Report To:	**AUDIT PANEL**
Date:	26 May 2015
Reporting Officer:	Ben Jay – Assistant Executive Director – Finance
	Wendy Poole – Head of Risk Management and Audit Services
Subject:	**RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2015/2016**
Report Summary:	This report presents the planned work for the Risk Management and Audit Service for 2015/2016.
Recommendations:	1. Members approve the Draft Internal Audit Plan for 2015/2016 shown at **Appendix 1** and note the planned work for the Risk Management and Insurance Team and the National Anti Fraud Network Team.
	2. Members approve the Internal Audit Strategy for 2015/2016 shown at **Appendix 2**.
	3. Members approve the Internal Audit Charter for 2015/2016 shown at **Appendix 3**.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Internal Audit and Risk Management 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 reducing losses due to poor risk management. It also helps to keep insurance premiums to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: **(Authorised by the Borough Solicitor**	Demonstrates the Council's compliance with the Accounts and Audit Regulations 2011.
Risk Management:	By assisting in the effective management of risks, Internal Audit helps to reduce costs and improve service delivery.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:
	☎ Telephone: 0161 342 3846
	📧 e-mail: wendy.poole@tameside.gov.uk

1.   INTRODUCTION

1.1   The report presents the planned work for the Risk Management and Audit Service for 2015/2016. It sets out in detail the work of Internal Audit and presents at **Appendix 1** the Annual Audit Plan for 2015/2016 for approval. It highlights the planned work in relation to Fraud/Irregularity Work, the Risk Management and Insurance Team and the National Anti-Fraud Network (NAFN) – Data and Intelligence Services.

2.   INTERNAL AUDIT

Planning
2.1   The Internal Audit Service plans its work with a view to achieving the following key objectives:
- Supporting the Council's Vision;
- Providing optimum coverage across all services to ensure the best use of resources;
- Targeting resources towards priority (high-risk) areas;
- Satisfying legislative requirements;
- Providing assurances to Members and managers as to the effectiveness of the authority's internal controls;
- Responding to the needs of service managers; and
- Maintaining a regular level of audit presence in all areas.

2.2   The plan is reviewed and revised each year to take into account service and legislative changes, which can result in large shifts in priorities and culminates in the production of the Annual Audit Plan.

2.3   The audit management system used ("Galileo") holds the entire list of all audits to be undertaken and does provide an indicative strategic plan based on risk assessments undertaken on each audit activity. This suggested plan produced by Galileo is used as the base plan for the audit year in question prior to consultation.

2.4   Audits are prioritised based on an assessment of risk and allocated a numerical risk score which equates to either High, Medium/High, Medium, Low/Medium or Low and the following factors are taken into account:-
- Susceptibility to Error/Fraud;
- Control Environment;
- Sensitivity and Reputation of the Authority;
- Complexity;
- Volume and Value of Transactions;
- Management Concerns;
- Management Changes;
- Specific Business Risks/Business Importance;
- Quality, Integrity and Security of Information; and
- Years since Previous Audit.

2.5   Consultation involves Executive Members, Executive Directors, Assistant Executive Directors, Heads of Service and in some cases Service Unit Managers and was carried out during March and April. These meetings help to inform the risk assessments undertaken on audit activities and provide members and officers with the opportunity to discuss areas of concern or provide further details of up and coming changes to structures, key personnel, systems, procedures and/or legislation. In addition to agreeing priority audits, the discussions also include a report on previous audit work undertaken and the level and

quality of the service provided. Risks identified in the Corporate Risk Register are also taken into account during the planning process.

2.6 Allegations of fraud investigated during the year together with intelligence gained from external sources (e.g. Audit Commission's Protecting the Public Purse and NAFN) into new fraud areas are also reviewed to ensure any trends or potential weakness are considered and taken into account either directly as an audit or used to inform the audit work scheduled in a particular area.

2.7 Taking all the above information into account, the indicative plan produced by Galileo is revised to generate a draft plan. This plan is then balanced to resources and priorities and amended accordingly, as requested audits usually exceed resources available. This stage of the process is conducted by the Head of Risk Management and Audit Services supported by the Principal Auditors who manage the plans on a day-to-day basis and is based on professional judgement and the potential risk exposure posed to the Council. Audits that cannot be covered in the current plan year are highlighted as priorities for next years audit plan and held in contingency in case difficulties arise in achieving any of the audits included in the annual plan.

