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Date: 12 December 2023

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Dear Councillor,

AUDIT AND GOVERNANCE COMMITTEE - WEDNESDAY 13TH DECEMBER, 2023

I refer to the agenda for the above meeting and now enclose the following report which was unavailable when the agenda was published.

Agenda No.	Item
5	Risk and Audit Service Performance (Pages 3 - 70) Report of the Executive Director of Corporate Resources and Customer Services

Yours faithfully,

Amy Dyson

Democratic Services

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Agenda Item 5

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 13 December 2023
Subject:	Risk and Audit Service Performance		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

This report details the performance and key activities of the Risk and Audit Service for the period 1 September 2023 to 30 November 2023.

The report also discusses the resourcing position across the Team as well as in particular the Internal Audit Team, the response and the actions planned for the rest of the financial year.

Recommendation(s):

Members are requested to:

- (1) Note the progress on the revised 2023/24 Internal Audit Plan to 30 November 2023.
- (2) Note the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in facilitating the management of the Council's key risks

Reasons for the Recommendation(s):

Approval of the recommendations will facilitate the continued provision of a comprehensive and effective Risk and Audit Service.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs - There are no direct financial implications, outside of the approved budget for the function, arising from this report. However, the Council benefits from the work of the section in reducing the impact and likelihood (and so the cost) of risk.

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(B) Capital Costs - There are no capital costs arising from this report.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): The report outlines the current recruitment activity across the Risk and Audit Team to appoint to existing positions.								
Legal Implications: There are no specific legal implications from the report.								
Equality Implications: There are no equality implications.								
Impact on Children and Young People: There are no direct implications in the report for Children and Young People.								
Climate Emergency Implications: The recommendations within this report will <table border="1"><tr><td>Have a positive impact</td><td>Yes</td></tr><tr><td>Have a neutral impact</td><td>No</td></tr><tr><td>Have a negative impact</td><td>No</td></tr><tr><td>The Author has undertaken the Climate Emergency training for report authors</td><td>Yes</td></tr></table> <p>The Risk and Audit Team has been working mainly from home with exception of the Health and Safety Team who undertake periodic inspections of Council buildings to provide guidance and support.</p> <p>The working from home has reduced the teams commuting and therefore carbon footprint. The revised working practices will continue with the Council's agile working policy although the footprint will slightly increase at this point as staff move back to the office at an agreed frequency.</p> <p>We are currently exploring with the Council's insurers and broker their actions to reduce Climate Change which we will respond on in future reports following renewal when the information is available. One of the audits within the 2022/23 approved audit plan as well as 2023/24 is Climate Change which will provide assurance on the Council's response to the Climate Emergency as the issue is a corporate strategic risk</p>	Have a positive impact	Yes	Have a neutral impact	No	Have a negative impact	No	The Author has undertaken the Climate Emergency training for report authors	Yes
Have a positive impact	Yes							
Have a neutral impact	No							
Have a negative impact	No							
The Author has undertaken the Climate Emergency training for report authors	Yes							

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

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Facilitate confident and resilient communities: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Commission, broker and provide core services: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Place – leadership and influencer: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Drivers of change and reform: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Facilitate sustainable economic prosperity: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Greater income for social investment: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Cleaner Greener: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.7452/23.) and the Chief Legal and Democratic Officer (LD.5552/23) have been consulted and any comments have been incorporated into the report.

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(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee meeting.

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Appendices:

The following appendices are attached to this report:

- Risk and Audit Service Performance Report
- Institute of Internal Auditors publication Updating Standards for a Changing World

Background Papers:

The following background papers, which are not available elsewhere on the Internet can be accessed on the Council website:

- Internal Audit Plan 2023/24 (as approved by this Committee on 15 March 2023).
- Revised Internal Audit Plan 2023/24 (as approved by this Committee on 6 September 2023).

1. Introduction

1.1 The Risk and Audit Service is managed by the Chief Internal Auditor, who reports to the Executive Director of Corporate Resources and Customer Services through the Finance Service Manager.

1.2 The mission of the service is “to deliver a first-class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers”.

1.3 The Service has the following objectives:

- To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives.
- To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies, and plans.
- To align the service with the Council’s changing needs.

1.4 In delivering this mission and objectives, the Service encapsulates the following teams:

- Internal Audit
- Health and Safety
- Insurance
- Risk and Resilience
- Assurance

- 1.5 This report summarises the main aspects of the performance of the Service during the period 1 September 2023 to 30 November 2023, and gives members a detailed overview of the following areas:
- Internal Audit:
 - o work undertaken in the period, including a summary of work and an
 - o outline of the high priority recommendations made
 - o performance against Key Performance Indicators
 - o developments relating to this part of the Service
 - Health and Safety, Insurance, Assurance and Risk and Resilience:
 - o work undertaken in the period, with key data provided
 - o developments relating to these parts of the Service
- 1.6 The report concludes by looking ahead to the forthcoming activities being undertaken by the service.

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Risk and Audit Service: Performance

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Audit and Governance Committee
13 December 2023

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Chief Internal Auditor
Risk and Audit Service
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1. Executive Summary

1.1 This report summarises the performance and activity of the Risk and Audit Service for the period 1 September 2023 to 30 November 2023.

1.2 The report covers each of the areas of the service:

- Internal Audit
- Health and Safety
- Insurance
- Risk and Resilience.
- Counter Fraud

1.3 The report highlights the following key points:

- This has continued to be a busy period for the Service, with the completion of a number of key pieces of work. The performance indicators and key data in this report reflect this positive progress.
- The service continues to seek to support the effective management of risk, which is especially pertinent as the Council transforms.
- The development of the service continues, with a number of improvements having been completed in the period.

2. Introduction

- 2.1 The Risk and Audit Service is managed by the Chief Internal Auditor.
- 2.2 The mission of the Service is *“to deliver a first-class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers”* and the Service has the following objectives:
- To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives.
 - To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies, and plans
 - To align the service with the Council’s changing needs.
- 2.3 In delivering this mission and objectives, the Service encapsulates the following teams:
- **Internal Audit** – this statutory service provides the internal audit function for all areas of the Council, including maintained schools. Internal Audit can be defined as: “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. Internal Audit 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.” (Public Sector Internal Audit Standards)
 - **Health and Safety** – supports Council officers and members in providing an effective health and safety management system that meets the Council’s statutory health and safety duties; thereby controlling the risks of injury and ill health to staff and others affected by the Council’s activities.
 - **Insurance** – fulfils the duty to provide an appropriate insurance service for the Council, including claims management, advice on insurance issues and the management of insurable risk.
 - **Risk and Resilience** – develops risk management and mitigation strategies for the Council on emergency planning (ensuring that the Council meets its statutory responsibilities as a Category 1 responder under the Civil Contingencies Act 2004), public safety and business continuity issues.

- **Assurance Team** – will develop a Counter Fraud strategy and co-ordinate the development of counter fraud services across the Council.

1.4 This report summarises the main aspects of the performance of the Service for the period 1 September 2023 to 30 November 2023, covering the following areas:

- Internal Audit:
 - work undertaken in the period, including a summary of work completed and an outline of the high priority recommendations made.
 - performance against Key Performance Indicators
 - anti-fraud update
 - developments relating to this part of the Service.
- Health and Safety, Insurance, Risk and Resilience and Assurance and Counter Fraud:
 - work undertaken in the period, with key data provided where applicable.
 - developments relating to these parts of the Service.

2.5 The report concludes by looking ahead to the challenges which will be addressed in the forthcoming period.

3. Internal Audit: Performance Update

3.1 Completion of Audit Plan

Since the last update to the Committee, the team have progressed a wide range of engagements. The table below outlines the audits in the Audit Plan that have progressed during the year. For engagements where a draft or final report is issued, the Audit Opinion and number of recommendations are identified.

Audit Engagement	Audit Opinion	Recommendations			Current Audit Engagements		
		High	Medium	Low	Draft	Final	Progress since last update
Investment in Highways 22/23	Minor	0	0	4	13-09-23	29-11-23	Final reports issued
Reconciliation Assurance Document Management System	Assurance	0	0	0		08-10-23	Memo issued to management
Damp and Mould - Private Rented	Moderate	0	2	1	11-10-23	23-11-23	A single report for 'Damp and Mould' is issued with two separate opinions
Damp and Mould – Council Owned Properties	Major	3	0	0			Report reflects the risks associated with small number of Park Lodges
Emergency Planning and Business Continuity	Assurance	0	0	0	13-08-23		Review undertaken by Gallagher Bassett
Grants Management	Moderate	0	3	4	18-10-23	23.11.23	Draft and Final Reports issued.
Annual Governance Statement 22/23	n/a	4 Significant Governance Issues			29-06-23	11-10-23	Final version of AGS signed by Chief Executive and Leader of the Council.
Corporate Governance Review 22/23	Moderate	3	3	3	29-06-23	11-10-23	Final report issued (includes 4 SGIs reported in the AGS)

Audit Engagement	Audit Opinion	Recommendations			Current Audit Engagements		
		High	Medium	Low	Draft	Final	Progress since last update
Data Protection - Data Breaches	Moderate	0	3	0	03-07-23	09-08-23	Final report issuance omitted from September Committee report in error and included in this report for completeness.
Sandway Homes – Financial Sustainability 22/23 – Company	Moderate	0	4	1	28-06-23	26-09-23	Final Report issued.
Sandway Homes – Financial Sustainability 22/23 - Council	Major	2	0	3	25-09-23	11-10-23	Revised draft issued and final report issued.
Netherton Moss	Moderate	0	3	3	29/06/23	27.10.23	Delay in school providing response due to summer leave
Holy Rosary School	Moderate	0	4	1	12-07-23	16-11-23	Final report issued
Newfield School 2022/23	Moderate	0	5	1	25-08-23	16-11-23	Final report issued
Birkdale Primary School	Minor	0	1	3	10.10.23		Following discussions with the school, revised draft report prepared.
St Edmund's and St Thomas' Primary	Moderate	0	4	2	29-09-23	30.11.23	Final Report issued.
Marshside Primary	Moderate	0	5	1	14-03-23	19-09-23	Final Report issued
Springwell Park Primary	Moderate	0	4	1	26-01-23	19-09-23	Final Report issued
St Robert Bellarmine School 2022/23	Moderate	0	4	0	19-09-23		Draft Report Issued
Woodlands Primary School 22/23	Moderate	0	5	0	23/08/23	30.11.23	Final Report issued.
Tree Management					Following up with Management to ensure that recommendations		

Audit Engagement	Audit Opinion	Recommendations			Current Audit Engagements		
		High	Medium	Low	Draft	Final	Progress since last update
(External Review)					from the review will be addressed. Historically there has been a fragmented approach to tree management which the review has identified and tried to address. As a result, there is a need to draw up a Council wide approach. The Risk and Audit Team have produced a joint report with Green Sefton a corporate tree management report that can be presented to SLB/ELT for approval. This is currently with the Assistant Director of Operational In House Services for approval.		
ASC – Controls to mitigate market failure					Planning work completed and fieldwork is progressing		
Children’s Services Demand Management					Initial planning work was undertaken. The Ofsted Inspection covered aspects of demand management. Audit plan to review progress against the Improvement Plan later in the year.		
Pupil Place Planning					Fieldwork complete and draft report being prepared.		
Petty Cash					Fieldwork is in progress.		
PSIAS					Self-assessment undertaken and improvement plan developed.		
Leisure Centres					Meetings held with management and Audit Brief is in process of drafting.		
Waste management -					Background work completed and Audit Brief issued.		
Commissioning - Living Well					Audit brief issued and commencing in January 2024.		
Social Value					Background planning work completed, and Audit Brief issued. Due to start in January 2024.		
Major Construction Projects					Audit Brief issued.		

Audit Engagement	Audit Opinion	Recommendations			Current Audit Engagements		
		High	Medium	Low	Draft	Final	Progress since last update
Governance Assurance Statements					Fieldwork completed.		
Sefton New Directions 22/23					Fieldwork completed, and exit meeting held with SND management.		
SHOL					Fieldwork completed and draft report prepared. Finalisation delayed due to changes in management.		
Consultancy / Management Support – Children’s Services					Supporting management in fact finding exercise regarding contract expenditure, procurement of agency workers; Code of Conduct and mandatory training.		

