Corporate Resources
Internal Audit Section

Cardiff Council

Internal Audit Charter 2022/23

Mission Statement

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

Gweithio dros Gaerdydd, gweithio gyda'n gilydd
Working for Cardiff, working together

Contents

Internal Audit Charter 1

- Definition, Objective and Scope of Internal Audit 1
- Role and Professionalism 1
- Authority 1
- Organisation 1
- Independence and Objectivity 2
- Responsibility 2
- Internal Audit Plan 3
- Reporting and Monitoring 3
- Quality Assurance and Improvement Programme - QAIP 4

Appendix A: Code of Ethics 5

Appendix B: Core Principles 8

Appendix C: Audit Activity & Resources 9

Appendix D: Governance and Audit Committee Terms of Reference 10

Appendix E: Quality Assurance and Improvement Programme 14

Appendix F: Audit Protocol 17

Internal Audit Charter

Definition, Objective and Scope of Internal Audit

1. Internal Audit is an independent and objective assurance and consulting activity that is guided by its mission to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

2. It assists Cardiff Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's full control environment in respect of risk management, control and governance processes.

Role and Professionalism

3. The internal audit activity is established by the Governance and Audit Committee. The internal audit activity's responsibilities are defined by the Governance and Audit Committee as part of their oversight role.

4. A professional, independent and objective Internal Audit service is one of the key elements of good governance in Local Government. Cardiff Council's Internal Audit Section seeks to be compliant with the Public Sector Internal Audit Standards and the Local Government Application Note (LGAN), which forms a foundation for an effective Internal Audit service and encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). Through compliance with these standards, all members of the section adhere to the Code of Ethics stipulated within the Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

5. The Code of Ethics is set out in further detail in Appendix A and works in alignment with the Council's code of professional conduct. The internal audit activity will adhere to Cardiff Council's relevant policies and procedures, and the internal audit activity's protocol. The Core Principles through which the Internal Audit service is delivered are included in Appendix B which, taken as a whole, articulate internal audit effectiveness.

Authority

6. The internal audit activity with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out an engagement. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Governance and Audit Committee.

Organisation

7. The Audit Manager will report functionally to the Governance and Audit Committee and administratively to the Head of Finance (Deputy Section 151 Officer).

8. The Governance and Audit Committee will receive and consider reports regarding the performance evaluation of the Internal Audit function.

9. The Governance and Audit Committee will approve the internal Audit Charter, the risk based internal audit plan and receive communications from the Audit Manager on the internal audit activity's performance relative to its plan and other matters. The Audit Manager is delegated the authority to make in-year changes to the internal audit plan and approve audit engagements of no more than 10 planned audit days without seeking approval from the Governance and Audit Committee. The Audit Manager will use the audit resources available to deliver the audit plan and buy-in additional resources as required.

10. Management will notify the Audit Manager immediately, in accordance with the Council's Financial Procedure Rules and related policies, of suspected breach, theft or loss of Council assets, and any suspected or detected fraud, corruption or impropriety.

11. The resources allocated to the Internal Audit activity are outlined in Appendix C, in conjunction with the reporting arrangements.

Independence and Objectivity

12. The internal audit activity will remain free from interference by any element in the organisation including matters of audit selection, scope, procedures, frequency, timing, or report content, to permit maintenance of a necessary, independent, and objective mental attitude.

13. The Audit Manager oversees the Investigation and Internal Audit teams. In any case where the Audit Manager has, or is expected to have, roles and / or responsibilities that fall outside of internal auditing, safeguards will be established to maintain independence and objectivity.

14. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair internal auditor's judgement.

15. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

16. Auditors will complete, on an annual basis, a Declaration of Interests form and submit it to the Audit Manager for review and authorisation. Any declarations will be used to ensure that there are no conflicts of interest in the audits allocated and to demonstrate transparency. The Group Auditor will not allocate audits to officers where potential conflicts have been identified.

