

ITEM NO: 4

Report To:	AUDIT PANEL
Date:	26 May 2015
Reporting Officers:	Ben Jay – Assistant Executive Director - Finance
Subject:	REVIEW OF INTERNAL AUDIT 2014/2015
Report Summary:	The report reviews the effectiveness of internal audit and measures practices and performance of the Internal Audit function with the standards set out in the Public Sector Internal Audit Standards.
Recommendations:	That the report be noted.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services.
Legal Implications: (Authorised by Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2011, which require the Council to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.” It also must conduct a review of “the effectiveness of its internal audit”.
Risk Management:	Assists in providing the necessary levels of assurance that the significant risks relating to Council operations are being effectively managed.
Access to Information:	The background papers relating to this report can be inspected by contacting the Report Author, Ben Jay, Assistants Executive Director (Finance) by contacting:  Telephone: 0161 342 3864  e-mail: ben.jay@tameisde.gov.uk

REVIEW OF INTERNAL AUDIT 2014/15

1. INTRODUCTION

- 1.1 The Accounts and Audit (England) Regulations 2011, which came into force on 31 March 2011 and updated the previous regulations of 2003 and 2006, state that:-

Regulation 4

- (1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.
- (2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.
- (3) The findings of the review referred to in paragraph (2) must be considered:-
 - (a) in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and
 - (b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.
- (4) The relevant body must ensure that the statement referred to in paragraph (3) accompanies:-
 - (a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or
 - (b) any accounting statement it is obliged to prepare in accordance with regulation 12.

Regulation 6

- (1) A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
 - (2) Any officer or member of a relevant body must, if the body requires:-
 - (a) make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
 - (b) supply the body with such information and explanation as that body considers necessary for that purpose.
 - (3) A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.
 - (4) The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 4(3), by the committee or body referred to in that paragraph.
- 1.2 The purpose of this report is to inform the Audit Panel of the background to the review, the requirements of the Public Sector Internal Audit Standards, the process that has been adopted and details of the review itself.
- 1.3 It is a responsibility of the Council to conduct the annual review. It is not a review that can be carried out by the External Auditor as part of the annual audit. Clearly, an important input into the review of Internal Audit is the view of our new External Auditors and in their Review of the

Council's Arrangements for Securing Financial Resilience for Tameside Metropolitan Borough Council report dated 9 September 2014 they commented as follows:

"The Council has an effective in-house internal audit function which complies with the Public Sector Internal Audit Standards. Internal audit plans are approved by the Audit Panel and in addition, quarterly progress reports against the Plan are presented by internal audit to the Panel. The Head of Risk Management and Audit Services also has a prominent national role in relation to anti-fraud and corruption as the Chair of the National Anti-Fraud Network (NAFN). NAFN is jointly hosted by the Council and Brighton and Hove City Council and gives internal audit and the Council involvement in an important and high profile area. Internal audit work is of sufficient coverage and quality to provide assurance on significant elements of controls testing and substantive testing to external audit".

- 1.4 The review of internal audit is a significant piece of work in itself, and therefore this report is devoted totally to it, but Members should be aware that this review is part of the overall assurance framework in the preparation of the Annual Governance Statement, which appears elsewhere on the agenda.
- 1.5 The Council must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Effectiveness in this context has been taken to mean that it produces a meaningful and useful result to the organisation as a whole.
- 1.6 In carrying out the review the Public Sector Internal Audit Standards have been extensively relied upon as the format for discussions and conclusions. The focus of the review has been on the delivery of the Internal Audit service to the required standard in order to produce the required outcome which is reliable assurance on internal control, governance and the management of risks in the Council. In carrying out the review reference has also been made to the Key Performance Indicators of internal audit, the value added by internal audit, the extent to which reliance is placed on internal audit by the external auditor and feedback from customers who have been audited.

2. INTERNAL AUDIT IN TAMESIDE

- 2.1 The function is managed by the Head of Risk Management and Audit Services who during 2014/15 reported directly to the Assistant Executive Director of Finance (Section 151 Officer).
- 2.2 Internal Audit now comprises of 10.4FTE staff that have a range of experience and relevant qualifications, and includes two specialist Fraud Investigators/Counter Fraud Specialists.
- 2.3 The Internal Audit service is provided to all Directorates/Service Areas together with schools and a comprehensive list of all auditable areas is maintained within the Audit Management System "Galileo". A detailed Annual Audit Plan is produced at the start of each financial year after consultation with both officers and members. Internal Audit provides services to the Greater Manchester Pension Fund and the Greater Manchester Debt Administration Fund as well as to the Council itself.