2.8 The Assistant Executive Director (Finance), the Chief Finance Officer has been consulted to ensure that he is satisfied that the levels of coverage will provide the necessary information and assurance to support the Section 151 Officer Role and the Annual Governance Statement.

2.9 The Senior Management Team were consulted on the plan and their comments have been incorporated into the document attached at Appendix 1.

2.10 Whilst the work of Internal Audit, External Audit and Scrutiny are different consultation takes place during the year to ensure our respective work programmes are complementary and that areas are not "over audited/inspected".

2.11 A summary of the Annual Audit Plan is shown below in Table 1. A detailed list of the Annual Audit Plan for 2015/2016 is included at **Appendix 1**. It details the audits to be undertaken in each Directorate/Service Area, including those planned for the Greater Manchester Pension Fund.

Table 1 – Annual Audit Plan Summary 2015-2016

Service Area / Directorate	Plan Days
People	230
Public Health	60
Place	199
Governance and Resources	330
Schools	293
Cross Cutting	40
Greater Manchester Pension Fund	300
Contingency Days	10
Proactive Fraud Work, Irregularity Investigations, Advice and Control	475
Total Planned Days for 2015-2016	**1937**

2.12 The plan detailed at **Appendix 1** and summarised in the table above totals 1,937 days and has been matched to available resources. The plan will be kept under constant review and regular meetings will be held with the Senior Management Team to ensure that it truly

reflects the keys risks for the Council going forward as it continues to change both in shape and size to meet the financial challenges placed upon it.

2.13 Staffing levels within the service unit were increased in March 2015 to provide additional resources for Proactive Fraud Work, Irregularity Investigations, Advice and Control Reports. The new post is to be self-financing over a two year period and is currently occupied by an experienced investigator who transferred from the Housing Benefit Fraud Team before it transferred to the DWP. The structure of the team is shown in Table 2 below.

Table 2 – Internal Audit Staffing Structure

Post	Qualification	Audit Experience
Head of Risk Management and Audit Services	CIPFA/PGCM	Over 15 Years
Principal Auditor	CIPFA/PGCM	Over 20 Years
Principal Auditor	CIPFA/ACCA	Over 20 Years
Senior Auditor	CIPFA	Over 20 Years
Senior Auditor		Over 20 Years
Senior Auditor		Over 20 Years
Fraud Investigator	PINS Accredited	10 Years
Fraud Investigator	PINS Accredited	4 Years
Auditor	Part Qualified	Less than 2 Years
Auditor	Studying CIPFA	6 Years
Auditor		Over 20 Years

2.14 The Service Unit no longer employees a specialist Computer Auditor and therefore the provision of technical computer audit support is procured from Salford MBC Computer Audit Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT – Computer Audit Plan.

2.15 The Internal Audit Team has complete organisational independence and is not responsible for any non-audit work. Staff are very aware of the need to remain independent and ensure that requests for advice and support do not compromise this position. The Head of Risk Management and Audit Services is responsible for the Risk Management and Insurance functions. Any review conducted in these areas would be reported in the name of an independent manager to ensure that the independence is not compromised. The Public Sector Internal Audit Standards - Code of Ethics now forms part of Declaration Process.

2.16 Progress reports will be presented to the Panel during the year by the Head of Risk Management and Audit Services.

Reporting

2.17 At the completion of an audit review a draft report is produced which is issued to the appropriate managers within the area (this will vary depending on the review, but usually includes members of the senior management team) for them to check the factual accuracy of the report and to provide their management responses to the recommendations identified. Closure meetings are held with all parties to expedite the process.

2.18 A quality control and review process is in place within the team that ensures all audits are conducted to a high standard and that working papers, conclusions and recommendations are sound and justified.

2.19 A final audit report is then produced incorporating the management responses and circulated to: -
- Executive Member – responsible for area under review;
- Chief Executive;

- Executive Director (Governance and Resources);
- Assistant Executive Director (Finance);
- Executive Director;
- Appropriate Service Areas Managers;
- Head of Resource Management – responsible for area under review; and
- External Audit.

2.20 Six months after completion, a post audit review is undertaken to establish whether the agreed recommendations have been implemented, however where a low level of assurance is issued the area is re-visited within 3 months. This report is circulated to those members and officers who received the final report so that they can check that progress has been made. Areas of concern are escalated to the Head of Risk Management and Audit Services and/or the Assistant Executive Director (Finance) for discussion with the relevant service managers to ensure that progress is made. Post Audit Reviews with significant outstanding items will in turn be reported to the Audit Panel.

