the guidance.

Section C

Financial Guidance

1. FINANCIAL MANAGEMENT

1.1 Introduction

1.1.1 Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.

1.2 The Full Council

1.2.1 Only the Council will exercise the following functions:

- a) Adopting and changing the Constitution;
- b) Approving or adopting the Policy Framework, the Budget and any application to the Secretary of State in respect of any Housing Land Transfer;
- c) Subject to the urgency procedure contained in the Access to Information Procedure Rules in Part 4 of the Constitution, making decisions about any matter in the discharge of an executive function which is covered by the Policy Framework or the Budget where the decision maker is minded to make it in a manner which would be contrary to the Policy Framework or contrary to/or not wholly in accordance with the Budget;
- d) Electing the Leader and resolving to remove the Leader;
- e) Agreeing and/or amending the terms of reference for committees, deciding on their composition and making appointments to them (except where the appointment to a committee is required to give effect to the wishes of a political group) and ensuring that, with the exception of the Mayor, Members are appointed to at least two committees (one of which shall not include the Budget Review Joint Scrutiny Committee; except for executive Members who are appointed to one committee;
- f) Appointing representatives to outside bodies unless the appointment is an executive function or has been delegated by the Council;
- g) Adopting an allowances scheme under Article 2.25 (of the constitution);
- h) Changing the name of the areas, conferring the title of Honorary Alderman, Freeman or Freedom of the Borough;
- i) Approving the appointment or dismissal of the Chief Executive, Head of Paid Service, Monitoring Officer and S151 Officer;

- j) Making, amending, revoking, re-enacting or adopting bylaws and promoting or opposing the making of local legislation or personal Bills;
- k) Approving the Council's Code of Conduct;
- l) Approving the Senior Officer Pay Scheme and Annual Pay Policy Statement;
- m) All local choice functions set out in Part 3 of this Constitution which the Council decides should be undertaken by itself rather than the executive;
- n) Electing the Mayor and the Deputy Mayor at the annual meeting;
- o) Appointing Independent Persons; and
- p) All other matters which, by law, must be reserved to Council.

CONTACT: The Monitoring Officer

1.3 The Executive

- 1.3.1 The Executive will carry out all of the local authority's functions which are not the responsibility of any other part of the local authority, whether by law or under the Constitution.

CONTACT: The Monitoring Officer

1.4 The Audit & Governance Committee

- 1.4.1 The Audit & Governance Committee will have the following roles and functions:

- a) Audit Activity
 - Receive, but not direct, internal audit's strategy and audit plan;
 - Consider reports dealing with the management and performance of Internal Audit;
 - Consider the Audit Manager's annual report and opinion, and the level of assurance Internal Audit can give over the Council's corporate governance arrangements;
 - Consider periodic reports from Internal Audit on the main issues arising from their work and "high priority" recommendations not implemented within a reasonable timescale, and seek assurance that action has been taken where necessary;
 - Consider the final external audit Annual Audit and Inspection letter and any other relevant reports to "those charged with

governance”.

- Consider on an annual basis the Local Authority Trading Company’s Code of practice and Governance Statement.

b) Regulatory Framework

- Maintain an overview of the Council’s Constitution, including Contract Standing Orders, Financial Regulations and Codes of Conduct;
- Consider the internal control environment and the level of assurance that may be given as to its effectiveness, to include the review of the Annual Governance Statement and the recommendation to the Council of its adoption;
- Satisfy itself that the authority’s assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Monitor the effectiveness of the authority’s risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management;
- Monitor the effective development and operation of the corporate governance framework in the Council and to recommend to the Cabinet or the Council, as appropriate, the actions necessary to ensure compliance with best practice;

- Monitor the effectiveness of the Council’s policies and arrangements for anti-fraud and corruption, whistle-blowing, complaints handling, Social Housing Regulator, RIPA and Ombudsman investigations.

c) Accounts

- Approve the annual statement of accounts, external auditor’s opinion and reports to Members and monitor management action in response to the issues raised by external audit.

d) Reports to Council

- The Chair of the Audit & Governance Committee will provide an annual report of the Committee’s activities to Council.

e) Delegated Powers

- The Committee is empowered to deal with the functions detailed above.

f) Standards of Conduct

This Committee, in the form of a sub-committee, shall exercise all the functions of the Council relating to the Members’ Codes of Conduct as provided by the Localism Act 2011 except for those functions which under Chapter 7 of the Localism Act 2011 may only be exercised by the full Council.

Where a complaint is made alleging a breach of the Code, the matter will be considered by a Sub-committee of the Audit & Governance Committee. The Sub-committee will consider the complaint in accordance with the procedure set down in the Council's Arrangements for Making Complaints Against a Councillor for an Alleged Breach of the Code of Conduct.

The Sub-committee shall be made of three members of the Audit & Governance Committee and shall include representation from each political group (where practicable). The Independent Person(s) appointed by full Council shall attend meetings of the Sub-committee and the Sub-committee shall have regards to the views of the Independent Person(s).

The Monitoring Officer will report to the Audit & Governance Committee regarding an investigation of a complaint if the investigation has not concluded within 6 months of the date of the complaint, and the Audit & Governance Committee may review the investigation of such a complaint, following consideration of the Monitoring Officer's report.

The Council's Arrangements for Making Complaints Against a Councillor for an Alleged Breach of the Code of Conduct is appended.

CONTACT: The Audit Manager, the Monitoring Officer

1.5 Overview & Scrutiny Committees

1.5.1 The Overview & Scrutiny Committees' general roles are to:

- Review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions including consideration at each meeting of the Forward Plan;
- Review and/or scrutinise matters identified as relevant to that committee, including items on the Forward Plan which have not yet been approved and/or implemented;
- Prepare an annual scrutiny work plan and make reports and/or recommendations bi-annually to the full Council and/or the Executive and/or any policy, joint or area committee in connection with the discharge of any functions;
- Liaise regularly with each other to ensure that there is no duplication between them in respect of scrutiny and review activity;
- Consider any matter affecting the area or its inhabitants;
- Exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the executive and/or any policy or area committees; and
- Appoint Task and Finish Groups as and when required. Normally the Chair and Vice-Chair of the Committee would Chair these groups and there would be an expectation that these groups would co-opt external expertise.

In addition to their general role, each Overview and Scrutiny Committee has a primary scope and specific functions as detailed in the Constitution.

CONTACT: Legal Admin and Democratic Services Manager

1.6 The Statutory Officers

1.6.1 Head of Paid Service

The Head of Paid Service will:

- Determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers as set out in part 7 of the Constitution;
- Report to full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers.

1.6.2 Monitoring Officer

The Monitoring Officer will:

- Maintain an up-to-date version of the Constitution and will ensure that it is widely available for consultation by Members, staff and the public;
- After consultation with the Chief Executive, Executive Director - Organisation and the Chief Finance Officer, the Monitoring Officer will report to the full Council or the executive in relation to an executive function if s/he considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered in accordance with the Local Government & Housing Act 1989;
- Contribute to the promotion and maintenance of high standards of conduct through provision of support to the relevant committee;
- Conduct investigations or take other action into matters referred by the Audit & Governance Committee in accordance with the complaints procedure;
- Advise whether decisions of the executive are in accordance with the budget and policy framework;
- Provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors.

1.6.3 Chief Finance Officer (Executive Director - Finance)

The Chief Finance Officer has statutory duties in relation to the

financial administration and stewardship of the authority. This statutory responsibility cannot be overridden.

The Chief Finance Officer will:

- After consulting with the Chief Executive and the Monitoring Officer, report to the full Council or to the Executive in relation to an Executive function – and the Council’s external auditor if s/he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully;
- Have responsibility for the administration of the financial affairs of the Council;
- Contribute to the corporate management of the Council, in particular through the provision of professional financial advice;
- Provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors and will support and advise councillors and officers in their respective roles;
- Provide financial information to the media, members of the public and the community.

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the full Council, executive and external auditor if the authority or one of its officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure;
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority;
- Is about to make an unlawful entry in the authority’s accounts.

Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally;
- The authority to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary (where this document refers to legal advice this is via the legal shared services arrangement with South Staffordshire Council) – to carry out the duties under section 114.

CONTACT: Executive Director – Organisation, the Monitoring Officer, Executive Director – Finance

1.7 Scheme of Delegation

1.7.1 The Local Government Act 1972 as amended provides for a Scheme of Delegation where Council delegates to certain officers powers to undertake functions and duties on behalf of the authority. This delegation is completed annually.

1.7.2 Chief Officers must ensure that they comply with the approved Scheme of Delegation.

CONTACT: The Monitoring Officer

1.8 Accounting Policies

1.8.1 The Executive Director - Finance is responsible for the preparation of the authority's statement of accounts, including Whole of Government Accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC)* based on International Financial Reporting Standards, for each financial year ending 31 March.

1.8.2 Key Controls

The key controls for accounting policies are:

- a) Systems of internal control are in place that ensure that financial transactions are lawful;
- b) Suitable accounting policies are selected and applied consistently;
- c) Proper accounting records are maintained;
- d) Financial statements are prepared which present fairly the financial position of the authority and its expenditure and income.

1.8.3 Responsibilities of the Executive Director - Finance

To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:

- a) Separate accounts for capital and revenue transactions;
- b) The basis on which debtors and creditors at year end are included in the accounts;
- c) Details on substantial provisions and reserves;
- d) Fixed assets;
- e) Depreciation;
- f) Capital charges;
- g) Work in progress;
- h) Stocks and stores;
- i) Deferred charges;
- j) Accounting for value added tax;

- k) Government grants;
- l) Leasing/pensions.

1.8.4 Responsibilities of Chief Officers

To adhere to the accounting policies and guidelines approved by the Executive Director - Finance.

CONTACT: Executive Director – Finance

2. GENERAL GUIDANCE

2.1 Introduction

- 2.1.1 This guidance aims to help employees in their day to day work. Employees are required to comply at all times with the Council's financial regulations, and this guidance will help to ensure they do.
- 2.1.2 In this guidance there are three levels of requirements:
- i) In some cases the guidance states that employees **MUST** comply with the requirement and therefore 100% compliance is expected;
 - ii) In other cases employees **SHOULD** comply, but there will be times when compliance would not be possible or desirable; and
 - iii) In the remaining cases it is stated that employees **MAY** wish to follow the guidance if it would be helpful, but it is purely at their discretion.
- 2.1.3 Employees must therefore take careful note whether the wording used in each section is **MUST**, **SHOULD** or **MAY**.
- 2.1.4 **If the guidance states a requirement MUST be complied with, employees should consult the Executive Director - Finance if there is particular difficulty. The Executive Director - Finance has authority to waive compliance and limits where necessary. In the absence of the Executive Director authority is passed to the Assistant Director - Finance and then the Chief Executive or Executive Director - Organisation.**
- 2.1.5 Employees needing help to interpret or apply the guidance should contact their Chief Officers, the Audit Manager , or Executive Director - Finance.
- 2.1.6 The review and updating of Financial Regulations, Standing Orders and Financial Guidance will be completed by the Assistant Director Finance.
- 2.1.7 Throughout the guidance, reference is made to Chief Officers. A Chief Officer includes the Chief Executive, Executive Directors and Assistant Directors.

CONTACT: Audit Manager, Executive Director – Finance

2.2 Employee Responsibilities

- 2.2.1 Each Chief Officer must ensure that all his/her employees and any other agents acting on behalf of the Council are aware of the sections of this guidance that relate to their areas of work.

2.2.2 Chief Officers may delegate to other employees duties shown in this guidance, but the Chief Officer retains primary responsibility. Where the guidance places a duty on an employee, it is the Chief Officer's responsibility to ensure the existence of adequate procedures, documentation and supervision.

2.3 Miscellaneous

2.3.1 Chief Officers must ensure that lists of officers authorised to certify or approve orders, payments and records are updated at least on an annual basis. They must advise the Executive Director - Finance of changes such as **authorised signatories** leaving and propose new names, specimen signatures and monetary limits (where needed);

2.3.2 Any employees required to carry out checks such as **checks of documents** or calculations must sign/initial and date the relevant document (or use an electronic signature on electronic documents). The employee who prepares the document should also sign or initial, and date it.

2.3.3 Chief Officers must ensure that all **financial records** are completed promptly and accurately. Any amendment to a financial record or a document required in a payment process, including expense claims, timesheets and official returns must be made in ink. The original entry should be struck through with a single bold line and the correct entry written alongside. It must then be initialled and dated. Correction fluid or tape must never be used.

2.3.4 Chief Officers must ensure that all financial records are kept securely, and retained for the periods specified in the appendix attached. At the end of the period the records must be securely disposed of, e.g., by shredding. Arrangements for the disposal of any obsolete or surplus records, including unused items, should be agreed with the Executive Director - Finance.

2.3.5 All bank accounts relating to the Authority's transactions will be controlled and reconciled by the Executive Director - Finance. No other bank accounts are to be used.

2.3.6 If an employee is requested to give any **indemnities, guarantees or warranties** on behalf of the Council they must consult with their Director and obtain legal advice where appropriate before taking any action.

2.3.7 Where there is a suspected fraud or other significant **criminal act**, the Chief Officer must consult the Audit Manager or Executive Director - Finance on whether/ when the Police should be informed. Employees should follow the Council's advice on fraud and corruption ([Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes](#)).

- 2.3.8 All employees must comply with the Information Security Policy.
- 2.3.9 All employees must comply with the Officer's Code of Conduct subject to any conflict with professional codes, which in such circumstances the professional obligations subsist over the Officer's Code of Conduct.
- 2.3.10 In order to comply with the International Financial Reporting Standards, managers are required to consult with the Executive Director - Finance prior to entering into an agreement on any rentals, leases or use of assets to or from the authority, especially where financial/operating leases are entered into as more advantageous financing could be sought.

CONTACT: Executive Director - Finance, Audit Manager

3. RISK MANAGEMENT AND CONTROL OF RESOURCES

3.1 Risk Management

- 3.1.1 Risk Management is the planned and systematic approach to the identification, evaluation and control of risk. The Cabinet shall approve a Risk Management Policy Statement and Strategy for the Council and shall promote a culture of risk management awareness throughout the Council.
- 3.1.2 Key decisions taken must include an assessment of the risk.
- 3.1.3 The Executive Director - Finance is the focal point for developing and implementing the Risk Management Strategy throughout the authority. Their role is to advise others. All staff have a duty to co-operate so that risk is effectively managed in their areas, ensuring that all issues that they cannot resolve directly are brought to the attention of their managers.
- 3.1.4 The Corporate Management Team will be the forum where risk is performance managed.
- 3.1.5 Chief Officers are responsible for risk management and must have regard to advice from the Executive Director - Finance and other specialist employees (e.g. crime prevention, fire prevention, health & safety, cash handling and internal controls of various types).
- 3.1.6 Chief Officers are responsible for ensuring that regular and appropriate reviews of risk within their departments are completed and entered onto the Corporate Risk Register, held within the Pentana software system. Additional guidance can be sought from the Executive Director - Finance on risk management issues.
- 3.1.7 The Audit & Governance Committee will review the management of risk within the Authority.

CONTACT: Executive Director - Finance

3.2 Insurances

- 3.2.1 The Executive Director - Finance is responsible for the arrangement of appropriate insurance cover through external insurance and internal funding. They shall, after such consultation as they think appropriate with other employees, settle all claims within individual policy excesses, and pass on all claims over individual policy excesses to the relevant insurer.
- 3.2.2 Chief Officers shall:
 - a) Give prompt notification to the Executive Director - Finance of all

new risks, properties, vehicles, activities, functions, or any other assets which require to be insured and of any alteration affecting existing insurances (for example – safe limits being exceeded, loss of safe keys, temporary disablement of alarms).

- b) Promptly notify the Executive Director - Finance in writing of any loss, liability or damage or any event likely to lead to a claim against the Council together with any information or explanation required by them or the Council's insurer's, and inform the police where necessary;
- c) Ensure that all appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance;
- d) Consult the Executive Director - Finance in respect of any indemnity which the Council is requested to give;
- e) Ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

3.2.3 It is the responsibility of the Executive Director - Finance to:

- a) Maintain a register of all insurance arranged by the Council and the property and risk covered by them;
- b) At least annually, furnish Chief Officers with details of all insurances in force affecting their departments. Each Chief Officer shall review all such insurances, and any risks not insured against, or inadequately insured against, shall be notified immediately to the Executive Director - Finance;
- c) Ensure the adequacy of all insurances entered into by contractors of the Council. An employee shall not authorise work to commence by a Contractor until the Executive Director - Finance has advised such an employee that the appropriate insurances have been effected to their satisfaction.

CONTACT: Operations Accountant

3.3 Internal Controls

3.3.1 The Council accepts that controls and control systems must be in place to ensure that its financial and other activities are carried out in a secure environment, in a manner that complies with the law and that fulfils its stewardship obligations. To achieve this the following key controls and control objectives and systems shall be in place:

- a) Key controls shall be reviewed on a regular basis and the Council shall make a formal statement annually to the effect that it is

satisfied that the systems of internal control are operating effectively which will feed into the Annual Governance Statement. Chief Officers are required to produce an annual statement in respect of the level of assurance on the adequacy of internal controls within their service areas in accordance with the Accounts & Audit Regulations 2011;

- b) Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
- c) Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;
- d) An effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline "Guidance for Internal Auditors", "Public Sector Internal Audit Standards" and with any other statutory obligations and regulations and professional standards.

3.3.2 Chief Officers are responsible for ensuring that they manage their processes to ensure that established controls are being adhered to and to evaluate their effectiveness, in order that they can be confident of the proper use of resources, achievement of objectives and management of risks.

3.3.3 They should also review existing controls in the light of changes affecting the authority and establishing and implementing new ones. Chief Officers are also responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

3.3.4 Chief Officers must ensure that their staff have a clear understanding of the consequences of lack of control.

CONTACT: Audit Manager

3.4 Internal Audit

3.4.1 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts & Audit Regulations (Amendment) (England) 2015, regulation 5, more specifically requires that "a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector

internal auditing standards and guidance’.

- 3.4.2 Internal Audit is 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.
- 3.4.3 Internal Audit is independent in its planning and operation. The Audit Manager shall have direct access to all levels of management and elected members.
- 3.4.4 Internal Audit will comply with the Public Sector Internal Audit Standards (PSIAS).
- 3.4.5 Internal Auditors have the authority to:
- a) Enter at all reasonable times any Council establishment;
 - b) Have access to all records, documents, information and correspondence relating to any financial and other transaction as considered necessary;
 - c) Evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud;
 - d) Request explanations as considered necessary to satisfy themselves as to the correctness of any matter under examination;
 - e) Require any employee of the Council to produce cash, materials or any other Council property in their possession or under their control;
 - f) Access records belonging to third parties, such as contractors or partners, when required and appropriate;
 - g) Direct access the Chief Executive, Executive Director – Organisation and Members.
- 3.4.6 The Audit Manager will prepare the strategic and operational audit plans, which will take account of the relative risks of the audit areas and present this to the Audit & Governance Committee for approval.
- 3.4.7 Chief Officers have the responsibility:
- a) Of reporting any circumstances which may suggest the possibility or irregularity affecting cash, stocks or other property of the Council and any fraud or corrupt activities to the Executive Director - Finance. Further guidance can be found in the Counter Fraud and

Corruption Policy Statement, Strategy & Guidance Notes;

- b) For ensuring that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purpose of their work;
- c) For ensuring that auditors are provided with any information and explanations that they seek in the course of their work;
- d) To consider and respond promptly to recommendations in audit reports; and
- e) For ensuring that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

3.4.8 The Audit Manager will develop and maintain a Quality Assurance & Improvement Programme (QAIP) that covers all aspects of the internal audit activity and is designed to evaluate conformance with the PSIAS definition of Internal Audit and Code of Ethics. The QAIP must be an internal on-going assessment report to the Audit & Governance Committee, with an external assessment to be completed in accordance with the frequency as determined by the Audit & Governance Committee (minimum at least every 5 years).

CONTACT: Audit Manager

3.5 Treasury Management

3.5.1 The Council will conduct its Treasury Management Activities in accordance with the provisions laid down in statute and specifically as contained within the Local Government Act 2003.

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses:

1. This organisation will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
 - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;
 - The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially

deviating from the Code's key principles.

2. This organisation (i.e. full Council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
 3. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management and practices to full Council and for the execution and administration of treasury management decisions to the Executive Director - Finance, who will act in accordance with the organisation's policy statement and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
 4. This organisation nominates Audit & Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- 3.5.2 The Executive Director - Finance may report to Council at any time, as they consider necessary, upon matters relating to treasury management activities.
- 3.5.3 The Executive Director - Finance shall ensure that all treasury management transactions are recorded and that there is an effective division of duties between operations.
- 3.5.4 All securities which are the property of or in the name of the Council or its nominees shall be held in the custody of the Legal Admin & Democratic Services Manager, except in the case of externally managed funds which shall be held by an independent custodian approved by the Executive Director - Finance.
- 3.5.5 Loans must not be made to third parties and interests must not be acquired in companies, joint ventures or other enterprises without the approval of the Cabinet, following consultation with the Executive Director - Finance.

CONTACT: Assistant Director - Finance

3.6 Prudential Code

- 3.6.1 Interlinked with the CIPFA Code of Practice for Treasury Management is the Prudential Code for Capital Finance in Local Authorities which plays a key role in capital finance to support Local Authorities in taking their decisions.
- 3.6.2 The Council is required by regulation to have regard to the said code when carrying out its duties under part 1 of the Local Government Act 2003.

- 3.6.3 The Prudential Code sets out a clear governance procedure for the setting and revising of prudential indicators. This is done by the full Council.
- 3.6.4 The Executive Director - Finance will be responsible for ensuring that all matters required to be taken into account are reported to the full Council for consideration, and for establishing procedures to monitor performance.
- 3.6.5 In setting or revising their prudential indicators, the Council is required to have regard to the following matters:
- Affordability, e.g., implications for Council Tax/housing rents, including consideration of the impact for all resources (capital and ongoing revenue costs);
 - Prudence and sustainability, e.g., implications for external borrowing and whole life costing;
 - Value for money/potential 'spend to save' schemes, option appraisal;
 - Stewardship of assets, e.g., asset management planning;
 - Service objectives, e.g., strategic planning;
 - Risk and uncertainty needs to be considered;
 - Practicality, e.g., achievability of the forward plan.
- 3.6.6 The Executive Director - Finance is required to establish procedures to monitor both performance against all forward looking prudential indicators and the requirement that Council has adopted the CIPFA 'Treasury Management in the Public Services: Code of Practice and Cross-Sectional Guidance Notes'. The Executive Director - Finance also needs to establish a measurement and reporting process that highlights significant deviations from expectations.
- 3.6.7 When considering capital spending Chief Officers must have regard to the capital process guidance, which includes the requirement to complete a capital appraisal. This appraisal ensures that consideration is given to:
- Full capital cost, including regard to external funding considerations;
 - The revenue implications associated with the project – including costs and any additional income generation;
 - Any implications with regard to the prudential code/use of

prudential borrowing (including payback periods etc);

- Staffing implications;
- Alternatives which could be considered e.g., leasing;
- Consultation with other officers/organisations;
- Project management and planning in order to ensure delivery in line with approved timescales;
- Evaluation of the project outcomes;
- An assessment of the risks associated with the project – a full risk assessment is required;
- The contribution the project makes towards the achievement of the Council's corporate priorities, corporate capital strategy objectives and Government priorities.

3.6.8 In order to ensure that over the medium term, net borrowing will only be for capital purposes, the Council should ensure that net external borrowing does not, except in the short-term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

3.6.9 The Council shall set and monitor against the specified prudential indicators for capital expenditure, external debt and treasury management in accordance with the due processes to be followed, the matters required to be taken into account, affordability, prudence and in accordance with the definitions specified.

CONTACT: Assistant Director - Finance

4. REVENUE BUDGETS AND EXPENDITURE

4.1 Introduction

The key controls for budgets and medium-term planning are:

- a) Specific budget approval for all expenditure;
- b) Budget managers/Heads of Service to be consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the executive for their budgets and the level of service to be delivered;
- c) A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

4.2 Incurring Expenditure

4.2.1 Chief Officers and Heads of Service are authorised to incur expenditure:

- a) In accordance with approved Council and service policies; and
- b) In line with the service net revenue budget.

Chief Officers and Heads of Service are authorised to make budget changes.

4.3 Budget Monitoring and Variances

4.3.1 The service net revenue budget is the key point for budget monitoring and reporting. The detail contained within the budget book is mainly to assist budget holders manage their budgets. Strict compliance with the detailed budget is not necessarily expected. **The main requirement is that Chief Officers and Heads of Service must seek approval for any change in approved service policy, standards or delivery, or other material departure from the service plan.**

4.3.2 Chief Officers and Heads of Service must monitor their budgets regularly throughout the year. The Assistant Director of Finance and Accountants will provide suitable regular reports giving details of actual expenditure and income compared to the budget. They will notify the Chief Officer/Head of Service of any significant variance which appears to require further attention.

4.3.3 The Chief Officer or Head of Service is responsible for dealing with actual or likely variances from budget and must take appropriate action. For example, they may decide to:

- a) Freeze spending on a discretionary item such as furniture and equipment to deal with a net overspend; or
- b) Meet an overspend under one expenditure heading from one or

- more actual or planned underspends elsewhere (see below); or
- c) Meet an overspend from increased income (within limits set below);
or
- d) Do nothing in the case of a windfall increase in income.

In the case of b) & c) the manager should consider whether to adjust the budget through a virement (see below).

4.3.4 There is no limit for budget transfers within individual expenditure headings (cost centres) if there is no change in service policy, no detriment to service standards or delivery and no material departure from the service plan.

4.3.5 Where a significant variance is expected (even after taking appropriate action) the Chief Officer or Head of Service must report the circumstances formally to Members as soon as practicable. The report should indicate the options open to Members and their implications. For example in the case of an overspend it might suggest:

- a) Reducing activity levels, with an impact on service standards, to reduce expenditure; or
- b) Increasing activity on income-generating services or increasing prices to increase income; or
- c) Providing additional resources from an alternative source, e.g. balances.

4.3.6 The report should take into account the likely position in future years as well as the current year.

CONTACT: Assistant Director - Finance

4.4 Virement

4.4.1 A virement is defined as “the planned transfer of a budget approved for one purpose for use on a different purpose to that originally intended or approved”. A virement does not create additional budget; it changes the purpose for which the budget will be used compared to that originally intended.

4.4.2 A Chief Officer or Head of Service may authorise the transfer of up to £50,000 of budget (this is a cumulative amount i.e., in total for each cost centre for the year and not per transaction) to or from any individual expenditure heading (cost centre) within their service. The Executive Director can approve a virement (up to £50,000) across budgets within service activities within their Directorate and between Directorates with the approval of the Executive Director - Finance. The Chief Officer or Head of Service must notify the Executive Director - Finance in writing of all virements. **No further approval is needed if there is no change in service policy, no detriment to service standards or delivery, and no material departure from the service plan.**

4.4.3 The Executive Director - Finance also has authority to approve virements in excess of the above £50,000 limit – up to a total virement of £100,000 (this is a cumulative amount i.e. in total for each cost centre for the year and not per transaction).

4.4.4 **Virements can only be applied to direct expenditure and not to support service costs, capital charges and indirect income (i.e. recharges).**

4.4.5 Virements which fall outside of the above criteria will require Cabinet approval.

4.4.6 **Specific Contingency Budget**

Where a budget is identified as contingency and is intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- a) The amount is used in accordance with the purposes for which it has been established;
- b) The Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits must be authorised by Cabinet;
- c) The release of funding for specific identified contingency items is delegated to the Corporate Management Team in consultation with the Leader of the Council (Scheme of Delegation log);
- d) The release of the contingency is approved by the S.151 Officer (Executive Director - Finance).

4.4.7 **Capital Contingency Budget (Block Allocation)**

- a) Where amounts are required for transfer from Specific Contingency/General Contingency then Cabinet approval must be obtained, including approval of a capital appraisal form detailing the financial and organisational impact of the scheme;
- b) Please note that the impact of drawing from this contingency budget has to be highlighted to Members in order for them to make an informed decision;
- c) These reports will also require S.151 Officer (Executive Director - Finance) sign off (due to their impact on the 5-year budget/balances/forecast).

CONTACT: Assistant Director - Finance

4.5 **Income Generation**

4.5.1 Income may be received above the budget level in a number of circumstances. The potential uses for the extra income (within the limits set below) depend on the situation:

- a) Pure windfall income, which is received without any additional service activity or conditions is not available for use by the Chief Officer or Head of Service and they should not normally authorise any additional expenditure from that windfall. The main exception would be to meet an unavoidable overspend. In other cases the excess income would return to Council balances;
- b) Where an increase in demand results in increased service workload, additional income may be used to offset the impact of the extra workload. For example the manager may appoint temporary employees or purchase additional or improved equipment to improve efficiency or working conditions;
- c) Where the Chief Officer or Head of Service expects an increase in income to result from increased activity, the Chief Officer or Head of Service may approve additional expenditure where it will generate enough income to cover the costs;
- d) Where 'ring fenced' grant income is received which requires specific actions/spending, the Chief Officer or Head of Service may approve additional expenditure, where there is no net additional cost to the Council.

4.5.2 Chief Officers/ Heads of Service have authority to approve budget adjustments for excess income up to a limit of £50,000 per occasion. The excess income and additional expenditure must be reported explicitly within the monthly budget monitoring variance analysis;

4.5.3 The Executive Director - Finance also has authority to approve budget adjustments in excess of the above £50,000 limit – up to a total budget adjustment of £100,000 per occasion;

4.5.4 Any budget adjustments above this amount will require Chief Officers and Heads of Service to ask Members for formal budget adjustment to reflect the revised position.

CONTACT: Assistant Director - Finance

5. CAPITAL BUDGETS AND PROJECTS

5.1 Definition of Capital

5.1.1 Capital projects include the purchase or construction of assets such as buildings, vehicles and computer equipment and major repairs/refurbishment, which extend the life of an asset or increase its value. In each case the Council must get the benefit from the new or refurbished asset over more than one year. The total cost of the project must also exceed £10,000. This figure includes amounts spent on design and supervision and other fees for professional services (whether provided by Council employees or external contractors). Spending of up to £10,000 on a single project should be treated simply as revenue (except where it forms part of a minor works programme which exceeds £10,000).

5.1.2 The [Capital Process Guidance](#) is included within the Corporate Capital Strategy and can be found on the intranet.

CONTACT: Assistant Director Finance

5.2 Leasing/Rental Agreements

5.2.1 The nature of financing should be considered prior to going to the market and options considered at that point.

5.2.2 Chief Officers and Heads of Service must consult the Executive Director - Finance before entering into **any** leasing or rental agreement to or from the Authority in order to comply with the International Financial Reporting Standards.

5.2.3 **All** lease/hire of equipment/rental agreements, for the use of assets that the Authority has not bought, must be signed by the Executive Director - Finance.

5.2.4 Obtaining an asset through a finance lease is regarded as capital expenditure and as such it must be included in the capital programme.

CONTACT: Assistant Director - Finance

5.3 Authority to Incur Capital Spend

5.3.1 The law requires Councils to treat capital spending differently from revenue so different authorisation procedures are used. Chief Officers and Heads of Service are authorised to spend money on a capital project only if the project is included in the capital programme, or for minor projects, they have sufficient revenue funds. In either case special rules apply.