Grants Certified	Value Certified
Maritime Corridor 2023/24 - Q2 Claim	£200k
Southport Eastern Access Corridor 2023/24 - Q2 Claim	£120k
RSTS Highways and Non-Highways Maintenance Work 2023/24 - Q2 Claim	£1.48 million
Home Upgrade Grant Phase 1 (HUG1) Project Closure	Assurance
Urban Traffic Control 2023/24 - Q2	£428k
Local Authority Delivery Phase 3 (LAD3) Project.	£3.6 million

3.2 High Priority Recommendations

A summary of the high priority recommendations made on reports issued since the last Committee meeting is provided below.

Sandway Homes – Financial Sustainability 22/23 – Council

- The loan agreement between the Council and Sandway Homes should be reviewed, updated and signed by both parties.
- The roles and responsibilities for enforcing the loan agreement should be clarified.

Damp and Mould – Council Owned Properties

- Management should develop policies and procedures outlining the roles and responsibilities and processes for the management of Council owned rented properties. These should include processes for the management of damp and mould aligned to relevant legislation and government guidance. The policies should be approved and made available to staff and tenants.
- Routine checks should be established to assess the condition of Council owned rented properties, including an annual assessment of damp and mould. The outcome of all checks should be recorded, including hazards identified and remedial action required.
- Governance arrangements should be established to monitor and report compliance with policies and routine checks to relevant management groups and committees, including any trends identified regarding damp and mould issues.

Corporate Governance Review

- The Code of Corporate Governance is reviewed and approved by the Audit and Governance Committee at the earliest possible opportunity.
- Capacity issues within services are reflected in Service Plans and remedial action considered as part of the annual budget setting process.
- The Chief Executive should e-mail SLB to remind them of their obligation to submit their GAS and on a timely basis and in line with the deadlines for the production of the Council's AGS.

3.3 Review of Emergency Planning Processes and Documentation

The Chief Internal Auditor has oversight responsibilities for the Risk and Resilience team, which includes Emergency Planning and Business Continuity. The Audit Plan, which has been approved by this Committee, includes a review of this function, and an external review by the Council's insurance brokers, Gallagher Bassett, has been completed to ensure the independence of the Chief Internal Auditor from the review.

The objective of the review was to gain an independent opinion on the adequacy of the council's documentation and processes regarding emergency planning. The reviewer was not an expert in emergency planning but considered the materials from a risk management perspective.

The review was based on a detailed desktop appraisal of documentation provided by the council's Risk and Resilience Officer, along with content on the council's external website and information from partner organizations. The consultant annotated the documentation for the Risk and Resilience team to facilitate potential improvements.

The documentation was found to be comprehensive, logically structured, and mostly clear and understandable to the layperson. However, issues were noted with inconsistency in terminology and appearance over time, which caused confusion. Documents often became outdated and required maintenance due to changes in external sites linked in the documents. It was suggested that a more consistent format and a version control system could be beneficial. The reviewer also noted that some documents were repetitive but might be intended for different audiences or roles. The public-facing content on the council's website regarding Emergency Planning and Adverse Weather was clear and concise.

3.4 **2023/24 Resources and Performance**

The following table outlines the Audit Team's performance against the Key Performance Indicators outlined in the Audit Plan agreed by the Committee in March 2023.

Description and Purpose	Target	Actual	Variance and Explanation
<p data-bbox="280 1002 1120 1066">Percentage of the Internal Audit Plan original completed.</p> <p data-bbox="280 1145 1120 1289">This measures the extent to which the Internal Audit Plan agreed by this Committee is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the Council's systems.</p>	<p data-bbox="1205 1002 1272 1034">67%</p> <p data-bbox="1169 1145 1312 1209">See graph below.</p>	<p data-bbox="1429 1002 1496 1034">42%</p> <p data-bbox="1393 1145 1536 1248">See graph below and narrative.</p>	<p data-bbox="1765 1002 1832 1034">25%</p> <p data-bbox="1599 1072 2011 1356">On the original plan, there has been a 15% reduction in audit resources available. The completion of 2022/23 audit work has been significantly more involved and time consuming than anticipated when the Plan</p>

Description and Purpose	Target	Actual	Variance and Explanation
<p>Percentage of revised Audit Plan completed.</p>	67%	51%	<p>was formulated in February. A significant amount of time has been allocated to assisting management with fact-finding work; more time has been spent on follow-ups and school audits have taken more time than planned.</p>
<p>Percentage of Client Survey responses indicating a “very good” or “good” opinion</p> <p>This measures the feedback received on the service provided and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.</p>	100%	100%	No variance
<p>Percentage of recommendations made in the period which have been agreed to by management.</p> <p>This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.</p>	100%	100%	No variance

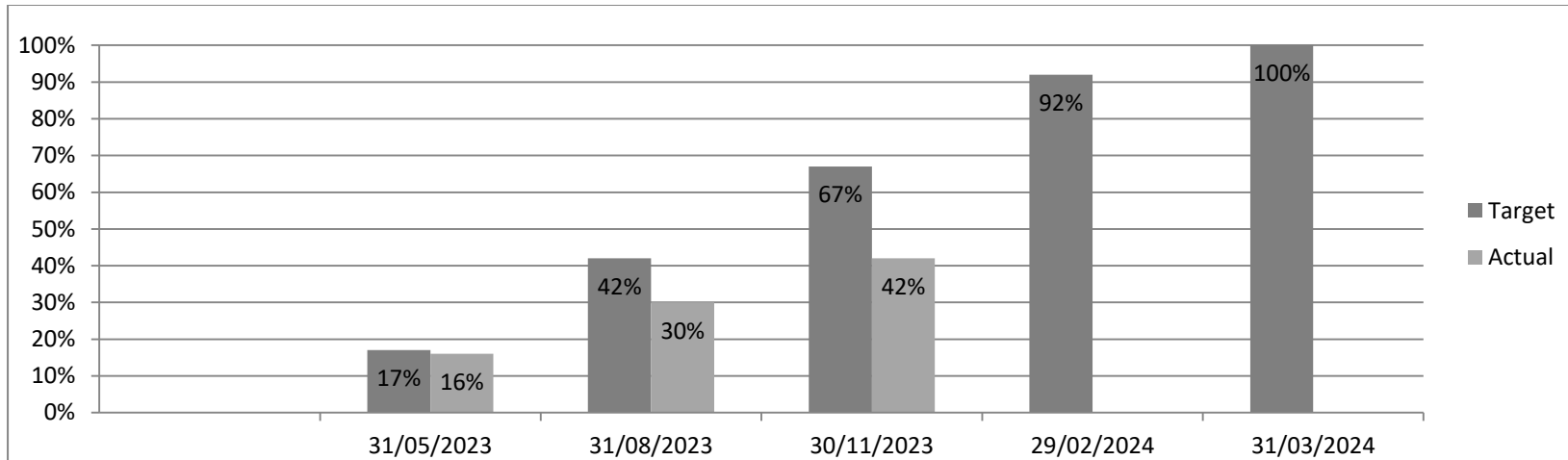


Figure 1: Percentage of the original Internal Audit Plan 2023/24 completed.

Figure 1 above shows the percentage of the audit plan completed during the year with 42% of the original plan completed after eight months.

Presently, the team comprises Audit Manager, two Principal Auditors, a CIPFA trainee and a part-time trainee ICT-Auditor.

- A Principal Auditor employed on a fixed term contract left the Authority on 30 June 2023 leaving a gap in resources. In anticipation of this resourcing gap, we started the recruitment process for a permanent Principal Auditor replacement in March 2023. The successful applicant, selected in September 2023, will be joining the team in January 2024.
- The CIPFA trainee joined the team from Financial Management at the end of January 2023 and is expected to return to a role in Financial Management after twelve-months at which time a new CIPFA trainee will join the Audit team.
- As part of the audit planning process, it was expected that a newly qualified CIPFA trainee would join the Internal Audit team from July 2023 for two years. The 2023/24 Audit Plan was presented to and approved by this Committee based on this assumption. However, the two trainees who have qualified during the year have taken up substantive posts within the Financial Management service. Therefore, this resource hasn't been available to contribute to meeting the Audit Plan. This has left a shortfall of nine-months (0.75 Full Time Equivalent) in the annual resource available.
- Inability to recruit a replacement Principal Auditor from July 2023. The vacant post has been filled from January 2024. This leaves a shortfall of six-months (or 0.5 Full Time Equivalent) in the annual resource.

- Significant time has been spent on fact-finding work to support Children's Social Care.

The impact of the lack of resources has impacted from 1 July 2023 onwards, as essentially the team are two Full Time Equivalents staff (36%) smaller than the original planned resource complement included in the March 2023 Internal Audit Plan, which has impacted on the delivery of the approved audit plan. We have traditionally operated a very low contingency so that work is allocated into planned audits which makes where there is a significant change in the resource difficult to accommodate without altering the plan and bringing back to the Committee to approve. In addition, some audits completed in 2022/23 have had to be extended to reflect additional work that was required following risks being identified.

A revised Audit Plan for the year was approved by the Committee in September 2023 to better reflect the resources available.

3.5 Revised Audit Plan 2023/24

The reduction in available resources, described above, decreases the available audit days available from 1,055 to 798, a reduction of 257 days.

Although the numbers of days are sufficient to potentially provide an annual opinion at the end of the financial year without providing a qualified opinion the resources are at the edge of being acceptable to undertake this. In the event of a special investigation or other unplanned work that needs to take place the opinion could end up being qualified as further resources are moved to accommodate the work. To mitigate this, the team will try and recruit a further member of staff from either the external market or on a temporary basis. Funding is in place within the wider service to do this.

The Council's insurance programme includes a number of free risk management days which can be utilised to provide additional risk management support and training. We are able to utilise some of these days to undertake a review of Emergency Planning which is currently underway using risk days from 2022/23 insurance year and risk management from the 2023/24 insurance year.

3.6 Public Sector Internal Audit Standards (PSIAS)

In March 2018 the Internal Audit Service was externally evaluated against the PSIAS and was found to generally comply. We report annually to the Committee on our progress and develop an Improvement Plan to further enhance our systems and processes. During 2022/23, the planned external assessment could not be conducted, due to resourcing issues, which has

impacted our five-year planning cycle and as a result the service no longer complies with the PSIAS. Despite this, we have completed our annual self-assessment, which will inform our ongoing improvement efforts. We are now scheduling an external validation for Q4 2023/24 to ensure compliance with the standards.

3.7 Internal Audit Improvement Plan 2023

Following the completion of the PSIAS self-assessment we have developed the 2023 Improvement Plan for the Internal Audit function includes several key actions aimed at enhancing various aspects of the audit process. Below are some of the highlights:

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No.	PSIAS Ref	Audit Improvement	Actions planned / completed.	Target Date	Responsible	Date complete
Staff Awareness and management						
23/01	4-Code of Ethics	Annual discussion and reminder to auditors regarding: - Code of Conduct (conflict) - Complying with requirements of PSIAS	Ethics training to be completed on 14 Dec 2023 Code of conduct reminder delivered at Huddle 23 Nov 2023 (note saved to file). January 2024; PSIAS training	Dec-23		
23/02	4-Code of Ethics 1230	Staff to submit training and learning annually	Sent email to team 28 Nov 2023. Includes training and learning since April 2022, and also current CV without personal information. Deadline 22 Dec 2023.	Dec-23		
23/03	1230	All staff to be appraised against predetermined skills and competencies	Self-assessment sent to two Principal Auditors to be returned Dec-23. Decision taken not to require CIPFA trainee (only in Audit for 12-months during training) and ICT-Trainee (likely to be redeployed before year	Dec-23		

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No.	PSIAS Ref	Audit Improvement	Actions planned / completed.	Target Date	Responsible	Date complete
			end). CIA and AM to complete self-assessment also.			
23/04	2040	CIA to review and approve Draft Audit Manual v1.10	CIA issued to staff 23 Nov 2023. Previous version saved to archive.	Nov-23		23-Nov-23
23/05	1210	Identify solution for gap in ICT audit skillset.	Restructure awaiting approval by Exec Director to recruit.	Mar-24		
23/06	1210 1220	Develop team's data analytics capabilities	Approach Strategic Support to identify current data skills competency for performance management posts.	Mar-24		
23/07	1312	Arrange for an external assessment to be undertaken by year end.	CIA to explore with CIPFA.	Mar-24		
23/08	1320	Report the results of QAIP including self-assessment to Audit and Governance	AM to draft summary for inclusion in A&G report. Included in Dec 2023 Audit and Governance update.	Dec-23		
23/09	1321 2430	Update Audit Report template to remove reference to conforming with PSIAS (it has been more than 5-years since last external assessment).	Updated template, and informed team.	Nov-23		22-Nov-23
Audit Plan						
23/10	2010	Review the audit plan as presented to A&G committee to ensure that clear priority of various pieces of work.	Template for 24/25 Audit Plan is set up, including engagements scheduled in each year e.g., LCR grants, AGS etc. New	Mar-24		

