

Manchester City Council Report for Information

Report to: Audit Committee - 22 March 2018

Subject: Review of Effectiveness of Internal Audit

Report of: City Treasurer and Head of Audit and Risk Management

Summary

The Council conducts an annual review of the effectiveness of its system of internal audit as part of its governance assurance processes. This process is designed to provide assurance to the City Treasurer, and Audit Committee in particular over the system of internal audit including the role, function and performance of the internal audit service.

This report sets out the process for the 2017/18 review, key findings and actions proposed to further develop the effectiveness of internal audit in 2018/19.

Recommendations

Audit Committee is requested to:

- Consider the level of assurance provided by the review of effectiveness
 - Note the update to the service development programme
 - Review and approve the Internal Audit Charter
 - Review and approve the Audit Committee Terms of Reference
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Wards Affected: All

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Background documents (available for public inspection):

Documents used in the development of the assurance report include:

- Internal Audit Plan 2017/18 (June 2017 Audit Committee)

- Review of Internal Audit Effectiveness (March 2017 and October 2017)
- Head of Audit and Risk Management Annual Opinion (March 2018)

1 Introduction and Background

- 1.1 Internal Audit is one of the means by which the Council assesses the adequacy and effectiveness of its governance and risk management arrangements, ensuring that an effective internal control system is in place. It is a key source of independent assurance to management and Members and its work helps inform the Annual Governance Statement.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) came into force from 1 April 2013 and apply the Institute of Internal Auditors (IIA) International Standards to the UK public sector. For 2017/18 the review of effectiveness of internal audit has been informed by a review of progress against a service development plan and Quality Assurance Improvement Programme (“QAIP”); ongoing monitoring of the performance of the internal audit activities; and self-assessment against the PSIAS.
- 1.3 Following an External Quality Assessment (“EQA”) in 2016/17 the Internal Audit Service embarked on a service development programme and a summary of the key actions being progressed as part of this are set out below. The development programme has been used to incorporate actions agreed in response to the EQA and changes requested by Audit Committee in respect of recommendation monitoring, classification of audit risks/priorities and formats for reporting to Audit Committee. This approach is being taken to ensure that all areas for development are agreed and implemented as part of a coordinated and sustainable plan
- 1.4 The service development plan aims to review and refresh the internal audit approach and under a shared Head of Audit and Risk Management to further develop audit collaboration with Bolton Council and the GM Combined Authority. The outcomes of this work will inform finalisation of the QAIP which is a framework required to cover all aspects of internal audit activity.

2 Quality Assurance Improvement Programme Update

- 2.1 The areas for development and agreed improvement actions arising from the internal review, EQA and Audit Committee feedback are updated here as follows:

Area for Development (<i>source</i>)	Improvement Action	Status
1 Performance measures for the service could be improved (<i>Self Assessment and EQA</i>)	Core principles for the measurement of performance and meeting quality standards have been identified but specific KPIs need to be agreed. The proposal is that core KPIs will be in place for the start of the new year April 2018 and these are reflected in the draft service	In progress

Area for Development (source)	Improvement Action	Status
	business plan.	
2 Executive Members notified of outstanding high risk audit recommendations (Self Assessment and EQA)	This is now embedded as part of the audit reporting process to Audit Committee. A paper confirming the approach was agreed at Audit Committee in January 2018 and the process of review and escalation is now operational.	Complete
3 Ensure Executive Members are provided with Audit Reports (Audit Committee request)	<p>A new content, format and distribution process for Audit Assignment and Summary reports is being implemented as part of the service development programme. Templates have been designed and are planned to go live in May 2018. This has been delayed due to the time taken to develop and agree a common audit approach across Manchester, Bolton and GMCA including audit opinion and impact assessments and new action plan summaries.</p> <p>Rather than issue reports in one format and then change shortly thereafter, the distribution of audit reports was planned to include Executive Members as part of this new reporting process. This was intended to ensure so that reports are clear and accessible to all recipients and whilst has been delayed is now planned to be operational from May 2018.</p>	May 2018
4 Update Internal Audit Charter to reflect new PSIAS Standards (Self Assessment and EQA)	<p>Charter was updated as a result of the improvement plan and was approved by Audit Committee.</p> <p>This has now been refreshed for 2018/19 as attached with changes proposed to reflect the need for Quality Assurance Improvement Planning and External Quality Assessment in section 8</p>	<p>Complete 2017</p> <p>Annual refresh 2018 at Appendix one</p>