3. ASSESSMENT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS – EFFECTIVE FROM APRIL 2013

- 3.1 From 1 April 2013, the CIPFA Code of Practice for Internal Audit in the UK 2006 was replaced by the Public Sector Internal Audit Standards (PSIAS). The Standards comprise a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the

Public Sector and the Standards themselves. The Standards are mandatory for all internal auditors working in the UK public sector.

3.2 The revised definition of Internal Audit is:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

3.3 The revised definition recognises the consultancy work undertaken and emphasises the need to ensure that the audit function is adding value to and improving the organisations operations.

3.4 It is recognised in the standards that the provision of assurance work is the primary role for internal audit in the UK public sector. The role requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation with the aim of improving governance, risk management and control and contributing to the overall opinion.

3.5 The purpose of the Code of Ethics is to promote an ethical culture in the profession of internal auditing. It extends beyond the definition of internal auditing to include two essential components:-

- Principles that are relevant to the profession and practice of internal auditing.
- Rules of conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors. There are four principles are:-
 - **Integrity** – the integrity of internal auditors establishes trust and thus provides the basis of reliance on their judgement.
 - **Objectivity** – internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by other in forming judgements.
 - **Confidentiality** – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
 - **Competency** – internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

3.6 The standards themselves are divided into two categories:-

- Attribute Standards – Purpose, Authority and Responsibility.
- Performance Standards – Managing the Internal Audit Activity.

3.7 Table 1 shows an assessment against each of the individual standards within the above two categories and a comparison of the results presented to the Audit Panel in June 2014 compared to the position as at March 2015.

3.8 **Table 1 – Assessment against the Public Sector Internal Audit Standards - 2015**

STANDARDS	2015	2014
ATTRIBUTE		
1000 – Purpose, Authority and Responsibility	Fully Compliant	Fully Compliant
1100 – Independence and Objectivity	Fully Compliant	Fully Compliant
1200 – Proficiency and Due Professional Care	Fully Compliant	Fully Compliant
1300 – Quality Assurance and Improvement Programme	Fully Compliant	Fully Compliant
PERFORMANCE		
2000 – Managing the Internal Audit Activity	Fully Compliant	Fully Compliant
2100 – Nature of Work	Fully Compliant	Fully Compliant
2200 – Engagement Planning	Fully Compliant	Fully Compliant
2300 – Performing the Engagement	Fully Compliant	Fully Compliant
2400 – Communicating the Results	Fully Compliant	Fully Compliant
2500 – Monitoring Progress	Fully Compliant	Fully Compliant
2600 – Communicating the Acceptance of Risks	Fully Compliant	Fully Compliant

3.9 In relation to Section 1300 shown above, Standard, 1312 covers external assessments and whilst full compliance has been assessed an external assessment has not yet been undertaken in the first two years of the standard. The requirement states that an external assessment must be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

3.10 The methodology for the assessment process is being reviewed by a sub group of the North West Chief Internal Auditors Group, the initial proposal from the group has been shared with the Chartered Institute of Public Finance and Accountancy (CIPFA) for comments and a report will be presented to the Panel when the work is concluded.

4. PERFORMANCE INDICATORS, VALUE ADDED AND FEEDBACK

4.1 Internal Audit has three key performance indicators and for 2014/15 all targets were either met or exceeded:

- % of Plan Complete (92% - Target 90%)
- % of recommendations Implemented (90% - Target 90%)
- Customer Satisfaction (100% - Target 90%)

4.2 With regards to Added Value in the annual plan we endeavour to incorporate a mixture of assurance audits and consultancy reviews requested by management to ensure that the service delivers what the organisation requests. Part of our work involves providing independent assurance regarding the implementation of new systems to ensure that the data is migrated correctly and that the control environment is satisfactory from the outset and this work is valued by managers. The work undertaken for the Greater Manchester Pension Fund (GMPF) in relation to the Ministry of Justice Project this year demonstrates this. The GMPF were the successful bidder to take responsibility for the LGPS assets and liabilities for all Probation Trust employees across England and Wales. Two comments from the project closure report are shown below:

“The Pensioner transfer process was incredibly successful and many lessons learned during the Active and Deferred process were put in place. Involving the Internal Audit team was vital and their input was invaluable, both to ensure accuracy of data and keep system downtime to a minimum.”

“Audit involvement added an extra layer of comfort in the process”.