No.	PSIAS Ref	Audit Improvement	Actions planned / completed.	Target Date	Responsible	Date complete
		Link to Risk Register – High; Med; Low?	column added which allocates a priority to the engagements, High (grant certifications, AGS, plus anything that Executive Directors specify); Medium (most audits); Low (likely to be audits included to help develop trainee auditors).			
23/11	2120	Add an element of ethics auditing into each annual audit plan e.g., Code of Conduct	Added into the template for 24/25 Annual Audit Plan – although not the specific area.	Mar-24		
Pre-Audit Risk and Planning						
23/12	2200 2210	<p>Develop pre-audit risk and planning document / questionnaire to consider:</p> <ul style="list-style-type: none"> · The objectives of the activity being reviewed? · The means by which the activity controls its performance? · The significant risks to the activity being audited? Including preliminary risk of <ul style="list-style-type: none"> - Significant errors - Fraud - Non-compliance - Other risks · The activity's resources. · The activity's operations. · The means by which the 	Develop pre-audit risk and planning document.	Jan-24		

No.	PSIAS Ref	Audit Improvement	Actions planned / completed.	Target Date	Responsible	Date complete
		<p>potential impact of risk is kept to an acceptable level?</p> <ul style="list-style-type: none"> · The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model. · The opportunities for making significant improvements to the activity's governance, risk management and control processes 				
Draft pro-forma Audit Brief and RE						
23/13	2110	<p>Update draft audit brief and Risk Evaluation (RE) to include /ensure "improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> * Making strategic and operational decisions? *Overseeing risk management and control? *Promoting appropriate ethics and values within the organisation? * Ensuring effective organisational performance management and accountability? * Communicating risk and control information to appropriate areas of the organisation? * Coordinating the activities of and communicating information among 	Update brief template and RE template to include areas.	Dec-23		

No.	PSIAS Ref	Audit Improvement	Actions planned / completed.	Target Date	Responsible	Date complete
		the board, external and internal auditors and management”				
	2120	* Risk of fraud and corruption	Update brief template and RE template to include areas.	Dec-23		
	2210	Update the pro-forma Audit Brief and RE to include: <ul style="list-style-type: none"> • Governance: Ask, laws, industry standards, corporate and service specific policies and procedures are in place that help ensure objectives are achieved • Risk Management: what are risks to preventing achievement of objectives. Do they regularly review them, developed ORR? • Controls: what controls are in place to deliver the service objectives • How do you ensure VFM? Performance Management	Update brief template and RE template to include areas.	Dec-23		
	2240	Approve ‘work programmes’ (REs) and any amendments	Introduce approval.	Jan-24		
23/14	2330	Inform Strategic Support that Corporate Retention Policy (v1.5) does not include Internal Audit retention.	CIA to speak to Council DPO.	Dec-23		
23/15	2431	Post audit checklist could incorporate a check if any non-	AM to update checklist.	Jan-24		

No.	PSIAS Ref	Audit Improvement	Actions planned / completed.	Target Date	Responsible	Date complete
		<p>conformance with Code of Ethics or PSIAS has impacted on the engagement; this should be reported.</p> <p>the communication of the results should disclose the following:</p> <ul style="list-style-type: none"> · The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved? · The reason(s) for non-conformance? · The impact of non-conformance on the engagement and the engagement results? 				

Key

Action Completed

Action undertaken to date.

CIA – Chief Internal Auditor

AM – Audit Manager

These actions demonstrate a comprehensive approach to maintaining and improving the internal audit function's effectiveness, compliance, staff development, and overall governance. In addition to the main improvement plan, iterative improvements are made to processes throughout the year.

3.8 Institute of Internal Auditors International Professional Practices Framework

Internal audit professionals around the globe rely on the International Standards for the Professional Practice of Internal Auditing (Standards) and the International Professional Practices Framework (IPPF) to help navigate the complex world of risk management, governance, and control. For more than a generation, these documents from The Institute of Internal Auditors (IIA), which flow through to the UK Public Sector Internal Audit Standards, have guided practitioners in providing internal audit assurance and advice that is independent, objective, effective, efficient, ethical, and of the highest quality.

The IIA has released a draft that dramatically changes how the *Standards* and other elements of the IPPF are presented and explained. The new *Global Internal Audit Standards*[™] more clearly articulate the keys to effective internal auditing by grouping the *Standards* 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

The publication included as an appendix explains the various domains in more detail. The IIA indicates that the revised standard following consultation will likely be finalised during the first quarter of 2024 coming into effect in the first quarter of 2025. When the final version of the IPPF is issued we will provide an update and our plans to implement the new standards. There will likely be a revised Public Sector Internal Audit Standard although the timing remains unclear at present.

3.9 **Developments**

Since the last Audit and Governance Report Internal Audit has:

- Strengthened the school audit programme to better reflect changes in Sefton's Scheme for Financing Schools. The programme will increase focus on bank pay-ins by schools.
- Have appointed a suitable candidate to join the team as Principal Auditor from January 2024.
- Continued to implement dedicated team office days to further strengthen our already strong team dynamics.
- Have begun the process of implementing the Audit improvement plan.
- Team is now focused on delivering the revised 2023/24 Audit Plan.
- Supported the CIPFA trainee in completing bench marking work with other LA Internal Audit teams.

- Engaged on providing support regarding an investigation linked to compliance with Code of Conduct.
- Engaged in a series of meetings with Risk colleagues to help understand and define how the Three Lines Model could be integrated in with the Assurance Mapping and Risk Management.
- Completed the review of the backlog of checks to confirm implementation of audit recommendations.

In the next quarter, the planned development for the service includes:

- Roll out a proposal to management to develop the three lines of defence model recommended by the Institute of Internal Auditors
- Continue with preparations for upcoming Public Sector Internal Audit External Assessment due in coming year.
- Start the planning process for 2024/25 Audit Plan.
- Start the annual Assurance Mapping exercise.
- Welcome new Principal Auditor starter to the audit team with an office team day.

4. Health and Safety: Performance Update

4.1 Progress

- 4.1.1 Following the departure of a permanent member of the Health and Safety team (the team) on the 30 June 2023, there followed a significant recruitment activity to fill the vacancy. Following a prolonged process, we have now offered the position with a view that the successful candidate will start at the beginning of January 2024. The recruitment process has proved difficult in attracting suitably qualified and experienced interviewees for the role even where agencies were used. We have recently recruited to a further health and safety position with the successful candidate also starting in January 2024. This will bring the team to a total complement of four full time staff members including the Senior Health and Safety Officer. The increase will allow the team to become more proactive in its approach to tackling issues.
- 4.1.2 Resources continue to be stretched to meet the various demands of the Council. As a result, the team are focusing on key priorities and managing expectations. The Corporate Health and Safety team supports nearly 8,000 staff (including maintained school staff, and schools with a Service Level Agreement), plus agency staff, contractors, and volunteers working on behalf of the Council.
- 4.1.3 The team continues to deliver a range of services across all departments and schools, which can generally be divided into three main areas:
- Policy and communication
 - Operational reactive and proactive response
 - Active monitoring.
- 4.1.4 Health and safety objectives and key performance indicators have been aligned to the Councils 'Vision 2030' and 'One Council' initiatives and core values. These are continually reviewed and drive the programme of work, not only for the team but for services areas through the health and safety sub-committees.
- 4.1.5 Consultation arrangements continue to work well, with the Corporate Health and Safety Committee (CHSC) playing a key role in conjunction with the Departmental Health and Safety Sub-Committees. The next scheduled CHSC meeting will take place on the 14 December 2023. Most committee meetings are virtually ahead of the main meeting itself. This provides a good avenue for the dissemination of information relating to that department and the wider dissemination via the full Committee.

Terms of reference may require re-visiting to ensure that where members cannot make the main meeting, a competent deputy attends in their place.

- 4.1.6 The team is attending corporate buildings to advise upon dealing with instances of aggression which have been experienced by some departments recently. Examples of recent corporate visits have included Magdalen House, Bootle and Southport Town Halls and Bootle One Stop Shop. Advice has centred around better conflict management, increased security measures for customer facing staff and reactive procedures.
- 4.1.7 The under reporting of accidents, incidents and near misses continues, despite the changes in visibility and profile of the system has received in recent months which means there is room for improvement, and this has been a focus for discussion at recent sub committee and main committee meetings. The team continues to encourage managers to ensure all accidents, incidents and near misses are reported to ensure safety management is improved and to ensure the Council is protected as best as it can in the event of future claims. This will also aid compliance with its legal duty to report accidents under the Social Security (Claims and Payments) Regulations. The reporting system has been made more accessible to greater numbers of managers, with access now being available directly from the intranet's front page.
- 4.1.8 Reporting rights are no longer just restricted to managers but also available to first line supervisors to relieve administrative burdens and increase information flows. All Service Areas have been approached to provide details of their first line supervisors and we have refreshed the user lists on the software issuing new log ins. Departments are being approached and advised directly where there is strong evidence of under-reporting. The team is working with the Comms Teams to produce a package of communication to staff members from regular emails, updates on the intranet and a video from senior management. The Incident Reporting procedure is currently under review to ensure all current issues, including reporting mechanisms for third party contractors working on behalf of the Council's undertaking, are covered.
- 4.1.9 The team continues to review the quality of incident reporting and advises the inputter where there is scope for improvement. There has been some visible improvement in quality noticed over the quarter, however, there remains a long way to go. A small number of incidents continue to be reported under RIDDOR when they should not be. It is believed that the number of RIDDOR reports submitted each year can be reduced, thereby only allowing genuine ones to be forwarded to the HSE.
- 4.1.10 This year brought about a full schedule of events held across Sefton's parklands and other associated sites. This included everything from music to comedy, to food, drink, flowers, fireworks and air displays. All of these have boosted tourism and rejuvenated some of our more disadvantaged neighbourhoods. Whilst most events are relatively low risk in nature, some of the activities incorporated within may be deemed higher risk and requiring further consideration. Fair rides, inflatables and

daredevil stunts are examples of activities that can raise the risk levels of an event and thereby attract the attention of the team via the Sefton Event Safety Advisory Group (SESAG). The team are active members of SESAG advising other stakeholders on the Group, as well as event organisers in relation to their responsibilities and best practice. The volume of documentation that can be submitted for such events can be significant which does impact on the team's activities.

4.1.11 The Team has recently reviewed the Council's procedures when dealing with event applications, to ensure a more coordinated approach across Service Areas and enhancing systems that are currently in place. They are currently working with other teams and departments to ensure the recommendations are implemented ahead of the spring / summer season of 2024.

4.1.12 Visits to schools with a Service Level Agreement (SLA) in place started in earnest in September 2023 with full audits being carried out. The visits have been well received and the team intends to build on this success for the 24/25 period. A review has begun as to how the Schools SLA will be conducted for the coming year to maximise the effect of the service, retain current customers and stave off approaches from third party competitors. Asbestos Management training for schools was also instigated during this quarter. Whilst the council remains duty holder for the overall management, the day-to-day management lies with the school themselves. The training will encompass 2-3 hours online with a further session of virtual training to take place in January.

4.1.13 Risk assessment remains the mainstay of health and safety and the team receive such documents for review from a range of sources, including corporate departments, schools' external events organisers (via the Evolve database) and from public event organisers (via the Events Safety Advisory Group). There is a wide range of differing standards when it comes to risk assessment submissions and advice is given upon receipt to strengthen the quality of those submitted. Risk assessments and safe systems of work should be reviewed following accidents or incidents, and this message is regularly disseminated by the team to wider management to secure a more robust due diligence system.