2.21 All reports issued are reviewed and quality checked within the team by the Principal Auditors before they are released. The Head of Risk Management and Audit Services also reviews all final reports and post audit reviews. Low level assurance audits are discussed with Assistant Executive Directors to gain assurance that resources will be targeted to resolve issues identified.

2.22 In addition, quarterly reports are produced for the Audit Panel, which summarise the key issues, highlighted from completed audits and any concerns resulting from post audit reviews.

2.23 At the end of the financial year, an annual report is produced summarising the work undertaken during the year and providing an opinion on the overall control environment. In broad terms, the opinion is based on the audit opinions issued during the year, the nature of the audits and the type and severity of recommendations made.

2.24 The audit service has for many years been delivered in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom 2006, however this was replaced in April 2013 by the Public Sector Internal Audit Standards (PSIAS). A self-assessment against the standards has been completed to inform the Review of Internal Audit which was reported earlier on the agenda and the service is fully compliant with the requirements. An external assessment must be conducted at least once every five years as part of the PSIAS and this will be coordinated by the AGMA Chief Internal Auditors Group.

2.25 A self-assessment against the CIPFA Statement for the Head of Internal Audit has also been completed as part of the Review of Internal Audit and the Annual Governance Statement assurance work and the Head of Risk Management and Audit Services meets all the requirements.

Annual Governance Statement

2.26 The Accounts and Audit Regulations 2011 require audited bodies to conduct a review, at least once a year, of the effectiveness of its systems of internal control. The findings of the review shall be considered by a committee of the relevant body, or by members of the relevant body meeting as a whole, and following consideration, shall approve a governance statement, prepared in accordance with proper practices in relation to internal control.

2.27 The work of Internal Audit is fundamental to the production of this statement as our work provides evidence and ongoing assurance that the systems of internal control have been reviewed and that strategic/operational risks are effectively managed. The annual report referred to in 2.23 is a key source of assurance.

Internal Audit Strategy and Charter

2.28   In order to comply with the Public Sector Internal Audit Standards it is necessary for the Audit Panel to approve the Internal Audit Strategy (attached at **Appendix 2**) and the Internal Audit Charter (attached at **Appendix 3**) annually.

2.29   The Strategy provides an overview of internal audit and covers:-
- Introduction;
- Main Drivers in setting the Direction;
- What this means we need to do; and
- How will we do this?

2.30   The Internal Audit Charter is more operational and includes:-
- Introduction;
- Independence;
- Reporting Lines of the Head of Risk Management and Audit Services;
- Scope of Internal Audit Work;
- Responsibility;
- Resourcing and Staffing Matters;
- Ethics;
- Limitations of Internal Audit Responsibilities; and
- Reporting.

3.   PROACTIVE FRAUD WORK/IRREGULARITY INVESTIGATIONS

3.1   Whilst unplanned in their nature, some time is required each year for the investigation of frauds and irregularities that are notified to Internal Audit. There is a dedicated resource within the service unit, which provides support to management to ensure that such problems are dealt with as effectively as possible. A control report is provided in response to investigations/advice and support work to ensure that the control environment is improved to try to minimise any future reoccurrence. Learning points are noted for wider dissemination where appropriate and any recommendations are followed up at a later date by a post audit review to ensure the required improvements have been implemented.

3.2   The Standards Panel, comprising of the Chief Executive, Executive Director (Governance and Resources) and the Assistant Executive Director (Finance) is notified of all cases reported and kept informed of progress on a monthly basis and direction/guidance from the panel is provided where appropriate.

3.3   Update reports will be provided as part of the quarterly progress reports provided by the Head of Risk Management and Audit Services.

3.4   Intelligence from all corporate fraud/irregularities notified to Internal Audit is used to:-
- Evaluate our response plan;
- Inform the audit planning process to ensure fraud risks are taken into account; and
- Inform the risk assessment tool within Galileo (audit management system) to ensure all auditable activities are correctly assessed.

3.5   Proactive fraud work planned for 2015/2016 will include fraud/whistleblowing awareness training and some internal data matching using the interrogation package IDEA. Some development work will also be undertaken with NAFN to help produce guidance documents for corporate fraud teams to use to help maximise the use of the services offered by NAFN to enhance investigations by making appropriate use of data and intelligence available.

3.6   The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice on 16 October 2014 entitled Managing the Risk of Fraud and Corruption. A self-assessment against the code back in February 2015 demonstrated compliance with the

key requirements. Work will continue during 2015/2016 to ensure this element of the service continues to develop.