Area for Development (source)	Improvement Action	Status
5 Development of a Quality Assurance Improvement Programme (QAIP) (Self Assessment and EQA)	A QAIP Framework has been developed and will be finalised following completion of the development programme to ensure that it reflects the revised audit approach and any specific development targets for the coming year. Deadline for completion is 1 June 2018.	June 2018
6 Recording of Continuing Professional Development for all IA staff (EQA)	A learning and development plan in place for the service. The requirement to record all CPD is included in "Quality, Ethics and Standards" section of the revised audit approach. All staff have been reminded of personal responsibility to comply with relevant professional body requirement for keeping adequate CPD records and this should be reviewed at About You sessions.	Complete
7 A formal audit of risk management arrangements has not been completed in the last three years (EQA)	Audit of risk management to be included in Annual Audit Plan for 2018/19 and will be confirmed with audit plan to Audit Committee July 2018. Options for independent audit of risk management include possible peer review by another NW audit service.	July 2018
8 Documentation of fraud risk, value for money and IT risk at the scoping stage of audits. (EQA)	Auditors have been reminded of the need to consider these risks and issues as part of the audit planning process and to capture this in working papers. This requirement is confirmed in the revised "Assignment Planning" process to start June 2018.	June 2018

Area for Development (source)	Improvement Action	Status
9 Some inconsistencies were noted in documenting evidence of management review. (EQA)	Standardised management review to be included in refreshed "Fieldwork" process commencing as part of refreshed audit approach.	June 2018
10 Need to refresh the Audit Manual to reflect the Standards. (EQA)	An updated audit manual is to be created as a direct outcome of the review of audit principles and processes. It is planned to launch this 1 June 2018.	June 2018
11 Engagement results (reports) do not include narrative regarding the limitations on distribution. (EQA)	Need for updated narrative will be considered and confirmed as part of the Assignment Reporting process commencing as part of refreshed audit approach.	June 2018

3 Internal Review of the System of Internal Audit

Structure, Staffing and Skills

- 3.1 The Internal Audit Service is led by the Head of Audit and Risk Management, who performs the same role for Bolton Council and the GM Combined Authority. This arrangement supports the development of collaboration opportunities across teams and sharing of knowledge, skills and experience across the three authorities. The team includes an Audit Manager supported by six Lead Auditors with responsibilities for dedicated portfolios as follows:
- Adults Services, Children's Services, Education and Skills
 - Growth and Neighbourhoods and Strategic Development
 - Corporate Core and Data, Information and Systems
 - Procurement, Commissioning and Contracts (and GMCA)
 - Counter Fraud and Irregularity
 - GMCA Audit
- 3.2 The Internal Audit Service is an independent, objective, assurance and consultancy activity designed to add value and improve the Council's operations. It helps the business accomplish its objectives by bringing a systematic and structured approach to evaluation and improvements in the effectiveness of risk management, control and governance processes. To enable this there is an in-house service which seeks to deliver a programme of audits based on its annual audit plan.

- 3.3 The in-house team comprises 18 FTE posts supplemented by up to 60 days per annum of specialist ICT audit support which in 2017/18 was commissioned through the Council's financial service framework. In 2017/18 the actual FTE available for audit work in the service was 15 as a result of three staff working reduced hours; one maternity leave and one vacancy.
- 3.4 The audit team had an appropriate mix of experience and qualifications to support audit and assurance activity however specialist resources were bought in for use for some work in line with resourcing plans. The skill mix includes four qualified accountants (CCAB), six fully qualified internal auditors (MIIA) and all other staff are part qualified members of the Chartered Institute of Internal Auditors or CIPFA. Some members of the team are also qualified and certified in investigate techniques (ACFS, PINS, CIPFA) and the use of data interrogation software (IDEA) and have undertaken ongoing training as part of the service learning and development plan.
- 3.5 For 2018/19 there will be one staff member on maternity leave and one vacancy will still be held pending the outcome of the service development review and structure review. This resource reduction for 2018/19 will be offset by the commissioning of specialist, external resources to support work.
- 3.6 Overall the level of resources available for delivery of the annual audit plan in year was considered to be sufficient when supported by some flexibility in the timing and scoping of work and the ability to source some external specialist resource where required. There will be a need to refresh aspects of the approach to audit planning for 2018/19 to take into account several key areas of transformational change including the development and implementation of health and social care integration and other key Council wide projects where flexibility will be required in scoping work and developing audit protocols with colleagues in other internal audit functions.