4.1.14 The team continues to work alongside other Service Areas to review existing practice and establish best practice. Examples of such cross - departmental work include:

- Property Services in relation to fire marshal and first aid provision, PAT testing, security and aggression in public facing council buildings.
- Building Services in relation to Asbestos Management
- Workforce Learning and Development in relation to the establishment of a new health and safety training programme.
- Various parties on the re-establishment of the Workforce Wellbeing Group.

- Adult Social Care in relation to better accident / incident reporting measures.
- Operational In-House Services in relation workers working in excessive heat, hand – arm vibration and working in or near water.
- Operational In-House Services and Communities on managing open water spaces and beach environments.
- Various parties in relation to a Zero Tolerance Policy.

4.1.15 Along with some of the broader projects, the team remains busy with more specific / individual enquiries from both the schools and corporate side. These cover such areas as:

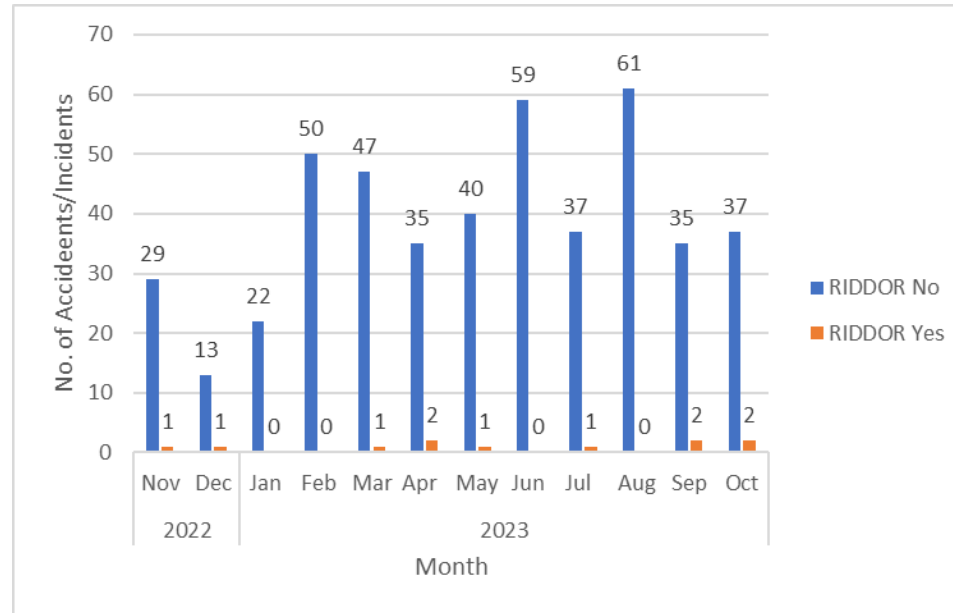
- Personal Emergency Evacuation Plans (PEEPS) for disabled members of staff
- DSE and Ergonomic issues including the purchase of relevant chairs.
- School’s struggling to access the CLEAPSS and Evolve systems.

4.1.16 Electric Vehicle charging points have been receiving some attention as part of a separate health and safety project. The team are keen to be involved in discussions ahead of these being installed with the intention of reducing the impact of thermal runaway, as well as vehicle fires cutting off escape routes.

4.2 Key Incident Data

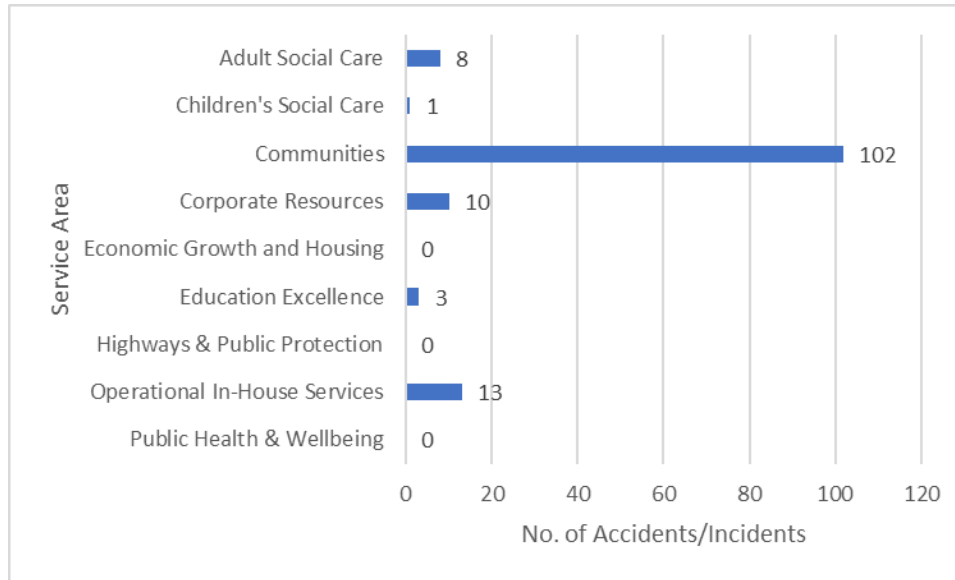
4.2.1 The Health and Safety Team continue to manage the Council’s incident reporting system which records work-related accidents and incidents involving employees, agency workers, contractors, volunteers, and members of the public.

Graph 1 below shows the number of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) against Non - Reportable accident and incident data for the Council from 1 November 2022 to 31 October 2023 over the past 12 months.



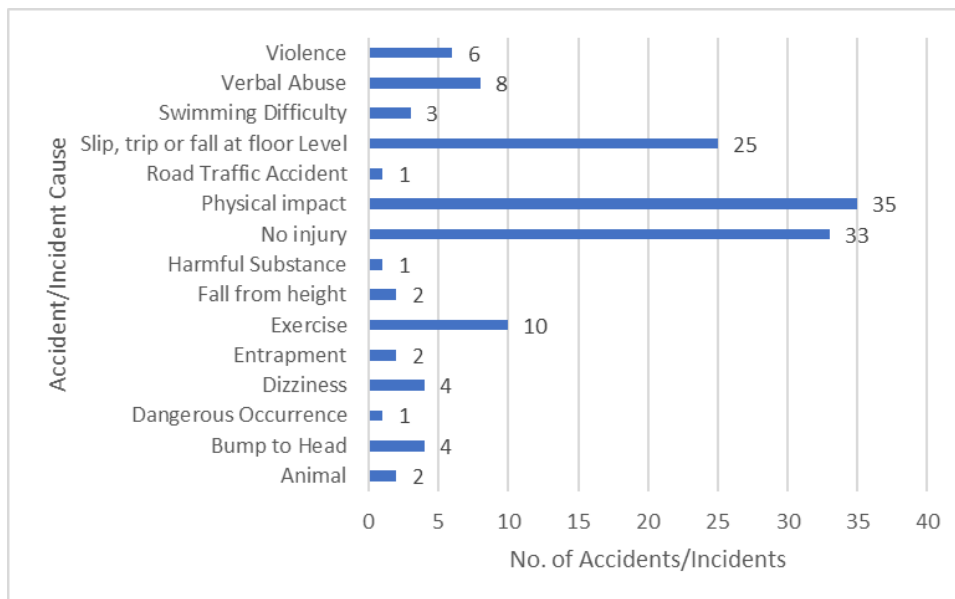
4.2.2 The above are corporate figures, excluding some of the playground bumps and falls of the schools. This shows a total of 465 accidents incidents across the 12-month period, with a further eleven being reported as RIDDOR. These collective figures mask some of the constant zero returns being submitted by some departments.

Graph 2 shows Accident and incident data comparisons for Service Areas between 1 August 2023 and 31 October 2023



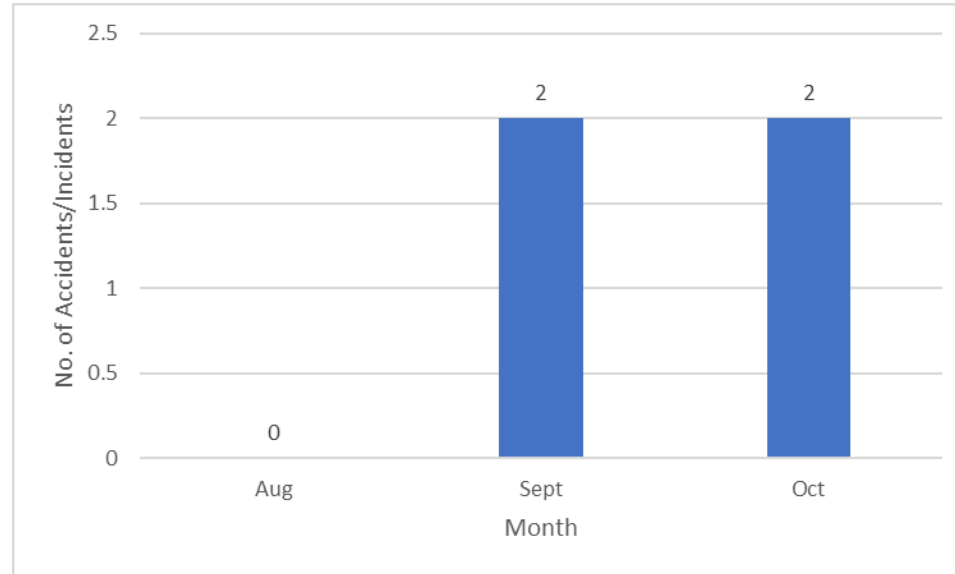
4.2.3 This graph demonstrates some of the figures from the last quarter and apart from the submissions from Communities, demonstrates some of the low submissions across the estate. The team continue to work with these departments to rectify this matter.

Graph 3 Reported causes of accidents and incidents reported across Sefton Council from 1 August 2023 and 31 October 2023



4.2.4 The team is attempting to clarify some of the reporting definitions under which accidents and incidents are reported. No injury incidents are usually near misses, with the harmful substance incident relating to boiling water. Physical impact and slips, trips and falls remain high as is the usual pattern.

Graph 4 The number of notifications made to enforcement authorities and insurers under the Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR), between 1 August 2023 and 31 October 2023



4.2.5 RIDDOR reports generally relate to more serious incidents or where a staff member has been injured and subsequently is absent from work for more than seven days. The key part in any RIDDOR report is that the injury must stem from a work-related injury and not just merely occur in work. This misunderstanding leads to a number of invalid submissions for which again, the team continues to work with relevant teams to improve understanding.

4.3 Developments

4.3.1 There will be a continued focus during the next quarter of delivering the Health and Safety Improvement Plan with planned and reactive priorities. The team will be working with the health and safety sub-committees to develop their own service area improvement plans, considering lessons learnt and areas of good practice.

4.3.2 The Corporate Health and Safety Team will:

- Continue to support managers and head teachers with the review and updating of risk assessments.
- Continue to review, update, and monitor the Health and Safety Standards and Policies, with focus on fire risk assessments, personal and corporate security, dangerous substances, and Explosive Atmosphere Regulations, first aid provision and local emergency response.
- Continue to develop the Council-wide training needs assessment which will build into the health and safety training plan and provision, in collaboration with the Workforce Development Team.
- Work with senior managers to identify staff who require risk assessment or refresher training. Continue to support the delivery of risk assessment training for managers.
- Focus on improving the accuracy of incident reporting, investigation and implementation of controls and monitoring to prevent reoccurrence. Work with managers to ensure incidents of threatening and abusive behaviours towards staff are reported and investigated.
- Supporting the review of event management by Green Sefton and Tourism as well as Open Water safety by Green Sefton and Leisure.
- Continue to deliver a health and safety monitoring regime across the Council, to schools where the Council retains responsibility for the health and safety as the employer and those schools with a Service Level Agreement with the Councils Corporate Health and Safety Team. This will provide assurance that health and safety management systems are suitable and effective.
- Monitor outdoor education activities, offering advice and reviewing risk assessments for off-site visits and adventurous activities involving young people in schools. This is managed by the EVOLVE system which schools can purchase as part of the Service Level Agreement offering.
- The Team continues to support and monitor schools in the safe storage and where necessary, destruction of their radioactive sources.