4.   RISK MANAGEMENT AND INSURANCE

4.1   The Risk Management and Insurance Team provide services to the whole Council including schools. The key priorities for the team during 2015/2016 are:-

- To review the risk management system and facilitate the delivery of risk workshops for managers from summer onwards to enable risk registers to be updated in response to the 'Decant' from TAC.
- To facilitate the continued implementation of the Information Governance Framework by:-
    o Providing advice and guidance in relation to the retention and disposal of information as a priority as part of the 'Big TAC Tidy Up';
    o Keeping the framework up to date with any new guidance issued by the Information Commissioners Office (ICO);
    o Introducing a series of internal reviews across the Council to ensure compliance with procedures and guidance.
- To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with a capability to provide knowledge and information should a major incident occur.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.

5.   NAFN DATA AND INTELLIGENCE SERVICES

5.1   NAFN faces its biggest challenge for many years. After a period of steady and sustained growth it has been impacted by the Government's decision to transfer all housing benefit investigations to the Department of Work and Pensions (DWP). These investigations accounted for almost 60 per cent of enquiries in the last financial year. As a consequence the NAFN Executive Board has reviewed strategic business options and has decided to close the Brighton office and restructure the establishment to create a smaller team based in Tameside. Implementation of these major changes including the transfer of affected staff to the DWP will need to be planned and delivered before October 2015 and this work is the key priority for 2015/2016.

5.2   NAFN will continue to work with key stakeholders and partners to further develop the services offered to members to ensure we meet emerging business needs and maintain the high reputation built up over many years.

6.   PERFORMANCE MONITORING

6.1   In accordance with Tameside methodology, the performance of the service is monitored against targets and performance indicators. Individually auditors are monitored against performance targets and an auditor appraisal sheet is completed for each audit highlighting issues and potential training needs. Customer questionnaires are also used at the conclusion of each audit to test customer reaction to the audit and to help identify any training needs or service improvements.

6.2   The Audit Plan will be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with Executive Members, Senior Managers and External Audit and quarterly reports to the Audit Panel and the Greater Manchester Pension Fund Local Board.

6.3   The target for achievement is 90% of the agreed plan. However, high priority requests that arise during the year, changes in audit available resources and problem areas highlighted may affect the achievement of this target and result in the need for revisions to the agreed plan. All significant changes are agreed with relevant managers and executive members where appropriate and will be brought to the Panel for approval.

6.4   The PSIAS will be the benchmark against which the performance and effectiveness of internal audit will be measured on an annual basis.

7.   **MEMBER TRAINING**

7.1   During the year, general training on Audit, Risk Management, Information Security, Corporate Governance and Business Continuity will be considered in accordance with member needs with targeted training being provided for members of the Audit Panel and the Greater Manchester Pension Fund Local Board as and when requested.

8.   **RECOMMENDATIONS**

8.1   Members approve the Draft Internal Audit Plan for 2015/2016 shown at **Appendix 1** and note the planned work for the Risk Management and Insurance Team and the National Anti- Fraud Network Team (NAFN).

8.2   Members approve the Internal Audit Strategy for 2015/2016 shown at **Appendix 2**.

8.3   Members approve the Internal Audit Charter for 2015/2016 shown at **Appendix 3**.

DRAFT INTERNAL AUDIT PLAN 2015/2016   **APPENDIX 1**

AUDIT AREA	PLANNED DAYS
PEOPLE (EXCLUDING SCHOOLS)	
ADULTS	
Autism Innovation Grant	3
Shared Lives	15
Homecare	15
Planning and Control	15
Advice	5
Post Audit Reviews	4
Days Needed to Complete 2014/2015 Work	10
	67
COMMUNITIES	
Supporting People - Contract Monitoring	15
Planning and Control	3
Advice	2
Post Audit Reviews	4
Days Needed to Complete 2014/2015 Work	11
	35
CHILDRENS	
Youth Offending Team	15
Procurement of Placements	15
ISCAN short term care - Jubilee Gardens	15
Planning and Control	3
Advice	7
Post Audit Reviews	5
Days Needed to Complete 2014/2015 Work	11
	71
STRATEGY AND EARLY INTERVENTION	
Early Help Teams	15
Public Service Hub	15
Troubled Families	15
Planning and Control	2
Advice	3
Post Audit Reviews	5
Days Needed to Complete 2014/2015 Work	2
	57
PEOPLE (EXCLUDING SCHOOLS) TOTAL DAYS	**230**