- 4.3 Furthermore, we get involved in service redesigns and providing advice and support to the process, as it is more efficient and effective if we can ensure that controls are designed in rather than audit after the event and find issues and concerns.
- 4.4 Customer feedback is very positive and can be demonstrated in many ways:-
- Customer satisfaction is very high at 100%, which signifies that auditees appreciate the process albeit sometimes they do not like the outcome especially if a low level of assurance is given.
 - At the planning stage requests for work always outweighs resources available.
 - In year we receive a significant number of requests for advice and support.
 - In year we receive requests to get involved in new projects.
- 4.5 The performance of the wider organisation is monitored by the team as we keep a watching brief over the changing profile of risks affecting service delivery from a variety of sources. Through consultation with Executive Members/Senior Managers, facilitating the Information Governance Group, fraud briefings/bulletins, attending AGMA Groups and formally reporting to the Senior Management Team a wealth of intelligence is amassed which enables the internal audit plan and approach to be adapted to keep pace with the changing complexities of local government.

5. CIPFA STATEMENT ON THE ROLE OF THE HEAD OF INTERNAL AUDIT (HIA)

- 5.1 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:
- the organisation;
 - the role; and
 - the individual.

For each principle, the Statement sets out the governance arrangements required within an organisation to ensure that HIAs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their HIA.

- 5.2 The five principles are as follows:-
- The HIA in a public service organisation plays a critical role in delivering the organisation’s strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
 - The HIA in a public service organisation plays a critical role in delivering the organisation’s strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control;
 - The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;

- The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose; and
- The HIA in a public service organisation must be professionally qualified and suitably experienced.

5.3 A self-assessment has been undertaken against the checklist published in the report by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the role of the Head of Internal Audit as part of the review of the system of internal audit and the Head of Internal Audit is in full compliance with the five principles and the supporting standards.

6. AUDIT PANEL

6.1 The system of Internal Audit includes the role of the Audit Panel and in particular, its role in the receipt and evaluation of audit reports from the Head of Risk Management and Audit Services, both in terms of assurance opinions and in ensuring that appropriate arrangements are in place for the delivery of an effective service. It has operated in accordance with best practice and guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) for 2014/15.

7. CONCLUSIONS

7.1 Against each of the standards, Internal Audit has achieved all the requirements of the Public Sector Internal Audit Standards, as demonstrated in **Appendix 1**.

7.2 From the review of the system of Internal Audit, it can be concluded that it helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes in accordance with the PSIAS definition. Taking on board the positive comments received from our External Auditors and the positive comments received from Senior Management Teams/Executive Members assurance can be given that the Council has an adequate and effective system of internal audit.

8. RECOMMENDATION

6.1 That the report be noted.

APPENDIX 1

Self-Assessment against the requirements of the Public Sector Internal Audit Standards for 2014/2015

Ref	Requirement	Current position	Actions required
1000.A1	<p>The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurance services are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.</p> <p>The charter must include:</p> <p>Internal audit activity's purpose, authority and responsibility.</p> <p>Position of IA within the authority</p> <p>Authorisation of access to records, personnel and physical properties</p> <p>Definition of the scope of internal audit activities</p> <p>Definition of the terms 'board' and senior management for the purposes of IA activity</p> <p>Arrangements for appropriate resourcing</p> <p>Definition of the role of IA within any fraud related work; and</p> <p>Arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities</p>	<p>Audit Charter approved by the Audit Panel on 17 June 2014.</p> <p>No non-audit tasks undertaken</p>	
1000.C1	<p>The nature of consulting services must be defined in the audit charter.</p>	<p>Defined in the audit charter and included in the Audit Plan and any changes would be reported to the Audit Panel in year.</p>	
1010	<p><u>Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter</u></p> <p>The chief internal auditor should discuss the mandatory nature of the definition of internal auditing, the Code of Ethics and the Standards with senior management and the board.</p>	<p>Compliant – This is built into the annual report and the audit plan.</p>	

APPENDIX 1

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1100	<p><u>Independence and Objectivity</u></p> <p>The chief internal auditor has unrestricted access to senior management and the board.</p> <p>Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others. Threats to objectivity must be managed at the individual auditor, functional and operational levels.</p>	<p>Access is available when needed.</p> <p>Any concerns would be reported to the Principal Auditors or the CIA.</p>	
1110	<p><u>Organisational Independence</u></p> <p>The chief internal auditor must confirm to the board, at least annually, the organisational independence of the internal audit activity.</p> <p>The chief internal auditor must have free and unfettered access to the chief executive and the chair of the audit committee</p> <p>The chief internal auditor should report functionally to the board, examples of functional reporting to the board involve the board:</p> <p>Approving the internal audit charter</p> <p>Approving the risk based audit plan</p> <p>Approving the internal audit budget and resource plan</p> <p>Receiving communications from the chief internal auditor on the internal audit activity's performance relative to its plan and other matters</p> <p>Approving decisions regarding the appointment and removal of the chief internal auditor</p> <p>Approving the remuneration of the chief internal auditor¹; and</p>	<p>Confirmed in both the Annual Report and the Audit Plan Report presented to the Audit Panel and the Greater Manchester Pension Fund Ethics and Audit Working Group.</p> <p>Available if needed.</p> <p>Compliant – All aspects are covered and reported to the Audit Panel.</p>	