5. Insurance: Performance Update

5.1 Work Completed

- 5.1.1 During the period, the following key pieces of work/projects have been undertaken:
- 5.1.2 As reported previously and on the advice of the Council's Brokers, Marsh, the more specialist Council policies (Terrorism, Director's & Officers, Personal Accident & Travel, Fine Art, Marine, Drone, Premises Pollution and Sefton Arc PI and PL), were omitted from the main Tender exercise earlier this year. This was because the market for these covers would be extremely limited using a tender aimed at Public Sector insurers with potentially no quotes being received or if only one bid was received, then there would be no option but to accept the premium quoted. It was therefore recommended that Marsh utilise their in-house placement team to approach multiple markets which would provide competition, resulting in being able to place policies at the most competitive option and ensure that value for money is gained. It is pleasing to note that the exercise resulted in the majority of ratings remaining in line with the previous period and only a few premium increases due to the values of turnover or sums insured declared.
- 5.1.3 To assist with risk management, the Team have developed a pilot report for Highways detailing claims numbers, values and outcomes, and areas where the concentration of claims is the highest. Once agreed with the service area, it is hoped that this can be developed and rolled out to others appropriately.
- 5.1.4 The Team successfully liaised with Insurers, Merseyside Fire & Rescue, and colleagues from Tourism and Property Services to ensure that insurance cover, without any imposed restrictions, remained in place for Southport Pier whilst the fire protection system repairs were being undertaken and subsequently completed.
- 5.1.5 The Council continues to defend cases robustly to protect the public purse and, where necessary, will enlist the assistance of Weightmans, the Council's liability insurance solicitor, to provide litigation support for appropriate claims. With Weightmans assistance, two insurance claims were recently successful at trial. The claims had a combined reserve for third party damages and costs of £67k. In addition, and although costs are still outstanding, a claim with a large reserve was successfully negotiated by Weightmans at a quarter of the amount for damages presented by the third party.

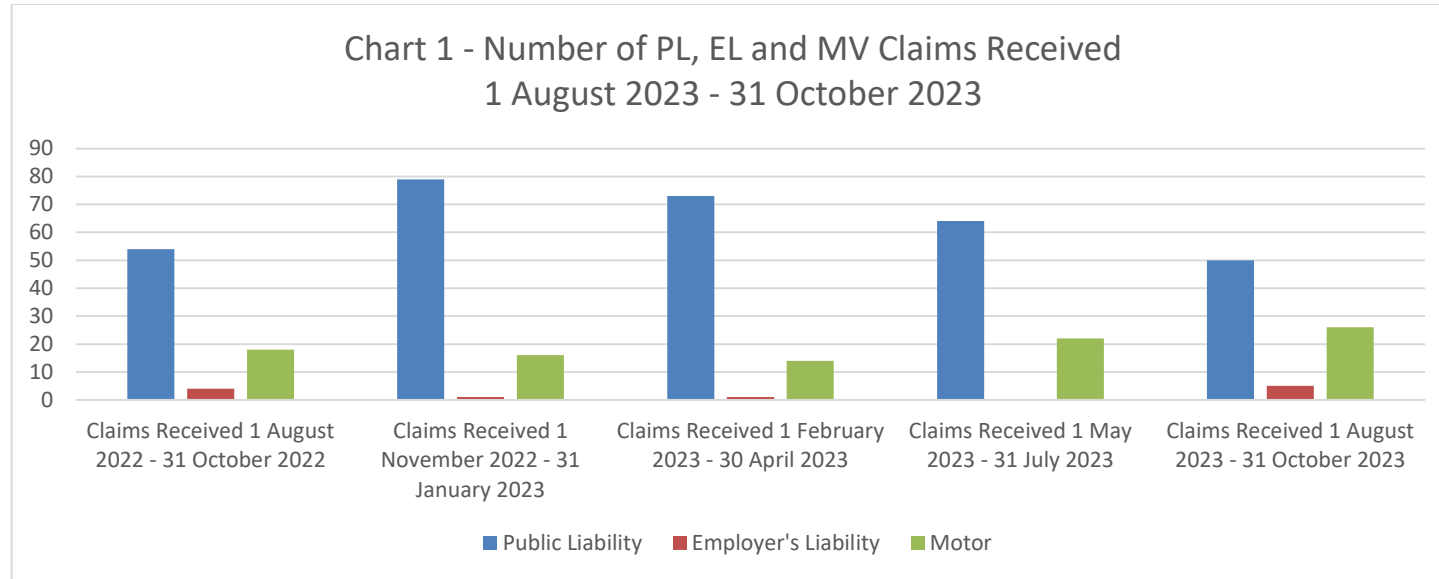
5.1.6 The Team, where necessary, will continue to work with service areas to improve the management of insurable risk especially in areas where there are high numbers of claims or areas of concern. The Council generally has high defensibility rates, and such risk management activity will assist in maintaining and potentially improving the position further.

5.2 Key Claims Data

5.2.1 The following charts outline the insurance performance and include:

- Numbers of claims for Public Liability (PL), Employers Liability (EL) and Motor (MV) received by Sefton Council for the period 1 August 2022 to 31 October 2023.
- Value of the reserves for PL, EL and MV claims received by Sefton Council for the period 1 August 2022 to 31 October 2023.
- The average reserve value for PL, EL and MV claims received by Sefton Council for the period 1 August 2022 to 31 October 2023.

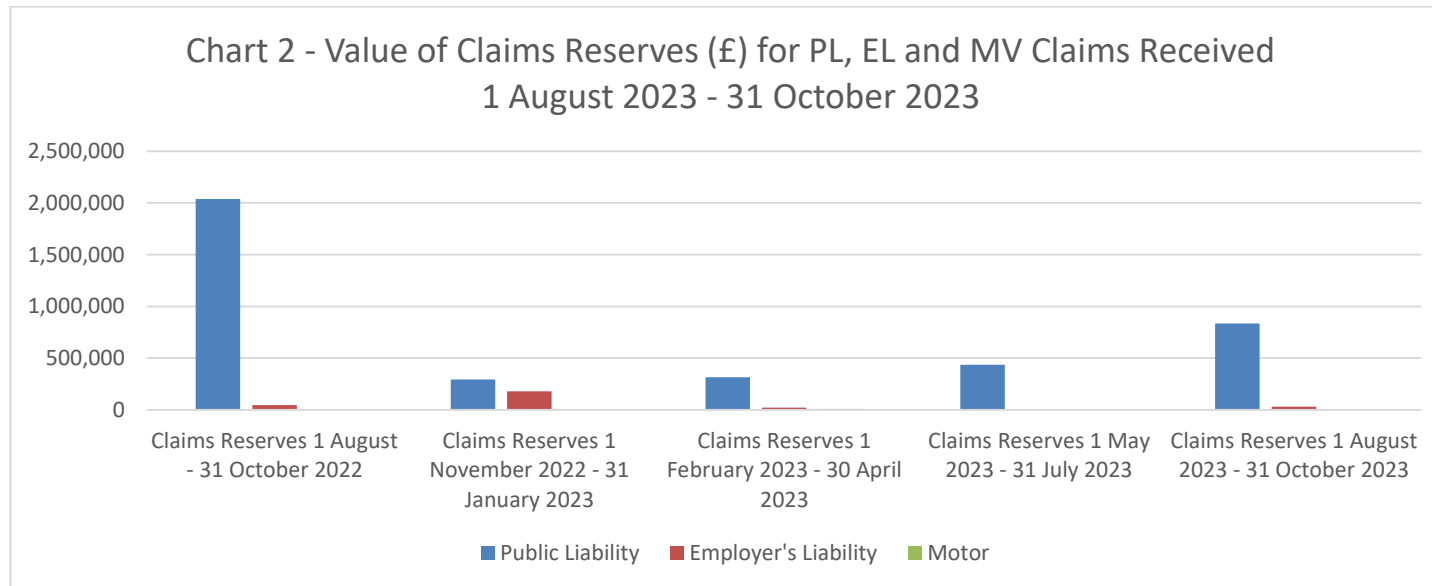
Chart 1 below outlines the number of claims for PL, EL and MV received for the period 1 August 2022 to 31 October 2023.



- 5.2.2 The number of PL claims has decreased by 22% since the previous quarter representing the lowest number in the overall reporting period and ends 7% lower than the start of the period. Personal injury claims represent 52% of the claims received with the remainder being third party property damage. The majority (70%) of all claims received relate to the Highways service area which account for 69% of the personal injury claims and 71% of the property damage claims.
- 5.2.3 Five EL claims have been received in the last quarter, which is a stark contrast to the previous quarter. Unusually however, three of the claims are for historic Noise Induced Hearing Loss (NIHL) whilst the claimants were employed in the Council's Direct Labour Force during the 1970's to 1990's. In the overall reporting period this is the highest number of claims received, increasing by 25% from the start of the period.
- 5.2.4 The number of MV claims has increased by 18% from the last quarter and is the highest of the overall period. Own damage claims count for 65% of the claims received with the remaining 35% involving third party damage. As would be expected due to the fleet size, the Waste and Cleansing service area account for 65% of the claims received with the remainder being shared equally amongst a number of other service areas. No claims have been received for personal injury.

5.2.5 The current profile in all three areas presents no cause for concern however claim numbers will be monitored for any changes in trend.

Chart 2 below outlines the value of the reserves for PL, EL and MV claims received for the period 1 August 2022 to 31 October 2023.

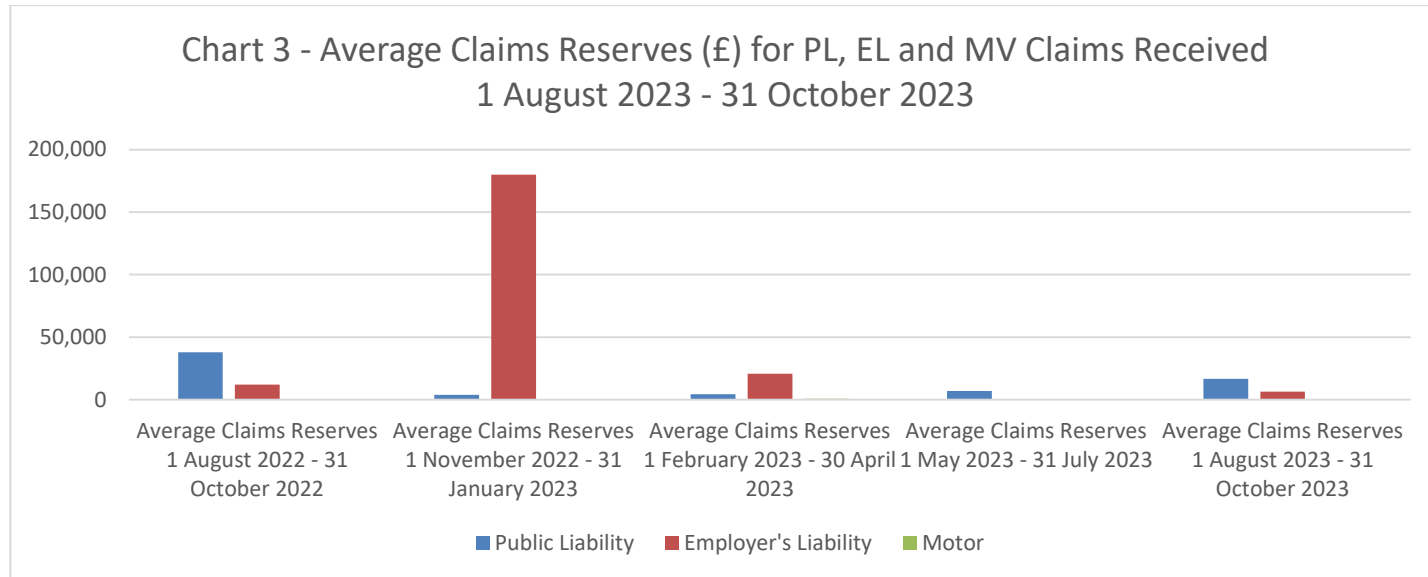


5.2.6 Claim reserves are allocated by the insurers and/or claims handlers independent of the Council and are determined by the type of injury sustained by the third parties and/or damage occasioned to their property.

5.2.7 Although there has been a decrease in numbers of PL claims received, due to the nature of alleged property damage and/or personal injury occasioned to third parties, there has been a seismic increase of 92% in the value of claims reserves, which is the second highest of the overall reporting period. More than 50% of the claims reserve value relates to four claims alone, and as they are relatively new, and not yet fully investigated by the Team/external partners, their value will remain high as a precaution.