DRAFT INTERNAL AUDIT PLAN 2015/2016   APPENDIX 1

AUDIT AREA	PLANNED DAYS
PUBLIC HEALTH	
Ring-fenced Public Health Grant	6
Planning & Commissioning	15
Data Analysis and Interpretation	15
Information Governance Review	15
Planning and Control	3
Advice	2
Post Audit Reviews	3
Days Needed to Complete 2014/2015 Work	1
PUBLIC HEALTH TOTAL DAYS	**60**
PLACE	
ENVIRONMENTAL SERVICES	
Bus Subsidy Grant	3
Severe Weather Grant	4
Local Transport Settlement Grant	6
Stores and Stock Control	15
Planning and Control	4
Advice	4
Post Audit Reviews	9
Days Needed to Complete 2014/2015 Work	12
	57
DEVELOPMENT AND INVESTMENT	
Hattersley Collaboration Agreement - Audit Of Accounts	6
Enterprise Fund	10
Pinchpoint Grant	4
Section 106 Agreements/Developer Levy/Community Infrastructure Levy	15
Planning Process	15
Planning and Control	3
Advice	2
Post Audit Reviews	3
Days Needed to Complete 2014/2015 Work	3
	61
ASSET AND INVESTMENT PARTNERSHIP	
Days Needed to Complete 2014/2015 Work	11
Vision Tameside Advice and Consultancy	2
Planning and Control	3
Advice	1
Post Audit Reviews	2
	19

DRAFT INTERNAL AUDIT PLAN 2015/2016   **APPENDIX 1**

AUDIT AREA	PLANNED DAYS
DIGITAL TAMESIDE	
Data Retention Policy	10
Transfer of Data Centre to Rochdale	25
Advice - Digital by Design	3
Advice - Tameside Digital Infrastructure Cooperative (TDIC)	1
Mobile Phones (Security and Fleet Management)	10
Planning and Control	4
Advice	4
Post Audit Reviews	5
	62
PLACE TOTAL DAYS	**199**
GOVERNANCE AND RESOURCES	
FINANCE	
Review of Budget and Council Tax Resolution Reports	5
BCF - Pooled Budget Arrangements	20
General Ledger	20
Procurement	15
Review of Revenue Expenditure	15
Review of Financial Regs	1
Planning and Control	4
Advice	5
Post Audit Reviews	7
Days Needed to Complete 2014/2015 Work	10.0
	102
EXCHEQUER	
Direct Payments	20
Cashiers	10
Determination and recovery of charges	15
Council Tax	15
Deferred Payment Policy	15
Planning and Control	6
Advice	8
Post Audit Reviews	8
Days Needed to Complete 2014/2015 Work	23.0
	120
GOVERNANCE	
Other Payments to staff	15
Use of Consultants	10
Overtime/Additional Payments	15
Hosting iTrent	5
Payroll	15

DRAFT INTERNAL AUDIT PLAN 2015/2016   APPENDIX 1

AUDIT AREA	PLANNED DAYS
Registrars	5
Car Allowances	15
Planning and Control	10
Advice	10
Post Audit Reviews	5
Days Needed to Complete 2014/2015 Work	3
	108
GOVERNANCE AND RESOURCES TOTAL DAYS	**330**
PEOPLE (SCHOOLS)	
LEARNING/SCHOOLS	
Schools - Primary (30)	180
Schools - High (1)	10
Schools ICT Security and Information Security	10
Schools Agresso Pilots	10
Schools Payroll Analysis	10
Planning and Control	15
Advice	20
Post Audit Reviews	30
Days Needed to Complete 2014/2015 Work	8
PEOPLE (SCHOOLS) TOTAL DAYS	**293**
CROSS CUTTING	
DBS Process	15
Recruitment and Selection	15
Contract Management/Monitoring	10
CROSS CUTTING TOTAL DAYS	**40**
TAMESIDE DAYS REQUIRED	**1152**
GMPF DAYS REQUIRED	**300**
CONTINGENCY DAYS	**10**
PROACTIVE FRAUD WORK/IRREGULARITY INVESTIGATIOND	**475**
TOTAL DAYS REQUIRED	**1937**
DAYS PROVIDED BY SALFORD	**30**
DAYS PROVIDED BY RISK AND INSURANCE TEAM	**25**
AUDIT RESOURCES AVAILABLE	**1882**
TOTAL RESOURCES AVAILABLE	**1937**

TAMESIDE MBC

INTERNAL AUDIT STRATEGY 2015/16

1. INTRODUCTION

1.1 This document sets out the overall strategy for the Council's Internal Audit service for the year 2015/16 and the strategic approach to delivering Internal Audit Services in future years.