¹ Governance requirements in the UK Public Sector would not generally involve the board approving the chief internal auditor's remuneration specifically. The underlying principle is that the independence of the CIA is safeguarded by ensuring his or her remuneration is not inappropriately influenced by those subject to audit. In the UK

APPENDIX 1

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	Making appropriate enquiries of management and the chief internal auditor to determine whether there are inappropriate scope or resource limitations.		
1110.A1	The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.	Compliant – Whilst consultation is undertaken the final decision rests with the CIA/Principal Auditors and team.	
1111	<u>Direct Interaction with the Board</u> The Chief Internal Auditor must communicate and interact directly with the board.	Compliant - the Head of Risk Management and Audit Services (CIA) reports directly to the Audit Panel and the Greater Manchester Pension Fund Ethics and Audit Working Group	
1120	<u>Individual Objectivity</u> Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.	Compliant – Declaration of Interest forms are in place. Staff are experienced and would report any conflicts to their Principal Auditor or the CIA	
1130	<u>Impairment to Independence or Objectivity</u> If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties.	If applicable this would be reported to the Principal Auditors or the CIA.	
1130.A1	Internal Auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.	Compliant – Auditors do not give assurance on an activity they have had responsibility for. Limited risk, as the team has been together for over 5 years. Any new staff would be	

public sector, this can be achieved by ensuring that the chief executive (or equivalent) countersigns, contributes feedback to or reviews the performance appraisal of the CIA and that feedback is also sought from the chair of the audit committee.

APPENDIX 1

Ref	Requirement	Current position	Actions required
		assessed and their work managed accordingly	
1130.A2	Assurance engagements for functions over which the chief internal auditor has responsibility must be overseen by a party outside the internal audit activity.	Yes this would be done.	
1130.C1	Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.	Compliant – If an auditor has previous knowledge of an area then it can assist in consultancy work and would reduce the time taken. Sometimes though it is recognised that somebody without knowledge is preferred to bring a fresh approach.	
1130.C2	If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement. Public sector requirement – Approval must be sought from the board for any significant additional consulting activities not already included in the audit plan, prior to accepting the engagement.	Compliant - Changes to the audit plan are reported to the Audit Panel and the Greater Manchester Pension Fund Ethics and Audit Working Group.	
1200	Engagements must be performed with proficiency and due professional care.	Experienced staff in place.	
1210	Public Sector Requirement – the Chief Internal Auditor must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.	Compliant - CIA holds the CIPFA Qualification.	
1210.A1	The chief internal auditor must obtain competent advice and assistance if the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of the engagement.	This is undertaken when and where appropriate.	

APPENDIX 1

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1210.A2	Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.	Compliant - Staff are very experienced in the audit team. Any issues detected are discussed with the Principal Auditors/CIA and a plan of action put in place and liaison would take place with the Fraud Investigator.	
1210.A3	Internal Auditors must have sufficient knowledge of key information technology risks and controls and available technology based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.	Compliant. The services of Salford Computer Audit are procured for ICT specific audits and for the provision of support and advice.	
1210.C1	The chief internal auditor must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of the engagement.	Compliant – If applicable this would be addressed by either declining the engagement or by providing the relevant training for the auditor(s) involved.	
1220	<u>Due Professional Care</u> – Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	Compliant – Experienced team in place.	
1220.A1	Internal auditors must exercise due professional care by considering the; <ul style="list-style-type: none"> • Extent of work needed to achieve the engagement’s objectives • Relative complexity, materiality or significance of matters to which assurance procedures are applied • Adequacy and effectiveness of governance, risk management and control processes • Probability of significant errors, fraud or non-compliance; and • Cost of assurance in relation to potential benefits 	Compliant – Experienced team in place.	