Planning, Delivery and Performance

- 3.7 The work of internal audit for 2017/18 was set out in an audit strategy and an annual plan approved by SMT and then Audit Committee in July 2017. The approach taken was to provide a range of audit work with different scope and coverage comprising:
- Audit Opinion Reviews (around 50% of plan)
 - Audit Assurance Reviews (around 20% of plan)
 - Advice, Guidance and Support (around 10% of plan)
 - Counter Fraud, Probity and Investigations (around 20% of plan)
- 3.8 Delivery and the outcomes of audit work are reported to Directorate Management Teams (DMTs), Strategic Directors, the City Treasurer and Audit Committee on a quarterly basis.
- 3.9 Whilst performance and impact cannot be assessed solely on the numbers of reports issued, in 2017/18 the majority of the agreed audit plan was delivered and amendments were reported to management and approved by Audit Committee during the year as part of the delivery progress review.

- 3.10 It should be noted that a key factor in the reduced number of outputs in 2018/18 compared to the prior year was due to one member of the team on maternity leave and the planned investment of staff time in an audit development programme. This engaged the entire service in a range of workshops and development events in the review and redesign of the audit process. The bulk of this work is complete although there will some time allocated to development in 2018/19 for the implementation of the new approach, a new audit management system and new counter fraud case management system. All of this work is intended to streamline the audit approach and support collaborative activity across Manchester and with the Bolton and GM Combined Authority audit teams.

Audit Outputs Issued To Date

Audit Status	2017/18*	2016/17
Final Reports Issued	76	111
Additional Work Issued	3	11
Draft Reports Issued	6	8
Fieldwork Completed or Started	18	29
Totals	104	159
Cancelled/Deferred	6	16

* Final figures will be reported as part of the Annual Outturn Report and the Annual Fraud Report in July 2018.

Final and draft reports include investigation reports issued.

- 3.11 There was a reduction in the number of deferred and cancelled audits in year and any changes to the audit plan were assessed and agreed with Audit Committee prior to removal. This was only requested where the risk or system had fundamentally changed and/or where alternative assurance could be obtained. There were some delays in agreeing a few final reports because of challenges in agreeing action plans. This issue was noted by Audit Committee and an escalation process was put in place to better enable decisions to be reached with management more promptly. All issue dates are shared with DMTs, SMT and Audit Committee to ensure that any issues arising can be addressed in good time.
- 3.12 Delivery in year was monitored as part of regular review by the audit management team and a month progress review was held to support the direct supervision of audit work already in place. Issues for delay on progressing audit work were discussed and resources reassessed as needed to balance work load and skills. The outcomes of progress monitoring were shared regularly with the audit team as a whole as part of the active management process.
- 3.13 From the PSIAS self-assessment carried out in February 2018 there is a recognised need to continue to work on areas which require enhancement in particular formal quality and performance measures including KPIs and consistently recording management reviews and action points. This is being

progress as part of the Ethics Standards and Quality work stream in the service development programme for completion by 1 June 2018.

- 3.14 Complaints made against the service are addressed as part of the Council's corporate complaints process and a revised policy and supporting process was developed in 2017/18 to ensure that any whistleblowing allegations against the service are considered independently by the City Solicitor. There were two complaints in the year, both relating to data sharing as part of investigation activities. These were not upheld as part of the complaints process and one was further considered by the Local Government Ombudsman ("LGO"). The LGO acknowledged a need to strengthen recording processes and was supportive of changes that had already been made to the approach including documentation of a public interest test to assess decisions and rationale for sharing or requesting information about allegations with other relevant parties.