- 5.3.2 The Executive Director - Finance is responsible for ensuring that a capital programme is prepared on an annual basis for consideration of the full Council's policy framework.
- 5.3.3 All capital projects and spending must comply with the guidance on Procurement and Contracts. Expenditure must be in line with the approved scheme (Capital Programme) as agreed by Council and will require an adequately detailed Capital Appraisal Form including any revenue implications arising from the scheme. The Appraisal Form should identify any key processes/deliverables to be incurred with appropriate financial information (i.e., sub projects within the main programme). The detail of projects above £50,000 must comply with the Procurement Strategy. In the event that as part of an approved scheme, there is a contingency amount in excess of £20,000, then prior approval must be obtained from Cabinet for the spend to go ahead. Chief Officers or Heads of Service must then notify the relevant portfolioholder of the preferred tenderer. The Procurement and Contracts Section gives further guidance.
- 5.3.4 If a Chief Officer or Head of Service wishes to incur minor new capital spend (i.e. between £10,000 and £50,000) from a revenue budget the Executive Director - Finance must first be informed in writing and there must be no change in service policy, or detriment to service standards or delivery. If these conditions are not met, Council must be asked to add the project to the capital programme.
- 5.3.5 Council have delegated authority to Cabinet to approve/add new capital schemes to the capital programme where grant funding is received and there is no net additional cost to the Council. Cabinet may also add a new capital scheme to the capital programme where they have approved the release of funds from the capital contingency budget.
- 5.3.6 Some Chief Officers and Heads of Service are responsible for several capital projects at the same time. Where any single scheme needs up to £50,000 above its capital allocation to complete it, the Chief Officer or Head of Service may approve a virement for the additional spend provided other schemes within his/her control will under-spend by at least that amount.
- 5.3.7 A Chief Officer or Head of Service may authorise the virement of up to £50,000 of budget per occasion to or from any individual scheme within their service. The Director can approve a virement (up to £100,000) across budgets within service activities within their Directorate and between Directorates **with** the approval of the Executive Director - Finance. The Chief Officer or Head of Service must notify the Executive Director - Finance in writing of all virements. **No further approval is needed if there is no change in service policy, no detriment to service standards or delivery, and no material departure from the service plan.**
- 5.3.8 Where 'ring fenced' grant income is received for an existing scheme

which requires specific actions/ spending, the Chief Officer or Head of Service may approve additional expenditure up to £50,000 (with a further £50,000 only with the Executive Director - Finance approval), where there is no net additional cost to the Council. Spending of grants which fall outside of the above criteria will require Cabinet approval.

CONTACT: Assistant Director – Finance

5.4 Monitoring

- 5.4.1 Chief Officers and Heads of Service are responsible for delivering capital projects within agreed timescales and within budget. Chief Officers and Heads of Service must therefore continuously monitor both the progress of projects and spend against budget.
- 5.4.2 The Executive Director - Finance and Service Accountants will provide suitable regular reports giving details of actual expenditure and income compared to the budget. They will notify the Chief Officer and Heads of Service of any significant variance which appears to require further attention.
- 5.4.3 Chief Officers and Heads of Service are responsible for dealing with actual or likely variances from budget or from the project delivery plan.
- 5.4.4 Where a significant variance is expected (even after taking appropriate action) the Chief Officer and Heads of service must report the circumstances formally to Members as soon as practicable. The report should indicate the options open to Members and their implications. For example in the case of a projected overspend it might suggest amending the specification to come within budget.
- 5.4.5 Outstanding expenditure relating to the previous financial year should be notified to the Executive Director - Finance as soon as possible after 31st March in line with the timetable determined by the Executive Director - Finance.
- 5.4.6 It is required that a post implementation review (PIR) is completed for all capital projects where learning is identified which could assist future projects or where there is a significant financial or political impact. The Asset Strategy Group will decide, on an annual basis, the projects that require a PIR to be completed. Results of the review should be circulated to CMT and, if appropriate Cabinet and/or Scrutiny Committees. More detailed guidance on the Post Implementation Review process can be found in the Capital Process Guidance.

CONTACT: Assistant Director - Finance

5.5 External Funding

- 5.5.1 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they

are compatible with the aims and objectives of the authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery provide additional resources to enable the authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

- 5.5.2 Where external funding may be available for a project in the capital programme the Chief Officer or Head of Service is responsible for submitting any bid required. Consultation with the Executive Director - Finance is required before submission.
- 5.5.3 Any bid must match the capital programme approval in all material respects. If the bid differs materially from the capital programme or the project is not in the capital programme, then should the bid be successful, Council approval must be obtained to add the project to the capital programme.
- 5.5.4 Where a project relies on external funding, it must not commence until final written confirmation has been received that the external funding will be provided.
- 5.5.5 If the external funding approval differs materially from the bid, Council approval must be received before any spending on the project is committed. The Chief Officer or Head of Service should seek advice from the Executive Director - Finance as to whether any difference should be regarded as material.
- 5.5.6 Council has delegated authority to Cabinet to approve/ add new capital schemes onto the capital programme where grant funding is received and there is no net additional cost to the Council.
- 5.5.7 Claims for payment must be made as soon as practicable. The budget manager who submitted the bid is responsible for submitting the claim by the due date, unless otherwise agreed with the Executive Director - Finance.
- 5.5.8 The Chief Officer or Head of Service should ensure that the project progresses in accordance with the agreed project delivery plan and that all expenditure is properly incurred and recorded.
- 5.5.9 Copies of all documentation such as bids, approvals, claims and correspondence must be sent immediately to the Executive Director - Finance to ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts and to ensure that audit requirements are met.
- 5.5.10 The Chief Officer or Head of Service must ensure that the key

conditions of funding and any statutory requirements are complied with and the responsibilities of the accountable body are clearly understood. Funds should only be acquired to meet the priorities approved in the policy framework by the full Council. Any match- funding requirements should be given due consideration prior to entering into long-term agreements and future revenue budgets should reflect these requirements.

5.5.11 Further details on external funding can be found in the External Funding Strategy.

CONTACT: Assistant Director - Finance

5.6 Disposal of Capital Assets

5.6.1 Disposals require the same level of approval as capital spend. Chief Officers and Heads of Service should therefore propose any necessary capital disposals for inclusion in the capital programme. All disposals are required to be approved by the Budget Review Group and Cabinet.

5.6.2 Chief Officers and Heads of Service must obtain the best possible price for disposals, in accordance with section 123 of the Local Government Act 1972 (where relevant), which will normally be the market value. Chief Officers and Heads of Service must consult with the relevant specialist officer before commencing a disposal, e.g. the Assistant Director Assets for land or buildings and the Assistant Director People for IT equipment. In most cases the specialist manager should assume responsibility for the disposal.

5.6.3 The disposal of low value items is dealt with in the Assets and Equipment chapter.

CONTACT: Assistant Director - Finance

6. PROCUREMENT AND CONTRACTS

6.1 Introduction –

Procurement Law changed on the 24th February 2025. If your Procurement Project was published after 24th February 2025 and is a covered procurement meaning the award, entry into and management of a public contract that is above the current published threshold level, you will be following the Procurement Act 2023 (PA2023) Regulations.

Below-Threshold procurements will also be discussed in this section. If your procurement project was published before 24th February 2025 you will be following Public Contract Regulation 2015 (PCR15) Regulations which can be found using the link below. Please consult with the Procurement Officer if you are in any doubt.

[Procurement Policy Note 02/15: Public Contracts Regulations 2015 - GOV.UK](#)

6.1.1 This section supplements the Council’s contract standing orders and Procurement Guidance and Procedures on the Intranet (which provide more detailed guidance and requirements on purchasing, procurement and contracting processes). **These regulations apply to any Procurement Project regardless of value and are to be followed in conjunction with either PCR15 or PA2023 regulations dependant on the start date. If you are unsure which regulations apply please contact the Procurement Team.**

6.1.2 Each Chief Officer/Head of Service is under a duty to “Promote greater efficiency and value for money in all activities including the procurement of goods and services” (Financial Regulation 7).

6.1.3 The essence of the system, which must be maintained by all Chief Officers/Heads of Service is to demonstrate that:

- a) Best value for public money spend is achieved;
- b) **No favouritism is shown to any potential supplier; “brand names”, places of origin** or any potential discriminatory requirements/standards are not used;
- c) The highest standards of integrity are consistently applied;
- d) There is compliance to legal requirements;
- e) Non-commercial considerations do not influence any contracting decision;
- f) Corporate and departmental aims and policies are supported; and
- g) The arrangements for supply and payment are clear to all parties.

- 6.1.4 This guidance applies to all procurement and purchasing activities undertaken for, or by, the Council including cases where the Council either acts as an agent (e.g. work for Staffordshire County Council) or employs an agent such as an external architect or clerk of works, or acts on behalf of other organisations and bodies working in partnership (for example the Local Strategic Partnership).
- 6.1.5 Values quoted in this guidance should be considered as the estimated spend on an item, service, or material for the period over which the known requirements exist, or the total value of a one-off supply **including value added tax**. Consideration should be given to the “whole life cost” which includes, for example, the cost of associated consumables required, cost of disposal/ decommissioning, etc. In some cases, it is clear that a grouping together of items is both sensible and within the spirit of the regulations. For example, it is appropriate to consider the purchase of desks and chairs as office furniture rather than as individual items. The guidance applies to both revenue and capital items. For more significant items of expenditure it is reasonable to consider the sumtotal of the Council’s requirements for works, services and supplies across Directorates when assessing the estimated value and whole life costs of these requirements.

- 6.1.6 All IT purchases (software and hardware) must be approved by the Assistant Director -People.
- 6.1.7 All potential contracts and partnership agreements (whether formal or informal) which utilise the handling of the Council's data/information (paper based or electronic) by a third party must ensure formal, contractual provision is made outlining the obligations placed on that third party. The Assistant Director – People must be consulted in any such case at the outset of the process.
- 6.1.8 All proposals, developments, capital works, contracts and changes affecting the information we use, hold and process must have the agreement of the Assistant Director - People or deputy, and, where appropriate, be monitored for compliance.
- 6.1.9 All suppliers, partners, third-party organisations and contractors with whom we have/will have a relationship by which they have access to or process (as defined by the Data Protection Act 2018) personal or commercially sensitive information belonging to or under the control of the Council will be required to comply with the relevant principles (e.g. Cyber Security Essentials/ISO27001) either by production of certification or by submission of a statement of compliance. In addition, they must acknowledge and agree their responsibilities and obligations to the Council in relation to Principle 7 of the Data Protection Act (2018) in relation to Information Security. Any request to waive these requirements requires the agreement of both the Security Management Group and Cabinet. Implementation of these arrangements is immediate in relation to all contracts not yet let, Invitation to Tenders not yet published, agreements not yet implemented, or proposed contract extensions. At the end of the contract, all information used by the contractor but belonging to the Council will be returned to the Council. Chief Officers are responsible for ensuring that the contractor provides assurance that they do not hold any personal or commercially sensitive information – either manually or electronically, that belongs to the Council. Advice can be obtained from the Assistant Director - People.
- 6.1.10 Any consultants, agents, contractual partners used by the Council shall be appointed in accordance with the requirements of Contract Standing Orders and Financial Guidance. Where the Council uses consultants to act on its behalf in relation to any procurement, the Chief Officer shall ensure that the consultants also comply with these requirements. No consultant shall make any decision on whether to award a contract or to whom a contract should be awarded. The Chief Officer shall ensure that the consultant's performance is monitored.
- 6.1.11 Some definitions of terms used and a list of officers who can provide assistance are shown at 6.17 and 6.18.
- 6.1.12 Quotations/ estimates must be obtained for one-off spends of up to £9,999, these may be verbal for up to £1,999. Any spend between

£2,000 and £9,999 must have a minimum of 3 written quotations/ estimates.

All tenders or invitations to quote of £10,000 or above, for works, services, supplies, utilities and design contracts, will be tendered electronically through the e-tendering system, In-tend. Where a detailed specification is required, then the quick quote or tender process must be used. All transactions associated with such invitations to quote or tenders above £10,000 will be conducted via the e-tendering system from the initial pre-market engagement notice, planned procurement notice, tender notice, quotation/tender opening, contract award and contract details notice and subsequent contract management.

The Procurement Team must be notified in writing at least six months before the commencement of any tendering exercise with an expected value of £100,000 or over and will give direction as to the procurement route to be followed. This notification will include information for both capital and revenue expenditure proposals as is required under the capital appraisal process, so that an accurate assessment of the requirements can be made. Where the procurement is likely to exceed Procurement Act 2023 Regulations (PA2023) thresholds the period of notice will be at least six months in order to allow compliance with required timescales.

- 6.1.13 Electronic or e-auctions via the In-tend system will be made available to service areas by agreement with the Assistant Director of Finance. E-auctions can be a useful way of securing savings and efficiencies and are best applied where the product or service is capable of being specified accurately and can be provided by a range of suppliers with a common understanding of what the requirement is, for example, paper, IT hardware and consumables, and utilities. E-bidding is another variant, where “once only” bids are sought electronically.
- 6.1.14 The e-tendering/quotation system includes a browser based supplier portal where any supplier wishing to register an interest in doing business with the Council can do so electronically, with a password protected, secure area of the portal for them to fill out their company details (this includes information on their company, address, contact points, business types, banking, insurance, certificates, accreditation and other details). The supplier is able to update these details whenever it logs on to the e-tendering system.
- 6.1.15 Chief Officers should ensure that current and potential suppliers register their company details on the supplier portal which can be found at the following internet site <https://in-tendhost.co.uk/tamworthbc>.
- 6.1.16 New business opportunities are to be advertised on the Governments Central Digital Platform, Find A Tender and In-tend by the Procurement Team and therefore must be notified in accordance with the timescales noted above.

- 6.1.17 Where the Council is conducting a tendering or quotation exercise in partnership with another public or private body (for example joint procurement of services) then the e-tendering system can be used as part of the normal procurement processes followed by the Council by agreement with the Assistant Director of Finance.
- 6.1.18 Where the Council is funding/assisting a body such as the Local Strategic Partnership and there is an expectation on the part of the Council to ensure probity in the use of monies on projects which are publicly funded/routed via Tamworth BC then the e-tendering system can be used as part of the assistance provided by the Council by agreement with the Assistant Director of Finance.

CONTACT: Corporate Procurement Officer

6.2 Summary of Requirements

- 6.2.1 The following tables show the action needed at differing values. Further detail follows. Before initiating any tender/quote process officers should review the Contract Register to see if there are any comparable contracts or agreements in place which must be used unless there is an auditable reason not to.
- 6.2.2 Please see overleaf.

Value	Contact Other Officers	Process for Obtaining Prices	Contract Issues	Supply Process
£0 - £1,999	Should contact Procurement Team if similar expenditure is likely to be incurred by others to check if a corporate contract is in place or desirable	Must obtain at least 3 verbal quotations or estimates . £1,999 is cumulative within the financial year.	No requirement for formal written contract. Standard form may be considered in some cases and an annual supply arrangement may be appropriate	Must be via official order generated by General Ledger or as per contract
£2,000 - £9,999	Should contact Procurement Team if similar expenditure is likely to be incurred by others to check if a corporate contract is in place or desirable	Must obtain at least 3 written quotations or estimates – £9,999 is cumulative within the financial year. Quotations must be retained by the department until final accounts for that year have been signed off.	No requirement for formal written contract. Standard form may be considered in some cases and an annual supply arrangement may be appropriate	Must be via official order generated by General Ledger or as per contract
£10,000 - £19,999	Must consult the Procurement Team to seek guidance as to the appropriate procurement route to follow	Tendering must be considered, alternatively, written quotations must be obtained using Quick Quote (QQ) on the In-tend system using the correct current invitation to quote template. The authorisation form must be completed and returned to the Procurement Team	Condensed contract format to be used and be signed by the Budget Holder or Head of Service and standard quotation documents must be used especially where access to personal/confidential information is involved or warranties or indemnities are given/received	Must be via official order generated by General Ledger or as per contract

<p>£20,000 - £99,000</p>	<p>Must consult the Procurement Team to seek guidance as to the appropriate procurement route to follow</p>	<p>Advice from Procurement and, where appropriate, Legal must first be obtained. Tendering must be considered. Must use the standard quotation/ tender documents. The Authorisation Form must be completed and returned to the Procurement Team</p>	<p>Depending on the complexity, risk and value, a written contract is required, subject to consultation with the Procurement Team and Legal. Above £20,000 a formal written contract which can be signed by the relevant CMT member MUST be used. Consult with Procurement Team as to the relevant type of contract</p>	<p>Must be via printed official order generated by General Ledger or as specified in the contract</p>
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Value	Contact Other Officers	Process for Obtaining Prices	Contract Issues	Supply Process
£100,000 and over	Must advise Procurement Team in writing as soon as the spend requirement is identified – this is at least a 6 month period. The Procurement Team must be contacted for guidance as to the appropriate procurement route to follow. The Procurement Team may direct and/or administer the whole process	Use of the Invitation to Tender Documentation must be used. The Authorisation Form must be completed and returned to the Procurement Team. The Authorisation form must be signed by the officer responsible for signing the contract to ensure they are aware of the procurement before commencement.	Must be a formal written contract duly approved by the relevant Executive Director in consultation with legal and executed as a Deed under Seal	As specified in formal contract

- 6.2.3 Any of the guidance may be applied for purchases at a lesser value. For example, it may be appropriate for certain low value requirements to be purchased by inviting tenders. Similar procedures to those outlined should then be followed. (The guidance does not necessarily cover such situations in full).
- 6.2.4 If there is an existing contract available for the required goods, services or works, it must be used in the first instance. Some contracts let by other public authorities may also be available (see 6.3.1).
- 6.2.5 A list of corporate contracts are recorded and updated on Pentana and published on the procurement page on infozone and on the Council's website. If it is intended not to use a corporate contract, the Procurement team must be consulted at the outset.
- 6.2.6 A suitable contract specification must be completed in all cases. The level of detail required within the specification will be commensurate with the complexity, risk and value of the purchase.
- See the following section on Alternative Purchasing Arrangements. Advice in either case is available from the Procurement Team.
- 6.2.7 Chief Officers **must** maintain a register to record all quotations and estimates (including verbal estimates) up to £9,999. Copies of written versions must be securely retained, and entries should be signed and dated by both the recording officer and the authorising officer. The details contained in any quotation or estimate must not be made known to any other party. All quotations and estimates received should be retained in the register until the Accounts have been signed off for that financial year. The Quick-Quote and Contract registers on Pentana will be used to record details of tenders/contracts awarded.
- 6.2.8 The most advantageous tender must be accepted. Advice on how to determine this can be sought from the Procurement Team.

CONTACT: Corporate Procurement Officer

Further Guidance

- 6.2.9 Under £10,000

Different practices will apply at different levels:

- The petty cash procedure may be used for very minor items. See the section on cash advances etc;
- The three quotations/estimates for a supply up to £9,999 may come from telephone contact with companies advertising online or in the local paper, and google searches e.g. yell.com;
- Verbal quotations/estimates may only be sought for goods/services up to

a cumulative value of £1,999 within the financial year.

6.2.10 £10,000 - £19,999

The Chief Officer must contact the Procurement Team if further similar expenditure is also likely to be incurred by themselves or others to check if a corporate contract is in place or is desirable. The Procurement Team should be contacted for expenditure between these levels, and they will advise on the most appropriate procurement route, either Tendering or Quick Quote on In-tend Procurement system using the correct Invitation to Quote template/specification or Invitation to Tender template. At this level of expenditure, it would generally be a quick quote on the In-tend system, but this will depend on the type of goods or services procured and the risks attached. The Authorisation Form must be completed and authorised, and received by the Procurement Team, and a tender/ QQ reference number established, before the procurement process is initiated on In-tend.

6.2.11 The standard form of contract is particularly recommended in situations where protection against a poorly performing supplier is important or where the procurement carries particular risks e.g. where the supplier would have access to confidential/personal information, or where price is not the only criteria being considered.

6.2.12 £20,000 - £99,999

The Chief Officer should appoint a Project Officer with overall responsibility for the procurement. In all cases the Procurement Team must be advised in writing and guidance sought on the appropriate procurement route to be followed. Tendering must be considered, and the Procurement Team will advise where tendering is not necessary. Where agreed with the Procurement Team, written quotations may be obtained via Quick Quote or Invitation to Tender on the In-tend system using the correct Invitation to Quote or Invitation to Tender template. All tenders/ QQs with an estimated value exceeding £30,000 gross **must** also be advertised on the Governments Central Digital Platform, "Find a Tender" The Authorisation Form must be completed and returned to the Procurement Team, and a tender/ QQ reference number established, before the procurement process is initiated on In-tend. A written specification must be included on the Invitation to Quote/ Tender document. *Formal Terms and Conditions of Contract* must be used where applicable.

6.2.13 £100,000 plus

The Chief Officer must appoint a Project Officer with overall responsibility for the procurement. The Procurement Team must be advised in writing in all cases, at the initiation of the project, and guidance sought on the appropriate procurement route to follow. This will enable an assessment of whether or not **PA2023** thresholds will

apply and ensure the most appropriate procurement solutions are sought. Where the PA2023 threshold is expected to be exceeded, the Procurement Team should be contacted in the first instance. A supply for an individual Service area may be below the threshold, but similar needs in another Service area may mean aggregation rules apply. If they do, then, due to their complexity, the Procurement Team **must** be involved in such projects. A formal tender exercise is compulsory, as is a formal written contract.

The Procurement Team must have a minimum of 2 weeks' notice to consider the draft contract before engrossment.

CONTACT: Corporate Procurement Officer

6.3 Alternative Purchasing Arrangements

6.3.1 Other organisations in the public sector are also under a duty to secure value for money in terms of purchasing. In the right circumstances and where provision has been made for the agreement to be used by other authorities, i.e. where it will provide best value and is consistent with other key requirements such as on contract terms and conditions, managers may use their purchasing arrangements.

6.3.2 These other organisations may include Crown Commercial Services, ESPO, YPO, Central Government, local authorities such as Staffordshire County Council and bodies such as the National Health Service. Frameworks that are operational before 24th February 2025 when the PA2023 Regulations come into force will follow PCR15 Regulations until the Framework expiry date. Chief Officers/Heads of Service may contract directly with such suppliers but **must** consult with/involve the Procurement Team because of potential issues such as ensuring the agreement has been conducted in full accordance with Public Contract Regulations 2015 or Procurement Act 2023 (dependant of the start date of the Framework) for use by other authorities; the requirement to conduct a competition under a framework agreement, delivery charges, minimum order levels and so on. Contract details will also need to be recorded on Pentana for monitoring purposes and to ensure that details can be reported as part of our obligations under the Local Government Transparency Code. If there are multiple Frameworks to choose from the Lead Officer must evaluate and keep a record and justification for the chosen framework.

6.3.3 Goods or services may also be procured jointly with other such organisations to obtain best value but must meet the requirements of the Council's own rules on procurement.

6.3.4 Other variations of procurement may be considered but officers must approach the Procurement Team for guidance before the commencement of alternative procurement routes.

6.3.5 Procurement Waiver

6.3.5.1 In certain circumstances, it may be possible to seek approval from the

Executive Director of Finance to procure goods and services outside of the Council's own Financial Guidance. Wherever possible compliance with the Regulations and Guidance should be the first consideration. Where this is considered not possible then the Procurement Waiver Procedure is intended as a means of providing formal authorisation to Waiver from specific elements of the Procurement Regulations and Financial Guidance.

6.3.5.2 A waiver cannot be sought for Above Threshold procurement where PA2023 regulations apply. The approval of a Waiver does not remove the requirement for procurements to follow the Council's formal decision-making processes.

6.3.5.3 Wherever possible the seeking and authorisation of a Waiver should be done in a manner that avoids future follow up Waivers to be sought.

6.3.5.4 The Waiver Form must be completed in full and signed by the Lead Officer, the Procurement Officer, their Accountant and the relevant Authorising Officer dependant on the value of the contract. The waiver is only officially approved once it has been signed by the Executive Director of Finance.

6.3.5.5 A Signed Contract is still required and must be sent to the Procurement Team. The Contract can then be added to pentana.

A procurement waiver form can be requested from the Procurement Team or downloaded from infozone.

CONTACT: Corporate Procurement Officer

Direct Award through a framework

6.3.6 Some frameworks permit a direct award. If this option is considered the Council's procurement authorisation form must still be completed and signed by the relevant officers including the relevant accountant. A justification for using the direct award option should also be forwarded to the procurement team and if goods are being purchased but no pricing matrix is available from the framework, details of market research undertaken to provide estimated prices should be retained. Please check with the Procurement Officer before using any frameworks to ensure they are eligible for Local Authorities to use and have not expired.

6.3.7 A Direct Award where a supplier is awarded the contract without the requirement of a formal procurement process being undertaken is only permitted under PA2023 in the following circumstances:

Section 41 Direct Award in Special Cases
Section 42 Direct Award to Protect Life
Section 43 Switching to Direct Award.

The definitions for each award are as follows:

Section 41 Special cases: Prototypes, Single Supplier – absence of competition, Insolvency, Urgency (not of the Council’s making), Additional or repeat goods – must have been set out in the original Tender Notice that extra goods may be required.

Section 42 To Protect Life: To protect Human, Animal or Plant life or to protect Public Order or Safety – Minister of the Crown only.

Section 43 Switching to Direct Award: A contracting authority may award a public contract directly to a supplier that is not an excludable supplier if The authority has invited suppliers to submit tenders as part of or requests to participate in, a competitive tendering process in respect of the contract, It has not received any suitable tenders or requests in response and It considers that a competitive award is not possible in the circumstances.

6.4 Appraisal of Potential Contractors

- 6.4.1 It is important that potential suppliers are able to meet the Council’s needs. Suppliers should, therefore, be vetted in financial and performance terms (including health and safety) to various levels commensurate with the criticality and risk of the purchase/supply, prior to any firm commitment. For Over-Threshold projects officers must use the Governments Selection Questionnaire (SQ) when publishing an ITT. For Below-Threshold projects officers are not permitted to ask for Financial Information or use a Selection Questionnaire. Credit checks can only be completed on the successful supplier. Before Awarding a Contract, a check will need to be under-taken by the Procurement Officer on the Central Digital Platform to ensure the supplier is not on the Debarment List.

Please contact the Procurement Section for guidance.

- 6.4.2 The financial appraisal checks that the supplier operates on a sound financial footing by assessment profit levels, the ability to pay bills and so on. It will also assess the supplier’s capacity to deliver a contract without incurring unreasonable financial risk and recommend a maximum value contract that should be considered in order to protect the contractor from becoming too reliant on the Council for its business. The Executive Director- Finance will undertake or arrange these appraisals on receipt of the last two years audited accounts. The appropriate Chief Officer is responsible for ensuring that all relevant documents are submitted to the Executive Director Finance in a timely manner. The Chief Officer must advise the Executive Director - Finance if the contract value exceeds £100,000 since a high level appraisal is then required.
- 6.4.3 In addition to the financial details submitted, the contractor is also required to submit details of Employers Liability, Public Liability Insurance and Professional Indemnity cover which must be appropriate and proportionate to the contract type, size and the nature of the contract, copies of which should be submitted along with the financial

details to the Executive Director - Finance. The Chief Officer must check that the certificates are valid for the period of work. If they expire during the period the Chief Officer must check before expiry that they have been renewed. Further advice and guidance can be sought from the Assistant Director - Finance.

- 6.4.4 In terms of performance appraisal, the Chief Officer needs to satisfy themselves that the contractor has a history of sound performance of similar supplies in the recent past. The Chief Officer should therefore request trade references and make other enquiries deemed necessary to become satisfied including checking the Central Digital Platform for any reporting of the contractor's poor performance or contract breaches.
- 6.4.5 Some contractors are required to hold a valid tax exemption certificate. Certificates should be checked prior to the start of the contract and a copy of the certificate should be forwarded to the Executive Director - Finance. The Chief Officer must check that the certificate is valid for the period of work. If it expires during the period of work the Chief Officer must check before expiry that it has been renewed. Further guidance is available from the Executive Director - Finance.
- 6.4.6 In addition to the specific issues referred to within this section, the Chief Officer must ensure that appropriate steps are taken in all cases to assess the suitability of prospective suppliers. The risks involved in the procurement should advise the necessary level of assessment. For instance, even for lower purchases Chief Officer should still consider the need to obtain assurance that a business is bona fide or has appropriate health and safety arrangements and insurance cover.

CONTACT: Corporate Procurement Officer

6.5 Supplier Register

- 6.5.1 The names of contractors who have expressed an interest in doing work for the Council are retained on a supplier register within the tendering system (In-tend). Any contractor who expresses an interest to be included is automatically added to the Supplier Register. There is no pre-set requirement for contractors when signing up to the register. Appropriate appraisal criteria should be considered at the start of the tendering/quotation stage.
- 6.5.2 All Supplier Registers shall be maintained in an open, fair and transparent manner and be open to public inspection.

CONTACT: Corporate Procurement Officer

6.6 Framework Agreements

- 6.6.1 The terms of a Framework Agreement must not generally exceed four

years and, while an agreement may be entered into with one provider, where an agreement is concluded with several organisations, there must be at least two in number. Under PA2023 there is now provision for an Open Framework which has a maximum term of 8 years.

6.6.2 Contracts based on Framework Agreements may be awarded by either:

- Applying the terms laid down in the Framework Agreement (where such terms are sufficiently precise to cover the particular call-off) and where value for money can be clearly determined without reopening competition, or
- Where the terms laid down in the Framework Agreement are not precise enough to complete for the particular call off, by holding a competitive selection process in accordance with the following procedure:
- Inviting the organisations within the framework Agreement that are capable of executing the subject of the contract to submit written tenders;
- Fixing a time limit which is sufficiently long to allow Tenders for each specific contract to be submitted, taking into account factors such as the complexity of the subject of the contract;
- Awarding each contract to the tenderer who has submitted the best Tender on the basis of the award criteria set out in the specifications of the Framework Agreement.

CONTACT: Corporate Procurement Officer

6.7 Above Threshold Procedures

6.7.1 Under PA2023 for above threshold procurement a Tender Notice is published to the Central Digital Platform, "Find a Tender" to invite potential contractors or suppliers to register their interest in tendering for the relevant requirement. There are three procedures the Open which is a single stage procurement, the Competitive Flexible which is a multi-stage procurement and Direct Award.

6.7.2 The Tender Notice should clearly state which procedure is being followed and contain details of the principal elements of the procurement requirement in order that it primarily attracts those contractors who are in a position to satisfy these requirements. It should therefore contain as a minimum:

- a) sufficiently detailed requirement or specification for the type of goods, services or works required.

- b) a price schedule;
- c) Standard conditions of contract that will apply in the event of a contract being awarded
- d) Contracting Authority details, address and email address
- e) Title of the procurement and unique identifier
- f) Award criteria

6.7.3 Instructions to tenderers include the date of commencement of the contract and possible duration; technical and financial information; the closing date for tender submissions, and a list of the evaluation criteria and sub criterion together with the weightings to be used.

6.7.4 The evaluation criteria together with the weightings and scoring methods to be used must be referred to in the Tender Notice and the Invitation to Tender documents and must not be altered after the Invitation to Tender has been issued, unless you are following the Competitive Flexible Procedure and you have previously stated in your Tender Notice that amendments can be made during the procurement process, and you have not yet issued the invitation for final tenders in your multi stage process. All award criteria must relate to the subject matter of the contract. It must be clear, measurable, proportionate and specific. It must state a weighting or ranking for each of the criteria.