APPENDIX 1

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1220.A2	In exercising due professional care auditors must consider the use of technology-based audit and other data analysis techniques.	IDEA used	
1220.A3	Internal auditors must be alert to the significant risks that might affect objectives, operations or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.	Risk are identified and confirmed with senior management as part of the terms of reference process. In relation to the wider picture Team Briefings are held to ensure that corporate messages are disseminated to the team. The Wire and the Chief Executive's Brief also provide regular corporate information.	
1220.C1	Internal auditors must exercise due professional care during a consultancy engagement by considering the; <ul style="list-style-type: none"> • Needs and expectations of clients, including the nature, timing and communication of engagement results • Relative complexity and extent of work need to achieve the engagement's objectives; and • Cost of the consulting engagement in relation to potential benefits 	Compliant – Experienced team in place.	
1230	Continuing Professional Development – Internal auditors must enhance their knowledge, skills and other competencies through CPD.	In Place – Progress reviews undertaken annually. Whilst training budgets are limited alternative ways to enhance knowledge and skills are encouraged.	
1300	<p><u>Quality Assurance and Improvement Programme</u></p> <p>The chief internal auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</p> <p>The QA programme should enable an evaluation to be made of the</p>	<p>Quality assurance process in place.</p> <p>Performance is measured annually and reported to the Audit Panel.</p> <p>Conformance with auditing standards has been undertaken for many years</p>	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	<p>internal audit activity's conformance with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> and an evaluation of whether internal auditors apply the <i>Code of Ethics</i>.</p> <p>The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.</p>	and will continue into the future.	
1310	<p><u>Requirements of the Quality Assurance and Improvement Programme</u></p> <p>The quality assurance and improvement programme must include both internal and external assessments.</p>	<p>Both conducted. Customer questionnaires are issued with all Final Reports and meetings are held with Senior Officers, Executive Members and External Audit to discuss progress and performance.</p> <p>An external assessment of the service will be conducted in accordance with these standards within the next three years.</p>	
1311	<p>Internal assessments must include:</p> <p>On-going monitoring of the performance of the internal audit activity; and</p> <p>Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.</p>	<p>Quality assurance process in place within IA.</p> <p>Customer Questionnaires are used.</p> <p>IA has been assessed against the CIPFA Code of Practice for many years and is now assessed annually against the PSIAS.</p>	
1312	<p>External assessments must be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief internal auditor must discuss with the board:</p> <ul style="list-style-type: none"> • The form of external assessments; and • The qualifications and independence of the external assessor 	Peer Reviews will be conducted across Chief Internal Auditors Group.	Chief Internal Auditors Group is reviewing the process with assistance from CIPFA. A report to the Audit Panel will be presented when the