1.2 This longer-term perspective is necessary to give some indication of how assessed risks will be reviewed, as not all risks can, due to resource constraints, be subject to review within any one year. This longer-term perspective gives direction to service delivery.

2. MAIN DRIVERS IN SETTING THE DIRECTION

2.1 The work of the Internal Audit Team responds to a number of needs, some of a statutory nature, some related to supporting others, and some arising from within the Council itself. In summary, the main service drivers are: -
- The Accounts and Audit Regulations 2011;
- The requirements to meet the service scope and standards set out in the Public Sector Internal Audit Standards 2013;
- The corporate responsibilities for Section 151 of the 1972 Local Government Act and the requirement to provide assurance and support to the appointed Section 151 Officer;
- The requirements of the External Auditor;
- The desire to contribute to the achievement of council goals, targets and objectives;
- The desire and need to meet the needs of the organisation and internal customers and external customers;
- The contributory role, in assisting in, the embedding and informing about risk management across the council;
- Seeking to be more efficient and effective in service provision in accordance with good practice and Council policy; and
- The need for the council to maintain an effective counter-fraud culture.

2.2 The Accounts and Audit Regulations 2011 sets out the requirements for local authorities to undertake internal audit:

"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".

2.3 The Public Sector Internal Audit Standards (PSIAS) 2013 provide the definition of internal audit as:

Internal Auditing is an independent, objective assurance and consultancy 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.

2.4 The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:-
- Deliver Definition of Internal Auditing;
- Code of Ethics; and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).
-

2.5 Section 151 of the Local Government Act requires the Authority (through the Chief Financial Officer of a Local Authority) to ensure the proper administration of the Council's financial affairs. The work of the Internal Audit function supports the appointed S151 Officer in this as the Internal Audit function assists managers to administer the Council's finances in a sound manner related to the associated risks, and it provides information and assurance to the Chief Finance Officer on the extent of proper administration.

2.6   The service will continue to strive to be responsive to customers and their individual needs and to add value to the organisation where it can. It largely does this through acting as a control assurance function providing assurance to managers and to the organisation as a whole on the state of its internal control and governance arrangements. It also adds value by pointing out inefficiencies and by supporting managers in the assessment and management of risk as new service delivery models are considered.

2.7   Advice - Internal Audit staff continuously provide advice on internal control and governance issues, and the management of risks, as risk and control experts. They do this when in the field on matters not part of their designated audit, or in response to direct approaches to the internal audit office by clients seeking help and support. This helps to ensure the sound and effective control of business, strategic and operational risks within the Council as changes are considered

2.8   Counter Fraud Culture - the work of internal audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. The service will also contribute to the Anti-Fraud, Bribery and Corruption Statement of Intent and will participate in activities set out in the fraud response plan.

3.   WHAT THIS MEANS WE NEED TO DO:

3.1   In meeting these drivers and organisational needs, the Council's Internal Audit Service will:
   - Provide an assurance on the Council's internal control system, by auditing both financial and non-financial risks;
   - Audit the main financial systems and other systems related to possible material mis-statements, regardless of comparative risk;
   - Deliver risk based assurance on those controls that mitigate significant risks;
   - Fully comply with best practice as defined by Public Sector Internal Audit Standards;
   - Better integrate the outcomes and other information gathered as part, of the internal audit process, with the risk management processes of the council;
   - Maintain ongoing effective relationships with the External Auditor and deliver complimentary plans of work so as to deliver an efficient audit service collectively, for the council;
   - Ensure that appropriate resources, suitably experienced, and with skills to deliver the whole plan of work are maintained within the Internal Audit Service Unit or procured from approved providers e.g. AGMA Shared Services;
   - Improve the efficiency and effectiveness of operations of the service;
   - Promote good corporate governance and control practices and contribute to a good governance culture; and
   - Work in a positive manner alongside clients, supporting them in the effective management of risk and service delivery.

4.   HOW WILL WE DO THIS?

4.1   **Review the whole internal control environment** - We will deliver a comprehensive plan of work such that the key elements of the internal control environment, including non-financial areas are covered on a cyclical basis. This will be evidenced through our Audit Plans. We will use this evidence to deliver an annual opinion on the internal control environment.

4.2   **Review of Main Financial and Material Systems** - We will deliver the review of the risk and controls in the Council's main financial systems on a cyclical basis to support the Chief Finance Officer (Section 151 Officer) to discharge his responsibilities

4.3 **A system of Risk-Based Auditing** - is fundamental to our ability to comply with the assurance framework requirements that must be in place to comply with professional standards. We will continue to develop our risk based approach to ensure it is effective in providing assurance to managers within the Council and to members.