6.7.5 The Chief Officer must set a detailed evaluation methodology prior to inviting tenders for both **Below & Above threshold procurement projects**. They should set out explicitly how price and quality elements will be balanced in the final decision in order to help demonstrate selection of the most advantageous tender. Appropriate and sufficient information must be required for inclusion in the supplier's submission to enable all criteria to be evaluated. Advice is available from the Procurement Team.

6.7.6 Large contracts may require the tenderers to submit a schedule of rates. To compare them properly and allow the total cost to be assessed, the Chief Officer should construct a model of work likely to be required over a set period, for example, one year. This model must be set before tenders are invited, and must be issued with the Invitation to Tender.

6.7.7 Contracts awarded will be required to be published in accordance with the Government's Transparency agenda. Under PA2023 all individual contract payments with a value of over £30,000 will need to be published quarterly along with details of the payments that have met or not the 30 day payment terms

6.7.8 Below Threshold Tender Procedures

Under PA2023 below threshold contracts are regulated contracts over £30,000 but below the current published threshold level and are not subject to most of the rules governing PA2023. They are subject to the obligations under Part 6 sections 84–88 of the Procurement Act 2023 and must follow any international or member state treaty obligations. There is a

duty on contracting authorities to have regard to the particular barriers facing SME's and VCSE's, and to consider what can be done to overcome them throughout the procurement lifecycle, helping level up the playing field for smaller businesses so they can compete for more contracts. Contracts over £30K must be advertised on the Government's central digital platform "Find a Tender" via a Below Threshold Tender Notice before it is advertised on Intend. A Below Tender Contract Details Notice must be published on "Find a Tender" as soon as the contract has been awarded. 30 day payment terms are implied for all below threshold procurements. Records must be retained for all key procurement decisions for below threshold procurements.

For contracts below Threshold contracts with an estimated value of with an estimated value of £100,000 or more Chief Officers must advise the Procurement Team in writing at the outset but at least six months before the required commencement date.

6.7.9 The Procurement Act 2023 Regulations must be adhered to when awarding contract where the anticipated value is close to or exceeds the thresholds indicated below. NB these thresholds are inclusive of VAT, however PCR15 Regulations will apply for all procurements that were published prior to 24th February 2025 and Frameworks that commenced prior to PA2023 coming into force. Consult with the Procurement Team regarding which regulations apply.

Thresholds	Supplies & Services (£)	Concessions (£)	Works (£)
Contract Value	£214,904	£5,372,609	£5,372,609

6.7.10 These figures apply from 1 January 2024. The Procurement Team must be advised in writing at least six months in advance of the supply, and guidance sought as to the appropriate values and procedures used. Further information on the Procurement Act 2023 Regulations and guidance on the use of the open, competitive, flexible procedures and direct award, together with works concessions, should be obtained from the Procurement Team.

6.7.11 In appropriate cases, Chief Officers may engage with the market prior to initiating the tendering process in order to make use of innovative approaches in achieving best value in the provision of a supply or service. This could involve consulting with stakeholders including customers, potential suppliers and interested groups. The Assistant Director - Finance must be fully consulted and involved in any such proposals, which must comply with corporate guidance and the Procurement Act 2023. Under PA2023 if any preliminary market engagement is going to take place a Preliminary Market Notice can be published but if you choose not to publish the notice you must provide a reason why you did not publish the notice in the Tender Notice and the Invitation to Tender documents.

6.7.12 For all above-threshold contracts an Assessment Summary will need to be provided to all suppliers who have submitted a bid, a Contract Award

Notice is to be published which triggers the 8 working day standstill period and a Contract Details Notice within 30 days of the contract being signed will need to be published. For below-threshold contracts a Below-Threshold Contract Details Notice will need to be published.

6.7.13 Under the provisions of the Public Services (Social Value) Act 2012, the Authority is required to have regard to economic, social and environmental well-being in connection with public service contracts.

This requires the Authority to consider:-

How what is proposed to procure might improve the economic, social and environmental well-being of the relevant area;

How, in conducting the process of procurement, it might act with a view to securing that improvement; and

Whether to undertake any consultation regarding a) and b) above.

The provisions require that any actions are relevant and proportionate to the proposed procurement. The Councils Social Value policy must be followed for all procurement opportunities over £10,000. Contract Managers are expected to monitor and record social value outcomes from the contracts they are responsible for as part of their review meetings. Further advice and guidance should be obtained from the Corporate Procurement Team and details of the Social Value Policy and Pledges can be located on infozone.

Development of Contract Brief

6.7.14 Where there is a variation from the agreed budget each Chief Officer must seek Cabinet endorsement prior to tendering. The report should comment upon:

- a) The detailed proposals for the scheme, including objectives, targets, milestones, design details and its contribution to the corporate and service plans;
- b) The financial appraisal of the revenue and capital implications, prepared in conjunction with the Executive Director - Finance, and compared to budgets;
- c) Risk associated with the scheme;
- d) The tender evaluation mechanism and the decision criteria.

6.7.15 Approval at this stage will normally include authority to invite tenders and to accept the most advantageous tender.

6.7.16 Chief Officers should consult the Executive Director - Finance and obtain legal advice (as necessary).

Extension to Tender Period

- 6.7.17 The Executive Director - Finance (or their nominated deputy), may approve the extension of a tender period. The Corporate Procurement Officer is authorised to approve the extension of a tender period only if and when none of the above officers are available. The reasons for the extension of the tender period must be recorded on In-tend and all potential tenderers must be informed of the extension to the tendering period.

Amendments to Tenders (by Contractors)

- 6.7.18 Any amendment a contractor wishes to make to a submitted tender must be received before the closing date and time for responses. In-tend will provide this facility to suppliers.

Tender Opening – Electronic

- 6.7.19 All tenders for an individual contract must be opened at the same time by at least 2 officers.
- 6.7.20 A tender received after the specified time may be only opened and considered at the discretion of the Executive Director - Finance.

Sub-Contractors and Nominated Suppliers

- 6.7.21 Nominated sub-contractors and suppliers must not used where this would be anti-competitive, discriminatory or in breach of procurement regulations.
- 6.7.22 If a Chief Officer wishes to nominate a specific sub-contractor or supplier a written request must be sent to and be approved by the Assistant Director - Finance who will assess any risks involved. The request must show how this will give best value/value for money.

Amendments to Tender Documents (by the Authority)

- 6.7.23 Minor corrections and amendments to any part of the Invitation to Tender may be required during the tender period. Chief Officers must consult with Procurement, and where appropriate the Executive Director - Finance, and Legal, on such matters, and all tenderers must be advised of all agreed amendments in writing at the same time. Acknowledgement of receipt of the amendments will be recorded on the electronic tendering system. In responding to clarifications and queries, the response should be addressed to all tendering organisations, and issued at the same time via the In-tend portal. All correspondence will be sent electronically.
- 6.7.24 The Invitation to Tender amendments must not contain anything which may materially affect the tender process or

unduly affect open and fair competition. No fundamental changes to the Invitation to Tender ^(O&M) documentation should be made by the information contained within the amendment.

- 6.7.25 A record is retained electronically by In-tend of all correspondence with tenderers throughout the tender process.

Tender Evaluation

- 6.7.26 Chief Officers must ensure that at least two people carry out the evaluation of tenders. For major contracts involving a project team, the Manager should consider involving the whole team. All tender evaluations carried out must be evidenced with a full audit trail.

- 6.7.27 Tender evaluation must be completed using the spreadsheet available from the Procurement Team. The Procurement Team should be contacted to provide advice and guidance. The tender evaluation spreadsheet must be returned to the Procurement Team for review before the award of the contract, and must be retained with the procurement documents.

- 6.7.28 Tenders must be checked to ensure they are complete and that all price calculations are correct. They must be evaluated objectively in line with the specified evaluation mode, ensuring fair and equitable treatment for each tender. Reasons for the marks given to each tenderer for each element of the evaluation must be recorded. Information provided must be helpful, constructive and, where a mark(s) is lost, must clearly detail any errors or omissions made by the tenderer leading to the decision. Where a moderation process is used, any changes to scores must be evidenced and a full audit trail retained.

- 6.7.29 If an arithmetical error is discovered in the financial submission, the Chief Officer should consult the Corporate Procurement Team. The contractor must be notified in order to enable themselves to:
- a) Agree the amendment; or
 - b) Allow the original figure to stand; or
 - c) Withdraw the tender.

- 6.7.30 If a Tenderer notifies the Council of an error/amendment which materially affects the submission, the Chief Officer must consult the appropriate officers, for example, the Corporate Procurement Officer, Assistant Director - Finance and Executive Director - Finance, and should normally implement one of the following options:
- a) All other Tenderers are allowed to retender (in the case of the Council's error); or
 - b) The Tenderer is required to stand by the original Tender; or

- c) The Tenderer withdraws the Tender; or
- d) (where an error is found before completion of tender evaluation) to correct an error which can be corrected simply by confirming which of two conflicting figures (e.g., a multiplier or product, or carried forward or brought forward) is right.

6.7.31 During the evaluation process, clarification may be sought on any of the tenders received. The questions and answers must always be submitted via the In-tend portal and incorporated into the tender and contract documentation.

6.7.32 **If using the open procedure** there must be no fundamental change to the contract specification or award criteria. Amendments to the specification or terms of the supply, which do not distort competition or are not considered material changes or fundamental to the contract can be made and shall be put to all Tenderers prior to the submission deadline and in good time for them to make any necessary changes to their tender. Guidance is available from the Corporate Procurement Team or Executive Director – Finance. **If following the Competitive Flexible Procedure, you must follow PA2023 regulations regarding amendments/changes.**

6.7.33 At the conclusion of the evaluation process, the Chief Officer should be able to, and is expected to, select the tender which is the most economically advantageous to the Council, as indicated by the evaluation model.

Post Tender Clarification

6.7.34 After the tenders have been returned and evaluated, further clarification from tenderers, in relation to the tender bid may be required. Clarifying information can include the following:

- Price Specification
- Delivery date/start date
- Payment Terms
- Software Licenses

6.7.35 **There must be no fundamental change to the Council's Standard Terms & Conditions Contract.**

6.7.36 Where a tender return is unclear or there are minor sections which have been omitted with no explanation included, it is recommended that the tendering organisation is contacted for clarification, this must be done via the In-tend system. In the case of numerous or sizable omissions, guidance must be sought from the Assistant Director - Finance and the Corporate Procurement Officer before clarification is requested.

6.7.37 All tendering organisations must be treated fairly and equally in all circumstances.

- 6.7.38 An electronic record will be kept of any query on a tender on In-tend and any information supplied by the tenderer must also be conducted via the in- tend system.
- 6.7.39 Where it is necessary to meet a tenderer to discuss their submission further, at least two authorised officers must be present and minutes taken. In all instances, the Procurement Team must be consulted.
- 6.7.40 In some cases it may be necessary to vary, by agreement, some minor details of the work required. Consultation with the Procurement Team and legal must be made prior to any agreement being made.
- 6.7.41 Advice should always be sought from the Procurement Team , Assistant Director – Finance or legal before entering into clarifications
- 6.7.42 Chief Officers must not enter into negotiations except when using the Competitive Flexible Procedure and a negotiation Stage has been identified in the Tender Notice. Negotiations must be carried out by at least two authorised officers, and guidance on separation of duties is followed. The decisions taken at relevant meetings must be documented.

Tender/Quick Quote Acceptance

6.7.43 Where the tender or quick quote price exceeds the estimated budget by the lower of £10,000 or 5% the Executive Director - Finance MUST be informed and has the discretion to authorise that the tender be accepted and a contract entered into.

6.7.44 A Chief Officer may accept the winning tender after evaluation if it meets all material aspects of the specification and is within the budget provision. If the amount is higher than budgetary provision, the guidance on Budgets must be followed. If only one tender is received, advice and guidance MUST be obtained from the Assistant Director - Finance of the process to be followed.

6.7.45 Where the procurement is conducted over PA2023 thresholds, advice **MUST** be sought from the Assistant Director - Finance or the Procurement Team prior to any notification of an award of contract being issued. All tenderers shall simultaneously be provided with a written Assessment Summary of the Authority's intention to award the contract to the successful tenderer. The Assessment Summary must be issued electronically to tenderers (via In-tend), in the name of the Assistant Director - Finance. A Contract Award Notice must then be published. This triggers the 8 working day standstill period. The tenderers must be provided with a period of 8 working days to review,

and, if considered necessary, to challenge the decision before the contract is awarded. If the decision is challenged, then the contract shall not be awarded and advice must immediately be sought from the Corporate Procurement Team who may consult with legal. If there is no challenge once the 8 working day standstill period is over the contract should be signed and a Contract Details Notice published.

- 6.7.46 The Assessment Summary must contain the following:
- the name, address and email of the supplier
 - the unique identifier for the supplier
 - the assessment methodology
 - the scores awarded and the reason for the score for each award
 - total scores

The unsuccessful tenderers must be sent their Assessment Summary along with the winning tenderers Assessment Summary.

CONTACT: Corporate Procurement Officer

6.8 Post Tender and Contracts

Preparation of Contract

- 6.8.1 Where a tender has been subject to above threshold PA2023 procedures and the standstill period has been completed without a challenge, the contract can be signed and the Contract Details Notice published. More generally, having decided to accept a tender/quotation the Chief Officer must advise the tenderer of the outcome of the process and must finalise a contract. This might involve simple acceptance of a standard form of contract, minor amendment agreed via correspondence or it might require meetings with the successful tenderer. Where an industry standard form of contract and terms and conditions are available, e.g. JCT or ICE contracts, they should be used in place of the Council's standard forms (but only if already specified in the Invitation to Tender documents). All agreed amendments must be recorded in writing and formally incorporated into the contract. Advice should be sought from the Corporate Procurement Team, and where necessary, legal.
- 6.8.2 The Chief Officer should ensure that all approvals that remain outstanding (such as planning permission) are obtained prior to the completion of the contract documents.
- 6.8.3 In addition, every relevant contract over £100,000 must also state clearly as a minimum:
- Prices and/or rates together with any adjustment mechanisms that shall apply during the term of the contract;
 - Invoice procedures;

Performance indicators and/or service levels required;
Conditions of contract that shall include:

- That the contractor may not assign or sub-contract without prior written consent
- Insurance requirements
- Health and safety requirements
- Ombudsman requirements
- Data protection requirements, if relevant
- Charter standards are to be met, if relevant
- Equalities & Diversity Policy requirements
- Children & Adults at Risk of Abuse and Harm Policy requirements, if relevant
- Conflict of Interests requirements
- Freedom of Information Act requirements
- Bribery act requirements
- Right of access to relevant documentation and records of the contractor for monitoring and audit purposes if relevant.

Where agents are used to let contracts, agents must comply with the Council's contract procedures rules.

Insurance

6.8.4 Chief Officers must ensure that the contract has Employers Liability and Public Liability Insurance, **normally** to a minimum value of £10 million and £5 million respectively; and should seek the advice of the Executive Director - Finance wherever there is doubt. Other insurances, for example, professional indemnity may be desirable.

6.8.5 The responsibility for obtaining contractor insurance details including renewals lies with the appropriate Chief Officer. The Chief Officer should ensure that all insurance details are passed to the Executive Director - Finance without delay.

Bonds and Parent Companies Guarantees

6.8.6 The officer must consult the Executive Director - Finance about whether a Parent Company Guarantee is necessary when a contractor is a subsidiary of the parent company and:

- The total value exceeds £250,000, or

- The award is based on evaluation of the parent company, or
- There is some concern about the stability of the contractor.

6.8.7 The Officer must consult the Executive Director- Finance about whether a bond is needed:

- Where the total value exceeds £1,000,000, or
- Where it is proposed to make stage or other payments in advance of receiving the whole of the subject matter of the contract and there is concern about the stability of the contractor.

Signing of Contracts

6.8.8 The relevant Executive Director must check and endorse contracts before engrossment valued at £100,000 or above for signature and attachment of seal. If a number of members of ELT are involved, then the contract should be signed by the main user. Contracts between £20,000 and £99,999 must be signed by the relevant Assistant Director or member of the Executive Leadership Team (ELT) in their absence. Contracts below £20,000 must be signed by the budget holder or relevant Head of Service. All rental or lease agreements must be approved and signed by the Executive Director of Finance regardless of the value.

6.8.9 The Officer signing the contract must notify all interested managers it has taken place. The Executive Director -Finance and the Procurement Officer must be notified in every case.

Site Possession

6.8.10 On completion of the contract documents the Chief Officer should where relevant arrange a site possession date. Chief Officers must not allow entry onto the Council's land or commencement of work prior to the completion of a written contract. In exceptional circumstances, this may be authorised by the Chief Executive.

Document Retention (all formal contracts)

6.8.11 Chief Officers must ensure the signed copies of all formal contracts are scanned on pdf format and e- mailed to the Procurement team for their records. Original copies of formal contracts must be placed in the Council's strong room for all contracts over 12 months/over £100,000. Where a consultant has been engaged to manage the contract on the Council's behalf, it must be ensured that both the contractor and Chief Officer have necessary access to contract documents to enable their functions to be performed.

Contract Amendments

6.8.12 Contracts may need amending after signing. The circumstances will dictate the level of approval needed for the change. The relevant Chief Officer must seek appropriate advice, from Procurement and Legal before proceeding. Any contract modifications should follow PA2023 regulations.

Contract Management

6.8.13 Contract management is the responsibility of the lead officer for each procurement exercise, and lead officers are required to liaise with the supplier on at least an annual basis. Once an Invitation to Tender (ITT) or Quick Quote (QQ) has been Awarded, **and Procurement have been sent a signed Contract**, the project will be entered onto the Corporate Contracts Register using the Pentana software.

The contract will be assigned on Pentana to the lead officer to manage the contract for the whole of its life cycle. This should be evidenced on Pentana by the lead officer.

Key actions required by Lead Officer:

During the life of the contract, the lead officer must monitor on at least an annual basis the following:

- Performance (KPI's)
- Issues with the contract delivery
- Compliance with specification and contract
- Cost
- Any Value for Money requirements
- User satisfaction and risk management.
- Social Value Pledges.
- Insurance
- Review any annual reports
- Termination requirements if applicable
- KPI

Detailed guidance on the roles and responsibilities of Contract Management can be found on Infozone.[Procurement | Infozone](#)

CONTACT: Corporate Procurement Officer, Operations Accountant

6.9 Project/Contract Implementation & Payment

6.9.1 A separate file should be maintained by the relevant Chief Officer for each project, including copies of such contracts making up the project. The file should contain the following information:-

- a A record of instalments due and paid;
- b The working papers substantiating payments;and

- c The details of payments to consultants, internal fees and other payments.
- 6.9.2 Chief Officers must only authorise payments that conform to the terms of the contract.
- 6.9.3 The Chief Officer must only make payments to contractors for Buildings & Engineering works on the basis of a valuation certificate detailing:
- i The total value of the contract;
 - l The value of work executed to date;
 - c The amount paid to date;
 - c The amount now certified;
 - c Any retention monies;
 - f Whether the work is subject to VAT or Liquidated and Ascertained Damages (together with details of the calculation of damages).
- 6.9.4 Where the work is subject to VAT the Chief Officer must ensure that either a VAT invoice or receipt is obtained in order to substantiate the VAT reclaimed.
- 6.9.5 Where liquidated and ascertained damages are to be deducted, the Chief Officer must ensure that the contractor is notified as soon as possible and given details of the basis of calculation. Any liquidated damages applied at any stage of the contract must be deducted from any subsequent valuation certificate before any payment is made.

Contract Monitoring and Variations (including claims)

- 6.9.6 The Chief Officer must monitor expenditure under a contract and take action where appropriate to ensure the final contract sum or the level of expense incurred in any financial year does not exceed the approved budget/available resources.

During the life of the contract, the officer must monitor in respect of:

- Performance;
- Compliance with specification and contract;
- Cost;
- Any Value for Money requirements;

Contracts of a high value or high risk should be subject to formal monthly review with the contractor.

For contracts over £100,000, contract managers must:

- Maintain a risk register on the Pentana system during the contract period;
- Undertake appropriate risk assessments and for identified risks;
- Ensure contingency measures are in place.

- 6.9.7 Subject to the provisions of the contract, every extra cost or variation should be authorised in writing by the Chief Officer. Copies of the

approved delegated decision that permits officers to authorise variations or extra costs should be forwarded to the Executive Director - Finance by the Chief Officer or the delegated officer.

6.9.8 If the revised project cost exceeds the budget/available resources, the guidance on capital budgets and projects must be followed.

6.9.9

Where a contract requires a contractor to meet specified outcomes or service levels (e.g. in a partnering-type arrangement) appropriate arrangements must be made by the Chief Officer to ensure that the expected outcomes/service levels are provided or that clear processes exist for reporting and approving any variations from these outcomes/service levels and their financial effect. Any proposals to provide financial incentives or profit-sharing arrangements with partners must be subject to appropriate approval and budget processes. Such arrangements must provide appropriate levels of probity and transparency.

6.9.10 Where payment under a partnering arrangement is based upon an agreement of target prices between the Council and the external partner then written evidence shall be provided to demonstrate that the target price represents value for money.

6.9.11 Where a consultant is contracted to monitor a contract on the Council's behalf, the Chief Officer must ensure that the consultant contractor complies with this financial guidance.

6.9.12 Under PA2023 the Chief Officer must be aware of the new requirements around Transparency Reporting. If the contract is amended a Contracts Change Notice must be published, if the contract is over £5 million it is mandatory for details of the contract along with at least 3 KPI's to be published and if the contract is Terminated or naturally expires a Contract Termination Notice must be published. If there is a breach by the supplier to the terms of the contract or there is a failure to deliver aspects of the contract a Contract Performance Notice must be published. This notice must be published within 30 days of the event taking place. If the breach or poor performance results in the full termination of the contract the Contract Termination Notice must be published instead of the Contract Performance Notice.

6.9.13 Under PA2023 requirements details of any invoices over £30k paid each quarter need to be published via a Contract Payment Notice and details of invoices paid within 30 days need to be published via a Payments Compliance Notice twice a year.

CONTACT: Executive Director - Finance, Audit Manager.

6.10 Final Account

6.10.1 Payment of the final account (where relevant) effectively closes the contract and it must be correct. The Chief Officer must ensure that

adequate checks are carried out to ensure the final account/payment is correct and has been accurately calculated. They must also ensure there is adequate separation of duties in preparing and agreeing the final account. Management within the relevant Directorate will, on an annual basis, review the Contract Register maintained by the Executive Director - Finance and sample test a number of payments (this process should be adequately evidenced).

6.10.2 For building and engineering work the relevant project manager must prepare a detailed statement of account before a final certificate (where required) is issued showing variations against the original contract price, payments made to date and any further payments due. It should be sent to the client Chief Officer within one month of the issue of the certificate of practical completion.

6.10.3 The client Chief Officer should approve and agree the contract final account within the retention period and ensure the final payment and certificate are sent to the contractor by the due date. In case of difficulty, advice should be sought from relevant officers, for example, the Executive Director - Finance.

6.10.4 Final account outturn should be reported in accordance with the Corporate Capital Strategy.

CONTACT: Executive Director - Finance

6.11 **Post Contract**

6.11.1 Claims from the contract in respect of matters not clearly within the terms of any existing contract should be referred to the relevant Director who should consult with legal for consideration of the authority's legal liability.

CONTACT: Executive Director - Finance, Audit Manager

6.12 **Partnerships**

6.12.1 Partnerships have a key role in delivering community strategies and in helping to promote and improve the well-being of the area. The Authority is and will be increasingly working with others – public agencies, private companies, community groups and voluntary organisations.

6.12.2 The main reasons for entering into partnerships are:

- The desire to find new ways to share risk
- The ability to access new resources
- To provide new and better ways to deliver services
- To forge new relationships

6.12.3 A partner is either:

An organisation (either private or public) undertaking, part funding or participating as a beneficiary in a project; or

A body whose nature or status gives it a right or obligation to support the project.

6.12.4 Partners participate by:

- Acting as a project deliverer, provider or sponsor, solely or in connection with others;
- Acting as a project funder, part funder, commissioner or joint commissioner;
- Being a beneficiary group of the activity undertaken in a project.

6.12.5 Partners have common responsibilities:

- To be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- To act in good faith at all times and in the best interest of the partnership's aims and objectives;
- To be open about any conflict of interest that may arise;
- To encourage joint working and promote the sharing of information, resources and skills between the public, private and community sectors;
- To hold confidentially any information received as a result of the partnership activities or duties that is of a confidential or commercially sensitive nature;
- To act wherever possible as ambassadors for the project.

6.12.6 Chief Officers should be aware of:

- Their responsibilities with regard to the Authority's financial regulations and contract standing orders;
- The requirement for them to identify and evaluate all known risks associated with the partner arrangements, and take action deemed appropriate to deal with these risks;

- Ensuring that project appraisal techniques are in place to assess the viability of the project in terms of resources, staffing and expertise;
- Their role in agreeing and accepting formally the roles and responsibilities of each of the partners involved before the commencement of the project;
- Their need to communicate regularly throughout the project so that problems can be identified and shared to achieve their successful resolution.

6.12.7 Managers should ensure that:

- Potential partners are assessed for the financial viability in the same way as contractors;
- Internal audit roles and responsibilities are documented within the contract documentation;
- Partners and contractors are made aware of the Authority's Whistleblowing and Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes;
- Arrangements for ownership after the project has ended are identified and documented;
- Partnership agreements and arrangements are appropriately authorised and documented and do not impact adversely upon the services provided by the Authority;
- Appropriate information is provided to the Executive Director - Finance to enable a note to be entered into the Authority's statement of accounts concerning material matters;
- There are robust and transparent arrangements for partnership governance which comply in all material respects with the Council's own rules on such matters;
- There are sound arrangements for monitoring, reviewing and reporting upon the activities and performance of the partnership;
- They refer to the indemnity and conduct/conflict of interest issues;
- They maintain and update the partnership database for their significant partnerships.

6.12.8 Corporate processes for approving, reviewing and reporting upon partnership arrangements and commitments under these must be complied with.

CONTACT: Executive Director – Communities

6.13 **Orders for Supply from External Sources**

6.13.1 Official orders must be issued for all work, goods or services to be supplied to the Council except:

- Where a contract specifies otherwise;
- Supplies of public utility services;
- Payments such as rent or rates;
- Petty cash / corporate credit card purchases; or
- Other exceptions approved by the Executive Director - Finance

6.13.2 Individuals must not use official orders to obtain goods or services for their private use.

6.13.3 Official orders to suppliers for goods and services must be raised on the E-financials System and promptly issued to the supplier/contractor. This ensures that the commitment is raised on the financial system and so aids the control and monitoring of budgets.

6.13.4 Verbal orders should only be given in urgent cases, and any such order must be confirmed by an official order and endorsed "Confirmation Order". All authorised signatories together with any restricting financial limits must be notified to the Executive Director - Finance.

6.13.5 Orders must detail the work/goods/services ordered, refer to appropriate terms and conditions, be priced in accordance with estimates, quotations and so on, and contain the delivery address which must be a Council property. Expenditure must be coded to the correct detailed budget heading, even if there is no budget under that heading or it has been committed, including those required by statute or court order.

6.13.6 Before authorising an order, the authorising officer must be satisfied that best value has been achieved, goods/ services are appropriate to the service and genuinely required, appropriate quotations/tenders have been received and that there is appropriate budget provision. For guidance where there is insufficient budget provision, refer to the section on Budgets.

CONTACT: Executive Director - Finance

6.14 Receiving Goods and Services

Deliveries

6.14.1 Any employee who accepts deliveries of goods must obtain a delivery note, which should be signed by the supplier and receiver at the time. The Chief Officer who ordered the supplies must ensure they are checked as to quantity, quality and compliance with specification at the time of delivery, or as soon as possible thereafter. Where it is not possible to carry out this check at the time of the delivery, the employee should ensure this is made clear on the delivery note.

Goods Receipting

6.14.2 As soon after delivery as possible, the financial system must be updated to show that the goods have been received (refer to the Guidance on Separation of Duties). Receipting goods on the financial system ensures that expenditure is accrued. This enables managers to monitor and control their budgets more effectively. The employee recording goods receipt on the financial system must be satisfied that the quality, quantity and specification of the goods/services delivered is as ordered.

CONTACT: Audit Manager, Operations Accountant

6.15 Advance Payments

6.15.1 Advance payments should only be used for minor supplies such as course fees, seminars and publications. Chief Officers should consult the Executive Director - Finance for advice if in doubt. Where advance payment is made and VAT is known to be standard rated they will be processed separately. The Chief Officer must request an authenticated VAT receipt and send it to the Executive Director - Finance, if this is not forthcoming the relevant adjustments will be made to correct the accounting entries.

CONTACT: Executive Director – Finance

6.16 Funding to Voluntary & Community Sector Organisations

6.16.1 Funding to voluntary and community sector organisations can be paid in advance (where appropriate). Where the provision of services on

behalf of Tamworth Borough Council is to be delivered in partnership between a voluntary and community sector organisation and a private sector organisation then, subject to an appropriate partnership agreement being in place, funding can be paid in advance. Performance management arrangements must be stipulated in each funding agreement or contract in accordance with the Tamworth Public Sector Commissioning Framework. Evidence must be obtained for expenditure incurred.

CONTACT: Executive Director - Communities

6.17 Some Definitions

6.17.1 The following table gives the definition of terms used in this guidance.

Word	Definition
Quotation	A value for the supply of a service, goods or materials which must be held for a period of time.
Estimate	A value for the supply of a service, goods or materials which may be varied following the supply. This is appropriate where it is not possible to give a precise quotation prior to the supply.

CONTACT: Operations Accountant

6.18 Further Advice & Guidance

6.18.1 The Council employs a number of officers who have responsibilities in a variety of areas connected with procurement and purchasing. The following table is a quick reference guide.

Issue	Contact	Comments
Significant departure (either actual or potential) from this guidance	Executive Director - Finance,	
Issue	Contact	Comments
Procurement and purchasing – general procedures/PCR procedures/joint procurement and partnerships	Executive Director - Finance	Chief Officers must not enter into any arrangement for procuring works, goods or services over the £100,000 tender threshold without seeking guidance from the Director of Finance at least six months in advance of the proposed supply. The Procurement Team can provide relevant advice and guidance, including standard forms and procedure details
Advice on control systems and administration	Audit Manager	
The law and legal opinion and sealing and retention of documents	Legal Admin & Democratic Services Manager	
Printing Requirements	Head of Corporate Communications	Chief Officers must not commit to purchase external printing supplies without consulting with the Head of Corporate Communications
Information Technology	Head of Technology & Information Services	Chief Officers must not commit to purchase IT supplies (hardware and software) without consulting the Head of Technology & Information Services
Coding, budgets, insurance, VAT, general ledger issues and financial appraisals	Executive Director - Finance	

CONTACT: Executive Director - Finance

7. Payment of Accounts

7.1 Introduction

- 7.1.1 One of the main requirements of a sound system of expenditure control is that at any point in time, a budget holder knows:
- a) What has been ordered, including the likely costs;
 - b) What has been received, and is therefore due for payment; and
 - c) What has been paid.
- 7.1.2 Small transactions can be dealt with from petty cash (see the section Cash Advances etc.), and in some situations, payments can be made via direct debit or other electronic means – the Executive Director - Finance will advise on these processes. This section of the guidance deals with the most common form of payment, i.e. payment by BACS or cheque drawn on the Council's bank account.
- 7.1.3 All officers must encourage suppliers of goods and services to receive payment by BACS. BACS payments are secure and certain (to facilitate accurate cash management and reduce fraud) additionally this is the most economical means for the Authority.
- 7.1.4 Corporate credit cards can be used in the day-to-day business of the Authority and are intended to facilitate transactions only in limited circumstances. Corporate credit cards are to be used chiefly to provide an alternative means of sourcing and paying for goods/services in connection with official business of the Authority, and may be used for purchases to obtain benefit of discount, payment via the Internet etc. The Corporate Credit Card Procedures must be followed.
- 7.1.5 All requests for direct debits against the Authority's bank account should be made via the Accountancy Section.