Findings and Reporting

- 3.15 The findings of internal audit work are confirmed in individual assignment audit reports and shared for review of factual accuracy with clients in line with standards. A two week window is provided for responses and this is generally met but there have been some exceptions which required escalation action.
- 3.16 For all opinion audits, a clear assessment of assurance is provided from "no" to "full" and agreed actions are assigned a priority from "critical" to "minor". This basis for this assessment is being reviewed for the coming year to ensure consistency and to ensure that opinions are clearly understood.
- 3.17 All final reports with agreed action plans from management are issued to the City Treasurer, City Solicitor and Chief Executive. Summaries and all opinions issued are reported to SMT and Audit Committee as part of the assurance reporting framework. Further work on the redesign of reports as part of an assignment and stakeholder reporting work stream within the service development programme will seek to enhance this approach.
- 3.18 Agreed improvement actions are progressed by service management and implementation is followed up by Internal Audit on a regular basis with performance is reported to DMTs, SMT and Audit Committee. The implementation of recommendations is also reported to Executive Members to provide them with details of all audit reports and key issues arising.
- 3.19 The role of the Audit Committee in considering findings and issues arising from audit reports has continued to support an effective system of internal audit. The Committee met seven times in the year and considered reports from the audit service and the responses from management. In the last twelve months this has resulted in specific reports being presented to Committee from management and Executive Members on key areas of risk.

Standards Compliance

- 3.20 The Internal Audit Section works in conformance with UK Public Service Internal Audit Standards (PSIAS). The latest self-assessment demonstrated that 92% of the applicable Code requirements were met fully and 8% partially met. This is a substantial level of conformance and the partially met elements form part of the agreed service development plan.
- 3.21 The key areas for enhancement of processes and documents were reported to Audit Committee in 2017 following the external quality assessment and are reflected in an action plan which is underway. The Quality Assurance Improvement Programme (QAIP) has been developed to build on the performance monitoring arrangements required by PSIAS and progress will be reported annually to Audit Committee against key measures.
- 3.22 The quality of audit work was actively managed in year through formal review by management. The achievement of quality standards enabled the Head of Audit and Risk Management to confirm that work was completed in conformance with PSIAS. Individual audits had agreed clear plans and scope; activity was reviewed and assessed for its effectiveness during and after completion of work; and customer feedback was received on some draft reports and from post audit questionnaires. Responses received were positive however response rates remained low and a questionnaire approach using the new google forms system is being considered for the coming year to increase client feedback.

Independence and Other Responsibilities

- 3.23 The Internal Audit Service is part of the Audit and Risk Management Division of Corporate Services which also includes risk and resilience; health and safety; and insurance and claims services managed by the Head of Audit and Risk Management (as the Chief Audit Executive). The arrangements support effective collaboration between these teams on key risk areas and major programmes such as Our Town Hall; health and social care; and information governance. The Internal Audit Service also works closely with other services across the Core including finance, legal, procurement, Human Resources and ICT. Whilst working collaboratively with colleagues, the Service retains its own identity and is managed day to day by the Audit Manager. Any audit work in respect of services for which the Head of Audit and Risk Management is also responsible is reported directly to the City Treasurer by the Audit Manager as needed. This was acknowledged as part of the EQA and PSIAS self-assessment.
- 3.24 The Head of Audit and Risk Management reports directly to the City Treasurer but also has direct access to the Chief Executive, Executive Member for Finance, ICT and Human Resources and the Chair of the Audit Committee. This helps ensure independence and allows for issues to be escalated should the need arise. There were no such requirements for escalation in 2017/18.

Role of the Audit Committee

- 3.25 The system of Internal Audit includes the role of the Audit Committee and in particular its role in reviewing and assessing the annual audit plan, the receipt and evaluation of audit assurance and considering where appropriate arrangements are in place for the delivery of an effective service.
- 3.26 The Audit Committee has a defined work programme covering reports in respect of internal audit activity, external audit, risk management, governance and financial reporting. It includes agenda items to receive assurance and updates from senior management and Executive Members and exercised that requirement with reports from Highways, ICT and Children's Services in year.
- 3.27 Audit Committee have discussed their own development and a self-assessment is proposed in 2018 following any changes to membership that might arise following nominations to committees in May/June 2018.