4.4 We will continue to identify and review those areas which are most significant to the control of those risks that threaten the achievement of the Council's objectives and goals.

4.5 **Compliance with Best Practice –** we have developed a methodology to measure our achievement of compliance with the PSIAS. We will monitor ourselves against these professional standards and rectify any gaps that are within our control.

4.6 **Relationship with Risk Management** - We are not responsible for the management of the Council's risks; this is entirely the responsibility of the Council's management. However, we will take account of the corporate risk management processes in the way we relate to managers in the control of risks. We will endeavour to emphasise the importance of risk management to all managers in the council as part of the delivery of our service.

4.7 We recognise that through our work we are assisting managers to better understand risk management. This is an important educational/informative role that adds value to the organisation. We will submit information of risks to the corporate owner of the Council's Risk Register as well as to managers to help keep the registers up-to-date and relevant.

4.8 **Relationship with External Auditor –** we will endeavour always to work with the External Auditor and share plans to deliver an effective corporate assurance service to the Council. We will maintain a process of regular liaison meetings with the External Auditor.

4.9 **Appropriate Resources** – we will endeavour to maintain an effective number of staff to undertake the required workload supported by effective systems of operation. We will apply staff in the most effective way in accordance with their experience and skills and in accordance with the PSIAS.

4.10 We will develop the experience of our staff by a development programme that gives them new pertinent skills, through a systematic development and training process.

4.11 We will procure specialist services from approved suppliers where these skills are not available from within internal resources. The Computer Audit Plan is supplemented by procuring additional days from Salford MBC under the AGMA Computer Audit Shared Service Agreement.

4.12 **Efficiency Improvements** – We seek to minimise the time spent on audits whilst at the same time delivering effective audits. Our efficiency will also support more efficient service delivery by our clients as we try to minimise disruption and distraction to normal service delivery.

4.13 We will comment on the efficient, economic and effective use of resources where appropriate in our Internal Audit work.

4.14 **Promoting Good Corporate Governance** – in all we do we will seek to promote good corporate governance, including the giving of advice and the assessment of internal controls. We will also contribute to both the council's counter fraud culture and the development of its Anti Fraud, Bribery and Corruption Statement of Intent through the programme of anti fraud checks, and recommending updates to the above document. We will promote this via our work and in coordination with the External Auditor and other key governance managers within the Council.

TAMESIDE MBC

INTERNAL AUDIT CHARTER 2015/16

1. INTRODUCTION

1.1 The work of Internal Audit at Tameside Council is governed by the UK Public Sector Internal Audit Standards - April 2013. 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.

1.2 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".

1.3 Internal Audit supports the Chief Finance Officer to discharge his responsibilities for maintaining an adequate and effective system of internal audit as required under Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2011.

1.4 Internal Audit supports the Monitoring Officer in discharging her responsibilities by providing assurance that the governance framework is operating satisfactorily.

1.5 The Head of Risk Management and Audit Services is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the Authority's activities.

1.6 The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

1.7 The Public Sector Internal Audit Standards require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Audit Panel and the Greater Manchester Pension Fund Local Board which have delegated responsibility for overseeing the work of internal audit. The term senior management will generally relate to the Senior Management Team, however it may be defined on an individual basis according to individual context.

2. INDEPENDENCE

2.1 Internal Audit is independent of all of the activities of the Council to ensure it is able to appraise the Authority's governance, risks and internal control systems in the impartial and unbiased manner essential to the proper conduct of audits.

2.2 To ensure this independence, Internal Audit operates within a framework that allows unfettered access to all council officers, senior management and elected Members. As such, all Internal Audit staff have the right to all documentation held by the Council and to seek explanations as they see necessary to effectively discharge their duties, from all Officers and Elected Members of the Council.

2.3 The Head of Risk Management and Audit Services will report in her own name to Officers and Elected Members, particularly those charged with governance.

2.4 Where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit management and supervisory process. Staff are required to declare any potential conflict of interest when

they are assigned a particular audit review and the work will then be reassigned to another auditor.

3. REPORTING LINES OF THE CHIEF INTERNAL AUDITOR

3.1 The Head of Risk Management and Audit Services reports operationally to the Assistant Executive Director (Resources), the Chief Finance Officer.

3.2 The work of internal audit is reported to the Audit Panel and to the Greater Manchester Pension Fund Local Board via quarterly progress reports.