APPENDIX 1

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	<p>or assessment team, including any potential conflict of interest</p> <p>External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.</p> <p>The chief internal auditor must agree the scope of external assessments with an appropriate sponsor, e.g. the Accounting / Accountable officer or the chair of the audit committee as well as with the external assessor or assessment team.</p>		project is completed.
1320	<p><u>Reporting on the Quality Assurance and Improvement Programme</u></p> <p>The chief internal auditor must communicate the results of the quality assurance and improvement programme to senior management and the board.</p> <p>Public sector requirement – the results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.</p>	<p>Benchmarking and Performance Indicators have always been reported to the Audit Panel.</p> <p>Performance discussed with Senior Managers, Executive Members and External Audit regularly.</p>	
1321	<p><u>Use of ‘Conforms with the International Standards for the Professional Practice of Internal Auditing’.</u></p> <p>The chief internal auditor may state that the internal audit activity confirms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement programme support this statement.</p> <p>Interpretation: The internal audit activity conforms with the Standards when it achieves the outcomes described in the definition of Internal Auditing, Code of Ethics and Standards.</p>	Compliant.	
1322	<p><u>Disclosure of Non-conformance</u></p> <p>When non-conformance with the definition of Internal Auditing, the Code of Ethics or the Standards impacts on the overall scope or operation of the internal audit activity, the chief internal auditor must disclose the non-conformance and the impact to senior management</p>	Any non-conformance would be reported to the Audit Panel at the annual review.	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	<p>and the board.</p> <p>Public sector requirement – Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.</p>		
2000	<p><u>Managing the Internal Audit Activity</u></p> <p>The chief internal auditor must establish an annual risk based audit plan. The plan should take account of the risk management framework, including risk appetite levels set by management for the different activities or parts of the organisation. If the risk management framework is not well established, then the head of internal audit must use their own judgement of risks after consideration of input from senior management and the board. The chief internal auditor must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations, programs, systems and controls.</p>	Compliant – A risk based plan is in place.	
2010.A	The internal audit activity's plan of engagements must be based on a documented risk assessment undertaken at least annually. The input of senior management and the board must be considered in this process.	Compliant – This is undertaken annually.	
2010.A2	The chief internal auditor must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.	Compliant – The draft report is discussed with management at the closure of an audit and the audit opinion and conclusions evaluated. Standard criteria are in place to assess the opinion allocated.	
2010.C1	The chief internal auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included	All work is included in the plan.	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	in the plan.		
2020	<p><u>Communication and Approval</u></p> <p>The chief internal auditor must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief internal auditor must also communicate the impact of resource limitations.</p>	Reported to the Audit Panel and the Greater Manchester Pension Fund Ethics and Audit Working Group.	
2030	<p><u>Resource Management</u></p> <p>The chief internal auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved audit plan.</p> <p>Public Sector requirement – the risk based plan must explain how internal audit's resource requirements have been assessed.</p> <p>Where the chief internal auditor believes that the level of agreed resources will impact adversely on the provision of the annual audit opinion, the consequences must be brought to the attention of the board.</p>	Compliant – Any adverse impact would be discussed with the Chief Finance Officer and reported to the Audit Panel.	
2040	<p><u>Policies and Procedures</u></p> <p>The chief internal auditor must establish policies and procedures to guide the internal audit activities.</p>	Compliant – Audit Strategy and Charter in place together with documented processes.	
2050	<p><u>Co-ordination</u></p> <p>The chief internal auditor should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.</p>	Compliant – External sources of assurance would be assessed before any reliance was placed on them.	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	<p><u>Public sector requirement</u></p> <p>The chief internal auditor must include in the risk based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.</p>		
2060	<p><u>Reporting to senior management and the Board</u></p> <p>The chief internal auditor must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.</p>	<p>Compliant – Quarterly activity reports are issued to senior management and executive members. Reports are issued at the conclusion of all assignments and presented to senior management including any significant risk exposures or control issues. Progress is reported to the Audit Panel and the Greater Manchester Pension Fund Ethics and Audit Working Group.</p>	
2070	<p><u>External Service Provider and Organisational Responsibility for Internal Auditing</u></p> <p>When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.</p> <p>This will be demonstrated through the quality assurance and improvement programme which assures conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.</p>	<p>N/A – The only external service provider used is Salford Computer Services and all work is conducted in partnership and the in-house audit team are fully involved at the terms of reference and closure meeting. The report is issued by the CIA.</p>	
2100	<p><u>Nature of Work</u></p> <p>The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.</p>	<p>Standard approach and processes in place to ensure the service contributes to improvements in governance, risk management and control.</p>	
2110	<p><u>Governance</u></p>	<p>Compliant – All aspects are covered</p>	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	<p>The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</p> <ul style="list-style-type: none"> • 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; and • Coordinating the activities of and communicating management information among the board, external and internal auditors and management 	by the services provided by the Service unit.	
2110.A1	The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.	Compliant and built into the audit plan and individual audit assignments.	
2110.A2	The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.	In Place	
2120	<p><u>Risk Management</u></p> <p>The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</p>	In place as all audits undertaken are risk based.	
2120.A1	<p>The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the;</p> <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives • Reliability and integrity of financial and operational information • Effectiveness and efficiency of operations and programmes • Safeguarding of assets; and • Compliance with laws, regulations, policies, procedures and 	Compliant - All covered	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	contracts		
2120.A2	The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.	Compliant – This is undertaken at the planning stage and conducted as part of each audit assignment in the assessment of controls to ensure the risk of fraud is minimised.	
2120.C1	During consultation engagements, internal auditors must address risk consistent with the engagement’s objectives and be alert to the existence of other significant risks.	Compliant - Experienced staff undertake audits and consultancy work.	
2120.C2	Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation’s risk management processes.	Compliant – Internal Audit and the risk management team work very closely together.	
2120.C3	When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risk.	All staff clearly understand that the responsibility for risk management rest with managers.	
2130	Control The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.	Compliant – The audit plan in place is designed to deliver assurance that controls are effective. Where improvements are identified recommendations are made.	
2130.A1	The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation’s governance, operations and information systems regarding the: <ul style="list-style-type: none"> • Achievement of the organisation’s strategic objectives • Reliability and integrity of financial and operational information • Effectiveness and efficiency of operations and programmes 	Compliant – All aspects covered by the work of internal audit.	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	<ul style="list-style-type: none"> • Safeguarding of assets • Compliance with laws, regulations, policies, procedures and contracts. 		
2130.C1	Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.	Compliant – This is undertaken where applicable.	
2200	<p><u>Engagement Planning</u></p> <p>Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.</p>	Terms of Reference issued.	
2201	<p><u>Planning Considerations</u></p> <p>In planning the engagement, internal auditors must consider:</p> <ul style="list-style-type: none"> • The objectives of the activity being reviewed and the means by which the activity controls its performance • The significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level • The opportunities for making significant improvements to the activity's governance, risk management and control processes. 	Compliant – all aspects covered.	
2201.A1	When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.	This is conducted in relation to the Greater Manchester Pension Fund as we audit the Contributing Bodies. A letter is issued outlining the objectives, scope, responsibilities, timescales etc.	
2201.C1	Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective	Compliant - Documented.	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	responsibilities and other client expectations. For significant engagements, this understanding must be documented.		
2210	<u>Engagement Objectives</u> Objectives must be established for each engagement	Compliant – Issued for each project.	
2210.A1	Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of the assessment.	Compliant - Terms of Reference issued.	
2210.A2	Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.	Terms of Reference Initial audit meeting with management.	
2210.A3	Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and / or the board to develop appropriate evaluation criteria.	Compliant – A performance framework is in place which evaluates governance, risk management and controls. Furthermore, as part of the AGS process Executive Directors are required to complete a self-assessment, which evaluates the above, any many other key service deliverables.	Value for money is a key deliverable and the audit process is under review to ensure VFM is considered where appropriate for each assignment.
2210.C1	Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.	Compliant – The terms of reference agree the scope and objectives of the audit any deviations would be explained to the client.	
2210.C2	Consulting engagement objectives must be consistent with the organisation’s values, strategies and objectives.	Compliant – All objectives meet the needs of the organisation.	
2220	<u>Engagement Scope</u>	Compliant - Agreed with management	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	The established scope must be sufficient to satisfy the objectives of the engagement.	before work commences.	
2220.A1	The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under control of third parties.	Compliant - Scope discussed with management and all points considered.	
2220.A2	If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.	Compliant - Terms of reference would be issued.	
2220.C1	In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.	Compliant - Any concerns would be discussed within internal audit and then with management.	
2220.C2	During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.	Compliant - Quality assurance process in place to ensure all aspects are covered.	
2230	<p><u>Engagement Resource Allocation</u></p> <p>Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.</p>	An audit plan is in place which estimates the days for each assignment. Variations to the plan have to be discussed with the Head of Risk Management and Audit and reported to the Audit Panel and the Greater Manchester Pension Fund Ethics and Audit Working Group.	
2240	<p><u>Engagement work programme</u></p>	Compliant - All recoded in Galileo –	During 2015/16 Galileo