4 Quality Assurance Improvement Programme.

- 4.1 A key requirement for the Service is the need to develop a Quality Assurance Improvement Plan (QAIP). The QAIP framework has been developed and will be finalised with the confirmation of the revised audit approach and audit manual as these will direct the specific quality assurance requirements to be put in place. This also incorporates the findings and recommendations from the 2017 external quality assessment.
- 4.2 The Audit Charter which confirms Internal Audit's position within the Council and its reporting lines, authorisation of access to records, personnel and physical property relevant to the performance of audit work, and defines the scope of Internal Audit activities was found to require update. The additions to reflect PSIAS were included in a refresh in 2017 which was agreed at Audit Committee. The Charter is re-presented at appendix one as part of the requirement for annual review. No further changes have been required at this time.
- 4.3 A programme of development work across the audit functions in Manchester, Bolton Council and the GM Combined Authority has been progressed during 2017/18. This programme has involved engagement of all audit staff across the three authorities through a series of workshops and events, exploring principles such as risk and assurance mapping, development of lean audit methodologies and the enhancement of reporting arrangements. Officers from across the three teams have been involved in work streams to co-design a common audit approach covering the following areas:
- Quality, Ethics and Standards
 - Risk and Assurance Mapping
 - Annual Audit Planning
 - Assignment Planning
 - Fieldwork and Testing
 - Assignment Reporting

- Follow Up of Recommendations
 - Metrics and Performance Management
 - Stakeholder Reporting
- 4.4 A draft approach has been produced and is being finalised with audit teams and subsequent agreement by the Treasurers of Manchester, Bolton and the GMCA. The deadline for completion has slipped but core review activities are now complete and the intention is for the common approach to be implemented from June 2018.
- 4.5 Some aspects are already in place. For example the programme had taken into account feedback and actions requested by Audit Committee on recommendation monitoring and reporting; ensuring onward reporting of issues and risks to Executive Members and clearer summary reporting to Audit Committee on exposure to risk and action to address it. A new process has been agreed for this and is operational.
- 4.6 The key changes expected from this development programme remain:
- A single set of simple quality and performance standards for onward reporting to the City Treasurer and Audit Committee.
 - Development of assurance summaries for Head of Service and Directors to support their assessment of sources of assurance, guide improvement actions and help inform internal audit planning. This links into the sources of assurance work being led by the Deputy City Treasurer and previously reported to Audit Committee as well as the Annual Governance Statement.
 - Refinement of the annual audit planning process, to ensure effective engagement of key stakeholders and ensure timely approval of the annual audit plan.
 - Refinement of the overall audit approach, to minimise elapsed time on audits and further enhance the efficiency of audit teams as well as enhancing and standardising quality assurance requirements.
 - New reporting formats, both for audit assignments and for key stakeholders. This will include new Executive Summaries for all reports that will be provided to Executive Members and Audit Committee as part of regular reporting.
 - Simplification of language and opinions used in reports to further aid understandings and transparency of audit reporting.
 - Agreed areas and approach to develop collaborative working in key risk areas such as counter fraud; information governance and ICT; schools and academies; and procurement, commissioning and contracts.
- 4.7 The Head of Audit and Risk Management is considering the service structures for Manchester, Bolton and the GMCA, to maximise the benefits that may be derived from collaborative working across audit, risk management, business continuity, insurance and claims services. The overall strategy and approach for this has been shared with the City Treasurer and initial discussions held with all staff. Whilst a final, formal timetable for consultation and change is to

be confirmed, it is proposed that any changes to organisational structure, roles and responsibilities will be implemented in 2018/19.

5. Conclusions

- 5.1 The internal review of the effectiveness of the system of internal audit using self-assessment against PSIAS for 2017/18 and follow up from the EQA action plan have not identified any additional issues which impact on the effectiveness of the Service. However there is a need to continue to progress work toward the service improvement and development actions already identified to enhance efficiency and effectiveness.

6. Recommendations

- 6.1 Audit Committee are requested to:
- Consider the level of assurance provided by the review of effectiveness and management improvement actions.
 - Review and approve the Internal Audit Charter

Appendix One

Manchester City Council: Internal Audit Charter 2018

1 Introduction

- 1.1 This Charter sets out roles, responsibilities, accountabilities and governance structures concerning the operation of internal audit in Manchester City Council (the Council). It establishes Internal Audit's compliance with the UK Public Sector Internal Audit Standards (PSIAS), introduced with effect from 1 April 2013. The Standards encompass mandatory elements of the Global Institute of Internal Auditors International Professional Practices Framework and apply to all public sector internal audit service providers, whether in-house, shared or outsourced. A CIPFA Local Government Application Note sets sector-specific requirements for the application of the PSIAS in local government organisations.