CONTACT: Executive Director – Finance

7.2 Security & Good Practice

- 7.2.1 The Council's credit payment system is set up so that the 3 stages of order, goods receipt and payment to be separately processed with password input and authorisation controls in line with the appendix on Separation of Duties. Passwords are often used in place of actual initials and signatures and must not be made known to any other person (see also the Information Security Policy).
- 7.2.2 Each Chief Officer must inform the Executive Director - Finance, in writing, of the names of employees permitted to undertake each of the stages, to input orders, authorise orders and confirm goods receipt. The Manager must promptly notify the Executive Director - Finance of any changes, for example,

resignations. The Executive Director - Finance should annually prompt each Chief Officer to review the named employees.

- 7.2.3 Chief Officers may also wish to limit the values input or authorised by some employees, and/or restrict the expenditure codes which some employees can access. This information should also be passed to the Executive Director - Finance.
- 7.2.4 The Executive Director - Finance must ensure that the payments system:
- a Conforms with the controls contained in the appendix on Separation of Duties; and
 - b Checks budget availability.

CONTACT: Operations Accountant

7.3 Invoice Processing

7.3.1 Receiving Goods and Services

Deliveries

Any employee who accepts deliveries of goods must obtain a delivery note, which should be signed by the supplier and receiver at the time. The Chief Officer who ordered the supplies must ensure they are checked as to quantity, quality and compliance with specification at the time of delivery, or as soon as possible thereafter. Where it is not possible to carry out this check at the time of the delivery, the employee should ensure this is made clear on the delivery note.

Goods Receipting

As soon after delivery as possible, the financial system must be updated to show that the goods have been received (refer to the Guidance on Separation of Duties). Receipting goods on the financial system ensures that expenditure is accrued. This enables managers to monitor and control their budgets more effectively. The employee recording goods receipt on the financial system must be satisfied that the quality, quantity and specification of the goods/services delivered is as ordered.

- 7.3.2 Each Chief Officer must ensure that the receipt of any service, material or item of goods is promptly recorded on the payment system, and that, where applicable, stock records and inventories are updated immediately.
- 7.3.3 Suppliers must be advised to send invoices to accounts, preferably by e-mail to creditors@tamworth.gov.uk. If invoices are received in departments each Chief Officer must ensure that they are promptly passed to Finance Directorate for processing. Any disputed invoices should be notified to the Executive Director - Finance immediately to aid performance monitoring.

- 7.3.4 Before any order is goods receipted, the officer receiving the goods/services must satisfy themselves that the payment is properly due, and that the work, goods or services have been received and/or carried out in accordance with the order/contract/schedule of rates and this has been evidenced.
- 7.3.5 Officers must ensure that in respect of charges for gas, electricity, water etc. adequate records are maintained to ensure the charges are correct and the following checks are undertaken:
- i Any standing charges are correct;
 - ii Consumption is charged on the correct tariff;
 - iii That the consumption recorded is reasonable in light of current and previous readings.
- 7.3.6 Officers should ensure that all credit notes are immediately claimed against invoices or a cheque reimbursement should be requested.
- 7.3.7 The Accountancy Section will check the payee, prices, quantities, trade discounts, other allowances, credits and tax are correct, not previously paid, properly incurred and within the budget provision. They will also check any copy/facsimile invoices to ensure that they have not been previously paid and that payments are not made against suppliers' statement of accounts.
- 7.3.8 The Accountancy Section will ensure that where the invoice includes VAT, it is correctly calculated. Where a VAT invoice is not supplied, the full cost of the invoice including the VAT must be charged to the budget code. The Chief Officer must ensure that an authenticated VAT receipt is subsequently obtained to support this payment and passed to the Accountancy Section immediately on receipt so that the accounting entry can be adjusted.
- 7.3.9 The controls over invoice processing also applies to work done on our behalf by partners.

Amendments

- 7.3.10 VAT invoices must not be amended. If an incorrect VAT invoice is received, the supplier must be asked to send:
- a) A corrected invoice, or
 - b) A credit note.
- 7.3.11 Any amendment to a non-VAT invoice must be made in ink and initialled by the officer making it, stating reasons briefly where they are not self-evident.

Year End

- 7.3.12 Each Chief Officer must ensure that where goods and services (goods, materials, services and works, including electricity, gas, water etc) have been received by 31st March, that commitment orders and goods receipt notes

have been processed within the financial system.

- 7.3.13 Each Chief Officer must, as soon as possible after 31st March and not later than 15th April in each year notify the Executive Director - Finance of all outstanding expenditure relating to the previous financial year. Outstanding expenditure consists of the value of all goods, materials, services and works (including electricity, gas, water etc) that has been received at 31st March, but has not yet been paid.

CONTACT: Operations Accountant

7.4 **Electronic Payment Mechanisms**

- 7.4.1 Payments to suppliers must be completed by BACS transfer, as it is the most cost effective, secure and certain payment method to facilitate cash management and reduce fraud. Payments will be made by cheques in exceptional circumstances.
- 7.4.2 Information relating to supplier's bank details should be directed to the Executive Director - Finance.

CONTACT: Operations Accountant

8. Payment of Salaries & Allowances

8.1 Salaries

8.1.1 Salaries and other reimbursements are paid by the Executive Director - Organisation on behalf of each Chief Officer. The Executive Director - Organisation is responsible for maintaining the establishment list of the Authority, and for the details of standing payments to make. All forms of payment must conform with Council policy and Chief Officers should consult with the Executive Director - Organisation if change is sought.

8.1.2 It is the responsibility of Chief Officers to ensure that adequate and effective systems and procedures are operated so that:

- a) Payments are only authorised to bona fide employees;
- b) Payments are only made where there is a valid entitlement;
- c) Conditions and contracts of employment are correctly applied;
- d) Employees names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

8.1.3 Each Chief Officer must tell the Executive Director - Organisation immediately of any changes to their employees or the basis upon which they are employed. The Chief Officer is accountable for any losses to the Council or hardships incurred by an employee resulting from a failure to notify changes promptly.

Examples are:

- i Appointments, resignations, dismissals, suspensions, secondments and transfers;
- ii Sickness and other absences apart from approved leave with pay;
- iii Changes in pay etc. other than normal increments and general pay awards;
- iv Any changes that may affect pensions of employees/former employees.

8.1.4 Chief Officers must ensure that all forms used to generate payments are either as supplied by the Executive Director - Organisation or are reviewed and sent annually for approval to the Executive Director - Organisation. They must ensure that completed forms are checked, calculations confirmed, and payments properly authorised. Otherwise payment will not be made. Claims for payroll payments more than three pay periods old, will not be considered unless approval is made by the Executive Director - Organisation or the Executive Director - Finance. Claims that do not meet pay deadlines (as advised by the Executive Director - Organisation) may not be paid until the following pay period.

- 8.1.5 In exceptional circumstances, for example, if likely to suffer severe hardship, an employee may request their Chief Officer for an advance of salary. The Chief Officer may wish to seek advice from the Executive Director - Organisation or Executive Director - Finance. If the request is supported, the Chief Officer should ask the Executive Director - Organisation to make the arrangements. The Executive Director - Organisation should ensure that any advance is recovered from the next payment due.
- 8.1.6 A Chief Officer may certify payment of overtime to officers on spinal column point 23 and above only where prior written approval is obtained from the Head of Paid Service (Executive Director Organisation). This would normally be in exceptional circumstances only for work of a specific nature such as in covering for a long-term vacancy, one-off pieces of work, etc.
- 8.1.7 Chief Officers may request additional payments such as honoraria for additional responsibility incurred by employees. Any such payments will be paid in accordance with the relevant HR procedures.
- 8.1.8 All payroll transactions should be processed through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. All such matters should be referred to the Executive Director - Organisation for guidance.
- 8.1.9 The Executive Director - Organisation must be notified of details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

CONTACT: Head of Human Resources and Organisational Development

8.2 Intermediaries Legislation (IR35)

8.2.1 Changes to the way the current intermediaries' legislation (IR35) applied to off-payroll working in the public sector came in to effect from April 2017. Where the rules apply, people who work in the public sector through an intermediary will pay employment taxes in a similar way to employees.

8.2.2 Chief Officers are required to complete the following duties:

Determine whether off-payroll working rules should apply and when there are contractual changes, if the rules continue to apply.

Where using an agency or other third party to provide labour, notifying them whether off-payroll working rules should apply to the contract they have with the worker

Where it does not reply to the written request from an agency or third

party as to whether the off-payroll rules apply within 31 days, becoming responsible for accounting for PAYE as if it were a fee- payer

- 8.2.3 If you are requesting a supplier to carry out services or labour on your behalf, you will need to carry out a check as to whether the supplier should be paid as if they were an employee under the IR35 legislation. Detailed guidance on IR35 is available [here](#) and must be followed.

CONTACT: **Head of Human Resources and Organisational Development**

8.3 Allowances and Expense Claims

- 8.3.1 Employees must submit expense claims in the pay period after which they were incurred in order to assist budget monitoring. Because of the difficulty in verifying old claims, claims more than three pay periods old, will not be considered unless approval is made by the Executive Director - Organisation or the Executive Director - Finance. Claims that do not meet pay deadlines (as advised by the Executive Director - Organisation) may not be paid until the following pay period. All car allowance claims must be supported with a VAT invoice for the fuel used.
- 8.3.2 Managers must only authorise claims they can certify as being correct – i.e. journeys were authorised, expenses necessarily incurred, and claims are properly payable by the Council. The accuracy of any mileage claims and any calculations must be checked. Therefore, it is essential that all car allowance claims forms must show details of the trip undertaken, including postcodes (where appropriate and feasible to do so), the duties carried out, both the opening and closing odometer readings and the deduction of any “ordinary commuting miles” (if applicable). Managers must also ensure that officers claiming both casual and essential allowances have appropriate and up to date documents to include a valid driving licence, certificate of motor insurance that covers business use, valid MOT and vehicle registration document.
- 8.3.3 Chief Officers should ensure that the most appropriate means of travel in terms of cost and benefit is used. For example, long journeys may be better undertaken by train, for example, to reduce the length of the working day or allow the employee to work during the journey (see guidance on Subsistence Policy).
- 8.3.4 Where subsistence and other associated travel expenses are claimed, they must be supported by VAT receipts. The Council will not reimburse any expenditure relating to alcohol. Guidance on subsistence rates that can be claimed can be found in the Subsistence Policy which is appended to this guidance. The maximum limits will be updated on an annual basis in line with the

RPI.

- 8.3.5 Claims relating to Post Entry Training must be sent to the Executive Director - Organisation to authorise the claim. The Chief Officer must ensure the scheme is authorised and an agreement has been signed by the employee. Where the scheme provides for the repayment of expenses, the Executive Director - Organisation must arrange recovery of any sums due before the employee leaves. The Organisational Development Unit will supply guidance on amounts that can be claimed on an annual basis.
- 8.3.6 Personal expenses incurred in entertaining guests will not be reimbursed without the prior approval of the Executive Director - Finance.

CONTACT: Assistant Director People

8.4 Members Allowances

- 8.4.1 The Legal Admin and Democratic Services Manager must check and certify claims submitted by Members. They must give the Executive Director - Organisation details of regular payments, such as responsibility allowances, and must immediately notify any changes. Expenses claims must be submitted monthly to aid budget monitoring. Expenses claim forms must be completed in full, e.g. detailing journeys made, opening and closing odometer readings and any other expenses claimed. Claims can only be made for approved duties as defined in the Constitution. All car allowance claims must be supported with a VAT invoice for the fuel used. Claims in excess of three months will not be considered unless approved by the Executive Director - Finance or the Chief Executive.
- 8.4.2 Members wishing to attend a conference etc must advise the Executive Director – Organisation after consultation with the Cabinet, if necessary, who may approve the payment of the cost of attendance at Conferences and training events and the payment of travelling, subsistence and attendance allowance(s) in the rates prescribed by the Secretary of State.
- 8.4.3 Wherever possible the Chief Officer should arrange overnight conference accommodation on behalf of Members and ensure invoices are sent direct to the Council.

CONTACT: Legal Admin and Democratic Services Manager

9. Cash Advances, Cash Floats and Petty Cash

9.1 Purpose

9.1.1 Small amounts of cash currently need to be held in service units to:

- a) Provide a cash float in tills;
- b) Pay minor expenses.

9.2 Processes

9.2.1 A Chief Officer needing a cash advance must send a written request to the Executive Director - Finance. The manager receiving the cash advance must sign for the receipt of all cash advances. A copy of the receipt must be forwarded to the Finance section for accounting purposes. They are responsible for the security of the cash and may be held responsible for making good any shortages.

9.2.2 Only minor items of expenditure may be paid out of petty cash. Petty cash must not be used to carry out recurring purchases of a similar nature. Chief Officers must not authorise any individual payment over £100 without the agreement of the Executive Director - Finance or the Assistant Director - Finance. Where reimbursement of expenditure exceeds £100, this should be processed through the payroll system. Claims for expenses should be completed using the expenses claim form. VAT receipts for all expenses must be attached. Expenses will be reimbursed through the Payroll system with salary payments.

9.2.3 Payments out of petty cash must be supported by a receipt or other voucher. Wherever possible a VAT receipt should be obtained. Income received must not be paid into a petty cash account.

9.2.4 The Chief Officer must keep full records of all transactions. Records must be kept fully up-to-date, showing the current balance in the account. The expenditure details and receipts/vouchers must be sent to the Executive Director - Finance with the claim for reimbursement.

9.2.5 The Chief Officer must ensure that the balance is checked at least monthly by an officer without other responsibilities for petty cash. All checks made should be evidenced. Any discrepancies must be investigated and reported as necessary.

9.2.6 At 31st March each year the officer carrying out the check must send written confirmation to the Executive Director - Finance of the balance held and an explanation of any discrepancy.

9.2.7 No float should be used to cash personal cheques or make personal loans. The only payments into the account are for the reimbursement of the float and any change relating to purchase where an advance has

been made.

- 9.2.8 Any transfers of floats between officers should be evidenced by signature of both parties involved and a copy retained by the transferor. A copy should be sent to the Executive Director - Finance to ensure that records remain up to date.

CONTACT: Executive Director - Finance

10. Income, Charging and Debts

10.1 Fees & Charges

- 10.1.1 Directors **must** consider charging policies and current levels of charge each year as part of the service and financial planning process. The presumption is that the value of fees and charges will be maintained in real terms over time and reviewed annually, as a minimum, with necessary adjustments.

The setting and reviewing of fees, charges and other income sources must be carried out annually in line with the requirements of the Fees and Charges Policy and must be authorised in accordance with the detail set out in the Constitution and the Scheme of Delegation.

- 10.1.2 Proposals for new fees and charges must be considered within the financial planning process, or, where necessary, as an in-year change authorised in accordance with the detail set out in the Constitution and the Scheme of Delegation.

Proposals for new fees and charges **must** be analysed using the guidance set out in the Fees and Charges Policy. This guidance is to be used as the authorisation process for the setting of fees and charges and **must** be authorised by an authorised officer in accordance with the Constitution and Scheme of Delegation.

- 10.1.3 Chief Officers must ensure that all relevant charges are clearly displayed at service payment points. Employees must charge all people using the service the approved amounts.

- 10.1.4 All VAT due should be correctly identified and accounted for.

CONTACT: Executive Director - Finance

10.2 Receiving Payment

- 10.2.1 The Council accepts payment by cheque, debit card, credit card and cash (cash is only accepted at certain locations). Officers handling payments must follow the procedures below and any local procedures, including those needed for computerised systems. They must complete all records fully and accurately at the time. Chief Officers must ensure adequate local procedures are in place at all stages, having sought necessary advice from the Executive Director - Finance.

- 10.2.2 Ideally, subject to adequate controls, income should be received in advance or at the time of service provision.

- 10.2.3 Where possible, a forged note detector should be used.
- 10.2.4 Cash drawers should be closed in between transactions.
- 10.2.5 Supervisory keys for cash registers should be held by supervising officers and not by cashiers.
- 10.2.6 All voids, refunds and exceptions should be reviewed by the supervising officer and this review should be evidenced.

All Methods

- 10.2.7 The officer must immediately issue an official receipt or ticket. Change may only be given for payment of cash.
- 10.2.8 All official receipts should be properly controlled and accounted for.
- 10.2.9 All official receipts should be in a format approved by the Executive Director - Finance.
- 10.2.10 Transfers of cash between staff must be evidenced by signature of both staff involved and a copy retained by the transferor.

Cheque Payment Against an Invoice/Account

- 10.2.11 The officer must ensure the cheque is:
- a) Made payable to "Tamworth Borough Council" (and should be crossed account payee only);
 - b) Dated correctly;
 - c) The correct amount;
 - d) Signed;
- And the officer must:
- e) Record on the back of the cheque the receipt number (and location if necessary) and payment/invoice reference.

Cheque – Other Payment

- 10.2.12 As well as the above requirements the officer must ensure:
- a) The cheque is signed at the counter;
 - b) The cheque card is presented with
 - The same signature
 - The same code number as the cheque
 - A valid expiry date
 - A limit sufficient to cover the cheque
- And the officer must:
- c) Record the card number on the back of the cheque.

Debit and Credit Cards

10.2.13 For payments in person the officer must ensure:

- a) The card has not expired;
- b) The receipt signature matches the card signature;
- c) The card is not on a current stop listing (or if so, follow the instructions with the listing);
- d) The receipt number is recorded against the transaction;
- e) The credit card surcharge is recovered in line with approved policy.

10.2.14 For telephone payments the officer must ensure:

- a) That payments are processed at the time of call;
- b) All relevant security checks are completed.

CONTACT: Operations Accountant

10.3 Postal Payments

10.3.1 All post is to be opened centrally in the designated post room. Exceptions to this include private and confidential post and where it is deemed that post should not be opened.

10.3.2 Post must only be opened when two officers are present.

10.3.3 All income received through the post should be recorded immediately on to the cash receipting system.

CONTACT: Assistant Director - People

10.4 Cashing-Up Procedures

10.4.1 At each payment point, the Chief Officer must ensure there are adequate daily cashing-up procedures. The two stages should be carried out by two different employees. The cashier should total the contents of the till and, by deducting the cash float, find out the day's takings. A second officer should confirm the actual cash takings with the total takings recorded on the receipts given out. Signatures of both officers involved should be recorded on the paying in slip. The local supervisor must immediately investigate any material discrepancies and advise the Chief Officer, the Executive Director - Finance and the Audit Manager. All discrepancies must be recorded in a cashier's over/unders book, signed daily by the supervisor.

CONTACT: Audit Manager

10.5 **Depositing Money**

- 10.5.1 All money received must be banked direct. Employees must follow guidance from the Executive Director - Finance on cash collection, control, deposit and records.
- 10.5.2 Chief Officers/employees must ensure that all money received is deposited in full, without anything being deducted. For example cash from a till must never be used to meet petty cash expenses or to top-up petty cash.
- 10.5.3 If there is a need to depart from this rule, the Chief Officer must be given the written authorisation of the Executive Director - Finance.
- 10.5.4 Takings should be banked daily. Where this is not practicable Chief Officers may agree an alternative arrangement with the Executive Director - Finance, provided:
- a) Takings are banked at least weekly; and
 - b) Maximum cash holdings specified by the Executive Director - Finance (for insurance purposes) are not exceeded.
- 10.5.5 The cashier must prepare a daily cash summary/ return and attach relevant till readings or equivalent. The return must detail the amount of cash and the amount in cheques. A supervising officer must verify this return.
- 10.5.6 Chief Officers must in any event ensure maximum cash holdings are not exceeded.
- 10.5.7 The cashier must certify the paying in slip, which should be checked and evidenced by a supervising officer.
- 10.5.8 Where banking bags are used, seals and the authority's details should be recorded in accordance with the collection company's procedures.

CONTACT: Operations Accountant

10.6 **Money Laundering**

- 10.6.1 Money laundering is the term used for a number of offences involving the proceeds of crime and terrorist funds. The following acts constitute the act of money laundering:
- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, or from Scotland, or from Northern Ireland;
 - Becoming concerned in an arrangement in which someone knowingly suspects or facilitates the acquisition, retention, use or

control of criminal property by or on behalf of another person;

- Acquiring, using or possessing criminal property.

10.6.2 Although the term “money laundering” is generally used when describing the activities of organised crime – for which the legislation and regulations were first and foremost introduced – to most people who are likely to come across it or be affected by it, it involves a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

10.6.3 A likely indicator that money laundering may be taking place is the deposit of large amounts of cash. **To help prevent money laundering, the Council has set a cash payment of £1,000. No cash payments above £1,000 are to be accepted by any Council service.** Any large cash payments that raise concern below this amount should be brought to the attention of the Audit Manager, however, attempts to pay above this amount must be approved by the Audit Manager or the Executive Director - Finance.

10.6.4 The Council will do all it can to prevent, wherever possible, the organisation and its staff from being exposed to money laundering to identify potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. However, it is every member of staff’s responsibility to be vigilant.

10.6.5 The Monitoring Officer is the nominated officer to act as the Council’s Money Laundering Reporting Officer.

10.6.6 If a case of money laundering is suspected, the Monitoring Officer and Audit Manager should be consulted immediately.

CONTACT: Monitoring Officer, Audit Manager

10.7 Invoices, Debtors and Other Sums Due

10.7.1 It is the responsibility of each Service Unit to ensure that income for services etc. is received prior to the service being completed. Where payment in advance is not possible, all necessary information in order to raise an account should be obtained from the customer prior to the provision of the service, except where statute dictates otherwise.

10.7.2 All Service Units must maintain a record of why the account has been raised. All accounts must be accurately created either prior to the service being delivered or, in the case of post-service charging, within 5 working days of the delivery of the service. Where possible, debtor accounts should not be raised for less than £100 in accordance with the Corporate Credit Policy.

- 10.7.3 It is essential that all accounts issued are timely; therefore, accounts raised after the service has been completed should be raised within five working days.
- 10.7.4 Timescales for the recovery process are detailed in the Corporate Credit Policy.
- 10.7.5 At the start of each financial year, Chief Officers must promptly supply information to the Executive Director - Finance on amounts due where a debtors account has not yet been raised for the previous financial year within the required deadlines.

Credit Policy

- 10.7.6 Cabinet approved an updated Corporate Credit Policy on 31st August 2023. Chief Officers must ensure appropriate local guidance is in place and employees must follow the Policy and the local guidance.

CONTACT: Head of Revenues and Benefits

10.8 Debt Write-Off

- 10.8.1 Debts can only be written-off in line with the appropriate policy – e.g., the Corporate Credit Policy.
- 10.8.2 Except where an approved policy dictates otherwise, the following authorisations are needed to write-off debt:

<u>Authority</u>	<u>Limit</u>
Executive Director/Assistant Director (or authorised delegated officer)	Up to £5,000
Executive Director – Finance	£5,001 - £10,000
Cabinet	Over £10,000

Note that these limits apply to each transaction.

All write-offs should be completed with adherence to the Accounts & Audit Regulations 2011.

An annual report of write-offs between £5,001 and £10,000 should be submitted to Council for information.

CONTACT: Head of Revenues and Benefits

11 Assets and Equipment

An up to date asset register is a pre requisite for proper fixed asset accounting and sound asset management. Assets need to be valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: (CIPFA/LASAAC based on International Financial Reporting Standards)*. Any assets purchased with a value of over £10,000 should be notified in writing to the Executive Director - Finance so that they can be added to the asset register.

CONTACT: Assistant Director – Finance

11.1 Responsibilities

11.1.1 Each Chief Officer is responsible for the records, use and storage of all assets and equipment within their control and/or used in their service delivery. Each Chief Officer must ensure that a physical check of all significant assets and equipment is undertaken on at least an annual basis to confirm their location and condition and to ensure that inventory records are accurate. This check should be evidenced.

11.1.2 Each Chief Officer must ensure that inventory records are maintained for all assets and equipment in any format specified by the Executive Director - Finance, to ensure the details shown below are included in each case and that all appropriate items are clearly and securely marked.

Inventory details:

- Description
- Purchase date
- Purchase price
- Serial number (if applicable)
- Asset number (if applicable)
- Condition
- Date of disposal

11.1.3 Chief Officers should ensure that contingency plans for the security of assets and continuity of service in the event of a disaster or system failure are in place.

11.1.4 In order to comply with the International Financial Reporting Standards, managers are required to consult with the Executive Director - Finance prior to entering into an agreement on **any rentals, leases or use of assets to or from the authority**, especially where financial/operating leases are entered into as more advantageous financing could be sought.

CONTACT: Assistant Director - Finance

11.2 Scope

- 11.2.1 All furniture, fittings, equipment and plant and machinery with an original and individual value of £50 or more should be included, with the sole exception of Information Technology (IT) hardware and software, which must be recorded by the Assistant Director People. Chief Officers should consider whether it is appropriate to include other items of a portable and desirable nature which may have a low value.
- 11.2.2 Any change in the use or location of any IT hardware and software must be completed by the Technology & Corporate Programmes Service who will update their records accordingly.

11.3 Use

- 11.3.1 Items are only to be used on Council business and in line with accepted procedures and manufacturer's instructions and must not be removed without the specific approval of the Chief Officers.

11.4 Disposal

- 11.4.1 The disposal of all surplus items must be in line with the following guidelines which should be applied by:
- a) The Assistant Director - People for all IT equipment;
 - b) The Chief Officer for all other items;
 - c) The Executive Director - Finance for all other items with a value in excess of £1,000.
- 11.4.2 Each Chief Officer must record the disposal details on the inventory records and must maintain adequate records such as receipts and formal bids. Disposals should be notified to the Executive Director - Finance to ensure that appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

Disposal Guidelines

- 11.4.3 A disposal policy is in place for the disposal of land and property (Asset Disposal Policy). The Asset Disposal Policy must be followed in these instances.

The disposal of any other surplus assets or equipment should be arranged in the manner most useful to the Council, taking into account the value, condition and usefulness of the item. Further guidance is appended.

11.4.4 All IT equipment must be passed to the Technology & Corporate Programmes Service for disposal to ensure that all information retained on disk drive is deleted in accordance with the Data Protection Act 2018.

11.4.5 Particular care must be taken to ensure the Council is not exposed to risk, for example by passing on unsafe items to another body. Any internal sale must be scrupulously fair and open. The guide to the disposal of assets (excluding land and buildings) is appended to this guidance. Advice is available from the Audit Manager or the Executive Director - Communities.

CONTACT: Executive Director - Finance, Audit Manager, Executive Director - Communities

12. Stocks & Stores

12.1 Responsibilities

12.1.1 The aim of controls over stocks and stores is to ensure:

- a) Necessary materials are available when they are needed;
- b) Purchase costs are minimised;
- c) Stock holding costs are minimised;
- d) Waste and other loss is minimised;

To achieve this Chief Officers must ensure:

- a) The correct quantities are purchased at the correct times (to gain discounts and avoid delivery and administration costs);
- b) Excessive levels are not held (taking account of shelf life, storage costs and service needs);
- c) Stocks are held and handled securely;
- d) Adequate records are maintained including:
 - i) purchases and additions
 - ii) issues
 - iii) write-offs.

12.1.2 The Executive Director - Finance can advise on these matters, particularly on the financial records.

12.1.3 Chief Officers must also ensure that movements of stores are properly authorised and documented and that the records note the employee(s) involved in the process. The Audit Manager can advise on these aspects.

CONTACT: Audit Manager

12.2 Stocktaking

12.2.1 **All** stock must be checked at least once a year at the end of the financial year in order to compare actual levels to recorded levels and Chief Officers should consider more frequent checks of valuable, desirable and portable items. Large stores, such as those held at the depots, could achieve this by an agreed process of rolling stocktakes. The Audit Manager will advise if necessary.

12.2.2 Stocktakes must be monitored and checked by employees who are independent of the storekeeping roles. This checking role must include the comparison of actual stocks to the recorded levels.

12.2.3 All discrepancies should be investigated by the line manager. Any material discrepancies (over £100 or desirable commodities) should be reported to the Executive Director Finance who will advise on the

appropriate procedures to follow, and who may inform the Audit Manager.

CONTACT: Audit Manager

12.3 **Obsolete and Unserviceable stock**

12.3.1 The disposal of stocks and stores should be in line with the guidance contained in the section on Assets and Equipment.

12.3.2 Obsolete/damaged stock should be written off prior to year-end and should not be included in year-end stock balances.

12.4 **Intellectual Property**

12.4.1 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.

12.4.2 Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

12.4.3 Chief Officers must ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

CONTACT: Audit Manager, Assistant Director - People

13. Security

- 13.1 All staff must wear their ID pass at all times within Council establishments. Identification should be requested for all visitors to Council establishments. Where applicable, visitors must sign the visitors book both on entry and exit of the building. If appropriate, the visitor must be provided with an identification badge which must be returned on departure. The person issuing the badge should ensure that the badge is returned.
- 13.2 All temporary identification badges should be retained securely.
- 13.3 All building alarms should be linked to the Police Station or directly to the alarm company. Managers should ensure that these links are maintained.
- 13.4 The knowledge of alarm codes should be restricted to relevant staff. Each member of staff must have their own ID for the alarm. If a member of staff leaves the Authority, their ID should be deleted from the system.
- 13.5 Alarm usage reports should be generated on a regular basis. These reports should be reviewed by management who must evidence this review.
- 13.6 All cash handling areas should be secured. All access to cash areas should be locked and access restricted to authorised staff.
- 13.7 Safes should be located out of sight of the public and should be locked at all times. Access to safes must be restricted to authorised personnel. Each member of staff needing access to the safe must be issued with a key. The issue of safe keys should be documented detailing the date issued and the holder. The holder must sign for the receipt of the key. Safe keys **must not** be retained on the premises overnight. Retention of safe keys on unoccupied premises renders the insurance invalid.
- 13.8 Any transfer of keys between staff should be recorded. On termination or transfer of employment, all keys issued to that member of staff should be handed back to the line manager. The key register should be updated to reflect the hand over.
- 13.9 Managers are responsible for ensuring that the cash limit for the safe is not exceeded.
- 13.10 Where a cash collection company is used, managers are responsible for ensuring that the names and signatures of the cash collection staff are up to date.
- 13.11 Further guidance on physical and environmental security is contained within the Information Security Policy.