APPENDIX 1

Ref	Requirement	Current position	Actions required
	Internal auditors must develop and document work programmes that achieve the engagement objectives.	Audit Management System	needs to be updated to the latest version to capture some system improvements now available.
2240.A1	Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.	Compliant - Control evaluation and testing programme reviewed by Principal Auditor and any changes are discussed as part of the ongoing supervision process.	
2240.C1	Work programmes for consulting engagements may vary in form and content depending upon the nature of the engagement.	Compliant - Template in place but the content can be varied to suit the engagement if required.	
2300	<p><u>Performing the Engagement</u></p> <p>Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.</p>	All recorded in Galileo – Audit Management System and the quality assurance processes ensure that objectives are met and that sufficient information is identified, analysed and evaluated.	
2310	<p><u>Identifying Information</u></p> <p>Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.</p>	Compliant - Experience auditors undertake the work that have the skills and knowledge to meet this standard.	
2320	<p><u>Analysis and evaluation</u></p> <p>Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.</p>	Compliant - Working papers are held in Galileo and reviewed as part of the assurance process.	
2330	<p><u>Documenting Information</u></p>	Compliant - All working papers held in	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	Internal auditors must document relevant information to support the conclusions and engagement results	Galileo and reviewed as part of the assurance process.	
2330.A1	The chief internal auditor must control access to engagement records. The chief internal auditor must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties as appropriate.	Compliant - Consultation would take place with the Executive Directors of Governance and Finance (Monitoring Officer and Section 151 Officer) before any action was taken.	
2330.A2	The chief internal auditor must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.	Compliant - Retention records in place.	
2330.C1	The chief internal auditor must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.	Compliant - Retention records in place. Consultancy work would only be undertaken for Council Directorates or schools.	
2340	<u>Engagement supervision</u> Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.	Compliant - Supervision and quality assurance process in place.	
2400	<u>Communicating results</u> Internal auditors must communicate the results of engagements.	Compliant - Draft Reports are issued for management comments and responses. Final Report incorporating any changes and responses issued. Post Audit Review Reports are also issued showing the implementation of recommendations.	