- 5.2.8 Unfortunately, due to their infancy, reserves are not yet placed on the EL NIHL claims reported on above. The reserve of the other two claims however is the second lowest of the overall period.
- 5.2.9 Reflecting the increase in MV claim numbers, claim reserves have increased by 7% in the last quarter. All are repair related.

Chart 3 below outlines the average value of the reserves for PL, EL and MV claims for the period 1 August 2022 to 31 October 2023.



- 5.2.10 The average reserve for PL claims shows an increase of 145% since the last quarter, although a decrease of 56% since the same period last year.
- 5.2.11 Although only two from five claims reserves are known, the average reserve is the lowest of the overall reporting period by 47%.

5.2.12 The average MV claims reserve, which is the third highest of the overall reporting period, has decreased by 9% in the last quarter.

5.2.13 Trends in claims performance will continue to be monitored.

5.3 **Developments**

5.3.1 An exercise has recently been undertaken to gain quotes from various Insurance Brokers to enable an Actuarial Report to be undertaken on the Council's insurance claims. This is a biannual requirement of the Council's External Auditors and will provide an analysis of current claims reserves, a forecast of expected ultimate losses after allowing for volatility and will also comment on emerging risks within the sector. Ultimately it will determine if the Insurance Fund has sufficient reserves to fund current and future claims that may be presented.

5.3.2 As previously reported, a class action claim has been received by the Council involving 56 historical claims of abuse. This type of claim by its very nature can progress very slowly, although the Team continue to liaise with both insurers and solicitor's acting for the Council when necessary. Since the last Committee, the Council's Chief Legal and Democratic Officer has met with Counsel to discuss and consider settlement of eight of the larger claims which, along with interim third party costs, have been agreed and paid. Discussions will continue as seen appropriate by Weightmans and any progress will be provided in future updates.

5.3.3 As the Council continues to change and commercialism develops, discussions will continue with the Insurance Broker to ensure that all new risks/liabilities to the Council are identified, and, if required, relevant insurance cover is sourced and procured to provide appropriate protection.

5.3.4 Following commencement of the new insurance year on 29 September 2023, the Team will continue to make use of the allocation of free of charge risk management days made available as part of the liability, material damage and motor insurance contracts. These are utilised to provide service areas with training or advice for their specific roles and to strengthen areas of the Council where relevant. Aside from these days, Insurers are also offering bespoke support in relation to both Risk & Resilience and a Fleet Review. Initial meetings are taking place to plan how and when these will be delivered.

5.3.5 Although there is still good appetite in the Insurance market for well managed risks with a coherent claims experience, Brokers advise that conditions still remain difficult following the hardening of the market prior to the Covid pandemic and

continuing through this period of time, alongside the volatility of, amongst others, the war in Ukraine and cost of living/increase in energy costs. Insurers are increasing premiums to offset claims inflation and economic uncertainty, but also in response to rising asset values and claims costs due to social inflation. However, the backdrop of the cost of living crisis prevents them from pushing the premium rate through all at once resulting in a balancing act where Insurers are calculating where they can allocate the various cost pressures into premium. Within the broader cost of living crisis, there is also anticipation that fraud will rise which has led to the stricter application of policy terms and conditions and scrutiny of claims presented. The Team will therefore work with Brokers to ensure that all advice is considered, and precautions taken to ensure that full cover remains in place whilst also meeting value for money.

- 5.3.6 Despite the above, Insurers now seem to have more of an appetite to offer Cyber Insurance policies to Public Sector organisations. Historically the Council have not procured such a policy due to the uncertainty of cover offered, minimum standards to be met and disproportionate premiums. However, the market now appears more stable, and Brokers have recently been asked to obtain indicative premiums in order for an informed decision to be made against investing the same monies, into for example, the infrastructure of systems, training of officers. A cyber offer for the Council's Schools has been investigated and will be launched to Sefton Schools, that insure with the Council, shortly.
- 5.3.7 To build on the already strong relationships forged, and to ensure the smooth running of all relevant contracts to provide value for money, regular meetings will continue with external suppliers to the Team – Brokers, Insurers, Claims Handlers, and Solicitors. Attendance at webinars will also be accepted where content is relevant and of interest to the Team and the organisation as whole.

6. Risk and Resilience: Performance Update

6.1 Work Completed

- 6.1.1 The Risk and Resilience Team (Team) continue to ensure progressive development across the key areas of Business Continuity, Emergency Planning and Risk Management and an improvement plan has been produced.
- 6.1.2 The Emergency Planning function of the Team is delivered at both organisational and multi-agency levels and the Team remain fully engaged with the planning, preparedness, response, and recovery activities of both the Council and partner agencies of the Merseyside Resilience Forum (MRF). The MRF has resumed pre-pandemic working groups to deliver on the business plan for the coming year and the team maintain strong working relationships and participation in various risk specific task and finish subgroups to plan and deliver multi-agency programmes of work.
- 6.1.3 The Team regularly promotes and shares invitations to MRF training opportunities to relevant Council colleagues and Emergency Duty Co-ordinators (EDCs) to enhance their knowledge and experience. Two EDC colleagues attended the Multi Agency Gold Incident Commander (MAGIC) course in October 2023. A second session of the course “Preparing for Recovery Management” was held in November and three colleagues attended this. The Council would be responsible for leading recovery following any Civil Emergency and therefore knowledge in this area is essential. The Merseyside Recovery Plan has just been reviewed by a working group and a validation event took place in September. The team attended “Exercising Business Continuity and Crisis Plans” course hosted by the MRF in November.
- 6.1.4 The Team have attended other Multi agency workgroup sessions for scoping the impacts of a National Power Outage within the region. The National Security Risk Assessment has been reviewed by Cabinet Office this year and as a result, the methodology for risk assessing the Community Risk Register has changed significantly. The team have attended workshops and training to ensure they are competent and compliant with the new processes. Other working groups that Risk and Resilience attended this quarter include Human Aspects Working Group, Death Management Working Group, Telecommunications, Environment (including severe weather), Transport and Maritime Working Group, The Cheshire and

Merseyside Local Health Resilience Partnership and The Mass Rescue Operations Task and Finish Group. The team attended a presentation on board The MS Borealis Cruise Liner. This was to understand the liner's procedures and plans if the vessel needed to evacuate passengers and crew and how local authorities would be able to support this.

- 6.1.5 The team are members of Sefton Events Safety Advisory Group (SESAG) and have continued to participate in multi-agency event plan reviews and meetings with event organisers. Southport Airshow and The British Musical Firework Championships were held in September. A debrief was held for the Airshow to understand what worked well and which areas could be improved for future events.
- 6.1.6 An audit of Emergency Planning, Business Continuity supporting documentation has been undertaken by Gallagher Bassett, the Council's claim management provider, as part of the free risk management days available to the Council. The documentation was provided to the auditor and a report was drafted following the conclusion of the review for consideration by the team. The recommendations identified relative minor concerns which the team have now rectified in all documents produced by the Risk and Resilience team. Suggestions from the audit have been shared with owners of the externally produced documents that the team use as reference.
- 6.1.7 An Emergency Coordination Centre (ECC) was located within Sefton ARC since 2005. The room has been utilised by an expanding Careline team and therefore alternative rooms have been considered for use as an ECC. A report has been presented to Executive Leadership Team, showing options for rooms within Magdalen House and Bootle Town Hall. The SLB meeting room within BTH was the preferred option. The change of arrangement will be reflected in an update to the current Major Emergency Guidance Document and the Emergency Duty Coordinator Handbook.
- 6.1.8 A review of each Service area's Business Continuity plan continues to be facilitated by the Team in consultation with the plan owners. The updated contact details have been tested in a no notice, out of hours call out to ensure contact can be made when necessary and the results of these tests will be fed back to the relevant plan owners.
- 6.1.9 A Business Continuity exercise was held in January 2023 for Assistant Directors and the Executive Leadership Team. Following a debrief, one action identified was to finish the Corporate Business Continuity Plan. The Team have drafted a version of this plan along with supporting annexe documents. One of the key annexes is a complete list of current Priority Activities from all service areas within the Council. The plan has been presented to the Executive Director of Corporate Resources and Customer Services (ED CR&CS) for consideration by Strategic Leadership Board and the go ahead has

been provided to finalise the document before being provided to Strategic Leadership Board. A further exercise to test Corporate Business Continuity response is being scoped out and this is likely to be delivered early in the New Year. Additional consideration is being given by the team to facilitation of exercising Service BC plans.

6.1.10 Following the Internal Audit review of the Risk Management function the Team have introduced a checklist to ensure compliance of the various risk registers in accordance with the Corporate Risk Management Handbook and good risk management practice. A checklist has been completed for the June Corporate Risk Register and feedback has been provided to the ED CR&CS for consideration. The Team have produced, throughout the quarter, checklists for all completed Risk Registers at Corporate, Service and Operational levels. The results of the checklists are being fed back to relevant risk owners. This is increasing engagement with those risk owners and encouraging robust reviews.

6.1.11 The team have completed the presentations for the introduction of Risk Appetite and the Council's agreed Risk Appetite Framework (RAF). The RAF was presented and approved by Strategic Leadership Board and Audit and Governance Committee in March 2023. We still await the outcome of the review by Democratic Services with the Chief Legal Officer to ensure that the Committee meeting header sheet includes risk appetite.

6.1.12 The team have agreed an approach with The Executive Director for Children's Services to introduce Operational Risk Registers across all teams within the service. This will ensure alignment to the Council's Corporate Risk Management Framework. We have agreed to work with two teams each quarter until all teams have a completed register. This may take 12 months to implement, but due to the scale of this service a phased approach was appropriate for all involved.

6.1.13 During the quarter, the Corporate Risk Register has undergone a robust review by The Chief Executive Officer and The Executive Director for Corporate Resources and Customer Services. The team currently await the outcome of this review to and will consider the impact on Service Risk Registers of risks removed from the CRR.

6.2 Developments

- Major incident plans and processes will continue to be reviewed and updated as necessary or following learning from any incidents.

- Reintroduce quarterly Emergency Duty Coordinator (EDC) briefings to increase knowledge and awareness of EP arrangements.
- Review and formalise an internal Incident debrief process.
- Continued engagement and proportionate preparation for introduction of Martyn's Law and associated workstreams.
- The Team will continue to support further planning and training for the MRF Shoreline Pollution workstream following a successful event to validate the MRF multi-agency plan for multi-agency partners.
- Ongoing review of the business continuity plans with particular focus on supporting the upcoming exercise.
- Planning an exercise for service specific Business Continuity plans.
- Further development of Risk Registers from all teams / services, including a qualitative exercise to ensure escalation of risks from Service Risk Registers to the Corporate Risk Register where appropriate.

7. Assurance and Counter Fraud: Performance Update

7.1 Work Completed

As highlighted in previous reports two members of the Team were on secondment with the Revenues and Benefits Team until March 2023 and the one remaining staff member has been focused on providing support to the Health and Safety Team and the Risk and Resilience Team to assist in co-ordinating business continuity and risk management. The support is required in particular to the Health and Safety Team due to the staffing issues following the School Advisor leaving in August 2022, the Senior Health and Safety Officer leaving in December 2023 and the Health and Safety Officer leaving in June 2023 and the difficulties subsequently in obtaining suitably qualified and experienced staff. Ensuring that there is sufficient capacity within Health and Safety Team to address business as usual, with gaps in the team and challenges in the recruitment of staff using the prescribed routes to recruit staff, has been key to ensure that key processes have operated as well as some progress being achieved in health and safety. The two staff members seconded to the Revenues and Benefits Team transferred permanently on the 1 April 2023 to Revenues and Benefits Team.

As a result, there has been limited counter fraud activity this quarter although we have help to co-ordinate the completion of the submission of information for the Nation Fraud Initiative and undertaken a review of the Counter Fraud Policy which went to Cabinet for approval in October 2023.

7.2 Developments

The Assurance Manager who had been responsible for the Council's counter fraud co-ordination and reporting retired from the Council on the 31 March 2022. There were plans to use this opportunity to restructure the Risk and Audit Team to provide a dedicated qualified counter fraud professional as well as address some other anomalies in the structure. The proposed re-structure has been delayed due to the Assurance Manager post being held vacant as part of the temporary recruitment savings agreed as part of the budget for 2023/24 as well as previous unplanned absences in the Audit Team. It

has now been agreed that a dedicated counter fraud role can be appointed to which will see more counter fraud work being undertaken in future periods.

