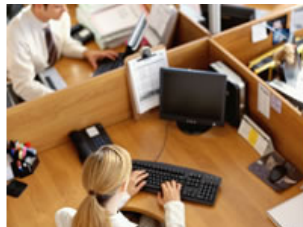


ASSURANCE SERVICE INTERNAL AUDIT CHARTER 2024/25



January 2024

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BACKGROUND

The purpose of this Internal Audit Charter is to define Internal Audit's purpose, authority, and responsibility. It establishes Internal Audit's position within the Council and reporting lines, authorises access to records, personnel, and physical property relevant to the performance of audit work, and defines the scope of internal audit activities.

STANDARDS

The Internal Audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS). The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) in respect of local government, have adopted the common set of standards. The PSIAS encompass all of the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework (IPPF). Compliance with the Standards is subject to an ongoing quality assurance and improvement programme (QAIP) developed by Internal Audit to ensure continuous compliance with the Standards.

The mission and definition for Internal Audit are defined by the PSIAS and detailed below:

MISSION

'To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.'

DEFINITION

'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.'

In undertaking this role Internal Audit satisfies the statutory duties of the Council's Section 151 Officer (Local Government Act 1972) and the Accounts and Audit Regulations 2015.

The Head of Assurance fulfils the Chief Audit Executive role as defined by the PSIAS.

The PSIAS also require Internal Audit to define the following terms in respect of the Audit function:

The Board

For the purposes of internal audit, the 'Board' refers to the Councils' Audit Panel/ Greater Manchester Pension Fund (GMPF) Local Board. The Board provides an independent review of the audit, assurance and reporting arrangements that underpin good governance and financial standards.

Senior Management

Senior management is defined as the Chief Executive and members of the Council's Senior Leadership Team (SLT).

Statutory Officers

The Council's statutory officers include:

- Head of Paid Service – Chief Executive
- Section 151 Officer – Director of Resources
- Monitoring Officer – Assistant Director Legal/Borough Solicitor

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RESPONSIBILITY AND OBJECTIVES OF INTERNAL AUDIT

Internal Audit is responsible for establishing procedures and applying the required resources to ensure that the service conforms with the Definition of Internal Auditing and the Standards. The members of the Internal Audit Team must demonstrate conformance with the Code of Ethics and the Standards.

The Head of Assurance must deliver an Annual Audit Opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The Annual Audit Opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for Internal Audit.

Internal Audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help management improve the Council's governance, risk management, and internal control. This is the 'Consultancy' role for Internal Audit and contributes towards the overall opinion.

RESPONSIBILITIES OF THE COUNCIL

The Council is responsible for ensuring that Internal Audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Section 151 Officer will make appropriate arrangements for the provision of an Internal Audit Service. This will include the formal adoption of this Charter by the Audit Panel and the adoption of corresponding elements in the Financial Regulations.

The Council will ensure it has taken all necessary steps to provide Internal Audit with information on its objectives, risks, and controls to allow the proper execution of the Audit Strategy and adherence to internal audit standards. This will include notifying Internal Audit of any significant changes in key control systems which may affect the Audit Plan.

The Council, through the Chief Executive, Section 151 Officer, and other relevant managers, will respond promptly to audit plans, reports, and recommendations.

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the managers within the Council.

INDEPENDENCE OF INTERNAL AUDIT

Internal Audit operates independently of all the activities within the Council to ensure that it is able to appraise the Authority's governance, risk management and internal control systems in an impartial and unbiased manner. It is the responsibility of executive directors, directors and service managers to maintain effective systems of governance and control.

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

In addition to managing Internal Audit, the Head of Assurance has line management responsibility for Risk, Insurance, and Information Governance. Arrangements have been established to mitigate any potential impairment to independence and objectivity in relation to the audit of these areas. These arrangements will involve the Audit Manager reporting the findings from these audits directly to the Director of Resources, without any influence by the Head of Assurance, or opt to utilise independent, external assurance providers for this work.

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All auditors are required to complete and sign a Code of Ethics and Declaration of Interest Statement on an annual basis. Where auditors have a perceived conflict of interest in undertaking a piece of work, this will be managed through the internal audit management and supervision process.

The Head of Assurance will implement safeguards to ensure that individual auditors remain independent of areas they are auditing by ensuring staff are not involved in auditing areas where they have had recent operational involvement or where they have provided consultancy and advice. Auditors will be rotated so that they do not perform the same audit more than three years continuously.

HEAD OF ASSURANCE

The Head of Assurance will be appointed in accordance with the Council's Recruitment and Selection Policy and will have sufficient skills, experience, and competencies to work with the Single Leadership Team, the Audit Panel, and the GMPF Local Board to influence the governance, risk management, and internal control of the Council.

The Head of Assurance is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications, and experience to deliver the Audit Plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Head of Assurance will specify any other professional skills that may be needed by the Internal Audit Team. The Head of Assurance will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics.