APPENDIX 1

Ref	Requirement	Current position	Actions required
2410	<p><u>Criteria for communicating</u></p> <p>Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.</p>	Compliant – all produced through Galileo using agreed templates.	
2410.A1	Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.	Compliant – The Final Report covers all these points.	
2410.A2	Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.	Compliant – satisfactory performance is acknowledged in reports.	
2410.A3	When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.	All reports issued as Private and Confidential.	
2410.C1	Communication of the progress and results of consulting engagements will vary in form and content depending on the nature of the engagement and the needs of the client.	Compliant - Flexibility is adopted.	
2420	<p><u>Quality of Communications</u></p> <p>Communications must be accurate, objective, clear, concise, constructive, complete and timely</p>	Compliant - This is tested via the customer questionnaire.	
2421	<p><u>Errors and Omissions</u></p> <p>If a final communication contains a significant error or omission, the chief internal auditor must communicate corrected information to all parties who received the original communication.</p>	Compliant - A Revised report would be issued in this circumstance and the recipients informed of the changes and why they have occurred.	

APPENDIX 1

Ref	Requirement	Current position	Actions required
2430	<p>Use of 'conducted in accordance with the International Standards for the Professional Practice of Internal Auditing'.</p> <p>Internal auditors may report that their engagements are '<i>Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing</i>', only if the results of the quality assurance and improvement programme support the statement.</p>	Compliant – now included in all reports.	
2431	<p>Engagement disclosure of non-conformance</p> <p>When non-conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards impacts a specific engagement, communication of the results must disclose the;</p> <ul style="list-style-type: none"> • Principle or rule of conduct of the Code of Ethics or Standard with which full conformance was not achieved • Reason for non-conformance • Impact of non-conformance on the engagement and the communicated engagement results. 	Appropriate communication would be issued if applicable.	
2440	<p><u>Disseminating results</u></p> <p>The chief internal auditor must communicate results to the appropriate parties.</p> <p>Interpretation: the chief internal auditor is responsible for reviewing and approving the final engagement communication and deciding to whom and how it will be disseminated. When the chief internal auditor delegates these duties, he or she retains overall responsibility.</p>	Compliant - Reporting rules are in place within the quality assurance system. Variations to the norm are discussed with the Head of Risk Management and Audit Services (CIA).	
2440.A1	The chief internal auditor is responsible for disseminating the final results to parties who can ensure the results are given due consideration.	Compliant – Draft, Final and PAR Reports all issued.	
2440.A2	If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the	Careful consideration as to how to respond would be given if the situation	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	<p>organisation, the chief internal auditor must;</p> <ul style="list-style-type: none"> • Assess the potential risk to the organisation • Consult with senior management and / or legal counsel as appropriate • Control dissemination by restricting the use of the results 	<p>occurred and appropriate advice requested.</p>	
2440.C1	<p>The chief internal auditor is responsible for communicating the results of consulting engagements to clients.</p>	<p>Compliant – Agreed processes in place.</p>	
2440.C2	<p>During consultation engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.</p>	<p>Compliant - Communication with management takes place at the conclusion of all pieces of work conducted by the Internal Audit Team.</p>	
2450	<p>Overall opinions</p> <p>Where an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</p> <p>Interpretation:</p> <p>The communication will identify:</p> <ul style="list-style-type: none"> • The scope including the time period to which the opinion pertains • Scope limitations • Consideration of all related projects, including the reliance on other assurance providers • The risk or control framework or other criteria used as a basis for the overall opinion; and • The overall opinion, judgement or conclusion reached. <p>The reasons for an unfavourable opinion must be stated</p> <p><u>Public sector requirement</u></p>	<p>Compliant – This is covered by the Annual Report produced by Head of Risk Management and Audit Services (CIA)</p>	

APPENDIX 1

Ref	Requirement	Current position	Actions required
	<p>The chief internal auditor must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</p> <p>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p> <p>The annual report must incorporate:</p> <ul style="list-style-type: none"> • The opinion • A summary of the work that supports the opinion • A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme. 		
2500	<p><u>Monitoring Progress</u></p> <p>The chief internal auditor must establish and maintain a system to monitor the disposition of results communicated to management</p>	Compliant - Audit Management system in place – Galileo.	
2500.A1	The chief internal auditor must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.	Compliant - Post Audit Review process in place. Actions followed up after 6 months and 3 months where a low level of assurance is given.	
2500.C1	The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed with the client.	Compliant.	
2600	<p>Communicating the acceptance of risks</p> <p>When the chief internal auditor concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief internal auditor must discuss the matter with senior management. If the chief internal auditor determines that the matter has not been resolved, the chief internal auditor must communicate the matter to the board.</p>	Compliant - This is built into the quality assurance process used and would form part of the audit report.	

APPENDIX 1

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	<p><u>Interpretation</u></p> <p>The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief internal auditor to resolve the risk.</p>		