3.3 The Head of Risk Management and Audit Services also has direct access to the Chair of the Audit Panel and the Chair of the Greater Manchester Pension Fund Local Board as she considers appropriate.

4. SCOPE OF INTERNAL AUDIT WORK

4.1 The scope of Internal Audit allows for unrestricted coverage of the authority's activities and unfettered access to all records, assets, personnel and premises deemed necessary in the course of its work.

4.2 Internal Audit has unrestricted access to all authority employees and Elected Members and the authority to obtain such information and explanations, as it considers necessary to fulfil its responsibilities.

4.3 The Head of Risk Management and Audit Services has direct access to, and freedom to report to, all senior management including Executive Directors, Chief Executive, the Audit Panel and the Greater Manchester Pension Fund Local Board

4.4 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis.

4.5 Where Internal Audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the organisation's board and in consultation with the Executive Director (Governance and Resources) and the Chief Finance Officer to ensure that appropriate audit resources are available to provide assurance over the Council's activities. External assurance work will result in an assurance statement to the organisation's Board and recommendations to senior management.

4.6 Internal Audit may undertake consultancy work in addition to its primary assurance role. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Audit Panel/Greater Manchester Pension Fund Local Board before any significant unplanned consultancy work is accepted.

5. RESPONSIBILITY

5.1 The Head of Risk Management and Audit Services is responsible for:-
- Developing an annual audit plan based on an understanding of the significant risks to which the organisation is exposed.
- The determination and development of a strategic plan for the service. This strategic plan will establish the future strategic direction for Internal Audit within the Authority.

- The management of the provision of a complete professional internal audit service to the Authority that is compliant with the Public Sector Internal Audit Standards.
- The monitoring and reporting of the performance of the Internal Audit service in accordance with the Internal Audit Performance Management Framework.
- The production and reporting of an annual audit opinion based on the outcomes of internal audit work conducted throughout the year.
- Providing advice and guidance on risks and the application and development of internal controls.
- The fostering of good working relationships with External Audit with an aim to achieving mutual recognition and respect, leading to a joint improvement in performance and the avoidance of unnecessary duplication of work.
- Internal audit will assess all matters of potential fraud or irregularity in line with the requirement of the Council's Anti-Fraud, Bribery and Corruption Statement of Intent. Internal audit will undertake investigations into such matters under the direction and guidance of the Standards Panel.

6.   RESOURCING AND STAFFING MATTERS

6.1   Internal audit will be staffed according to the staffing structure as approved by the Executive Team and the Audit Panel The two-year plan for internal audit staffing will be as defined within the internal audit strategy and will aim to maintain a suitable mix of experienced and qualified staff.

6.2   Individual training needs are established and agreed through the Annual Progress Review process and an appropriate training budget will be maintained to ensure training needs are addressed each year.

7.   ETHICS

7.1   The Public Sector Internal Audit Standards (PSIAS) contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff are also required to adhere to the Codes of Ethics of their professional bodies where appropriate.

7.2   Internal Audit has adopted the PSIAS Code of Ethics to replace the previous internal Code. Staff will be reminded of the need to comply with the Code on an annual basis.

8.   LIMITATIONS OF INTERNAL AUDIT RESPONSIBILITIES

8.1   In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit set out in 1.5 above, it should be noted that Internal Audit Service is not responsible for:-
- Controlling the risks of the Authority.
- Establishing and maintaining systems of internal control.
- Determining operational policies or procedures.
- Ensuring the prevention or detection of fraud and irregularity.

9.   REPORTING

9.1   All internal audit assignments will be the subject of formal reports. Draft reports will be sent to the manager(s) responsible for the area under review for agreement of the factual accuracy of findings and the implementation of recommendations made to address weaknesses in internal controls.

9.2   Once agreed, final reports are issued to the following:-
- Executive Member – responsible for area under review;
- Chief Executive;
- Executive Director (Governance and Resources);
- Chief Finance Officer (Section 151 Officer);
- Relevant other Executive Director;
- Appropriate Service Areas Managers;
- Head of Resource Management – responsible for area under review; and
- External Audit.

9.3   All audit reports issued contain an audit opinion on the level of assurance. The three assurance levels used are:-
- High
- Medium
- Low

9.4   Internal Audit will report regularly on the results of its work to Senior Management and the Audit Panel/Greater Manchester Pension Fund Local Board, highlighting significant control issues and the potential for improving risk management, internal control processes and where appropriate value for money and efficiency.