CONTACT: Executive Director – Communities

14. Data Quality

- 14.1 All employees have a responsibility for ensuring the information we process is accurate and up to date. The Data Quality Policy addresses this.
- 14.2 The consequence of poor quality of data impacts not only the way the Council works, but also anyone who conducts their business with us.
- 14.3 Data Quality Standards possess six essential characteristics, these are:
- **Completeness** – Data quality systems should have in place monitoring to ensure that no data is missing, incomplete or invalid records included.
 - **Accurate** – Data should be accurate for the purpose it is intended, and to be captured as close to the source as possible.
 - **Validity** – Data should be compliant with requirements and within the parameters laid down in any criteria.
 - **Reliability** – Data should be consistent across all collection points and over time. Appropriate controls should be in place to check outputs/inputs, sampling and is compliant with the criteria set out.
 - **Timeliness** – Data should be captured as soon as possible, and available to recipients within the agreed timeframe.
 - **Relevance** – Data captured should be relevant to the purpose for which it is used. Reviews need to take place to ensure the quality reflects any changing needs.

CONTACT: Assistant Director - People

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Equality, Social Inclusion and Health Impact Assessment (ESHIA)

An ESHIA is a review of a new or existing policy, strategy, project, report or service change to establish whether this has a differential impact on specific equality groups and identifies how we can improve equality of opportunity for different groups of people.

An ESHIA aims at improving Tamworth Borough Council's work, by promoting equality, social inclusion, health and wellbeing by ensuring that the proposed or existing policy promotes equality and can benefit a wide range of people.

Details

Title of the proposal	Financial Guidance Update	
Director responsible for the project or service area	Jo Goodfellow	
Officer completing the assessment	Jo Goodfellow	
Date conducted	04/03/25	
Who are the main stakeholders?	TBC staff and Corporate Management Team (CMT); Elected Members; Internal and External Audit; suppliers; contractors; residents	
What is being assessed?	A decision to review or change a service	
	A strategy, policy, report or procedure	x
	A function, service, or project	
What kind of assessment is it?	New	x
	Review of existing	

Part One - Initial screening:

This section should be used to carry out an initial screening of changes or decisions to help to decide whether a full ESHIA is required.

The following six screening questions are designed to assess whether this proposed change is likely to have an impact on equality, social inclusion, health and wellbeing.

		Yes	No
1	Does this new or revised project, proposal, policy, report, procedure likely to have an impact?	X	
2	Does the proposal seek agreement to a key decision involving allocation of resources, such as changes in funding or resources, initiation of a new programme or project or procurement?		X
3	Does the proposal seek agreement on restructuring or reorganising of staffing?		X

4	Will this policy or proposed change have any impact on potential suppliers?	X	
5	Does this policy or proposed change impact on any HR policy or practice within the council?		X
6	Does this policy or proposed change have any implications for equalities, social inclusion and health and wellbeing not covered above?		X

1. If the answer is **no** to all the questions, please provide a summary below outlining why this conclusion has been reached.
2. If the answer is **yes** to any of the questions, please conduct the full ESHIA as detailed in Part two.

If you are unsure of any of the answers, please seek advice from Human Resources.

Summary of initial screening outcome:

The report is for the Audit & Governance Committee to endorse the proposed amendments to Financial Guidance. A number of amendments have been made to update the Procurement Guidance within the document to reflect the requirements of the Procurement Act 2023 which came into effect in February. These will impact potential suppliers and contractors.

The purpose of Financial Guidance is to provide sound arrangements for all the Council's financial affairs and to be able to demonstrate that proper controls are in place; and to safeguard Members and officers by setting out procedures which meet the Council's expected standards.

Decision	Yes	No
Initial screening only		X
Proceed to Part Two, full assessment	X	

Initial screening completed by	Jo Goodfellow
Date	04/3/25

Full screening completed by	Jo Goodfellow
Date	04/03/25

Equality, Social Inclusion and Health Impact Assessment (ESHIA)

Part Two: Full assessment

Section 1

The purpose of the project, proposal or decision required. Set out the aims, objectives, purpose and outcomes of the area being impact assessed. Are any other functions, policies or services linked to this assessment?

The report is for the Audit & Governance Committee to endorse the proposed amendments to Financial Guidance. A number of amendments have been made to update the Procurement Guidance within the document to reflect the requirements of the Procurement Act 2023 which came into effect in February. These will impact potential suppliers and contractors.

The purpose of Financial Guidance is to provide sound arrangements for all the Council's financial affairs and to be able to demonstrate that proper controls are in place; and to safeguard Members and officers by setting out procedures which meet the Council's expected standards.

There are a number of supporting policies and procedures which are referred to throughout the Financial Guidance document.

Section 2

Evidence used and considered. Include analysis of any missing data.

Requirements of Procurement Act 2023 and particularly impacts of social value and requirements for transparency and openness

Section 3

Consultation undertaken with interested parties who will/may be affected proposal? What were the outcomes of the consultation?

No consultation undertaken, implementation of the Procurement Act 2023 and compliance with the provisions is mandatory as this is a legal requirement.

Section 4

What are the potential or actual impacts of the proposal? Please consider both the direct and indirect impact and refer to the guidance for additional information.

Impact Area	Impact? Positive (P)	Details of the impact	Action to address negative impact
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	Negative (N) Neutral (Ne)		
Protected Characteristic, as outlined in the Equality Act 2010			
Age	Neutral		
Disability	Neutral		
Gender reassignment	Neutral		
Marriage and civil partnership	Neutral		
Pregnancy and maternity	Neutral		
Race	Neutral		
Religion or Belief	Neutral		
Sex	Neutral		
Sexual Orientation	Neutral		
Are there socio-economic groups likely to be affected? If yes, please provide detail below			
Other social exclusion	Neutral		
Digital exclusion	Neutral		
Veterans and serving members of the armed forces and their families	Neutral		
Young people leaving care	Neutral		
Health and Wellbeing: Individuals and communities in Tamworth	Impact: Positive (P) Negative (N) Neutral (Ne)	Explanation	Action to address negative impact
Will the proposal have a direct impact on an individual's health, mental health and wellbeing?	Neutral		
Will the proposal directly impact on housing?	Neutral		
Will there be a likely change in	Neutral		

demand for or access to public services such as health and social care services?			
Will there be an impact on diet and nutrition?	Neutral		
Will there be an impact on physical activity?	Neutral		
Will there be an impact on transport, travel and connectivity?	Neutral		
Will there be an impact on employment and income?	Positive	Implementation of social value outcomes may result in more apprenticeships	
Will there be an impact on education and skills?	Positive	Implementation of social value outcomes may result in more apprenticeships	
Will there be an impact on community safety?	Neutral		
Will there be an impact on the environment, air quality, climate change?	Positive	Implementation of social value pledges may include action on climate change	

If there are no adverse impacts or any issues of concern or you can adequately explain or justify them, please move to section 6.

Section 5

Where a potential negative impact has been identified, can continuation of the proposal be objectively justified? If yes, please explain your reasons.

At this stage no negative impacts have been identified, although the requirements of the Procurement Act may deter smaller businesses for tendering for work with the Council

Section 6: Decisions or actions proposed

The assessment may result in some recommendations or suggestions to mitigate any negative impact and maximise positive impacts or actions to reduce the risk of an adverse impact.

Social value pledges and outcomes will be monitored and reported on as part of the annual delivery plan/corporate plan actions.
 The number of suppliers responding to tender and quick quote opportunities will be captured and monitored.

Section 7: Monitoring arrangements

Who will be responsible for monitoring	Procurement team/CMT/Cabinet
Frequency of monitoring	Quarterly performance monitoring
Where will the impact assessment be reported to?	CMT/Cabinet/Corporate Scrutiny
Where this impact assessment will be stored and for how long	

Section 8: Summary of actions to mitigate negative impact (if required)

Impact Area	Action required	Lead officer/responsible person	Target date	Progress

AUDIT & GOVERNANCE COMMITTEE

19th March 2025

Report of the Interim Executive Director Finance

FINAL ACCOUNTS 2024/25 – ACCOUNTING POLICIES AND ACTION PLAN

Purpose

To advise Members of the proposed Accounting Policies for 2024/25.

To provide an outline of the corporate requirements that will need to be achieved in order to produce the Council's Annual Statement of Accounts for 2024/25 (including deadlines but not including detailed responsibilities) and to obtain corporate commitment to the action plan.

Recommendations

That:

1. **the proposed Accounting Policies for 2024/25, attached as Appendix A are approved;**
2. **the target of 31st May 2025 for closure of the final accounts and production of the statement for 2024/25 be approved;**
3. **staffing resources be committed to the provision of appropriate information and support in order to meet the published timescales and the Committee receive progress updates (if required);**
4. **CMT receive a fortnightly update until completion of the audit; and**
5. **The Statement be presented to the Audit & Governance Committee before the end of September 2025.**

Executive Summary

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used.

As part of its statement of accounts, the Council needs to disclose the accounting policies it has applied to all material balances and transactions. There is little discretion to the Council, as the proper accounting practices that all local authorities follow are set down in the Code.

The proposed accounting policies are presented at **Appendix A**. The policies are reviewed annually to identify any which should be removed as they are no longer relevant or have no material effect for the Statement of Accounts. Apart from the dates, in the main these have not significantly changed from the 2023/24 policies and do not depart from the provisions of the 2024/25 Code.

However, with effect from 1st April 2024, the International Financial Reporting Standard (IFRS) 16 Leases replaces International Accounting Standard (IAS) 17 as the method to account for leases in the Council's annual accounts. For Lessors, there will be minor changes only, with the distinction between operating and finance leases still in place.

For Lessees, there will no longer be any distinction between operating and finance leases. This will mean a substantial change in accounting practice for the Council, requiring the recognition of recognise assets and liabilities for all leases with a term in excess of twelve months. We will need to recognise a lease liability (initially at present value of future lease payments) and a right of use asset on the balance sheet (initially matching the lease liability and other potential costs).

Under the standard there is an exemption in place for items of low value, and it is for each individual Authority to set a local policy to define what this value is in practice. It is proposed that the Council's capital de minimis level of £10k be applied. The standard also makes provision to exclude any leases that have less than 12 months remaining on 1st April 2024.

Considerable work has been undertaken to ensure that the Council has identified all leases and has the correct financial information to be able to comply with the standard from 2024/25.

Legislation detailed in Accounts and Audit (Amendment) Regulations 2022, requires the Council to prepare a Draft Statement of Accounts by 31st May (approved by the Council's Chief Finance Officer - the Executive Director Finance), a Committee of the Council to approve the Statement and for the Council to publish the Statement together with the Auditors' opinion by 30th September 2024.

However, due to the significant and unprecedented backlog of outstanding audit opinions in recent years, during 2023/24 DLUHC consulted on a number of measures to clear the backlog of historical audit opinions up to and including financial year 2022/23 by 13th December 2024, followed by a recovery period to reduce the likelihood of the backlog re-emerging by using backstop dates to allow assurance to be rebuilt over one or more audit cycles.. The Accounts and Audit (Amendment) Regulations 2024 were laid in parliament on 9th September 2024 and came into force on 30th September 2024. These set out a schedule of backstop dates and also amended the publication date of draft (unaudited) accounts for financial years 2024/25 to 2027/28, requiring that local authorities should publish their draft accounts by 30th June.

The backstop date for the publication of the audited statement of accounts for 2024/25 is 27th February 2026. However, auditors are still required to issue their annual auditor's report containing the VFM commentary each year by 30th November. It is intended that as in recent years we will continue to aim to complete a first draft of the statement of accounts by 31st May 2024, and to have concluded the audit to enable the statement together with the Auditors' opinion to be published by 30th September 2024.

The annual plan for the production of the statutory accounts for recent years has been reviewed so that the draft accounts for 2024/25 can be produced by 31st May 2025.

The key issues affecting the achievement of these deadlines are detailed in **Appendix B**. The action plan identifies key processes and milestones in achieving the statutory requirement.

The way the Council prepares and reports its accounts (including professional reporting standards and statutory timetables) is a key element within the Council's External Auditors' (Bishop Fleming, with effect from 1st April 2024) assessment of the Council's performance within the Auditor's Annual Report.

The action plan is a key element in the process to deliver the Council's final accounts in compliance with legislation and maintain a high quality standard.

Key milestone dates will be regularly reviewed / monitored to achieve deadlines with material variances reported to CMT and Members (with proposed remedial actions). It is proposed that CMT receive an update, by exception, every 2 weeks until completion of the audit. The information provided (detailed in **Appendix C**), although not comprehensive, highlights information that will need to be supplied in order to meet the deadline.

Key milestones – Provisional Dates:

- Completion of the draft accounts by 31st May 2025;
- Detailed management quality assurance review by 30th June 2025;
- Submission to Bishop Fleming (and to Members) on or before 1st July 2025;
- Report to Audit & Governance Committee by the end of September 2025;
- Latest publish date 30th September 2025.

Consideration and approval of this report is a key control and evidence of the Council's plans for the closedown and production of its accounts in compliance with statutory requirements.

The draft timetable of the year end process is attached at **Appendix D**.

Legal and Risk Implications

There is a risk that if the Council is not sufficiently pro-active, the Council's Statement of Accounts may not remain compliant with both the Code of Practice on Local Authority Accounts and International Financial Reporting Standards (IFRS) which would result in a potential delay or criticism over the production of the Accounts and potentially a qualified audit opinion.

The following top level risks have been identified.

Risk No	Description of Risk	Likelihood Impact	Action Required to Manage Risk
1	Further research reveals the new requirements of either the Code of Practice or IFRS to be more	M H	An early start, adequate research, adequate initial resources, sufficient resource/budget provision for contingencies, ongoing dialogue with external

Risk No	Description of Risk	Likelihood Impact	Action Required to Manage Risk
	complex and time consuming than initially thought.		auditors to discuss/agree approach
2	Incorrect interpretation of changes in either the Code of Practice or IFRS	M H	Adequate training, sufficient resources. Ensure all reasons for actions, inclusions and exclusions, are fully documented and agreed with External Audit.
3	Guidance by CIPFA changing possibly causing delays	M H	Regular review and rescheduling of project timetable if required
4	Delay in receiving information from external parties / contractors	H H	Ensure regular contact with all concerned and continually monitor completeness of the information provided
5	Inadequate training	L M	Research available training, ensure all relevant staff attend, training budget to be adequate
6	Failure to identify all leases	L M	Ensure staff understand exactly what is involved / process to outline the requirements
7	Key staff leaving	M H	Ensure there are sufficient skills within the team to cover / handover arrangements in place
8	Insufficient Resources from External Auditors Bishop Fleming	M H	Continued liaison with Bishop Fleming / proactive approach to ensure they adequately allocate resources to the audit to meet timescales outlined above
9	Incorrect/inaccurate assumptions made re Pensions	M H	Figures are produced by actuaries based on a set of assumptions and estimates for inclusion in the draft statement. Actual figures are subsequently provided for the final statement.
10	Issues with late/inaccurate valuations	L H	Regular communication with valuers, meetings held at start of process and revised valuation approach agreed.
11	Implementation of IFRS 16 (with effect from 1 April 2024)	M H	Ensure there are sufficient skills within the team to implement the requirements of IFRS 16 combined with continued liaison with external auditors and interpretation of accountancy guidance. Proactive engagement with procurement and services obtaining leases to ensure the required information is obtained.

Resource Implications

There are no financial implications arising from this report.

A significant amount of work will need to be undertaken during the period to ensure completion of the Financial Statements by 31st May 2025. There is a high risk of this deadline not being achieved should insufficient resources be directed towards the achievement of this goal – deadlines / key milestones will be closely monitored.

Report Author

Please contact Joanne Goodfellow, Interim Executive Director Finance extension 241.

Background papers	Accounts and Audit (Amendment) Regulations 2022
	Code of Practice on Local Authority Accounting in the United Kingdom (2024/25) based on IFRS

NOTES TO THE ACCOUNTS

Accounting Policies

BASIS FOR PREPARATION

The notes relating to specific financial statement lines include the corresponding accounting policy. As a result, there is not an overall principal accounting policies note. However, the general accounting policies where there are not any accompanying notes are detailed within this note.

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2024/25 financial year and its position at the year end of 31st March 2025. The Accounts and Audit Regulations (England) 2015 require the Authority to prepare an Annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of Non Current Assets and Financial Instruments.

ii. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received, other than prepayments which are accounted for on a cash basis. In particular:

- a) Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- b) Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as Inventories on the Balance Sheet;
- c) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- d) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- e) Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in

the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

The Authority's policy is to review all accruals over £1k together with payments over £5k made in February, March and April to ensure that they are appropriate. Any accruals below this amount are not considered to be material.

iii. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

iv. CHARGES TO REVENUE FOR NON CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- a) depreciation attributable to the assets used by the relevant service;
- b) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- c) amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

v. COUNCIL TAX AND NON-DOMESTIC RATES (ENGLAND)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Taxation and Non-Specific Grant Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vi. INTANGIBLE ASSETS

Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the Intangible Asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset

is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

vii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

viii. FAIR VALUE MEASUREMENT

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Authority uses internal and external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Authority's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

ix. INTERESTS IN COMPANIES AND OTHER ENTITIES

The authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

x. INVENTORIES AND LONG-TERM CONTRACTS

Inventories are included in the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the [FIFO/weighted average] costing formula.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Within notes to the Accounts:

Events after the Reporting Period

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date (31st March 2025) and the date when the Statement of Accounts is authorised for issue (31st May 2025). Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where such a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Transfers to / (from) Earmarked Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund or Housing Revenue Account balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund or Housing Revenue Account balance so that there is no net charge against Council Tax or housing rent for the expenditure.

Certain reserves are kept to manage the accounting processes for Non Current Assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, subject to a de minimis level of £10k, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

b) Measurement

Assets are initially measured at cost, comprising:

- i. the purchase price;
- ii. any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- iii. the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- i. Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost;

- ii. Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH); and
- iii. all other assets – current value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV).

Where there is no market-based evidence of current value because of the specialised nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value. Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. In the case of the Assembly Rooms and Cemeteries valuations, there is no active market and so DRC is used.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years – including an annual desktop review of all Council Dwellings. A review of the valuation of all significant assets is undertaken annually.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- i. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down firstly against that balance (up to the amount of the accumulated gains);
- ii. where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

c) Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where the Authority has incurred capital expenditure on Council dwellings this is included within the Gross Book Value (GBV) and where it is not considered to add value it is included as impairment. These impairments are subject to write out annually.

The Authority has an ongoing programme of regeneration including disposal and redevelopment of garage sites. Where the decision had been made to dispose of a garage site, the value of the buildings element has been impaired to zero leaving only a residual land value.

Where impairment losses are identified, they are accounted for by:

- i. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down firstly against that balance (up to the amount of the accumulated gains);
- ii. where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

d) Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction).

Depreciation is calculated on the following bases:

- i. **Council Housing Stock:** on a straight line basis to an appropriate residual value over the expected useful life of the asset of 50 years.
- ii. **Other Land and Buildings:** on a straight line basis to a nil residual value over the expected useful life of the asset being a range of 5 years to 70 years.

Historical properties: on a straight line basis to a nil residual value over the expected useful life of the asset being over 100 years

- iii. **Vehicles, Plant and Equipment:** on a straight line basis to a nil residual value over the expected useful life of the asset, being between 1 and 20 years.
- iv. **Infrastructure:** on a straight line basis to a nil residual value over the expected useful life of the asset of 30 years.
- v. **Community Assets:** on a straight line basis to a nil residual value over the expected useful life of the asset of 100 years.
- vi. **Heritage Assets:** the Authority considers that the Heritage Assets held will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets.
- vii. **Computer Hardware:** is depreciated over a period of 3 years on a straight line basis to a nil residual value.
- viii. **Investment Properties and Surplus Assets:** no depreciation has been applied to either the land or building value of Investment Properties or Surplus Assets.

- ix. **Intangible Fixed Assets:** computer software licences are amortised to revenue over a period of 3 years.
- x. **Furniture and equipment** – minor purchases by the Authority are charged to revenue in the year of acquisition and are not capitalised in the accounts.
- xi. **De minimis items** of expenditure on computer equipment and software are capitalised under the concept of ‘Grouped Assets’ where the value of such items is material. A charge is made for these assets (depreciation for equipment and amortisation for software), calculated using the straight line method over a period of three years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately – as detailed within the Component Accounting Policy for Property, Plant and Equipment.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

e) Disposals and Non Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to Non Current Assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable

to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the authority's underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

f) Component Accounting Policy for Property, Plant and Equipment

i. De Minimis Level

The de minimis threshold for the Authority is a current net book value of £250k. Individual assets with a value less than £250k will be disregarded for componentisation. This level will be reviewed annually.

ii. Policy for Componentisation

The code requires that each part of an asset should be separately identified and depreciated where the cost is significant in relation to the overall cost of the asset.

To be separately identified as a component, an element of an asset must meet the following criteria:

- have a cost of at least 20% of the cost of the overall asset and
- have a materially different useful life (at least 20% different) and/or
- have a different depreciation method that materially affects the amount charged

The componentisation policy will be applied to new capital spend and new assets with a total cost of over £250k will be considered under the componentisation policy as follows:

- when an asset is enhanced, the cost of the replacement component is compared with the cost of the total asset and the result is measured against the agreed de minimis threshold;
- When an asset is acquired: the cost of any component parts are compared with the overall cost of the new asset and the results assessed against the agreed de minimis threshold;

iii. Valuation

The 5 year valuation cycle remains and therefore componentisation needs to be considered for each asset in the portfolio.

In addition in each financial year, a list of assets that have had capital expenditure incurred will be passed to the finance team and/or valuers who can consider componentisation for any properties not already reviewed.

iv. Impairment

We will continue to complete a desktop Impairment review on an annual basis.

Heritage Assets

Heritage Assets are assets that are held by the Authority because of their cultural, environmental or historical value. Tangible Heritage Assets include historical buildings, paintings, sculptures / statues, archives and other works of art.

The Authority's Museum, Art and Civic Heritage Assets are held in various sites. The Museum Collection has four main collections, General Collection, Art, Furniture and Archaeological Collection and Ephemera.

The collections are used for education, learning, research, enjoyment and are preserved for the use of future generations.

Valuation of Heritage Assets

The Code requires that Heritage Assets are measured at valuation in the 2024/25 financial statements (including the 2023/24 comparative information). The Authority will recognise in the Balance Sheet each asset shown in the table which has an identified value.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below.

The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below.

- **General Collection:** Tamworth Castle has held collections and maintained a museum since it was purchased for the Borough in 1897. The collections are crucial for maximising access to and understanding of Tamworth's heritage. These items are reported in the Balance Sheet at insurance valuation which is based on Market values. Acquisitions, although rare, are initially recognised at cost.
- **Art Collection:** The collection consists principally of views of Tamworth by local artists although some are nationally recognised. The mediums covered include oil, watercolour, lithographs, mezzotints and prints. These too are reported in the Balance Sheet at insurance valuation based on Market values.
- **Archaeological Collection and Ephemera:** The archaeological collection consists mainly of finds from various excavations local to Tamworth, usually as a result of building development around Tamworth Castle site but also in the town and further afield. These are not recognised on the Balance Sheet as cost or valuation information is not reliable for items of this type due to the diverse nature, and lack of comparable market values for the assets held.

- **Civic Collection and Statues:** The Authority's Civic Collection and Statues were valued in April 2012 by external valuers. These assets are deemed to have an indeterminate life with high residual values; hence the Authority does not consider it appropriate to charge depreciation.
- **Tamworth Castle:** The castle dates from c1070 but has been updated and modernised during the interim period. The current value is based on historic cost but there are regular works to maintain the property.

Investment Properties

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods.

Investment Properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains

and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Cash & Cash Equivalents

Cash is represented by Cash in Hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, Cash and Cash Equivalents are shown net of Bank Overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to Non Current Assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had

they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Acquisitions & Discontinued Operations

The results of discontinued operations are shown as a single amount on the face of the Comprehensive Income and Expenditure Statement comprising the profit or loss of discontinued operations and the gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. A discontinued operation is a unit that has been disposed of, or is classified as an Asset Held for Sale.

Officers' Remuneration

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. staff health cover) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this Authority may be used to fund revenue expenditure.

Capital Expenditure & Financing

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a Non Current Asset has

been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund or Housing Revenue Account to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax or housing rent.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

IFRS 16 - Leases

With effect from 1st April 2024, International Financial Reporting Standard (IFRS) 16 Leases will replace the current International Accounting Standard (IAS) 17 as the method to account for leases in the Council's annual accounts.

For Lessors, there will be minor changes only, with the distinction between operating and finance leases still in place.

For Lessees, there will be no distinction between operating and finance leases. This will mean a substantial change in accounting practice for the Council, requiring the Council to recognise assets and liabilities for all leases with a term in excess of twelve months. We will need to recognise a lease liability (initially at present value of future lease payments) and a right of use asset on the balance sheet (initially matching the lease liability and other potential costs).

Under the standard there is an exemption in place for items of low value, and it is for each individual Authority to set a local policy to define what this value is in practice. It is proposed that the Council's capital de minimis level of £10k be applied. The standard also makes provision to exclude any leases that have less than 12 months remaining on 1st April 2024.

Considerable work has been undertaken to ensure that the Council has identified all leases and has the correct financial information to be able to comply with the standard from 2024/25.

a) Authority as Lessee

Under IFRS 16, leases that were previously classified as operating leases for lessees under IAS 17 will be reclassified as finance leases. This will result in the recognition of a right of use asset and a finance lease liability on the balance sheet.

There are a number of exemptions

Low value: For operating leases where underlying asset is of low value no reclassification is required – the Council's capital de minimis level of £10k is to be applied.

Investment property: For operating leases where the asset was previously accounted for as an investment property using the fair value model no reclassification is required.

Short term: If the term of a lease ends within 12 months of 1 April 2024 the lease would be classed as exempt, and its cost included within the disclosure of expenses for those leases.

On the transition date 1 April 2024, a right of use asset and lease liability will be recognised in order to account for the new finance lease under IFRS 16.

The right of use asset will be measured using the following: The amount of the lease liability, adjusted for any prepaid or accrued lease payments related to the lease carried forward at 31 March 2024 on the balance sheet, reduced for lease incentives received, increased for lessee's initial direct costs and for dismantling / removal / restoration costs.

The lease liability will be measured using the following: The present value of the remaining lease payments as at 1 April 2024, discounted using the authority's incremental borrowing rate at 1 April 2024.

A lease that was previously identified as a finance lease under IAS 17 by a lessee will continue to be accounted for as a finance lease under IFRS 16. No adjustments are expected and the carrying amount of the right of use asset and the lease liability at 1 April 2024 will be the carrying amount of the lease asset and lease liability at 31 March 2024.

b) Authority as Lessor

i. Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (Long Term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

ii. Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid

to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Defined Benefit Pension Schemes

The pension costs included in these accounts have been determined in accordance with government regulations and IAS 19. The standard requires the full recognition of the pensions liability (and the movement of its constituent parts) in the Comprehensive Income and Expenditure Statement. These requirements are included within the accounts in accordance with CIPFA recommended practice.

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013:

- i. The liabilities of the Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- ii. Liabilities are discounted to their value at current prices, using a discount rate of 4.85% (short and medium term obligations) and 4.90% (long term).

This is based on an approach whereby a Corporate Bond yield curve is constructed based on the constituents of the iBoxx AA Corporate Bond Index.

Separate discount rates are then set (and corresponding RPI/CPI inflation assumptions) for individual employers, dependent on their own weighted average duration.

- iii. The assets of Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price;
 - property – market value.
- iv. The change in the net pensions liability is analysed into the following components:

Service Cost Comprising:

- **Current Service Cost:** The increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- **Past Service Cost:** The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services

in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- **Net Interest Cost:**

net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- **Expected Return on Plan Assets:** excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

Actuarial Gains and Losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

- **Contributions paid to the Staffordshire Local Government Pension Fund:** Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund and the Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Staffordshire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

b) Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund (and HRA) via the Movement in Reserves Statement.

Contingent Liabilities

A Contingent Liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent Liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Key Issues in the Production of the Statement of Accounts

One of the main ways a Local Authority communicates its financial performance to local stakeholders and the wider community is through its published financial statements.

Between completion of the statement in June and the conclusion of the on-site audit in September, a substantial amount of work will be required liaising with the external auditors to ensure an unqualified audit report.

The 2023/24 draft final accounts as signed by the Executive Director Finance 30th June 2024 were issued to the External Auditor and published on the Council's website. During the external audit, Azets Audit Services Limited identified a number of minor amendments to the Draft which were discussed, agreed and actioned within the Final Statement of Accounts for 2023/24 approved at Audit & Governance Committee 13th November 2024. These adjustments related to presentational or disclosure issues and did not change the overall figures within the main financial statements and the associated notes and did not have any impact on the reported outturn position and net balances of the General Fund, Housing Revenue Account or Collection Fund.

Although the External Auditors had concluded the vast majority of their work on the accounts before the 13th November Audit & Governance Committee, assurances around the pension scheme were still awaited from Staffs CC's auditor KPMG, and for this reason it was agreed to delegate authority to the Chair to approve any changes and re-sign the accounts, and if necessary, report any significant changes to the members of Audit and Governance Committee at the earliest available opportunity. The accounts were subsequently signed off on 29th November and Azets issued their unqualified audit opinion on 20th December.

To meet the necessary deadlines, the closure process for 2023/24 has been reviewed to identify any lessons to be learned for future years.

The main issues affecting the closure of accounts for 2023/24 included:

- the need for corporate ownership of the process;
- reliance on staff in other services and third parties who have other priorities;
- the need for key officers (lead by Corporate Finance) to focus on the achievement of critical deadlines, in the face of and in preference to other competing priorities;
- the need to check/validate creditor accruals (and avoid large numbers of reversals where evidence cannot be provided) – it would aid timely completion of the process if accruals were processed by Managers in compliance with laid down parameters (i.e. receipt of goods/services **before** 31st March);
- Additional resources were required during the audit as 2023/24 was the first year that Azets had audited the Council's accounts. Unfortunately, as they have had to resign the audit due to a conflict of interest, we again have a new external auditor, Bishop Fleming, for 2024/25. A handover process between the two firms is underway and we have had early engagement meetings and discussions with Bishop Fleming prior to interim audit work commencing.

Commitment will be required to ensure that appropriate time and staffing resources will be focussed on the achievement of the key tasks within all Services.

A detailed year end timetable has been prepared (**attached at Appendix C**) and communicated, ensuring tasks are allocated, in the right sequence, to named individuals. The timetable will include a firm cut-off date for accruals and practical details, such as publication and committee deadlines.

It is essential that there is a review at the end of closedown to highlight any lessons to be learned for next year. Equally vital is clear supporting documentation and an audit trail. These will not only help in the current year audit process but will be a sound base for future years.

A risk management approach is essential when resources are limited. The focus will be on known areas of risk based on past experience. A summary of issues from the 2023/24 closedown with material delays are detailed below.

An escalation process will be in place if it is evident that critical tasks are slipping – together with fortnightly updates to CMT. There is still some room for development to ensure an efficient closedown for 2024/25.