2 Definitions

- 2.1 For the purpose of this Charter the following definitions of PSIAS terms apply within the Council:
- Internal Audit - 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives of bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'
 - Audit Committee - 'The Board'
 - City Treasurer - 'Senior Management'
 - Head of Audit and Risk Management - 'Chief Audit Executive'

3 Authority And Accountability

- 3.1 The Council's Constitution sets out Internal Audit's constitutional role and rights of access to all records, properties, physical assets and explanations from Officers in the course of its assignments. These rights are accompanied by accountability for confidentiality and safeguarding of records and information. Internal Audit has unrestricted access to senior management and to the Audit Committee, and will work with officers who are requested to assist it in fulfilling its roles and responsibilities.
- 3.2 The Head of Audit and Risk Management leads the Section, reporting to the City Treasurer and supporting the discharge of responsibilities for the administration of financial affairs under Section 73 of the Local Government Act 1985. The Head of Audit and Risk Management has direct access to the Audit Committee Chair, attends all meetings, reports on internal audit activity and advises on the adequacy and effectiveness of Council systems of governance, risk management and internal control. The provisions in this document enable the Head of Audit and Risk Management to deliver an

annual opinion on the Council's systems of governance, risk management and internal control.

4 Independence And Objectivity

- 4.1 The PSIAS define independence as "freedom from conditions that threaten the ability of the internal audit activity to carry out its responsibilities in an unbiased manner". To assist Internal Audit to carry out the role and constructively challenge senior managers of the Council, the Head of Audit and Risk Management holds a sufficiently senior position in the Council. Internal Audit independence is confirmed in the Annual Review of Effectiveness of the System of Internal Audit and Audit Committee approves, but does not direct, the annual audit plan.
- 4.2 Independence is primarily a state of mind and is developed by the training and development approach. Auditors challenge, on the basis of objective evidence, decisions, policies or practices they consider inappropriate or in need of improvement, no matter who is involved in decision making. It is essential for Council officers and Members to recognise Internal Audit's role and responsibilities and accept audit comment and advice in this spirit, giving a reasoned response if they take a different view.
- 4.3 Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activities or processes audited. They make a balanced assessment of relevant circumstances and are not unduly influenced in forming judgments by their own interests or others.
- 4.4 Objectivity and independence in the provision of advice and guidance are maintained, and conflicts of interest avoided, as decision making remains with service managers. Auditors have no operational responsibility for, or authority over, activities audited and also submit declarations of interest annually, including 'nil' returns.
- 4.5 The Head of Audit and Risk Management also has operational responsibility for the Risk and Resilience; Health and Safety; and Insurance and Claims Services, as well as being involved in corporate boards and working groups. Given this wider role, the Audit Manager reports directly to the City Treasurer on any audit work in these areas to avoid actual or perceived risk of self-review by the Head of Audit and Risk Management.

5 Responsibilities

Internal Audit

- 5.1 The prime purpose of internal audit is to assure Members and senior managers over the adequacy and effectiveness of the Council's governance framework, risk management and internal control. This is achieved by working with managers to assess and improve arrangements by undertaking audit assignments, providing assurance and making appropriate recommendations for change. Internal Audit may also provide advice and guidance to managers

on specific issues subject to the availability of skills and resources. The scope of internal audit's work includes:

- All Council systems, processes, policies, plans and procedures;
- Use and safeguarding of resources and assets, including data;
- Governance and risk management processes;
- Commissioning and procurement;
- Projects and programmes; and
- Counter Fraud, including investigation of allegations of fraud and corruption.

Audit Committee

5.2 The system of internal audit includes Audit Committee's role, particularly receipt and evaluation of assurance opinions. Terms of Reference are set out in the Constitution, Part 4 Section B. The Audit Committee includes two independent members, in line with CIPFA good practice and there is a development and training process.