RELATIONSHIPS

The Head of Assurance reports directly to the Director of Resources (Section 151 Officer). The Head of Assurance, or an appropriate representative of the Internal Audit Team, shall attend meetings of the Audit Panel and the GMPF Local Board unless, exceptionally, the Panel/Board decides that they should be excluded from either the whole meeting or for particular agenda items.

The Head of Assurance shall have an independent right of access to the Chair of the Audit Panel and GMPF Local Board. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit, the Head of Assurance may report directly to the Chair of the Audit Panel or GMPF Local Board.

Internal Audit and External Audit will agree a protocol for co-operation which will make optimum use of the available audit resources.

SCOPE OF INTERNAL AUDIT

The Head of Assurance will develop and maintain a strategy for providing the Chief Executive and the Section 151 Officer economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the Council's governance, risk management, and internal control arrangements. The Audit Plan will be risk based, prepared in consultation with senior management and Executive Members and be presented to the Audit Panel and GMPF Local Board for approval. The Head of Assurance Annual Opinion is a key element in the framework of assurance that the Chief Executive and the Executive Leader of the Council need to inform the completion of the AGS.

OPINION WORK

The Internal Audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach that is aligned with all of the strategies, objectives and risks to the Council.

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GOVERNANCE

Internal Audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- 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
- co-ordinating the activities of and communicating information among the Audit Panel and GMPF Local Board, External and Internal Auditors and management.

RISK MANAGEMENT

Internal Audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing that:

- organisational objectives support and align with the organisation's vision;
- significant risks are identified and assessed;
- appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and the board to carry out their responsibilities.

INTERNAL CONTROL

Internal Audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. 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:

- achievement of the organisation's strategic objectives;
- reliability and integrity of financial and operational information;
- economical, effective and efficient use of resources;
- effectiveness and efficiency of operations and programmes;
- safeguarding the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- compliance with laws, regulations, policies, procedures, and contracts.

Internal Audit proactively identify audits to address any emerging and developing risks on an ongoing and 'future focussed' basis.

Internal Audit will promote and contribute to continuous ongoing improvements in systems across the Council by identifying and recommending best practice actions following audit work completed.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Head of Assurance must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Head of Assurance must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

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NON – OPINION WORK

Internal Audit may provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency should be made in the Internal Audit Plan to allow for management requests and consultancy work.

The Head of Assurance must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the Audit Plan. In the event that the proposed work may jeopardise the delivery of the Audit Opinion, the Head of Assurance must advise the Section 151 Officer before commencing the work. The Head of Assurance must consider how the consultancy work contributes towards the overall opinion.

FRAUD

Managing the risk of fraud is the responsibility of line management; however, the Section 151 Officer retains specific responsibilities in relation to the detection and investigation of fraud. The Internal Audit Service provides a Counter Fraud function that includes undertaking work of a proactive nature, conducting substantive audits in key risk areas as well undertaking some reactive work of an investigatory nature involving suspected fraud.

In addition, the service is responsible for maintaining effective counter fraud policies and procedures for the Council.

Internal Audit should be notified of all suspected or detected fraud, corruption, or impropriety, to inform their opinion on the control environment and the Audit Plan.

REPORTING

The Head of Assurance will agree reporting arrangements with the Chief Executive and the Section 151 Officer which will include procedures for the:

- distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- distribution of finalised audit reports;
- follow up by Internal Audit of agreed recommendations; and
- escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The Head of Assurance will present a formal report annually to the Chief Executive, Section 151 Officer, the Audit Panel and GMPF Local Board giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control. This report will conform to the PSIAS for the Head of Assurance and will be timed to support the production of the Council's AGS.

Reports of progress against the planned work will be presented to the Audit Panel and GMPF Local Board on a regular basis during the year.

INTERNAL AUDIT ACCESS RIGHTS

Designated auditors are entitled, without necessarily giving prior notice, to require and receive from the Council and any associated or contracted bodies including any shared service providers or trading companies:

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;

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- access at all reasonable times to any land, premises, officer and member of the Council;
- the production of any cash, stores, or other property of the Council under an officer's and member's control; and
- explanations concerning any matter under investigation.

INTERNAL AUDIT RESOURCES

If the Head of Assurance or the Audit Panel and GMPF Local Board consider that the level of audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Section 151 Officer accordingly.

QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

The PSIAS require a Quality Assurance & Improvement Programme (QAIP) to be developed and maintained that covers all aspects of Internal Audit activity.

The QAIP is designed to provide reasonable assurance to key stakeholders that Internal Audit:

- Performs its work in accordance with the Charter.
- Operates in an effective and efficient manner.
- Is adding value and continually improving the service that it provides.

The QAIP conforms to the requirements of the PSIAS and provides for both internal and external assessments. Internal assessments are both ongoing and periodical, and external assessments must be undertaken at least once every five years.

REVIEW

This Charter will be reviewed periodically by the Head of Assurance and presented to the Audit Panel for approval