2023/24 – Significant Issues

Item	Issue	Proposed Solution / Action Already taken	Action
Manual Accruals	A large number of manual accruals were received after the deadline and/or following identification by Accountant (i.e. not identified proactively by budget managers) – improvement needed as any late or missed accruals could delay the process and create additional work	By 31/03/25, Managers will be asked to ensure that where goods/services have been received the majority of orders are 'goods receipted' within e-financials, thereby generating 'auto-accruals' on 01/04/25 The minimum level for manual accruals will be £5k (as set by Executive Director Finance). However, should material accruals have been missed (i.e. over £5k) then the Service Accountants must be advised and appropriate action taken	ALL
Related Party Transactions	Again – Delayed return of some signed statements.	Requirements for any remaining Members to be contacted in person at Council/Committee meetings – for sign off by 30/04/25 at the latest.	Head of Paid Service
External Valuations	Delays in receiving final reports from external valuers.	Meeting held at start of process with external valuers (Feb 24) and valuation approach and timescales agreed.	Finance and Assets
Pension Assumptions	Impact of pension asset and application of IFRIC 14. Requirement for additional report to be prepared by actuaries for IFRIC 14 disclosures which led to delays.	To request initial data from the Actuary as at 31/03/25, supplemented by an updated report in June 2025. Requirement for IFRIC 14 calculations and disclosures to be requested at start of process. Early discussion with Bishop Fleming as to approach for 24/25.	Finance
Final Sign Off	Delays in completion of the audit following completion of on-site audit. Largely due to delays in receiving sign off for pensions audit	Continued liaison with the external auditors to ensure they adequately allocate resources to the audit to meet timescales outlined above and dates	Finance

Item	Issue	Proposed Solution / Action Already taken	Action
		included in agreed Audit Plan (due A&G Cttee 19/03/25)	

A flexible 'teamwork' approach to make the most of scarce staff resources will be implemented, if necessary. Agreed variations to the flexible working policy or overtime pay (under the discretion of the Executive Director Finance) to speed up the closure of accounts would be considered as well as the need to bring in contract staff.

IT System issues can cause delays and frustrations and appropriate contingency support will be essential, should problems arise.

Procedures have been in place for a number of years to ensure that key reconciliations are performed on a monthly basis during the year and centrally managed suspense or bank control accounts are cleared regularly. A full review of all working papers has been carried out with key staff during the year in preparation for the 2024/25 closedown.

The continued requirement to prepare accounts under IFRS will require a well thought-out approach to the use of estimates and de minimis levels for year-end accruals.

The aim should be to provide appropriate information to enable the efficient closedown without the need to re-open the accounts for late / omitted items i.e. a '**get it right first time**' approach. Managers should make every endeavour to include appropriate accruals, temporary reserves and retained funds and provide the required information in a timely manner.

Knowing the previous year's outturn position earlier will help inform not only the current year's financial performance monitoring but the forthcoming year's budget strategy.

It could also further boost confidence in the Council's financial management - the timeliness and accuracy of the financial statements and the supporting records form part of the auditor's assessment within the Annual Audit Letter.

Appendix C

REF	CORPORATE REQUIREMENTS FINAL ACCOUNTS 2024/25	LEAD OFFICER	DEADLINE
1	Temporary Reserve / Retained Fund information	ALL	11/04/2025
2	Review all outstanding orders and delete where necessary	ALL	01/03/2025
3	All "goods receipts" should be on e-financials by 31/03/25, with evidence held by the Service Departments, in order to ensure 'auto-accruals' are generated. (It is recommended as many as possible done by 20/03/25)	ALL	31/03/2025
4	Deadline for approved manual accruals. (ie goods need to be received by 31/03/25.) Refer to year end guidance	ALL	18/04/2025
5	Staff Holiday and Flexi Leave entitlement as at 31/03/25	ALL	18/04/2025
6	Manual accruals to be kept to a minimum, with ED Finance approval/authorisation only. The minimum level for manual accruals will be £5,000. (However, should material accruals have been missed (i.e. over £5,000) then the relevant Accountant must be advised and appropriate action taken)	ALL	18/04/2025
7	Notify all stock holders of the need for stocktakes to be carried out at 31/03/25 and information returned to Accountancy	ALL	18/04/2025
8	Petty Cash imprest reconciliation. A reminder of the need to complete returns at 31/03/25 will be issued	ALL	18/04/2025
9	IT stock purchases and disposals (hardware and software) information	AD PEOPLE	18/04/2025
10	Bad debt information: E-financials Sundry Debtors and overpayments Homelessness and Housing Rents	AD FINANCE / AD NEIGHBOURHOODS	18/04/2025
11	Completion of asset acquisitions / disposals / revaluations / impairment and production of the asset register certified by qualified valuer	AD ASSETS	Draft by: 31/03/25 Final by: 18/04/2025
12	All reconciliations to be complete and returned to Accountancy; debtors, benefit, rent, car loans, rent allowance etc. (monthly reconciliations should be completed during the year)	ALL	18/04/2025
14	Related Party Transaction information. Letters to be sent by 21/03/25 - Approach at Committee if delayed	S151 / MO	18/04/2025
15	Managers confirmation of continued existence and responsibility for assets	ALL	18/04/2025
16	Information for completion of DWP and Subsidy estimated claims from benefits	AD FINANCE	18/04/2025
17	Improvement grant reconciliation	AD ASSETS	18/04/2025
18	Collection fund information (NNDR3)	AD FINANCE	25/04/2025
19	IAS 19 Pension information from SCC Pension Fund/actuaries	SCC/Actuary	30/04/2025
20	Review Code of Corporate Governance and prepare Annual Governance Statement	Head of Internal Audit	30/04/2025
21	Review grant estimates (Benefits) / comparison to actual submissions	AD FINANCE	25/04/2025
22	Review potential post balance sheet events / impact on accounts	ALL	Up to 30/09/25

Audit Planning Timetable 2024/25		
Date / Deadline	Completion of:	
Feb-25	Audit Planning Meeting / requirements (following changes to code, financial analysis, working papers & format, use of estimates etc)	
Feb-25	CIPFA Closedown Workshop	
Feb/Mar – 25	Interim Audit – walkthrough and early testing	
Mar-25	Informing the Audit Risk Assessment and Audit Plan to Audit & Governance Cttee	
31/05/2025	Draft Statement preparation	
Jun-25	Quality assurance	
30/06/2025	<i>Submission of Accounts (to Bishop Fleming and Members)</i>	
June	Detailed Audit Plan for 2024/25 Audit confirmed (for planning / management purposes)	
July / Aug	Engagement Lead review	
July / Aug	On Site Audit Commences (review of working papers / reconciliations / quality assurance process)	Accountants / Key Officers to be available for Auditor questions by appointment
July / Aug	Weekly Meetings with Audit Manager (including emerging Audit Findings report issues) - issues to date documented in one logical list i.e. no repeated issues	
Aug	On Site Audit Concludes (the statement will be changed, as necessary, as the audit proceeds) - Weekly Meeting with Audit Manager	
Weekly	Draft list of audit amendments / issues received (subject to Engagement Lead review)	
Early Sept	Final list of audit amendments / issues received (after Engagement Lead review)	
By 05/09/2025	Close out meeting (with Engagement Lead review)	
12/09/2025	Amended Statement of Accounts prepared	
12/09/2025	Audit Findings Report received	
12/09/2024	Audit Report to be circulated via Modgov	
24/09/2025	Audit Findings Report to Audit & Governance Committee / Sign Off	
30/09/2025	Publish at latest	

Equality, Social Inclusion and Health Impact Assessment (ESHIA)

An ESHIA is a review of a new or existing policy, strategy, project, report or service change to establish whether this has a differential impact on specific equality groups and identifies how we can improve equality of opportunity for different groups of people.

An ESHIA aims at improving Tamworth Borough Council’s work, by promoting equality, social inclusion, health and wellbeing by ensuring that the proposed or existing policy promotes equality and can benefit a wide range of people.

Details

Title of the proposal	Final Accounts 2024/25 Accounting Policies and Action Plan	
Director responsible for the project or service area	Jo Goodfellow	
Officer completing the assessment	Jo Goodfellow	
Date conducted	05/03/25	
Who are the main stakeholders?	TBC staff and Corporate Management Team (CMT); Audit & Governance Committee Members; internal and external audit	
What is being assessed?	A decision to review or change a service	
	A strategy, policy, report or procedure	x
	A function, service, or project	
What kind of assessment is it?	New	x
	Review of existing	

Part One - Initial screening:

This section should be used to carry out an initial screening of changes or decisions to help to decide whether a full ESHIA is required.

The following six screening questions are designed to assess whether this proposed change is likely to have an impact on equality, social inclusion, health and wellbeing.

		Yes	No
1	Does this new or revised project, proposal, policy, report, procedure likely to have an impact?		X
2	Does the proposal seek agreement to a key decision involving allocation of resources, such as changes in funding or resources, initiation of a new programme or project or procurement?		X
3	Does the proposal seek agreement on restructuring or reorganising of staffing?		X

4	Will this policy or proposed change have any impact on potential suppliers?		X
5	Does this policy or proposed change impact on any HR policy or practice within the council?		X
6	Does this policy or proposed change have any implications for equalities, social inclusion and health and wellbeing not covered above?		X

1. If the answer is **no** to all the questions, please provide a summary below outlining why this conclusion has been reached.
2. If the answer is **yes** to any of the questions, please conduct the full ESHIA as detailed in Part two.

If you are unsure of any of the answers, please seek advice from Human Resources.

Summary of initial screening outcome:

The report seeks to advise Members of the proposed Accounting Policies for 2024/25; to provide an outline of the corporate requirements that will need to be achieved in order to produce the Council's Annual Statement of Accounts for 2024/25 to the required deadlines; and to obtain corporate commitment to the action plan.

Decision	Yes	No
Initial screening only	X	
Proceed to Part Two, full assessment		X

Initial screening completed by	Jo Goodfellow
Date	05/03/25

Full screening completed by	
Date	

Equality, Social Inclusion and Health Impact Assessment (ESHIA)

Part Two: Full assessment

Section 1

The purpose of the project, proposal or decision required. Set out the aims, objectives, purpose and outcomes of the area being impact assessed. Are any other functions, policies or services linked to this assessment?

Section 2

Evidence used and considered. Include analysis of any missing data.

Section 3

Consultation undertaken with interested parties who will/may be affected proposal? What were the outcomes of the consultation?

Section 4

What are the potential or actual impacts of the proposal? Please consider both the direct and indirect impact and refer to the guidance for additional information.

Impact Area	Impact? Positive (P) Negative (N) Neutral (Ne)	Details of the impact	Action to address negative impact
Protected Characteristic, as outlined in the Equality Act 2010			
Age			
Disability			
Gender reassignment			
Marriage and civil partnership			
Pregnancy and maternity			
Race			
Religion or Belief			
Sex			
Sexual Orientation			

Are there socio-economic groups likely to be affected? If yes, please provide detail below			
Other social exclusion			
Digital exclusion			
Veterans and serving members of the armed forces and their families			
Young people leaving care			
Health and Wellbeing: Individuals and communities in Tamworth	Impact: Positive (P) Negative (N) Neutral (Ne)	Explanation	Action to address negative impact
Will the proposal have a direct impact on an individual's health, mental health and wellbeing?			
Will the proposal directly impact on housing?			
Will there be a likely change in demand for or access to public services such as health and social care services?			
Will there be an impact on diet and nutrition?			
Will there be an impact on physical activity?			
Will there be an impact on transport, travel and connectivity?			
Will there be an impact on employment and income?			

Will there be an impact on education and skills?			
Will there be an impact on community safety?			
Will there be an impact on the environment, air quality, climate change?			

If there are no adverse impacts or any issues of concern or you can adequately explain or justify them, please move to section 6.

Section 5

Where a potential negative impact has been identified, can continuation of the proposal be objectively justified? If yes, please explain your reasons.

Section 6: Decisions or actions proposed

The assessment may result in some recommendations or suggestions to mitigate any negative impact and maximise positive impacts or actions to reduce the risk of an adverse impact.

Section 7: Monitoring arrangements

Who will be responsible for monitoring	
Frequency of monitoring	
Where will the impact assessment be reported to?	
Where this impact assessment will be stored and for how long	

Section 8: Summary of actions to mitigate negative impact (if required)

Impact Area	Action required	Lead officer/responsible person	Target date	Progress

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19 March 2025

Report of the Interim Audit Manager

Audit Committee Effectiveness

Exempt Information

None.

Purpose

To update the Audit & Governance Committee following the Committee appointed working group’s consideration of the annual self-assessment of Committee effectiveness.

Recommendations

It is recommended that:

- 1. The Committee approves the attached self-assessment checklist (Appendix 3) and endorses the actions to improve its effectiveness.**

Executive Summary

CIPFA published guidance on the function and operation of Audit Committees in local authorities and police bodies in 2022 and this represents good practice for audit committees (**Appendix 1**). Additional guidance has been issued in conjunction with the Position Statement and this is attached as **Appendix 2**.

The Position Statement emphasises the importance of Audit Committees being in place in all principal local authorities, and it also recognises that Audit Committee are a key component of governance. Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

The Audit & Governance Committee initially considered the self-assessment at their meeting of 5 February 2025. The Committee appointed a working group of volunteers (Cllrs Adams, Bain, Couchman and Wells) to review the self-assessment checklist on the Committee’s behalf. The group met on 17 February 2025 and their final checklist is now detailed at **Appendix 3** for the Committee’s approval.

A proposed action plan where potential improvements have been identified within the updated self-assessment is detailed below for the Committee’s endorsement:

Ref	Good Practice Checklist	Proposed Action, Responsibility & Timescale
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	The Committee reports to full Council as part of the Chair’s Annual Report to Council annually. Processes to enhance this reporting will be confirmed with the

Ref	Good Practice Checklist	Proposed Action, Responsibility & Timescale
		Chair prior to the next reporting period. Interim Audit Manager, April 2025
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	The Committee's terms of reference will be reviewed to ensure fully compliant with the CIPFA 2022 Position Statement. Interim Audit Manager, May 2025
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	The Council's recent Peer Review has highlighted increased training and awareness of audit, governance and risk management as an improvement and this action is detailed within the Peer Challenge Action Plan. Link below: Appendix 2 Corporate Peer Challenge Draft Action Plan.pdf In addition, for best practice and in conjunction with the above, the Committee and Chair will renew the skills matrix and training plan. Interim Audit Manager, May 2025
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	To be included in training, as 5. Interim Audit Manager, May 2025
7	Does the governing body hold the audit committee to account for its performance at least annually?	As 2.
8	Does the committee publish an annual report in accordance with the 2022 guidance, including: <ul style="list-style-type: none"> • compliance with the CIPFA Position Statement 2022 • results of the annual evaluation, development work undertaken and planned improvements • how it has fulfilled its terms of reference and the key issues escalated in the year? 	As 2.
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	As 4.
10	Over the last year, has adequate consideration been given to all core areas?	Following 4, an analysis will be undertaken between the terms of reference and agenda to ensure assurance is received on all core areas. Interim Audit Manager, May 2025
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	As 10.
12	Has the committee met privately with the external auditors and head of internal audit in the last year?	Provision is made annually for a private meeting of the Committee with Internal Audit and External

Ref	Good Practice Checklist	Proposed Action, Responsibility & Timescale
		Audit. It is on the March 2025 agenda. Interim Audit Manager, March 2025
13	Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation.	Recruitment of independent member/s has been considered by the Committee previously. A link to the latest update is below: 26 July 2024 Audit Committee Report The Committee are asked to consider their current direction on this. Audit & Governance Committee, March 2025
14-17	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled? Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years? Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance? Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	As 5.
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	To be addressed at the March 2025 meeting and it is suggested that feedback is included within the Chair's Annual Report to Council. Chair of Audit & Governance, May 2025
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	As 19.
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	To be included in training, as 5. Interim Audit Manager, May 2025
22	Are meetings effective with a good level of discussion and engagement from all the members?	To be included in training, as 5. Interim Audit Manager, May 2025
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	To be included in training, as 5. Interim Audit Manager, May 2025
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?	To be included in training, as 5. Interim Audit Manager, May 2025
26	Do audit committee recommendations have traction with those in leadership roles?	As 19.

Ref	Good Practice Checklist	Proposed Action, Responsibility & Timescale
27	Has the committee evaluated whether and how it is adding value to the organisation?	As 2, 4, 10.
28	Does the committee have an action plan to improve any areas of weakness?	This report and action plan satisfy this requirement. Internal Audit Manager, March 2025
29	Has this assessment been undertaken collaboratively with the audit committee members?	Committee's consideration of this report, satisfy this requirement. Audit & Governance Committee, March 2025.

Options Considered

Not applicable.

Resource Implications

None.

Legal/Risk Implications Background

Audit Committee's are a key component of a Council's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and internal control arrangements. Undertaking an annual self-assessment of effectiveness, supports the Committee's role in ensuring that there is sufficient assurance in these areas which gives further confidence to those charged with governance that such arrangements are effective.

A significant aspect of the Audit Committee's remit is risk management. The Committee's review of the effectiveness in this area provides further assurance and confidence that the Council's most significant / material risks are being managed appropriately.

Equalities Implications

Equality, Social Inclusion and Health Impact Assessment (ESHIA) completed at **Appendix 4**.

Environment and Sustainability Implications (including climate change)

None.

Background Information

None otherwise appended or linked within this report.

Report Author

Rebecca Neill – Interim Audit Manager
Rebecca-Neill@tamworth.gov.uk

List of Background Papers

None, otherwise referenced above.

Appendices

Appendix 1 – CIPFA Position Statement on Audit Committees (2022)
Appendix 2 – CIPFA Guidance on Audit Committees (2022)
Appendix 3 – Audit Committee Self-Assessment of Compliance with Good Practice
Appendix 4 – ESHIA

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CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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Audit committees:

practical guidance for
local authorities and police

2022 edition

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The **Chartered Institute of Public Finance and Accountancy** (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

Guiding the audit committee

Supplement to the audit
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Introduction

This section is aimed at officers responsible for guiding the audit committee. It will also be a useful reference guide for an audit committee member wanting to develop greater understanding of the committee's role or access additional resources.

It identifies the underpinning legislation, regulations, guidance or resources that the committee should be referencing in its operations.

It is a supplement to the guides *Audit committee member in a local authority* and the *Police audit committee member* and should be read in conjunction with the appropriate guide. It includes information for both authorities and police bodies.

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Core functions of the audit committee

MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

Good governance

Delivering Good Governance in Local Government: Framework (CIPFA/Solace 2016) is principles based and informs the approach to good governance adopted by police, local authorities and fire and rescue authorities. CIPFA recommends that each authority develops a local code of governance setting out how it applies the principles in practice.

CIPFA's **Financial Management Code** (FM Code) also attributes responsibility for the Framework to the authority's leadership team. This supports the principle of assurance in the FM Code.

Other useful resources for evaluating governance and identifying governance risks include the research resource co-ordinated by the Centre for Governance and Scrutiny, **The governance risk and resilience framework**. This sets out the risks to good governance and can be used as part of the evaluation process for the annual governance statement (AGS) or as part of other governance development work. Further information on the AGS is included in **Accountability and the annual report**.

Where an authority is found to have failed in its statutory obligations to provide best value, the government has the power to intervene. The audit committee is one of the mechanisms an authority should have in place to identify, escalate and oversee the improvement of any governance weaknesses.

In Wales, the **Local Government and Elections (Wales) Act 2021** provides for intervention by Welsh ministers to increase the extent to which a council is meeting the performance requirements.

Key references

Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) ('the Framework') sets the standard for governance in UK local government bodies. The Framework is supported by guidance notes for each sector (CIPFA/Solace, 2016) as follows.

- **Delivering Good Governance in Local Government: Guidance Notes for English Authorities**
- **Delivering Good Governance in Local Government: Guidance Notes for Scottish Authorities**
- **Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities**
- **Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales**

Accounts and audit regulations (various according to location in the UK)

The governance risk and resilience framework (Centre for Governance and Scrutiny, 2021)

Ethical values

As part of the annual governance review, the audit committee should consider how effectively the **Seven Principles of Public Life** are supported and whether the arrangements in place to achieve Principle A of the governance framework are fit for purpose:

Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.

Authorities have a standards committee to oversee member conduct and review complaints. This is not a function of the audit committee and combining the two committees should be avoided.

The standards framework for elected members in England was established by the **Localism Act 2011**. English local authorities have a statutory duty to promote and maintain high standards of conduct, and the audit committee should consider assurances on the discharge of this responsibility and be satisfied that there are arrangements in place. The Committee on Standards in Public Life last reviewed standards in local government in 2019. The report recommended some amendments to the Act, but in its 2022 response, the Department for Levelling Up, Housing and Communities (DLUHC) did not commit to these. This remains an active topic that the audit committee should be aware of, and it should understand the steps its authority is taking to promote and ensure good ethical arrangements are in place.

The **Public Sector Internal Audit Standards** (PSIAS) include the ethical framework as a specific area of governance for internal audit work.

Whistleblowing arrangements support the development of ethical conduct and greater transparency and help authorities ensure compliance with the **Public Interest Disclosure Act 1998**. As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the committee may wish to review the effectiveness of the whistleblowing arrangements.

Useful resources

Upholding Standards in Public Life (Committee on Standards in Public Life, 2021)

Risk management

In determining the audit committee's responsibilities towards risk management, authorities should have regard to the responsibilities of other committees such as scrutiny committees and the specific responsibilities of those charged with governance in relation to risk management. Where a local authority establishes a separate risk committee, then its roles and responsibilities need to be considered in determining the role of the audit committee.

Police audit committees are directed in the **Financial Management Code of Practice for the Police Forces of England and Wales** (FMCP) (Home Office, 2018) to advise the PCC and the chief constable on the adoption of appropriate risk management arrangements.

Welsh local authority and English combined authority audit committees are required to review and assess risk management arrangements.

Internal controls

Internal control arrangements will be informed by service requirements and guidance specific to individual areas.

Financial management

Regarding financial management arrangements, CIPFA's FM Code is a helpful resource to guide and evaluate the adequacy of financial management. The results of the assessment should be shared with the audit committee.

Audit committees in local authorities in Wales and in combined authorities are required to review and scrutinise the authority's financial affairs. Robust arrangements for financial control, understanding financial risks and longer-term financial planning will provide assurance to the committee. The review of financial statements also supports this objective. Care should be taken to not overlap with financial scrutiny. Tasks such as budget monitoring should not be undertaken by the committee.

Value for money and best value arrangements

Making best use of resources is a key objective for all local authorities and is part of the Framework. One of the behaviours and actions that underpin Principle C of the Framework is "delivering defined outcomes on a sustainable basis within the resources that will be available." When the AGS is prepared, the adequacy and effectiveness of arrangements to secure value for money (VfM) should be included, as per CIPFA guidance.

One specific area of activity for the committee will be consideration of the external auditor's wider work, as set out in the codes of audit practice and other guidance adopted by national audit bodies as follows.

- **England:** statutory value for money commentary as defined by the [National Audit Office](#).
- **Scotland:** periodic reviews of best value from [Audit Scotland](#).
- **Wales:** annual improvement reports from [Audit Wales](#).
- **Northern Ireland:** a review of arrangements for the use of resources from [Northern Ireland Audit Office](#).

When the external auditor raises concerns about VfM, the audit committee should ensure there is a robust action plan to address the issues raised. A significant VfM failing is likely to lead to a formal recommendation or report in the public interest. In addition to the work of the auditor, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement.

The [Cities and Local Government Devolution Act 2016](#) requires the audit committee of a combined authority to review and assess the economy, efficiency and effectiveness of resource use in discharging the authority's functions. By reviewing the adequacy of the authority's arrangements, including aspects such as performance management, financial planning and procurement, the audit committee will be able to report and make recommendations to fulfil this responsibility. Where risks to value for money are identified to the audit committee – for example, through the work of internal audit – those concerns need to be escalated for management action.

Countering fraud and corruption

The audit committee should include counter fraud and corruption within its agenda. This should not be limited to an update to the committee on a significant case of fraud or corruption. The audit committee's responsibility to have oversight of arrangements means that they should be able to judge whether the authority's arrangements are fit for purpose

CIPFA's [Code of Practice on Managing the Risk of Fraud and Corruption](#) (2014) sets out the counter fraud standards for public sector organisations. Sector-specific strategies such as [fighting fraud and corruption locally](#) should also be considered, along with [Integrity matters](#)

(HMICFRS, 2015). The committee should understand the level of fraud risk the authority is exposed to and the implications for the wider control environment.

The audit committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the **Bribery Act 2010**.

The CIPFA guidance on the AGS recommends that the adequacy of counter fraud arrangements is evaluated and reported on in the AGS with reference to the *Code of Practice on Managing the Risk of Fraud and Corruption*. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice. The audit committee may also refer to the Internal Audit Standards Advisory Board's (IASAB) guidance on **internal audit's role in counter fraud** (2017), which sets out internal audit's responsibility to provide assurance to the organisation on how it manages fraud risk.

Partnership governance, collaborations and subsidiaries

Ensuring that the audit committee has oversight of significant collaboration arrangements or the governance arrangements for the authority's partnerships is important. This is an area of assurance that should be planned as new arrangements are established as well as considered regularly.

Guidance is available in CIPFA publications, including **Successful Collaborations in the Public Services: The Role of Internal Audit** (2021). This highlights some of the governance risks that should be considered in collaborative arrangements, together with the role of internal audit. It highlights the need for the audit committee's oversight of internal audit to extend to their work on collaborations.

CIPFA's **Effective Governance of Collaboration in Policing** (2021) provides an overview of the nature of collaborations in policing and guidance on governance for those arrangements, and other relevant guidance is included in **Principles for section 151 officers working with LEPs** (2018).

Recently, authorities that have the general power of competence have established trading companies to operate more commercial activities, including delivery of services and commercial investments. Some authorities have experienced difficulties with these activities, so the governance, oversight and risk management arrangements in them are likely to be of considerable interest to the audit committee. CIPFA has issued new guidance in 2022 in **Local Authority Owned Companies: A Good Practice Guide**.

In addition to reviewing assurances over partnerships, the committee may choose to develop its own partnership arrangements with the audit committees of partner organisations. This could involve planning and co-ordinating agendas or developing forums to share ideas or briefings. More established partnerships could lead to the development of a shared audit committee between partner authorities or a joint committee.

FINANCIAL AND GOVERNANCE REPORTING

Financial reporting

Local authority financial statements should follow the professional practices set down in the **Code of Practice on Local Authority Accounting in the United Kingdom** (CIPFA/LASAAC). The responsible financial officer is required by statutory provision to sign the statements to confirm that they have been properly prepared and are ready for audit prior to the commencement of the period for the exercise of public rights. These are the unaudited accounts. Currently, deadlines are subject to change because of the COVID-19 pandemic (and because of difficulties resourcing local audit in England). Therefore, it will be important to check the current regulations applicable.

At the time of publication, the latest regulations were as follows.

- In England, **The Accounts and Audit (Amendment) Regulations 2021**. This amends the Accounts and Audit Regulations 2015.
- In Wales, **The Accounts and Audit (Wales) (Amendment) Regulations 2018**. This amends the Accounts and Audit (Wales) Regulations 2014.
- In Scotland, **The Local Authority Accounts (Scotland) Regulations 2014**.
- In Northern Ireland, **The Local Government (Accounts and Audit) (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020**. This amends the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

Further details about the requirements of the regulations are in Appendix A.

Prior to the current period of disruption, there had been a trend to reduce the elapsed time from the end of the financial year to the publication of audited statements. For example, under the 2015 regulations for English authorities and policing bodies, in practice, the latest date by which the statements would need to be confirmed (by the responsible finance officer) is 31 May, as the 30 working day period for the exercise of public rights must include the first ten days of June. In CIPFA's view, the timely availability of the statements is important for transparency and accountability.

Under the regulations, Scottish and Northern Irish authorities must all ensure that the financial statements are signed off by the chief financial officer (CFO) by 30 June. The Accounts and Audit (Wales) (Amendment) Regulations 2018 require preparation and publication to be completed by 15 June. Authorities have had flexibility to delay due to COVID-19, but deadlines will revert to those specified in regulations at an appropriate point.

CIPFA recommends that it is good practice for the accounts and the AGS to be reviewed by the audit committee prior to the commencement of the external audit. The committee will also review them at the completion of the audit prior to publication. Authorities will formally approve the financial statements after the completion of the external audit.

The date the statements must be published by is set down in government regulations. Prior to COVID-related amendments, the latest date for publication was 31 July for English authorities. Scottish and Welsh authorities must publish by 30 September, and Northern Irish authorities must publish by 31 October. These dates are intended to reflect the target for the completion of the audit. However, meeting the deadline is not a statutory requirement for the auditor; auditors will aim to meet this date, but their primary concern is to complete the audit to the required auditing standard.

The financial statements are the most technical aspect of the audit committee's remit and one that can be daunting for those elected members with no prior experience of financial reporting or

external audit. The differences in financial reporting practice in the accounts can also be daunting for those used to the presentation of company accounts. Additional attention should therefore be paid to this area when evaluating training needs.

Annual governance statements

Legislation requires local authorities, fire and rescue authorities and police bodies to prepare an AGS and to report publicly on the effectiveness of governance and control (see Appendix A for details of the legislative requirements). The AGS should be reviewed and then approved by an authority body prior to being signed by the leading member and the authority's chief executive. Typically, audit committees undertake the role of reviewing the AGS prior to approval.

Statutory and professional guidelines will determine when the AGS goes before the audit committee for review. These are set out in [Financial reporting](#) and in more detail in Appendix A. CIPFA recommends that the AGS is first reviewed by members of the audit committee at an earlier stage to allow comments and contributions to be made. The AGS must be current at the time it is published, so the audit committee should review it before final approval.

When the AGS is taken to the audit committee for review, it provides an opportunity to sense check the content, ensuring it is consistent with other information and is understandable to a lay reader.

The audit committee should be made aware of any updates to guidance on the AGS issued by CIPFA.

In March 2022, CIPFA's Practice Oversight Panel published an [advisory note on governance](#). The note emphasises the importance of ensuring that annual reviews of governance and the AGS are robust. An effective audit committee is one important aspect of ensuring adequate internal challenge.

Other accountability reports

The audit committee may be asked to comment on or review other accountability reports. If this is consistent with the purpose of the committee, then it may be appropriate – for example, if the report included extracts from the financial statements or AGS. It should always be clear whether the committee is being asked to formally endorse any report and consider whether this involves duplication with the work of other committees.

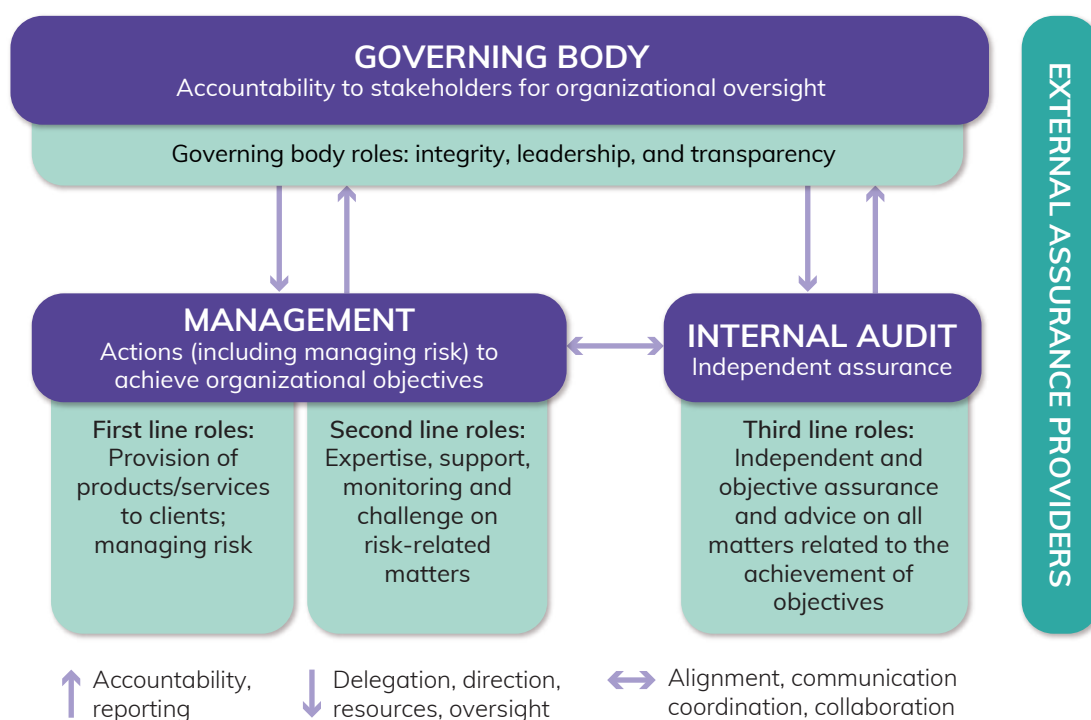
SUPPORTING ARRANGEMENTS FOR AUDIT AND ASSURANCE

Assurance frameworks and assurance planning

The organisation's leadership team should establish arrangements to provide them with assurance. The purpose of assurance is to provide greater certainty over the operation of internal control arrangements and the implementation of policies and decisions. In practice, an organisation will have a range of different means of obtaining assurance, some of which will already be embedded in management arrangements. Taken together, the suite of assurances forms the framework of assurance for the organisation. Some organisations have taken steps to map or summarise their arrangements in diagrammatic or tabular form.