5.3 Key responsibilities include:

- Approval of the Annual Accounts and Treasury Management Strategy;
- Consideration of External Audit reports;
- Consideration of the review of the effectiveness of the system of internal control and the Annual Governance Statement;
- Oversight of the effectiveness of the control environment including risk management, counter-fraud and anti-corruption arrangements; and
- Review of the Council's internal audit programme and assurance reports, as appropriate, from the Head of Audit and Risk Management.

Statutory Officers

5.4 The roles and responsibilities, including delegated functions, of the Head of Paid Service, Monitoring Officer and Treasurer are set out in the Council's Constitution, Part 3, Section D 'Scheme of Delegation of Functions to Chief Officers'.

External Audit

5.5 Internal Audit works actively with the external auditor to maximise the value obtained from the total audit resource available. In addition to its financial statements work, External Audit provide assurance over Internal Audit's approach and coverage.

Counter Fraud

6 Managers are responsible for preventing and detecting fraud and corruption, managing associated risks through effective internal control and investigating fraud. Internal Audit is responsible for developing the Counter Fraud Strategy including raising fraud awareness across the Council, investigating allegations and assisting managers with investigations and carrying out proactive fraud

detection exercises. Suspicions of fraud or corruption may be reported directly to the Head of Audit and Risk Management under Whistleblowing and Anti-fraud and Corruption policies. Decisions to refer matters to the police rest with the Head of Audit and Risk Management in consultation with the Treasurer and relevant senior managers.

Professionalism

- 6.1 Compliance with the PSIAS and its associated Code of Ethics promotes an ethical, professional culture. Internal Audit officers are subject to the Council's Code of Conduct for Employees and associated policies and are governed by the ethical codes of professional bodies to which they belong. Auditors hold or are studying for accounting or internal audit qualifications and maintain professionalism through a career grade scheme and continuing professional development.
- 6.2 Internal Audit conducts an annual self-assessment against the PSIAS, including an evaluation of the effectiveness of service activity and performance. A formal quality assurance, feedback and improvement programme informs a plan of continuous improvement. The key measurable is delivery of the audit plan within the year and assignment performance is managed through key performance measures and benchmarking where relevant and appropriate.

7 Resources and Audit Planning

- 7.1 The Service is structured in client and risk based teams whose portfolios mirror Council directorates and key risk areas to support effective client relationships and better understanding of needs.
- 7.2 In line with PSIAS requirements, Internal Audit has an Audit Strategy and an annual risk-based audit plan which is produced for a period of one year giving assurance over the Council's internal control, governance and risk management systems. The plan is developed through an assessment of risk and assurance needs and is sufficiently flexible to reflect changing organisational risks and priorities. It is submitted to the Treasurer and Audit Committee for review and approval and the Head of Audit and Risk Management reports periodically any resource limitations or significant deviation from the approved plan.

8 Monitoring And Reporting

Assignments

- 8.1 A written report is prepared and issued by the Head of Audit and Risk Management following the conclusion of internal audit assignments. The report includes management's response and any actions necessary regarding the findings and recommendations. Internal audit outputs and assurances are reported in summary to the Audit Committee.

Monitoring Reports

- 8.2 In-year the Head of Audit and Risk Management reports to Audit Committee on:
- Progress against plan including any necessary changes;
 - Significant control issues identified; and
 - Outstanding recommendations from previous audit reports.

Annual Assurance Report

- 8.3 The Head of Audit and Risk Management prepares an annual report for Audit Committee which includes:
- Summary of audit work carried out in the year;
 - Achievement against plan; and
 - An overall annual opinion on the adequacy and effectiveness of the systems of Governance, Risk Management and Internal Control. This is a source of evidence for the Council's Annual Governance Statement.

Quality Assurance and Improvement Programme

- 8.4 The Head of Audit and Risk Management will oversee the development and implementation of a quality assurance and improvement programme for Internal Audit. This will seek to provide assurance that internal audit work conforms to PSIAS and is focused on continuous improvement. The outcome of this work will be reported to Audit Committee.

External Quality Assessment

- 8.5 Internal Audit shall be subject to an independent quality review at least every five years in line with the Standards of Professional Practice in Internal Audit. The scope to be agreed with the City Treasurer and reported to the Audit Committee.

9 Review

- 9.1 The Head of Audit and Risk Management will review and update this Charter on an annual basis.