8. Looking Ahead

8.1 The Service continues to develop, with a number of key projects being undertaken to embed the role and influence of the team over the next quarter:

- The embedding of regular risk management review across the Council to ensure that Operational and Service Risk Registers are updated on a regular basis.
- Assisting the implementing of a RAF across the Council should help in the delivery of the Council's strategic objectives by ensuring that governance arrangements receive an assessment of the risks associated with a proposed action and whether it sits within or outside of the prevailing risk appetite.
- Continued delivery of the Internal Audit Plans for 2023/24, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes.
- Implement the actions from the business continuity exercise in January 2023 including the approval of the Corporate BC plan.
- Starting the Principal Auditor, and two Health and Safety staff members.
- Completion of the review of the Health and Safety Policy, work on developing wider occupational health, safety and wellbeing of staff and the finalising of the Annual Health and Safety Report.
- Delivering on the service improvement plans for the Risk and Audit Team.

9. Conclusions

- 9.1 Internal Audit has made reasonable progress in the completion of the original approved Internal Audit Plan 2023/24 despite the underlying difficulties in recruiting suitable internal audit staff and unplanned absences. Performance in respect of the agreement of recommendations and the feedback from clients has been particularly positive and reflects the value added by the Service. Progress on the 2022/24 approved Internal Audit plan will be hampered by the unplanned reduction in resources requiring a revised Internal Audit Plan.
- 9.2 The Council's accident record continues to be positive and there are plans to improve the risk management further by working with colleagues across the organisation with improved training offer.
- 9.3 The Health and Safety team is continuing to focus on incident reporting, review of risk assessments and the review of event management/Open Water.
- 9.4 The Council's insurance claims performance remains good.
- 9.5 Further work is planned to improve risk management within the Council by looking at assurance mapping the key risks and embedding the Council's risk appetite through the Departmental Management Teams and the Committee reports. We will continue to ensure that there are risk registers are in place in line with the Corporate Risk Management Handbook.
- 9.6 Progress has been made in embedding business continuity with a focus this year of reviewing the existing BC plans clear road map for the completion of the outstanding business continuity plans shortly and a focus over the remainder of the financial year at testing and exercising the BC plans.

- 9.7 We are developing improvement places across each of the service areas to deliver improvements which will result in improved risk services as well as an integrated risk and audit approach.

GLOBAL PERSPECTIVES & INSIGHTS

SPECIAL EDITION

*Updating Standards for a
Changing World*



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Introduction

IPPF Evolution: The *Global Internal Audit Standards*

Internal audit professionals around the globe rely on the *International Standards for the Professional Practice of Internal Auditing (Standards)* and the International Professional Practices Framework (IPPF) to help navigate the complex world of risk management, governance, and control. For more than a generation, these documents from The Institute of Internal Auditors (IIA) have guided practitioners in providing internal audit assurance and advice that is independent, objective, effective, efficient, ethical, and of the highest quality.

During that time the fundamentals of risk management – identifying relevant risks to organizational goals and strategies, assessing likelihood and impact, establishing a risk appetite, and creating internal controls to manage risks — have remained consistent. However, the speed at which risks emerge, factors that add volatility and complexity to risk, and evolving attitudes about the purpose and nature of organizations have created new challenges and demands for today's internal auditors.

"I have spoken to literally hundreds of internal auditors from all parts of the world, both in my role as a former IIA Global Board Chairman and in my current role," said International Internal Audit Standards Board (IIASB) Chairman Mike Peppers. "What I have heard from them is that they need clear and direct guidance from The IIA. While the IPPF provides that guidance, its various components sometimes create confusion about how they apply to internal auditors, and about the roles and responsibilities for frontline practitioners, chief audit executives, executive management, and the board. Now more than ever, we need standards that meet their needs and raise the quality of the internal audit services they provide."

Indeed, the future demands internal audit services that are timely, relevant, and impactful. This requires standards that are insightful, prescient, clear and direct. To meet that demand, The IIA will soon release a public comment draft that dramatically changes how the *Standards* and other elements of the IPPF are presented and explained. The new *Global Internal Audit Standards*[™] more clearly articulate the keys to effective internal auditing by grouping the *Standards* 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

This special edition of *Global Perspectives & Insights* provides an overview of the proposed new *Global Internal Audit Standards*, background on how they were developed, and considerations for how the updated *Standards* can be applied. It also examines how conformance to the updated *Standards* will help future generations of internal auditors meet and exceed the demands of our stakeholders and add value to their organizations.



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Global Internal Audit Standards™

Why are updated standards needed?

Dramatic changes for dramatic times

Reviewing and revising the Standards is part of the IASB's established due process, which leads to periodic updates to the profession's governing documents. The most recent update began in 2020 when the IASB acknowledged the need for re-envisioning how the *Standards* were organized and presented. The IASB listened to feedback from practitioners about challenges associated with conforming to certain standards, and kept in mind that conformance with the *Standards* doesn't always equate to quality performance. These themes helped drive the dramatic revisions to how the *Standards* are presented in the upcoming *Global Internal Audit Standards* public comment draft. Additionally, the revisions reflect input from a broad range of stakeholders.

"More than two years of hard work by our staff and Standards Board has resulted in a remarkable draft of the new *Global Internal Audit Standards*, which I believe will help lead internal auditors into the future. It reflects significant input not only from internal audit practitioners — including the leadership of 90 different national IIA affiliates — but also from stakeholders such as regulators, corporate directors, and standard-setting bodies," said Anthony Pugliese, IIA President and CEO. "The standard-setting follows a rigorous due process and aims to meet the fundamental needs of the profession and serves the public interest. I am confident the draft will be well received and look forward to feedback during the public comment period."

One of the key changes reflected in the public comment draft is a simplified structure. The six components of the IPPF now focus on two areas, Standards and Guidance. Standards and implementation guidance are presented in five domains, each addressing key aspects of the profession.

- **Domain I — Purpose of Internal Auditing** unifies descriptions of the profession previously spread across various IPPF elements.
- **Domain II — Ethics and Professionalism** incorporates the Code of Ethics and standards relating to practitioner conduct and is enriched by the inclusion of standards addressing due professional care.
- **Domain III — Governing the Internal Audit Function** clarifies the board's role. This change outlines for the first time important board responsibilities in support of effective internal auditing and addresses how the chief audit executive (CAE) can support the board in carrying out its responsibilities.
- **Domain IV — Managing the Internal Audit Function** clarifies the role of the CAE and provides direction on running an internal audit function.
- **Domain V — Performing Internal Audit Services** includes additional requirements and practices for providing effective day-to-day internal audit services.

Each domain incorporates related principles that drive standards within the domain. The principles, 15 in total, provide broad descriptions of a basic assumption or rule summarizing a group of requirements and recommendations that follow. Additionally, the updated *Standards* now include recommended practices and evidence of conformance after each standard, making it easier for practitioners to understand and conform with individual standards. The revised *Standards* also acknowledge nuances for public sector, small audit functions, and advisory services.

Another way to understand the proposed revisions is to examine "before" and "after" states in several key areas:

Before: The responsibilities of the internal audit function, the chief audit executive, and the board were unclear.



After: The standards grouped into **Domain III — Governing the Internal Audit Function** describe what is needed from the board in support of an effective internal audit function and clarifies the roles and responsibilities of the board and the chief audit executive. When the board authorizes and fully supports the role of the chief audit executive and the internal audit function, internal auditing can serve the board and other stakeholders effectively.

Before: Requirements for strategically managing a high-quality internal audit function were not thorough.

After: Domain IV —Managing the Internal Audit Function outlines new requirements and recommended practices for chief audit executives to develop strategy and performance indicators to help the chief audit executive lead a quality internal audit function.

Before: Standards describing how to perform practical aspects of individual internal audit engagements lacked detail.

After: Domain V —Performing Internal Audit Services provides new requirements and recommended practices for performing engagements, particularly about assessing risks and analyzing information to develop findings and conclusions.

Before: Essential guidance about implementing and demonstrating conformance with the *Standards* were in separate documents, making them difficult to access.

After: The *Global Internal Audit Standards* comprise one comprehensive document. Each standard incorporates sections on requirements and recommended practices for implementation and demonstrating conformance.

“As a working internal auditor, I understand the value of professional standards that are clear, precise and relevant to the work I do on a daily basis,” said Benito Ybarra, IIA Global Board Chairman. “We need to amplify and extend this recognition to engage our key stakeholders. The proposed *Global Internal Audit Standards* simplify the structure, add recommended practices, and align their relevance to real-world business objectives. I would love to see input and insights from my fellow practitioners and other key stakeholders on the public comment draft.”

Top Changes To the Standards

- Simplify the IPPF Structure
- Consolidate 6 elements (Mission, Definition, Code of Ethics, Core Principles, Standards and Implementation Guides) into the new Standards
- Create the new Purpose of Internal Auditing, under the new Standards
- Enrich the Ethics and Professionalism by adding due professional care
- Add the recommended practices and evidence of conformance after each Standard
- Add the nuances for Public Sector, small functions, and advisory services
- Clarify the Board role in governing internal audit function
- Clarify the roles of CAEs and internal auditors for internal audit functions and various activities
- Redefine the quality = conformance + performance



The Five Domains

Examining the structure of the *Global Internal Audit Standards*

Domain I: The Purpose of Internal Auditing

One of the key challenges, indeed criticisms, of the IPPF is that it includes four separate components to address what internal audit is and how it should operate – Mission of Internal Audit, Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, and Code of Ethics. In addition to contributing to confusion among practitioners, this has also made it difficult to clearly and concisely articulate internal audit's value to internal audit stakeholders. **Domain I—The Purpose of Internal Auditing** is designed to address this shortfall.

The public comment draft's Purpose of Internal Auditing describes how internal audit enhances organizational success through objective assurance and advice. Paul Sobel, a former IIA Global Board Chairman and former IASB Chairman, joined The IIA as a senior advisor to help draft the new *Standards*, including the Purpose of Internal Auditing statement. He believes it greatly improves and clarifies messaging about the profession's value and intent.

"I think part of it was to try and get the internal audit profession to be viewed as more aligned with the goals and objectives of the organization and the success of the organization," he said, adding that the new statement improves on the existing Mission of Internal Auditing. "You know the old, 'Enhance and protect organizational value' made sense, but I'm not sure it went far enough to directly link internal audit to what makes an organization successful."

Elizabeth Sandwith, a current IASB member, also worked on the new *Standards*. She describes the new Purpose of Internal Auditing as the long-sought-after "elevator pitch" description of the profession. "I think that the purpose now is very clear in terms of who we are, what we are, and how we are most effective" she said.

Sobel agreed.

"The point was this had to be something that was simple and memorable. You know, if somebody says, 'You're from internal audit. What does that mean? What do you do? Why are you here?' We should be able to distinguish internal auditing from any other part of the organization that is also there to help the organization be successful."

While recognizing that further changes may be made to Domain I after the public comment period, Sandwith still expressed confidence that the new wording will help internal auditors and their stakeholders have a better grasp of their roles in the organization.

In essence, the new purpose statement and other proposed changes to the *Standards* reflect an evolution of the profession and its role in good governance.

"The *Global Internal Audit Standards* better articulate and clarify where exactly internal audit fits within the evolving governance models that we see around the world," Sobel said. "So that's why this is going to be very important. We've got to get this right. If this is really timeless, it should fit as governance and other things continually evolve; and if we don't get it right we will find the *Standards* will be out of pace with modern business."



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"I think that's part of what happened before," Sobel continued. "The *Standards* are very good. They served the profession well. But they didn't necessarily connect with boards and executives about how those *Standards* support the success of an organization, which is the ultimate measure of good governance."



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Domain II: Ethics and Professionalism

A fundamental function of any professional standard is setting the guardrails for ethical conduct and professional performance. Domain II of the new *Global Internal Audit Standards* achieves this for the internal auditing profession. This task is accomplished under the current IPPF with the Code of Ethics, several of the Core Principles of Internal Auditing, and standards related to due professional care. This exemplifies, how the structure of the proposed new *Global Internal Audit Standards* improves on the existing IPPF.

“The advantage of Domain II is that it articulates very clearly what the behaviors are that we must exhibit, and why those behaviors are important,” Sandwith said. “Again, there is now clarity around this that is so important in terms of an internal auditor – be they a CAE guiding their team, or a new internal auditor coming into the profession.”