CIPFA is in the process of establishing more detailed guidance for leadership teams on assurance frameworks, including high-level principles to define assurance frameworks. The purpose of this will be to raise awareness of assurance and the different forms it can take. Developing CIPFA guidance will include the [Three Lines Model](#) developed by the Institute of Internal Auditors (IIA).

Figure 1: The IIA's Three Lines Model



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Having a good understanding of different sources of assurance is important:

- for managers and the leadership team, to have confidence in how things work in practice
- for the audit committee, to help them fulfil their responsibilities
- for internal auditors, to inform risk assessments, supplement the direct independent audit work the team undertakes, and to inform the head of internal audit's annual opinion.

As well as understanding the organisation's arrangements for obtaining assurance, the audit committee should ensure that it receives the assurances necessary to support its annual report and to play its part in reviewing the AGS. While internal audit and external audit will be significant contributors to the overall assurance, the committee will need to be proactive in specifying additional areas where assurance is needed.

External audit

Audit committees have a role to play in relation to the appointment of external auditors. This role varies between England, Scotland, Wales and Northern Ireland, primarily due to the change in appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the **Local Audit and Accountability Act 2014**.

In Scotland, Wales and Northern Ireland, national audit agencies are responsible for the audits of local bodies. In England, authorities have the option to appoint auditors themselves via means of an auditor panel (individually or jointly with other bodies) or through Public Sector Audit Appointments (PSAA), which has been established by the Local Government Association (LGA) and specified as an 'appointing person' under the 2014 Act. For further information on auditor panels and the role of the audit committee, see CIPFA's **Guide to Auditor Panels** (2015).

The audit committee's role in appointment is generally to express an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, PSAA appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel, which will oversee the local appointment process. Where the audit committee members meet the requirements of an auditor panel as defined in regulations supporting the 2014 Act, then the committee can operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process. For this reason, there is extensive guidance from the Financial Reporting Council (FRC) for external auditors on the need to safeguard independence and objectivity. These rules apply to all auditors across all sectors. In addition, the national audit bodies issue guidance to auditors on safeguarding integrity, objectivity and independence. It is an important role for an audit committee to help guard against threats to independence and to satisfy itself that the external auditor's independence is safeguarded. The critical issue of independence will be considered when the external auditor is appointed, but the audit committee's role will be to monitor on an annual basis, or more often when required.

Each year, the external auditor will disclose to the committee an assessment of whether it is independent. This disclosure should include any significant facts that could impact, or be seen to impact on, independence and objectivity, together with any safeguards put in place. The audit committee should use this opportunity to discuss with the external auditor their assessment of threats to independence and any safeguards. The table below summarises the potential threats that external auditors need to consider and manage.

Understanding the potential threats to external independence

Self-interest threat

This is where there are, or are perceived to be, financial or other interests that could impact on the actions of the external auditor. The potential fees from provision of non-audit or additional services to the audited body could fall within this category.

Self-review threat

This is where the audit could include a review of work performed or services or advice provided by the same firm or team.

Management threat

This is where the auditor has become involved in or associated with decision making at the audited body.

Advocacy threat

This is where the auditor has taken on an advocacy role for the audited body or supports the management in an adversarial or promotional context.

Familiarity (or trust) threat

This is where familiarity or close personal relationships mean that the external auditor is insufficiently questioning or accepting in forming audit judgements.

Intimidation threat

This is where the conduct of the external auditor is influenced by fear or threats from individuals in the audited body.

Full details of the threats are set out in the [Revised Ethical Standard 2019](#) (FRC).

Receiving and considering the work of external audit

The timetable of external audit work will be shaped by the appropriate Code of Audit Practice under which the audit is being undertaken and the appropriate regulations of the nation.

From time to time, there may be disruption to the routine timetable of audit. For example, the impact of the pandemic and recent difficulties experienced in England by local audit firms have contributed to delays. Where this is the case, the audit committee should actively monitor changes to timetables and audit plans, supporting good communication between the auditor and the authority to manage difficulties in the best possible way. Those officers responsible for liaising with the external auditor should ensure the audit committee is kept informed and any difficulties drawn to their attention at an appropriate stage.

One of the recommendations of the Redmond Review ([Independent review into the oversight of local audit and the transparency of local authority financial reporting](#)) was that the external audit annual report should be submitted to full council by the external auditor. The rationale behind the recommendation was that there were examples where serious issues raised with the audit committee by the external auditor were not then escalated to full council. As all councillors are “charged with governance”, they should be aware of serious issues and the overall results of the audit.

In addition, full council is more visible to the public than the audit committee, so it supports greater transparency. When this recommendation was considered by the stakeholder group advising DLUHC, it was considered important for the audit committee to receive the external auditor’s reports, allowing more in-depth discussion and formulation of recommendations for action in response to issues raised. It suggested that the annual report should be presented to full council in the way suggested by Sir Tony to improve transparency and strengthen the governance response, but it should also be accompanied by a report from the audit committee setting out its suggested response to the report. This was discussed in the technical consultation issued in July 2021 and CIPFA would support this approach.

Although the specific recommendation related to English local authorities, CIPFA would recommend that authorities in the rest of the UK also consider adopting a similar approach, if they do not do so already.

Supporting the quality and effectiveness of the external audit process

The audit committee should support the quality and effectiveness of the external audit process:

- at the planning stage, understanding and commenting on external audit plans, assessment of risks and proposed areas of focus, and deployment of audit effort in response to identified risks
- during the external audit process, including:
 - assessing whether the external auditor has a good understanding of the authority
 - how the external auditor has responded to areas of audit risk
 - actions taken to safeguard independence and objectivity
- at the reporting and finalisation stages:
 - ensuring there is feedback from key people such as the CFO and the head of internal audit on the conduct of the audit
 - supporting the auditor’s annual report to the full council, PCC, chief constable or other body as appropriate on the results of its considerations with the audit committee report.

In monitoring the quality of the external audit provision, the audit committee should be briefed on any relevant issues around quality that emerge from the regulation of external audit – for example, the quality reports from the FRC and contract monitoring reports from PSAA. Links to useful resources are provided at the end of the section.

There should be an opportunity for the audit committee to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship.

Supporting audit quality

The audit committee should be an advocate for high audit quality. Ensuring that quality is maintained provides confidence in the audit opinion and recommendations. In its interactions with the auditors, the committee should be alert to the culture of the auditor and its regard for quality, its customer focus and how the firm creates a positive audit culture. The FRC's recent report [What Makes a Good Audit?](#) (2021) highlights the importance of governance and leadership in the audit firm.

Senior leadership must live and drive the right values, ethics and behaviours that support high audit quality throughout the firm. There must be a clear link between remuneration/ promotion and audit quality. Learning from audit inspections (internal and external) must be shared across the audit practice and understood, including the sharing of good practice identified within the firm or from external reviews. There must also be an emphasis on the public interest role of audit. At the larger firms, Independent Non-Executives (INEs) already have an important role to play in holding leadership to account for improving audit quality and for driving an appropriate culture and mindset within audit.

What Makes a Good Audit? (FRC, 2021)

The committee should ask about the auditor's approach to audit quality, including the support and training provided to the team on specialist areas within the scope of the audit. This is a particular consideration in England where audits are undertaken by a firm, as the team may not consist of auditors with extensive local audit experience. It should be noted that the key audit partner must have that experience and knowledge. This was an issue raised by the Redmond Review, and work to improve and support auditors is ongoing. For the firms, achieving improvements in this area is challenging, given wider issues around shortages of appropriate skilled auditors.

The audit committee needs to work with auditors and key officers to ensure that there is a shared understanding of objectives, expectations and outcomes from the audit. It is likely that the committee members will need support and training to improve their knowledge and understanding in this area unless they have had prior experience.

Where there are difficulties in the relationship between auditor and client, the audit committee should seek to support and resolve in an objective way that helps the delivery of a quality and timely audit.

Assessing audit quality

In determining the committee's role in reporting on external audit, CIPFA has taken account of requirements in other sectors. The [UK Corporate Governance Code](#) (FRC, 2018) expects the audit committee to report annually on its assessment of the independence and effectiveness of external audit. The audit committee annual report should also include a section on external audit. This is addressed in [Independence and accountability](#).

The FRC published [Audit Quality: Practice Aid for Audit Committees](#) in 2019 to help support audit committees. It should be noted that this is not tailored to audit committees in local

government, but some general principles remain relevant for an authority committee. Suggested good practice would be to consider the following areas:

- How the auditor interacts with the audit committee. Examples could include how auditors respond to questions or challenge from the committee and whether communications are open, constructive, informative and regular.
- Evidence from management. For example, the audit committee could ask management for evidence where auditors have challenged judgements and estimates.
- Asking auditors how they have demonstrated professional scepticism.
- Considering how well the auditor has met the agreed audit plan and addressed the risks it has identified.
- The quality of the audit report. For example, is it helpful and does it avoid generic 'boiler plate' content?

The audit committee should also review reports and assessments on their contracted auditor. The national audit bodies publish external reviews of their quality arrangements, and the FRC publishes an annual report of the local audit quality reviews undertaken for each firm. The committee should consider the conclusions on audit quality and areas for improvement and discuss with the auditor if appropriate. In England, PSAA may also publish reviews of interest to the committee on their monitoring of the audit contracts and satisfaction surveys, etc.

References and useful resources

[Financial audit quality arrangements](#) (Audit Wales)

[Major Local Audits: Audit Quality Inspection](#) (FRC, 2021)

[Managing audit quality](#) (PSAA)

[Quality of public audit in Scotland annual report 2021/22](#) (Audit Scotland)

[Quality assurance review 2021 executive summary](#) (Northern Ireland Audit Office)

Internal audit

The audit committee has a clear role in relation to oversight of the authority's internal audit function. From 1 April 2013, internal auditors throughout local and central government and health have had to follow the PSIAS, and for local government bodies, the [Local Government Application Note \(LGAN\) for the UK PSIAS](#) (CIPFA, 2019). All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015, the Accounts and Audit (Wales) Regulations 2014, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 must make provision for internal audit in accordance with the PSIAS and LGAN.

The PSIAS include the mission of internal audit, code of ethics, definition of internal auditing and the core principles for the professional practice of internal auditing, and together these highlight the importance of effective internal audit to those in the organisation who are responsible for governance.

In its adoption of the PSIAS and LGAN, each authority should consider which committee or individual is the most appropriate to fulfil the role of the board in relation to internal audit. In determining the functional reporting arrangements of internal audit, the authority will need to bear in mind the need to preserve the independence and objectivity of internal audit as required by the PSIAS. It is for these reasons that in the LGAN, CIPFA expressed an expectation that the audit committee would fulfil the role of the board usually.

The role of the audit committee in relation to internal audit is to:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit within the assurance framework.

Those audit committees that operate under the Local Authority Accounts (Scotland) Regulations 2014 and the Accounts and Audit (Wales) Regulations 2014 must conduct a review of the effectiveness of their internal audit annually (Appendix A includes details of the relevant regulations). The audit committee should consider internal audit's quality assurance and improvement programme (QAIP) when conducting such a review.

The **CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations** (2019) states that engagement between the head of internal audit and the audit committee is a crucial component of delivering an effective internal audit service. For the head of internal audit to operate an effective internal audit arrangement, the authority has a responsibility to ensure that they can operate effectively and perform their core duties. This responsibility exists regardless of the method of delivery of internal audit, whether in-house, outsourced or through some form of shared arrangement. The audit committee plays an important role in supporting the effectiveness of those arrangements in accordance with the CIPFA statement.

The committee should develop sufficient understanding of the effectiveness of internal audit and its adherence to professional standards. While helping to ensure that the right organisational arrangements are in place to support the internal audit service, the committee should also hold internal audit to account for the following:

- Conformance with professional standards.
- Effective management of resources.
- Focus on risks and assurance needs.
- Delivery of required outputs.
- Impact.

In 2022, CIPFA published **Internal audit: untapped potential** – a research report examining how internal audit supports public sector organisations and opportunities for the future. It features the results of an extensive survey that included management clients and audit committee members, as well as internal auditors. Included within are recommended topics that audit committee members should consider and discuss with their head of internal audit to help ensure that their organisation is getting the best out of internal audit.

Guiding the audit committee – wider functions

WIDENING THE WORK OF THE COMMITTEE

This chapter sets out relevant guidance where additional responsibilities are brought within the scope of the committee. The scope should not be extended so broadly that the committee effectively becomes a joint committee with other priorities. The areas covered in the guidance are relevant as a result of legislation or other standards.

WALES

Governance and audit committees in Wales will need to have regard to the Local Government and Elections Wales Act 2021 in agreeing their terms of reference and conducting business.

The significant difference is the requirement to review the draft self-assessment or panel assessment report and make recommendations. The performance assessments are a new requirement introduced by the 2021 Act. Statutory guidance has been produced in [Performance and governance of principal councils](#) (2021).

In undertaking this role, CIPFA recommends distinguishing between the committee and the performance monitoring that scrutiny committees will have undertaken, which will be a contributory part of the self-assessment.

To enable the committee to perform its role effectively, members will need to be briefed on the requirements of the Act and supporting statutory guidance.

TREASURY MANAGEMENT

CIPFA's [Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes](#) (2021) requires all local authorities to adopt four clauses defining responsibilities for treasury management.

It is possible for the audit committee to be nominated to undertake the scrutiny role.

This organisation nominates (name of responsible body/committee) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Where the audit committee has been nominated, it should be aware that it needs to undertake a scrutiny role in accordance with the Treasury Management Code, in addition to any oversight of governance, risks and assurance matters relating to treasury management that it would consider as an audit committee. It is not appropriate for the audit committee to undertake any of the other roles outlined in the Treasury Management Code clauses, as these are executive and decision-making roles rather than a scrutiny role.

Treasury management is a specialist area, so it is likely that committee members will require training, guidance and support when undertaking scrutiny. Specific areas of knowledge and skills are identified in Appendix C, and these can be used to support a training needs assessment and to plan development.

SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES

Where an authority has undergone an external inspection, peer review or other intervention, an improvement programme will be developed. It will be important for the audit committee to play its part in supporting the effective implementation of agreed actions.

The primary role of the committee is to receive assurances that implementation of the programme is on track. The programme will have links to external audit reports, future audit risk assessments and the AGS, so it is important that the committee is aware of the overall progress. A significant programme may have a dedicated board that can provide an update to the committee to fulfil its assurance needs.

There may be aspects of the programme that directly link to the work of the committee – for example, the adequacy of financial management arrangements or internal audit. In such cases, the committee may be more actively involved in monitoring progress.

Independence and accountability

INTRODUCTION

CIPFA is keen that each local authority or police body adopts an audit committee model that achieves its purpose and functions successfully. CIPFA's recommended best practice is intended to support the development of effective arrangements and should not be regarded merely as a compliance checklist.

For a local authority, in CIPFA's view, it is best practice for the audit committee to report directly to council rather than to another committee, as the council itself most closely matches the body of 'those charged with governance.' In the police sector, both the PCC and chief constable are separate corporations sole, so each will fulfil the role of 'those charged with governance.'

In establishing the audit committee within the governance structure of the authority, three key elements should be considered:

- Any statutory guidance applicable to the sector.
- Independence from the executive and political allegiances.
- How the structure of the committee can support its effective operation.

Each of these elements is considered in more detail in the following sections.

SECTOR AND DEVOLVED GOVERNMENT GUIDANCE

The local authority and police sectors are subject to differing laws and regulations according to both sector and devolved national governments. Those affecting audit committees are set out in Appendix A. While there is broad similarity in the guidance across the UK, there are differences because of specific statutory guidance and regulations, including:

- statutory requirements for audit committees in Wales
- statutory requirements for combined authorities to establish an audit committee
- statutory guidance underpinning the operation of police audit committees in England and Wales.

Audit committees in Wales have a clear statutory role established by the **Local Government (Wales) Measure 2011** and updated in the **Local Government and Elections (Wales) Act 2021**. The Welsh Government has provided statutory guidance on the implementation of the measure's requirements, and local authorities in Wales must have regard to this guidance.

The Cities and Local Government Devolution Act 2016 requires combined authorities to establish an audit committee where at least one member must be appointed as an independent member.

The Home Office's **Financial Management Code of Practice for the Police Forces of England and Wales** (the FMCP) (2018) requires PCCs and chief constables to establish an independent audit committee. This is an advisory committee to both the PCC and the chief constable, both of whom are established as a corporation sole.

The **Policing and Crime Act 2017** enables a PCC in England (following local consultation and approval from the secretary of state) to take on the governance of their local fire and rescue service(s) to become a PCC fire and rescue authority (PCC FRA). The 2018 edition of the FMCP includes guidance concerning audit committees in this event.

Those supporting audit committees should be aware of other regulations, including the appropriate accounts and audit regulations for England, Scotland, Wales and Northern Ireland. These regulate functions such as internal audit and the timing of the AGS review and the accounts. These functions should be undertaken by the audit committee, and the committee should have regard to the regulations.

STRUCTURE AND INDEPENDENCE

Ensuring a dedicated audit committee

In some local authorities, the audit committee has been combined with other committees. CIPFA recommends that the audit committee should have no other functions, and explicitly no decision-making role. The most common combinations adopted by authorities have been an audit and scrutiny committee or audit and standards committee. CIPFA recommends these are separated.

Sometimes the audit committee is given a different title, such as 'governance and audit' or 'audit and risk' committee. This would not be a problem if the terms of reference are consistent with the **CIPFA Position Statement**. Care should be taken to not delegate additional responsibilities that conflict with or dilute the audit committee focus.

The Centre for Governance and Scrutiny published **Audit committees and scrutiny committees: working together** (2021) to help understand the difference between scrutiny and audit committees. CIPFA contributed to the resource to help ensure it was consistent with its 2018 guidance on audit committees. It helps scrutiny members understand how the audit committee role is different but complementary and identifies opportunities for the committees to work constructively together.

Committee size

Police audit committees should follow the FMCP guidance on a committee size of three to five members. In determining size, consider the quorum for meetings, as three allows little flexibility for meeting quorum at every scheduled meeting.

The sections on **Membership** and **Accountability** cover the composition of the committee between elected members and co-opted independents in an authority.

Committee size and composition are subject to legislation in some local authorities but not all.

Appendix A sets out the legislation for Wales and combined authorities in England.

In sectors outside local government, it is typical for audit committees to have fewer than six members. Among local authorities, there is a range of practice, including some committees that exceed ten members. In the sector, it can be harder to achieve the depth of knowledge and experience that is desirable with a small number, but equally it can be difficult to provide training and development for a large group.

CIPFA's recommendation is that a committee size of no more than eight members should be established. This allows sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

CIPFA also recommends that the use of substitutes on the committee is avoided. Substitute members are less likely to have received relevant training. It also disrupts the continuity of the committee, where committee members can build on information received in previous meetings. We have found that where committee members are regularly substituted, it is an indication of lack of engagement with the committee's purpose and agenda.

Audit committees for collaborations

Where an authority has a significant level of joint or collaborative working, there may be some value in considering the constitution of a shared audit committee. This will be particularly appropriate if there is a shared management team and single functions for finance, audit and risk management. There will need to be a formal agreement that sets out how the balance of representation between the partners will be decided, reporting lines and how the chair will be selected.

Delegated decision making and voting rights

Currently, some authorities have delegated decisions such as the approval of the financial statements to the audit committee. This takes the audit committee beyond its advisory role. It also means that authorities will need to have regard to Section 13 of the **Local Government and Housing Act 1989**, which relates to the voting rights of non-elected committee members. Independent members cannot vote on matters for decision, whereas making recommendations to another decision-making body would not be impacted.

CIPFA recommends that the audit committee remains an advisory committee and does not have delegated powers.

ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

In planning the number and timing of meetings and the committee agendas, key dates in the reporting and audit cycle will be important. In addition, the need for the committee to meet the expectations of auditing standards (both internal and external audit) in providing appropriate oversight will mean space on agendas should be found for these topics.

The CIPFA *Statement on the Role of the Head of Internal Audit in Public Service Organisations* (2019) emphasises the importance of organisational support for the role, including direct reporting lines to the audit committee and good engagement between the committee and head of internal audit. Providing the facility for private meetings between the head of internal audit and the audit committee will signal the importance of maintaining the independence of internal audit.

While private meetings between the committee and internal and external audit help to build a trusted relationship, those concerned should always make sure that the meeting is not used as a substitute for escalating governance concerns with responsible officers. The private meeting should always be in accordance with other principles of good practice – non-political and supporting transparent and accountable good governance.

Ensuring there is good support for the committee in agenda planning, minute taking, guidance and communications will help to build member confidence in the committee.

Providing a protocol about access to information that includes provision for co-opted independents will help to ensure clarity for both the committee members and officers. Members need to be confident that they have sight of relevant information in a timely way. There may be operational reasons why information is not immediately available or has to be treated in confidence, but it is important to explain this adequately.

ACCOUNTABILITY AND THE ANNUAL REPORT

CIPFA has recommended that the audit committee should produce an annual report since the 2013 edition of this guidance. In this latest edition, the annual report is given greater prominence and has been included in the Position Statement. The report should be used to provide accountability to those charged with governance on compliance with the Position Statement and performance and provide assurance over the areas within its terms of reference.

The timing of the report will need to take account of whether there will be changes in committee membership – for example, because of elections or rotation of committee members at annual meetings. The conclusions of the report can support the AGS.

It is for the committee chair to prepare the annual report in consultation with the members, although some support may be required to check accuracy or provide supporting information. Developing the report will ensure the committee is better placed for any future policy developments that might expect more from accountability disclosures.

Membership and effectiveness

COMPOSITION AND OPERATION OF THE COMMITTEE

The composition of the committee will be one of the key factors in achieving a good audit committee. Some local government bodies will need to follow specific rules on composition. These are referenced below.

The composition of the audit committee for Welsh local authorities is determined by the Local Government and Elections (Wales) Act 2021, which requires local authority audit committees to have one-third lay members and a lay member as chair. The 2021 Act amended the Local Government Measure 2011, which established that only one of the committee's members may be from the council's executive, and this must not be the leader or the elected mayor.

Combined authorities in England are required to establish an audit committee by the Cities and Local Government Devolution Act 2016. The Act and the subsequent **Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017** require combined authority audit committees to include at least one independent member. The definition of independent is set out in Part 4 of the Order.

The FMCP determined that audit committees in policing must be composed solely of independent members.

POLITICAL BALANCE

One factor that is important for the success of the committee is ensuring a non-political approach to meetings and discussions. Any audit committee that is a properly constituted committee of a local authority will need to abide by the rules concerning political balance, as outlined in Section 15 of the Local Government and Housing Act 1989. When establishing a joint audit committee, the political balance of both authorities will need to be considered.

The **Local Government (Democracy) (Wales) Act 2013** inserted a requirement into the 2011 Measure for the audit committee to be politically balanced. This has not changed as a result of the 2021 Act.

The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 requires the audit committee to be politically balanced, taking into account the constituent councils.

Where the committee is strictly advisory and not subject to other requirements, full council can vote to waive the political balance requirement and specify other criteria to decide who should serve on the committee. For example, the selection of members with relevant knowledge and expertise could be prioritised.

The length of tenure of an elected representative on the committee will be influenced by the need to maintain political balance (if applicable) as well as other factors. In principle, establishing continuity on the committee is helpful to make the best of knowledge and experience. Some

rotation is also helpful to bring in a new perspective. CIPFA would suggest that two full terms on the committee would be a reasonable maximum.

APPOINTING THE CHAIR OF THE COMMITTEE

Unless there is specific legislation or guidance in place on the selection of the committee chair, authorities can determine their own approach. To try and emphasise the independence and apolitical nature of the committee, some authorities specify that the position should be occupied by an 'opposition' member. This approach may be appropriate for some but will not be possible for all authorities – for example, where there are few opposition members.

CO-OPTED INDEPENDENTS

Definition of a co-opted independent or lay member

There are some definitions set out in legislation for some audit committees but not all.

The Local Government and Elections (Wales) Act 2021 defines a lay member as a person who:

- is not a member or an officer of any local authority
- has not been a member or an officer of any local authority in the last 12 months
- is not the spouse or civil partner of a member or officer.

Co-opted independent members of audit committees for combined authorities should be in accordance with the 2017 Order as follows.

- Not a member, co-opted member or officer of the authority.
- Not a member, co-opted member or officer of a parish council in the area of the principal authority.
- Not a relative or close friend of one of the above.
- Not a member, co-opted member or officer of the authority or parish council in the last five years.

There are no statutory definitions of 'independent' for audit committee members in local authorities in England, Scotland or Northern Ireland.

The independent members of the police audit committees in England and Wales must all be independent of the PCC and the force. The FMCP does not define this any further.

Where there is no established definition, authorities are recommended to establish their own policy before commencing recruitment. This will provide clarity to potential candidates and support the independence of the committee. CIPFA would suggest alignment to the combined authority requirements as the basis for a suitable policy.

As long as any requirements are met, it is possible for an individual to be a co-opted member of more than one local government body.

MAKING BEST USE OF INDEPENDENT MEMBERS

There are some potential pitfalls to the use of independent members that should also be borne in mind.

- Over-reliance on the independent members by other committee members in local authorities can lead to a lack of engagement across the full committee.
- A lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports.
- Both independent members and officers/staff must try to establish an effective working relationship and appropriate protocols for briefings and access to information.

These factors should be considered when developing the committee structure and plans put in place to provide an appropriate level of support to the audit committee member.

Role descriptions for co-opted independent members

Where the authority is recruiting members to co-opt onto the audit committee, a clear role description should be established. The following areas should be addressed:

- The role of the co-opted independent, including expected time commitment and location of meetings.
- The suggested appointment period and options for renewal (two terms would be a suggested maximum appointment period).
- The definition of 'independent' applicable to the role.
- Any restrictions or conflicts of interest that would make a candidate unsuitable. As the role is non-political and requires working with elected representatives in a local authority, it is recommended that candidates should not be political party members.
- Vetting requirements (particularly for police committee members).
- Desired knowledge, experience and skills.
- Remuneration and expenses.
- The expected conditions of engagement, including adherence to the authority's code of conduct, disclosure of interests, etc.

Consideration should also be given to attracting suitable candidates. While it is up to each authority to decide, authorities may want to consider the following:

- Selecting candidates beyond the local area. If candidates are able and willing to travel to attend the required meetings and supporting activities, then living outside the authority area should not be a barrier to suitability.
- Working with other authorities in the region to promote and support opportunities to be an independent member.
- Advertising nationally or using specialist agencies if professional knowledge and skills are required.
- Promoting the role through means in addition to advertising. For example, a change to the constitution of the audit committee could be part of a wider governance improvement programme that could be publicised locally or through council channels of communication.
- Council orientation and support that will be provided in the role.

- The opportunity for an informal discussion on the role with a senior officer or committee chair.
- Ensuring an easy application process (see below).

Under the combined authorities order, the vacancy must be publicly advertised.

Selection process

The authority's HR team will be able to advise on the process for recruitment. Normal practice in recruitment for non-executive roles such as this will be a CV and supporting letter, and adopting this approach may assist in attracting candidates. This may be a deviation from the process of recruiting a member of staff, however, so early discussion with HR is advised.

The format of selection is for the authority to decide, but inclusion of the current committee chair in some way would be helpful for the candidate.

As well as a formal interview, candidates could be invited to meet the PCC, chief constable or deputy chief constable, senior councillors or officers to emphasise the value of the committee.

Supporting members of the committee

Establishing a training programme and ongoing support for committee members is essential to ensure that they can confidently and effectively discharge their responsibilities. Establishing a budget will ensure that training can be ongoing rather than ad hoc.

Exact needs will depend on the composition of the committee and members' existing knowledge and experience. The following table sets out the core elements.

Development area	Core content	Target audience
Induction – the authority	<p>Introduction to the authority, including:</p> <ul style="list-style-type: none"> • governance structures • plans, strategies and priorities of the authority • local government context. 	Primarily for co-opted independent members who are new to local government/police.
Induction – the audit committee	<ul style="list-style-type: none"> • Terms of reference. • CIPFA Position Statement and guidance. • Key relationships – CFO, head of internal audit, external auditor, committee support. 	All members new to the committee.
Core knowledge areas	<p>Basic knowledge for all areas outlined in the knowledge framework.</p> <ul style="list-style-type: none"> • Good governance and ethical framework • Risk management • Internal controls • Financial management • Value for money • Counter fraud and corruption • Partnerships and collaborations • Assurance framework • Financial reporting • Annual governance statement • Internal audit • External audit • Treasury management (where applicable) • Performance assessment (Wales) (where applicable) 	All members of the committee, tailored appropriately to existing knowledge.
Briefings and guidance	<p>Targeted support for members on:</p> <ul style="list-style-type: none"> • aspects where members need additional support, eg guidance on understanding the financial statements • the development of more in-depth knowledge and understanding • ad hoc briefings on new developments in the sector (for example CIPFA’s audit committee update resource, horizon scanning updates from external auditors, etc) • updates on new developments or changes at the authority. 	<p>All members.</p> <p>Co-opted independent members.</p>
Webinars, training and networking events	<ul style="list-style-type: none"> • Attending relevant webinars or events to develop more in-depth knowledge or updates. • Networking and sharing with audit committee members in other authorities to learn from others and build a network of support. • A range of formal events and webinars are available from a range of providers, eg regional forums. 	Chairs and all members

Training needs analysis

It is helpful to undertake an analysis of training needs to identify which areas should be prioritised for training and support. Some of the core areas involve technical standards and are complex – for example, financial reporting, audit quality and treasury management. These will need regular attention to maintain committee effectiveness.

The knowledge framework can help with a training needs analysis. It can be done at any point, but the annual assessment should reflect on whether the analysis is up to date and the planned programme of support sufficient to address the priority areas.

Impact and effectiveness

To develop the committee and provide assurance via the annual report, it is recommended that the committee is supported in a self-assessment. Alternatively, an independent review can be undertaken.

The appendices provide resources to support self-assessment and to encourage reflection on the impact that the committee has.

CIPFA has identified key indicators to inform the performance review of the audit committee. These indicators are all aspects of governance, risk, control and audit that are within the audit committee's scope of influence. While they are not solely within the control of the audit committee, weakness in these areas could indicate that the audit committee is failing to have sufficient impact.

Problem solving

Where self-assessment indicates problems, or where those interacting with the committee report it to be under-performing, swift diagnosis and action should be planned. Appendix D highlights some areas of difficulty the committee might experience. Usually, problems arise because of misapprehension of the committee's role or inadequate training or support. Occasionally, behaviours from individual members can also contribute. These issues may be more difficult to resolve, especially if they are symptomatic of wider governance problems in the authority.

Significant weakness in the audit committee is likely to be highlighted by the external auditor as part of their governance review or as part of a peer review.

Sector and devolved government guidance

PART 1: COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATING TO AUDIT COMMITTEES

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specific legislation or statutory guidance	<p><u>Cities and Local Government Devolution Act 2016.</u></p> <p><u>Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.</u></p>	<p><u>Local Government (Wales) Measure 2011</u> as amended by the <u>Local Government (Democracy) (Wales) Act 2013.</u></p> <p><u>Local Government and Elections (Wales) Act 2021.</u></p>	<p><u>Financial Management Code of Practice for the Police Forces of England and Wales (FMCP)</u> (Home Office, 2018).</p>	Not applicable
Establishment of an audit committee	Required	Required	Required It is recommended that this should be a combined body for both PCC and chief constable.	No guidance
Composition of the audit committee	<p>Committees must have at least one independent person as defined by guidance.</p> <p>The committee should reflect the political balance of the constituent authorities as far as is reasonably practical.</p> <p>The committee may not include an officer of the combined authority or a constituent council.</p>	<p>The committee must have lay persons comprise one-third of its members.</p> <p>The member appointed as the committee chair must be a lay person.</p> <p>The deputy chair must not be a member of the executive or an assistant to its executive.</p> <p>The committee must be politically balanced.</p>	Police audit committees should comprise between three and five members who are independent of the PCC and the force.	No guidance

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specified functions of the audit committee	<p>Review and scrutinise the authority's financial affairs.</p> <p>Review and assess the authority's risk management, internal control and corporate governance arrangements.</p> <p>Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions.</p> <p>Make reports and recommendations to the combined authority.</p>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Make reports and recommendations in relation to the authority's financial affairs.</p> <p>Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority.</p> <p>Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements.</p> <p>Review and assess the authority's ability to handle complaints effectively.</p> <p>Make reports and recommendations on the authority's ability to handle complaints effectively.</p> <p>Oversee the authority's internal and external audit arrangements.</p> <p>Review the financial statements prepared by the authority.</p>	<p>Consider the internal and external audit reports of both the PCC and the chief constable.</p> <p>Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices.</p>	No guidance
Responsibilities of the audit committee in relation to external audit	No guidance	Oversee external audit arrangements.	Review external audit reports.	No guidance

PART 2: GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and audit regulations are statutory instruments issued by the UK or devolved governments. The various regulations impose requirements on 'relevant bodies' – eg a local authority, fire and rescue authority or police body – in relation to governance, internal control, financial reporting and internal audit.

The accounts and audit regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a link for each sector and/or region and the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic updates by the appropriate government body, and audit committee members should be made aware of any changes by their organisation.

Local authorities in England (including combined authorities and fire and rescue authorities)	
Relevant government guidance	<u>Accounts and Audit (England) Regulations 2015</u>
Local authorities in Wales	
Relevant government guidance	<u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u>
Local authorities in Scotland	
Relevant government guidance	<u>Local Authority Accounts (Scotland) Regulations 2014</u>
Local authorities in Northern Ireland	
Relevant government guidance	<u>Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015</u>
Police in England	
Relevant government guidance	<u>Accounts and Audit (England) Regulations 2015</u> (see also the statutory guidance <u>Financial Management Code of Practice for the Police Forces of England and Wales</u> (FMCP) (Home Office, 2018))
Police in Wales	
Relevant government guidance	<u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u> (see also the <u>FMCP</u>)

Financial reporting deadlines

Amendments affecting the timetables for financial and governance reporting have been introduced to allow for difficulties caused by the COVID-19 pandemic, and in England, difficulties with local audit. Committee members are advised to check the latest positions.

Suggested terms of reference – local authority

INTRODUCTION

This appendix contains suggested terms of reference for local authorities.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance [or *insert appropriate governing body*] that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).

- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

Suggested terms of reference – police

INTRODUCTION

This appendix contains suggested terms of reference for the audit committee of the PCC and chief constable. The police audit committee must ensure that its terms of reference are in accordance with the FMCP (Home Office, 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – AUDIT COMMITTEE OF THE PCC AND CHIEF CONSTABLE

Governance

The terms of reference should set out the committee's position as an advisory committee to support the PCC and chief constable.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance risk and control gives greater confidence to the PCC and chief constable that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the OPCC and force.

- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval by the PCC and chief constable and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's reports to the PCC and the chief constable on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise on commissions of additional work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To recommend for approval the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To consider significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force, or where there are concerns about progress with the implementation of agreed actions.

- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to the PCC and chief constable on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to the PCC and chief constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

Audit committee members – knowledge and skills framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<ul style="list-style-type: none"> An overview of the authority's governance structures and decision-making processes. Knowledge of the organisational objectives and major functions of the authority. 	<ul style="list-style-type: none"> This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers.
Audit committee role and functions	<ul style="list-style-type: none"> An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee. 	<ul style="list-style-type: none"> This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others. It will help the committee undertake a self-assessment and prepare its annual report.
Governance	<ul style="list-style-type: none"> Knowledge of the seven principles as outlined in <u>Delivering Good Governance in Local Government: Framework</u> (CIPFA/Solace, 2016). The requirements of the AGS. How the principles of governance are implemented locally as set out in the local code of governance. 	<ul style="list-style-type: none"> The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework. The committee will plan the assurances it is to receive to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance. The committee will receive audit reports and information on risks relating to governance.

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit	<ul style="list-style-type: none"> • An awareness of the key principles of the PSIAS and the LGAN. • Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. • How the role of the head of internal audit is fulfilled. • Details of the most recent external assessment and level of conformance with the standards. • Internal audit's strategy, plan and most recent annual opinion. 	<ul style="list-style-type: none"> • The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. • The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. • The committee will also receive the annual report, including an opinion and information on conformance with professional standards. • In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed. • The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan.
Financial management and financial reporting	<ul style="list-style-type: none"> • Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. • An understanding of good financial management practice as set out in the CIPFA <u>Financial Management Code</u> (FM Code) and the level of compliance with it. • Knowledge of how the organisation meets the requirements of the role of the CFO as required by <u>The Role of the Chief Financial Officer in Local Government</u> (CIPFA, 2016) and <u>The Role of CFOs in Policing</u> (2021). • An overview of the principal financial risks the authority faces. 	<ul style="list-style-type: none"> • Reviewing the financial statements prior to publication, asking questions. • Receiving the external audit report and opinion on the financial audit. • Reviewing both external and internal audit recommendations relating to financial management and controls. • The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS.
External audit	<ul style="list-style-type: none"> • Knowledge of the role and functions of the external auditor and who currently undertakes this role. • Knowledge of the key reports and assurances that external audit will provide. • Familiarity with the auditor's most recent plan and the opinion reports. • Knowledge about arrangements for the appointment of auditors and quality management undertaken. 	<ul style="list-style-type: none"> • The audit committee will meet with the external auditor regularly and receive their reports and opinions. • Monitoring external audit recommendations and maximising the benefit from the audit process. • The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management	<ul style="list-style-type: none"> Understanding of the principles of risk management, including how it supports good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee. Knowledge of the current risk maturity of the organisation and any key areas of improvement. 	<ul style="list-style-type: none"> In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements. Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee. The committee should also review reports and action plans to develop the application of risk management practice.
Counter fraud	<ul style="list-style-type: none"> An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. Knowledge of the principles of good fraud risk management practice in accordance with the <u>Code of Practice on Managing the Risk of Fraud and Corruption</u> (CIPFA, 2014). Knowledge of the organisation's arrangements for tackling fraud. 	<ul style="list-style-type: none"> Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.
Values of good governance	<ul style="list-style-type: none"> Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct). Knowledge of the whistleblowing arrangements in the authority. 	<ul style="list-style-type: none"> The audit committee member will draw on this knowledge when reviewing governance issues and the AGS. Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> <u>Effective Scrutiny of Treasury Management</u> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures in relation to treasury management. <p>See also <u>Treasure your assets</u> (Centre for Governance and Scrutiny, 2017).</p>	<ul style="list-style-type: none"> Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

More specialist knowledge will add value to the committee, helping to ensure the committee is able to achieve a greater depth of understanding. Including members with specialist knowledge means there is an additional resource to support other members. Specialist knowledge may be demonstrated by professional qualification and prior work experience.

When reviewing the overall knowledge of audit committee members or when planning the appointment of co-opted independent members, it is helpful to look for opportunities to include the following specialisms:

- Accountancy, with experience of financial reporting
- Internal auditing
- Risk management
- Governance and legal
- Expert service knowledge relevant for the organisation
- IT systems and security

CORE SKILLS

As well as technical knowledge, the following skills will enhance an audit committee member's aptitude to be on the committee.

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	Able to focus on material issues and the overall position rather than being side tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.	The audit committee's outcome will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, the audit committee should seek assurances that appropriate action has been taken.
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience.
Objectivity	Evaluate information based on evidence presented, avoiding bias or subjectivity.	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views.
Meeting management skills	Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

Problem-solving difficulties with the audit committee

It is not uncommon for audit committees to face difficulties or barriers in fulfilling their potential effectiveness. Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

Areas of difficulty	Possible causes	Possible improvement options
Lack of experience and continuity of knowledge among audit committee members.	<ul style="list-style-type: none"> Where turnover of membership is very frequent, it will be difficult for the committee to build up experience. 	<ul style="list-style-type: none"> Enhanced level of support and training to members will be required. To enhance continuity, the authority should consider recruitment of independent members.
Audit committee members do not feel confident in their knowledge of particular areas.	<ul style="list-style-type: none"> Lack of training and support. 	<ul style="list-style-type: none"> Enhanced level of support and training to members.
Independent members lack knowledge of the organisation and lack connections with key managers.	<ul style="list-style-type: none"> Poor induction. Limited opportunities to engage with the organisation outside of formal meetings. 	<ul style="list-style-type: none"> Improve induction. Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding.
Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion.	<ul style="list-style-type: none"> Lack of experience or skill in managing meetings by the chair. Committee members are unsure about their role. Poor support from the committee secretary. 	<ul style="list-style-type: none"> Training and support. Develop a mentoring/coaching programme. Chair seeks feedback from meeting participants. Consider skills and experience in the selection of the chair. Provide training and guidance to committee members on their role. Improve committee support.
The audit committee spends too much time on minor details rather than underlying arrangements of governance, risk and control.	<ul style="list-style-type: none"> Agenda management fails to prioritise key areas. The chair does not intervene to keep the focus at an appropriate level. 	<ul style="list-style-type: none"> Review the process of agenda development. Review the terms of reference and provide training. The chair seeks feedback from meeting participants. Provide the chair with committee management training.

Areas of difficulty	Possible causes	Possible improvement options
The committee lacks focus, and members struggle to gain an overall understanding of their remit.	<ul style="list-style-type: none"> • Committee members have a range of objectives rather than focusing on governance, risk, control and audit matters. • The committee is too large or lacks continuity because of regular attendance by substitutes. • Infrequent attendance by senior officers. 	<ul style="list-style-type: none"> • Training and emphasis on the non-political and strategic focus of the committee. • Reform of the committee structure to reduce membership and remove use of substitutes.
Senior officers do not understand the work of the committee and are not sighted on its output.	<ul style="list-style-type: none"> • The audit committee fails to engage with other committees in the authority. • Attendance is often limited to the CFO and the head of internal audit. 	<ul style="list-style-type: none"> • Expand attendance at audit committee meetings – for example, invite heads of service when major risks or control issues are being discussed – and share the CIPFA guidance (FAQs) more widely.
Elected representatives not directly involved with the committee have little understanding of its work and do not see its output.	<ul style="list-style-type: none"> • Committee recommendations are not directed to appropriate member bodies. • Reporting arrangements are not effective. • Wider induction arrangements do not cover the audit committee. 	<ul style="list-style-type: none"> • Invite newly elected members to attend audit committee meetings. • Review reporting and accountability arrangements. • Prepare an annual report that sets out how the committee has fulfilled its responsibilities. • Share the CIPFA guidance (FAQs).
Recommendations made by the audit committee are not actioned.	<ul style="list-style-type: none"> • A poor relationship between the committee and the executive or senior officers. • The audit committee's recommendations are not adequately aligned to organisational objectives. 	<ul style="list-style-type: none"> • A senior officer provides internal facilitation to support improved relationships. • Improve knowledge and skills among audit committee members. • Ensure better engagement with appropriate managers or the executive at an earlier stage.
The audit committee fails to make recommendations or follow up on issues of concern.	<ul style="list-style-type: none"> • A weak or inexperienced chair. • Members are inexperienced or do not fully understand their role. • Poor briefing arrangements prior to meetings. • Committee reports fail to adequately identify the action required by the committee. 	<ul style="list-style-type: none"> • Provide guidance and support. • Improve briefing to the chair prior to the meeting. • Ensure reports contain clear recommendations.
The audit committee strays beyond its terms of reference – for example, undertaking a scrutiny role.	<ul style="list-style-type: none"> • The terms of reference do not adequately scope the work of the committee. • Misunderstanding about the role of the committee. • Inadequate guidance from the committee secretary to the chair on its role. 	<ul style="list-style-type: none"> • Review the terms of reference and provide training and guidance.

Areas of difficulty	Possible causes	Possible improvement options
Political points of view interfere with the work of the audit committee.	<ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Difficulty separating the work of the committee from the wider politics of authority. 	<ul style="list-style-type: none"> • Seek feedback from those interacting with the committee or external assessment. • Provide support or training for the chair. • Consider the role of independent members.
A breakdown in the relationship between committee members and the executive, PCC or chief constable/deputy chief constable, or with senior management.	<ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Differing perceptions on the value of the committee • Personality clashes. 	<ul style="list-style-type: none"> • Review the terms of reference and provide training and guidance. • A senior officer provides internal facilitation to support improved relationships. • Seek an external assessment or facilitation. • Change the chair or membership if the constitution or opportunity arises.

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?															
<ul style="list-style-type: none"> Separation from executive 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22 Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23 Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subtotal score	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Total score					
Maximum possible score					200**

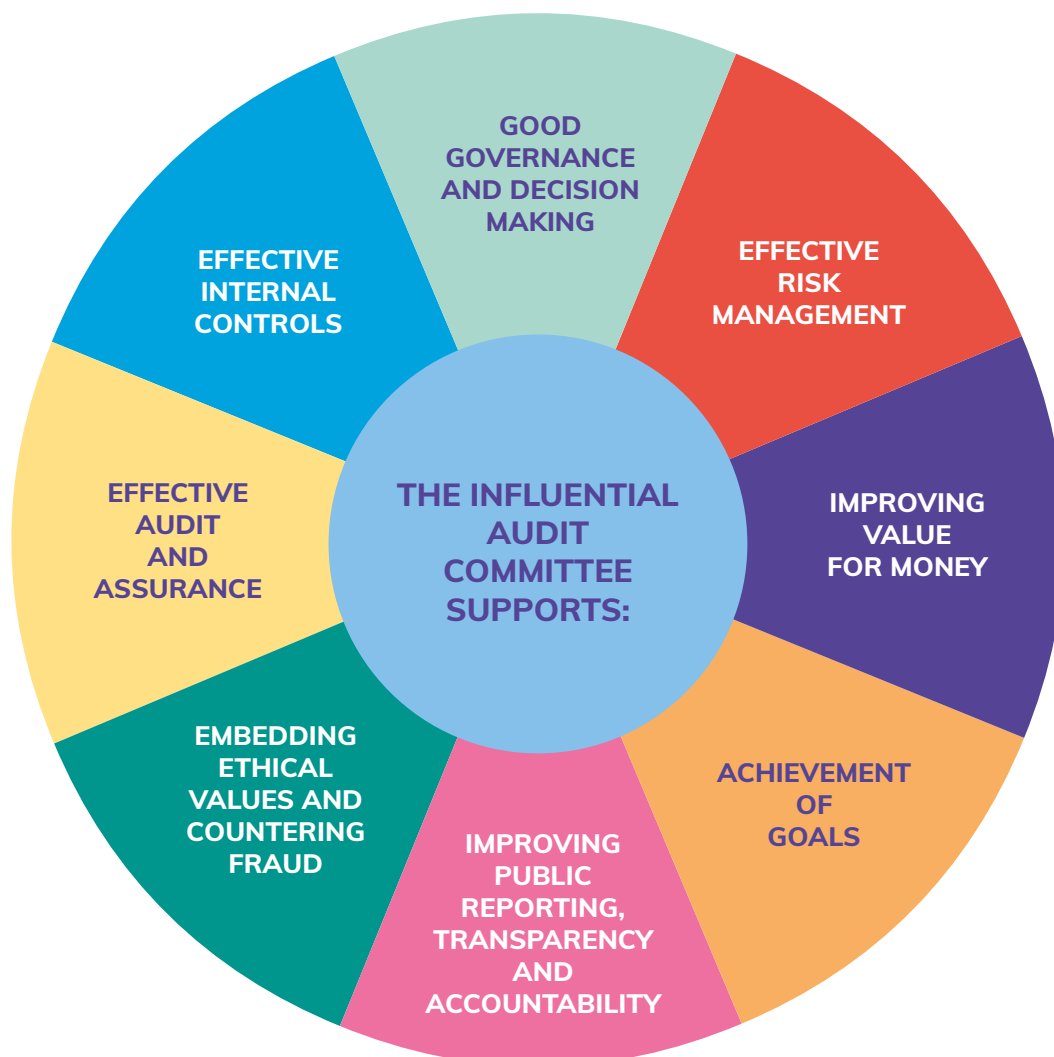
** 40 questions/sub-questions multiplied by five.

Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p>Promoting the principles of good governance and their application to decision making.</p>	<ul style="list-style-type: none"> • Supporting the development of a local code of governance. • Providing a robust review of the AGS and the assurances underpinning it. • Supporting reviews/audits of governance arrangements. • Participating in self-assessments of governance arrangements. • Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> • Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. • Local arrangements for governance have been clearly set out in an up-to-date local code. • The authority's scrutiny arrangements are forward looking and constructive. • Appropriate governance arrangements established for all collaborations and arm's-length arrangements. • The head of internal audit's annual opinion on governance is satisfactory (or similar wording). 	
<p>Contributing to the development of an effective control environment.</p>	<ul style="list-style-type: none"> • Encouraging ownership of the internal control framework by appropriate managers. • Actively monitoring the implementation of recommendations from auditors. • Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> • The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. • Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. • Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement. 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. Monitoring improvements to risk management. Reviewing accountability of risk owners for major/ strategic risks. 	<ul style="list-style-type: none"> A robust process for managing risk is evidenced by independent assurance from internal audit or external review. 	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> Reviewing the adequacy of the leadership team's assurance framework. Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit. 	<ul style="list-style-type: none"> The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies. 	
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> Reviewing and supporting external audit arrangements with focus on independence and quality. Providing good engagement on external audit plans and reports. Supporting the implementation of audit recommendations. 	<ul style="list-style-type: none"> The quality of liaison between external audit and the authority is satisfactory. The auditors deliver in accordance with their audit plan and any amendments are well explained. An audit of high quality is delivered. 	
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<ul style="list-style-type: none"> Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement programme of internal audit. 	<ul style="list-style-type: none"> Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <u>Statement on the Role of the Head of Internal Audit</u> (2019). 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory. 	
<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. 	<ul style="list-style-type: none"> • External audit's assessments of arrangements to support best value are satisfactory. 	
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements. 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none"> Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it. Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. Publishing an annual report from the committee. 	<ul style="list-style-type: none"> The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. The authority has published its financial statements and AGS in accordance with statutory guidelines. The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements. 	

OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.

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10/2022

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply				Fully complies
	Partially complies and extent of improvement needed*				
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 																									
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 																									
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 																									
Functions of the committee																									
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?																									
Governance arrangements																									
Risk management arrangements																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 																									
Annual governance statement																									
Financial reporting																									
Assurance framework																									
Internal audit																									
External audit																									
10 Over the last year, has adequate consideration been given to all core areas?																									
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?																									
12 Has the committee met privately with the external auditors and head of internal audit in the last year?																									

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?																				
<ul style="list-style-type: none"> Separation from executive 																				
<ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes 																				
<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 																				
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?																				
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?																				
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?																				
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?																				
18 Is adequate secretariat and administrative support provided to the committee?																				
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?																				

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?																				
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?																				
22 Are meetings effective with a good level of discussion and engagement from all the members?																				
23 Has the committee maintained a non-political approach to discussions throughout?																				

Good practice questions	Partially complies and extent of improvement needed				Fully complies	
	Does not comply	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5	
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?						
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?						
26 Do audit committee recommendations have traction with those in leadership roles?						
27 Has the committee evaluated whether and how it is adding value to the organisation?						
28 Does the committee have an action plan to improve any areas of weakness?						
29 Has this assessment been undertaken collaboratively with the audit committee members?						
Subtotal score						
Total score						
Maximum possible score						200**

** 40 questions/sub-questions multiplied by five.

Equality, Social Inclusion and Health Impact Assessment (ESHIA)

An ESHIA is a review of a new or existing policy, strategy, project, report or service change to establish whether this has a differential impact on specific equality groups and identifies how we can improve equality of opportunity for different groups of people.

An ESHIA aims at improving Tamworth Borough Council's work, by promoting equality, social inclusion, health and wellbeing by ensuring that the proposed or existing policy promotes equality and can benefit a wide range of people.

Details

Title of the proposal	Review of Audit & Governance Committee Effectiveness	
Director responsible for the project or service area	Jo Goodfellow, Acting Executive Director, Finance	
Officer completing the assessment	Rebecca Neill, Interim Audit Manager, Shared Service	
Date conducted	21 January 2025	
Who are the main stakeholders?	Elected members	
What is being assessed?	A decision to review or change a service	
	A strategy, policy, report or procedure	x
	A function, service, or project	
What kind of assessment is it?	New	
	Review of existing	x

Part One - Initial screening:

This section should be used to carry out an initial screening of changes or decisions to help to decide whether a full ESHIA is required.

The following six screening questions are designed to assess whether this proposed change is likely to have an impact on equality, social inclusion, health and wellbeing.

		Yes	No
1	Does this new or revised project, proposal, policy, report, procedure likely to have an impact?		x
2	Does the proposal seek agreement to a key decision involving allocation of resources, such as changes in funding or resources, initiation of a new programme or project or procurement?		x
3	Does the proposal seek agreement on restructuring or reorganising of staffing?		x

4	Will this policy or proposed change have any impact on potential suppliers?		x
5	Does this policy or proposed change impact on any HR policy or practice within the council?		x
6	Does this policy or proposed change have any implications for equalities, social inclusion and health and wellbeing not covered above?		x

1. If the answer is **no** to all the questions, please provide a summary below outlining why this conclusion has been reached.
2. If the answer is **yes** to any of the questions, please conduct the full ESHIA as detailed in Part two.

If you are unsure of any of the answers, please seek advice from Human Resources.

Summary of initial screening outcome:

This report comprises the Audit & Governance Committee self-assessment against CIPFA published guidance on the function and operation of Audit Committees. The assessment is based on industry standard good practice. No differential impact on specific equality groups has been identified during the process.

Having a fully functioning Audit Committee emphasises the importance of good governance, managing risk, maintaining an effective control environment and reporting on financial and other performance, which includes equality, social inclusion, health and wellbeing.

Decision	Yes	No
Initial screening only	x	
Proceed to Part Two, full assessment		x

Initial screening completed by	Rebecca Neill, Interim Audit Manager, Shared Service
Date	27 February 2025

Full screening completed by	N/A
Date	

Equality, Social Inclusion and Health Impact Assessment (ESHIA)

Part Two: Full assessment

Section 1

The purpose of the project, proposal or decision required. Set out the aims, objectives, purpose and outcomes of the area being impact assessed. Are any other functions, policies or services linked to this assessment?

Section 2

Evidence used and considered. Include analysis of any missing data.

Section 3

Consultation undertaken with interested parties who will/may be affected proposal? What were the outcomes of the consultation?

Section 4

What are the potential or actual impacts of the proposal? Please consider both the direct and indirect impact and refer to the guidance for additional information.

Impact Area	Impact? Positive (P) Negative (N) Neutral (Ne)	Details of the impact	Action to address negative impact
Protected Characteristic, as outlined in the Equality Act 2010			
Age			
Disability			
Gender reassignment			
Marriage and civil partnership			
Pregnancy and maternity			
Race			
Religion or Belief			
Sex			
Sexual Orientation			

Are there socio-economic groups likely to be affected? If yes, please provide detail below			
Other social exclusion			
Digital exclusion			
Veterans and serving members of the armed forces and their families			
Young people leaving care			
Health and Wellbeing: Individuals and communities in Tamworth	Impact: Positive (P) Negative (N) Neutral (Ne)	Explanation	Action to address negative impact
Will the proposal have a direct impact on an individual's health, mental health and wellbeing?			
Will the proposal directly impact on housing?			
Will there be a likely change in demand for or access to public services such as health and social care services?			
Will there be an impact on diet and nutrition?			
Will there be an impact on physical activity?			
Will there be an impact on transport, travel and connectivity?			
Will there be an impact on employment and income?			

Will there be an impact on education and skills?			
Will there be an impact on community safety?			
Will there be an impact on the environment, air quality, climate change?			

If there are no adverse impacts or any issues of concern or you can adequately explain or justify them, please move to section 6.

Section 5

Where a potential negative impact has been identified, can continuation of the proposal be objectively justified? If yes, please explain your reasons.

Section 6: Decisions or actions proposed

The assessment may result in some recommendations or suggestions to mitigate any negative impact and maximise positive impacts or actions to reduce the risk of an adverse impact.

Section 7: Monitoring arrangements

Who will be responsible for monitoring	
Frequency of monitoring	
Where will the impact assessment be reported to?	
Where this impact assessment will be stored and for how long	

Section 8: Summary of actions to mitigate negative impact (if required)

Impact Area	Action required	Lead officer/responsible person	Target date	Progress



Audit & Governance Committee

2024 - 2025

Functions of the Committee:

Those functions conferred on the Council in relation to Audit and Governance matters including Audit Activity, Regulatory Framework and Accounts.

To advise the council on the adoption or revision of its Code of Conduct.

To monitor and advise the council about the operation of its Code of Conduct in the light of best practice and in terms of the Localism Act 2011. To assist members and co-opted members of the authority.

To ensure that all members of the Council have access to training in all aspects of the member Code of Conduct, that this training is actively promoted, and that members are aware of the standards expected from local councillors under the Code.

Other functions:

Functions relating to standards of conduct of members under any relevant provision of, or regulations made under, the Localism Act 2011 including complaints against members and co-opted members of the Council for breach of the Code of Conduct; and the granting of dispensations pursuant to section 33, Localism Act 2011.

The Council's complaints procedure.

Membership: Councillors: C Adams (Chair), A Wells (Vice Chair), C Bain, M Couchman, S Doyle, J Oates, P Turner,

ROLLING AUDIT & GOVERNANCE TIMETABLE OF PLANNED REPORTS TO AUDIT AND GOVERNANCE COMMITTEE

2024/25 Year

Note: Audit & Governance Committee training is planned for 4th June 2024, additional training will be provided to Committee members during the year (dates to be agreed).

	Report	Committee Date	Report of	Comments
1.	Draft Internal Audit Plan 2025/26	19 th March 2025	Interim Audit Manager	
2.	Audit Committee Effectiveness	19 th March 2025	Interim Audit Manager	
3.	Update on Global Internal Audit Standards	19 th March 2025	Interim Audit Manager	
4.	Final Accounts – Accounting Policies and Action Plan	19 th March 2025	Interim Executive Director Finance	
5.	Review of Financial Guidance	19 th March 2025	Interim Executive Director Finance	
6.	Introduction of Bishop Fleming as Council's External Auditors	19 th March 2025	Bishop Fleming	
7.	Future High Street Fund Risk Report	19 th March 2025	Assistant Director, Growth & Regeneration	

8.	Recruitment of Independent Person	19 th March 2025	Monitoring Officer	
8.	Private meeting of Internal and External Auditors and Committee members	19 th March 2025		
	Report	Committee Date	Report Of	Comments
1.	Public Sector Internal Audit Standards/Quality Assurance and Improvement Programme	15 th April 2025	Interim Audit Manager	
2.	Annual Report of the Chair of Audit & Governance Committee	15 th April 2025	Interim Audit Manager / Chair	
4.	Review of the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report	15 th April 2025	Interim Executive Director Finance	
5.	Review of the Constitution and Scheme of Delegation for Officers	15 th April 2025	Monitoring Officer	

Portfolio Holder: The Leader of the Council (Operations/Finance/Cost of Living)

Matters Considered

	Report	Committee Date	Report of	Comments
1.	Internal Audit Quarterly Update Q3	5th February 2025	Interim Audit Manager	
2.	Risk Management Quarterly Update	5th February 2025	Interim Executive Director Finance	
3.	Audit Committee Effectiveness	5th February 2025	Interim Audit Manager	
4.	Quarterly update - Financial Waivers	5th February 2025	Interim Executive Director Finance	
5.	Complaints Update	5th February 2025	Assistant Director - People	
6.	Regulation of Standards of Conduct	5th February 2025	Monitoring Officer	
7.	Auditor's Annual Report 2023/24.	5th February 2025	Azets	
1.	Regulatory Investigatory Powers Act 2000 (RIPA) Annual Update	25th September 2024	Assistant Director, Partnerships	
2.	Modern Slavery and Human Trafficking Statement	25th September 2024	Assistant Director – Partnerships	
3.	Local Government Ombudsman's Annual Review and Report 2023/24	25th September 2024	Assistant Director – People	
4.	Internal Audit Quarterly Update Q1	25th September	Audit Manager	

		2024		
5.	Financial Waivers to 30th June 2024	25 th September 2024	Assistant Director – Finance	
6.	Risk Management Quarterly Update	25 th September 2024	Assistant Director – Finance	
7.	Annual Report on The Treasury Management Service and Actual Prudential Indicators 2023/24	25 th September 2024	Executive Director Finance	
8.	Audit & Governance Committee update	25 th September 2024	Azets	
9.	Private meeting of Internal and External Auditors and Committee members	25 th September 2024		
1.	Internal Audit Quarterly Update Q2	13 th November 2024	Audit Manager	
2.	Counter Fraud update	13 th November 2024	Audit Manager	
3.	Outstanding Audit Recommendations	13 th November 2024	Audit Manager	
4.	Risk Management Quarterly Update	13 th November 2024	Assistant Director – Finance	
5.	Quarterly update - Financial Waivers	13 th November 2024	Assistant Director – Finance	
6.	Member Enquiries Update	13 th November 2024	Monitoring Officer	
7.	Annual Statement of Accounts	13 th November 2024	Executive Director Finance	

8.	Audit Findings Report and Management Representation Letter	13th November 2024	Azets	
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