Sobel stressed that the existing Code of Ethics and other IPPF components are not going away. They are just being incorporated into the new domain.

“By embedding it and calling it its own domain, it helped us much better integrate how those expectations around ethics and professionalism fit with the principles of good internal auditing,” he said. “So now you don't have separate ethics principles. They're embedded in the 15 total principles, which again just makes for a much cleaner way of looking at what the expectations are.”

Domain II is primarily focused on the individual auditor — what's expected of them from an ethics standpoint; what's needed from them from a competency and professionalism standpoint. Practitioners have an obligation to understand how to do their job competently and ethically and to conform to standards that explain those obligations. Sobel and Sandwith agreed the proposed new domain makes that easier.

“The clarity now is so much stronger in terms of how we do our job, how we behave, what is acceptable behavior, what isn't, how we report things that we see that are unacceptable, and how we demonstrate that we are conforming with Domain II,” Sandwith said. “Previously there was a Code of Ethics that we signed up to annually when we renewed our membership and probably forgot about across the year as we completed internal audit engagements. Now it is front and center of the *Standards* and everything we do.”

Sobel added, “Before it was the Code of Ethics, and you had certain standards focused on professionalism, and there was certainly a fair amount of crossover. By embedding them all together every internal auditor now knows, ‘Hey, I need to go to Domain II and figure out what my responsibilities are, that I can't rely on a chief audit executive or my manager telling me what to do. These are things I need to internalize, I need to do effectively, or I can't do my job well.’”

For IASB board member Hans-Peter Lerchner, Domain II brings unity to ethics and professionalism that was missing before.

“What was very important was to make it complete,” he said. “If you don't know what you're actually doing, or what you should do to develop further, it's not complete. Now with this compilation of ethics and professionalism, we know what every auditor should take care of, the basics of our work.”



Domain III: Governing the Internal Audit Function

Domain III offers what is likely the most dramatic change in the proposed *Global Internal Audit Standards*. For the first time, standards for the internal auditing profession will include direction and responsibilities for the board. This bold step recognized and tackled a fundamental challenge that the existing standards do not clearly address.

The existing standards outline a preferred structure for internal auditing governance — specifically that it should be independently positioned within the organization and report functionally to the board and administratively to executive management. The existing standards also require the adoption of an internal audit charter and outline the CAE's interaction with the board relating to communicating the functions independence.

“These are internal audit standards; these are not board standards; they're not audit committee standards,” Sobel said. “In the past we worked around it by saying, ‘Well, the chief audit executive must strive to do this or try to make this happen.’ This was still focused on the chief audit executive. What we wanted to do was flip this. If the board is serious about wanting an effective internal audit function, one that truly does meet that purpose of internal auditing, then they have to take on certain responsibilities.”

Domain III outlines several standards for the board that authorize the internal audit function, ensure and safeguards its independence and positioning within the organization, and establish the board's responsibilities for overseeing the quality of the performance of both the internal audit function and the chief audit executive. The new *Standards* emphasize the quality performance requires conformance to the *Standards* and more. Each standard within Domain III specifically identifies the responsibilities of the CAE and the board, as well as joint responsibilities.

“The board does have a de facto responsibility over risk oversight, over controls that internal audit can be very helpful with,” Sobel said. “Therefore, I think what this does is it really helps the board more effectively carry out those oversight responsibilities by understanding what they need to do.”

Sandwith predicted Domain III will likely present a challenge for many CAEs in terms of not just communicating the new standards to their audit committees and boards but potentially adapting to stricter oversight from the board.

“I think there is a risk that people will miss the fact that this is now formalizing what your audit committee, your board, your governing body, have to do,” she said. “That's going to take a little bit of clever messaging to get that across. If I'm a practicing internal auditor, I can use the *Standards*, but I may well choose not to tell my audit committee about Domain III, because actually I'm happy just doing the things I'm comfortable doing, and I may not want that oversight challenge.”

However, when it comes to conforming to Domain III, CAEs will need to demonstrate that their boards understand and implement each related standard, Sobel said.

“CAEs need to tell their boards, ‘If you really want me to fulfill this purpose of internal auditing, I need your help. You have to do these things. Now, I'm going to do the following things to support you to make sure that you can do those things, and together we can successfully make sure that the internal audit function is governed effectively,’” Sobel said. “But I can't do it without you, and I don't expect you to be able to do it without me.”

Standards in the Governance domain cover board oversight to ensure the CAE develops, implements, and maintains a quality assurance and improvement program (QAIP), including that an external quality assessment (EQA) of the internal audit function is conducted at least every five years. Emphasizing this as a board responsibility is designed to bring “more rigor to what an EQA and, frankly, a QAIP can and should be,” Sobel said.

Additional specifics on performance and conformance to standards are found in the “Implementation and performance” section on page 11.



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Domain IV: Managing the Internal Audit Function

The CAE is responsible for managing the internal audit function, and Domain IV outlines in significant detail what responsibilities that entails. This domain identifies principles for strategic planning, managing resources, ensuring internal auditors build relationships and communicate effectively with stakeholders, and ensuring and enhancing the performance of the function.

Sobel describes Domain IV as giving the CAE a roadmap for setting up the internal audit function for success. “It focuses on long range strategic planning for internal audit, which is something that was missing from the *Standards* before. It was maybe alluded to, but not explicitly stated,” he said.

For example, Principle 9, Strategically Plans, covers:

- Understanding governance, risk management and control processes
- Internal audit strategy
- The internal audit charter
- Methodologies
- The internal audit plan
- Coordination and reliance

“Principle 9 sets the foundation for the remaining principles and standards within Domain IV because, once you have a strategy set, then you can start thinking about how you are going to achieve that strategy,” Sobel said.

The principles in Domain IV also provide a logical flow to managing resources, setting up methodologies, communicating effectively with all stakeholders, and ensuring there is a plan in place that ensures quality, which comprises both conformance and performance. Additionally, discussion about effective communication provides another example of how the restructured standards bring together like topics that were once dispersed across the six IPPF components.

“We talk about communications to the board to help CAEs fulfill their oversight responsibilities in Domain III, but Domain IV focuses on what types of communications we typically need to have, whether they’re up to the board, out to management, or down to the activity under review,” Sobel said. “Domain IV is going to really help the CAE understand that this is not something you can just wing. You need to be thoughtful about the types of communications you have — how frequent they’re going to be, who they are with, what is their purpose.”

Sandwith said Domain IV also provides a powerful means to clarify internal auditing’s role and value.

“Domain IV is very clear, and it tells me what I am expected to do from a professional perspective,” she said. “But it also is a phenomenal tool in terms of talking to my stakeholders, talking to my senior management team about my role as the CAE.”



Domain V: Performing Internal Audit Services

Domain V provides the most practical direction in the *Global Internal Audit Standards* for conducting day-to-day internal auditing work. The three principles and related standards in this domain address effective engagement planning, conducting engagement work, communicating throughout the engagement, developing findings, providing recommendations and conclusions, and monitoring action plans. Domain V provides in-depth direction and guidance in areas that are vague in the existing standards. For example the new Standards describe how to gather information, perform the engagement risk assessment, and develop the engagement work program as part of effective engagement planning. This improves on the existing standards, which sometimes don't provide the necessary level of detail.

"What we found is that there were probably things missing from the old standards," Sobel said. "They may have been in the implementation guides and practice guides somewhere. But part of the purpose of this whole initiative was to bring things into one place. So, when somebody says, 'I need to know how to perform an internal audit engagement.' well, now it's all right there for you. You know the requirements, and then the considerations for implementation."

What's more, the drafters of the *Global Internal Audit Standards* gave additional consideration to how the pronouncements from individual principles and standards could be carried out in real-world situations.

"Domain V is truly the bread and butter of how you perform your responsibilities day in and day out," Sobel said. "There was a lot of thought about the implementation side. How are people actually going to do this? When we say, 'You must do this.' What does that mean? How do you do that?"

New requirements and considerations in Domain V provide details intended to help internal auditors perform engagements with consistency and quality, while recognizing that the order in which steps are performed may vary by engagement, may overlap, or be iterative rather than linear.

The new *Standards* raise the bar by emphasizing that internal auditors are expected to apply and conform to the *Standards* in the same way for assurance and advisory engagements, except when otherwise specified in individual standards. For the first time, the *Standards* describe the process for analyzing and evaluating findings to reach engagement recommendations and conclusions

"Once this is finalized and people understand it, I would expect most internal auditors to spend most of their time looking at Domain V, because this really provides them the guidance on what they need to do to effectively perform their jobs," Sobel said.



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Standards for a New Generation

Five domains working in concert

How the *Global Internal Audit Standards* work

There is growing interest and excitement among drafters of the proposed *Global Internal Audit Standards* on how they will be received by internal auditors around the world. There is also consensus among them that the proposed changes will help the next generation of internal auditors to succeed.

“I think we are going to end up with a document that’s going to give us the framework on which we build, as professional internal auditors, the best possible service we can for our organizations. So, I think it’s laying that foundation,” Sandwith said. “I think it’s also giving us a stronger framework for things like external quality assessments.”

For Lerchner, the proposed changes offer a significant improvement in that they responded to critiques from practitioners doing day-to-day internal audit work.

“The situation with the IPPF after the last revision in 2017 was that, while there were some new additions, it looked a little bit fragmented. This was of some concern for practitioners because they didn’t know, ‘Where are the pieces relevant for me,’” he said. “Whether it’s for the CAE, if it’s a board, or if it’s simply for the internal auditor, we needed some guidance for daily work. That was the starting point to bring the puzzle together and make one picture in the end.”

Creating the five domains, each with specific subjects and audiences in mind, helps create the clarity Lerchner said practitioners are seeking.

“I think the structure of the domain specifically for me as a CAE is brilliant and absolutely key in terms of helping me do my job better,” Sandwith said. “Domain IV is very clear, and it tells me what I am expected to do from a professional perspective.”

However, Sandwith stressed that internal auditors should strive to look at all five domains and how they work together.

“If I don’t know what my purpose is, I’m not sure how I do my job,” she said. “So, I need Domain I to be my anchor. I need Domain II to tell me how to behave, and what’s important in terms of how I deliver my job. I need Domain III in terms of the oversight from my audit committee or board. I need Domain IV as a CAE in terms of what I’ve got to do, and then, of course, Domain V actually tells me how I do my job. So, you can’t say, ‘I’m going to ignore all of them, and only going to look at Domain V because I’m a practicing internal auditor.’”

Implementation and performance

Drafters of the *Global Internal Audit Standards* intentionally included information on implementation and evidence of conformance with each principle and standard. This is designed to make it significantly easier for practitioners to understand what they have to do. However, it also raises the bar on performance.

“We’re saying quality is not just about conformance,” Sobel said. “Quality is about conformance and performance. You know that’ll mean different things to different companies and different CAEs, but you have to have performance expectations, performance goals as well, and a good quality improvement program should be focusing on both of those.”

Standards conformance remains an important and, ultimately, mandatory aspect for every internal audit function and practitioner. However, CAEs should see conformance as a beginning, not an end. The proposed *Global Internal Audit Standards* leverage the board’s oversight responsibilities to help improve performance.



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"I think they'll start to ratchet up the expectations on the chief audit executive to say, 'Yeah, you need to conform and you also need to perform. Now let's talk about what those performance measurements should be,'" Sobel said. "Hopefully, in the future we'll have more external quality assessments that do focus on leading practices, performance, etc., and not just conformance."



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Conclusion

The IIA is bringing a fresh perspective to standards that govern the internal audit profession. As new risk challenges ratchet up the pressure to create, maintain, and assure effective governance, internal audit standards that place a premium on effective, high-quality risk assurance and advisory services will be critical. CAEs and boards should be asking, “Is our organization equipped for the future from a risk management and internal control perspective?”

The *Global Internal Audit Standards* are designed to help organizations answer, “Yes.”

“I think it's more about succeeding in a world that is full of volatility, uncertainty, and change,” Sandwith said. “That's what I think the *Global Internal Audit Standards* do. I think they raise the bar, and I think they equip internal auditors and our profession to face that volatile, uncertain, ever changing world we now find ourselves in.”



About The IIA

The Institute of Internal Auditors (IIA) is a nonprofit international professional association that serves more than 230,000 global members and has awarded more than 185,000 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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