17. The Audit Manager will confirm to the Governance and Audit Committee at least annually the organisational independence of the internal audit activity.

Responsibility

18. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:

    - Consistency of operations or programmes with established objectives and goals and effective performance

- Effectiveness and efficiency of operations and employment of resources
- Compliance with significant policies, plans, procedures, laws and regulations
- Reliability and integrity of management and financial information processes including the means to identify, measure, classify and report such information
- Safeguarding of assets.

19. Internal Audit is responsible for evaluating all processes of the Council, including governance processes and risk management processes. It also assists the Governance and Audit Committee in evaluating the quality of performance of external auditors and maintains a proper degree of coordination with external audit.

20. Internal audit may perform consulting and advisory services related to governance, risk management and control, as appropriate for the Council. It may also evaluate specific operations at the request of Governance and Audit Committee or management as appropriate.

21. When notified of suspected fraud, corruption or impropriety, the Audit Manager will take appropriate actions in line with the Council's Fraud, Bribery and Corruption Policy for the matter to be properly investigated.

22. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Governance and Audit Committee and senior management including fraud risks, governance issues and other matters needed or required.

23. The Governance and Audit Committee has a Terms of Reference, which defines the area in which it operates, and this is set out in Appendix D. The Terms of Reference are reviewed on a periodic basis.

Internal Audit Plan

24. At least annually, the Audit Manager will submit to the Governance and Audit Committee an internal audit plan for review and approval including risk assessment criteria. The internal audit plan will include resource requirements for the next financial year. The Audit Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Governance and Audit Committee.

25. The internal audit plan will be developed based on a prioritisation of all auditable areas using a risk-based methodology including input of senior management and Governance and Audit Committee. Prior to submission to the Governance and Audit Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

Reporting and Monitoring

26. An audit output will be prepared and issued by the Audit Manager following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will be communicated to the Governance and Audit Committee in accordance with the Audit Protocol, and on a basis which reflects the significance of findings.

27. The audit output may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit output or provided thereafter by management of the audited area will include a timetable for anticipate completion of action to be taken and an explanation for any corrective action that will not be implemented.

28. The internal audit activity will be responsible for appropriate follow up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

Quality Assurance and Improvement Programme - QAIP

29. The internal audit activity will maintain a Quality Assurance and Improvement Programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit standards, encompassing all mandatory elements of the IPPF, including an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency of the internal audit activity and identifies opportunities for improvement.

30. The Audit Manager is responsible upholding the Audit Charter, for ongoing assurance to senior management and Governance and Audit Committee on conformance with the Code of Ethics and the Standards, and for reporting audit performance, critical findings and trends in respect of the audit plan.

31. The Audit Manager will communicate to senior management and Governance and Audit Committee on the internal audit activity's quality assurance and improvement programme, comprising the results of:
    - ongoing internal quality assurance reviews,
    - annual assessments against the Local Government Application Note,
    - external assessments conducted at least every five years.

32. Action taken to ensure that the Quality Assurance and Improvement Programme is effective is set out in Appendix E. It is supplemented by the Audit Protocol, which provides an outline of the audit process from planning to reporting, as contained in Appendix F.

Code of Ethics

Public Sector Requirement

Internal Auditors in UK public sector organisations must conform to the Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The purpose of the Institute's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. A code of ethics is necessary and appropriate for the profession of Internal Auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

- 1. Principles that are relevant to the profession and practice of Internal Auditing;

  and

- 2. 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.

The Code of Ethics provides guidance to Internal Auditors serving others. 'Internal Auditors' refers to Institute members and those who provide Internal Auditing services within the definition of Internal Auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide Internal Auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to the Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and, therefore, the member liable to disciplinary action.

Public Sector Interpretation

The 'Institute' here refers to the Institute of Internal Auditors. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

1. Integrity

Principle

The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal Auditors:

1.1 Shall perform their work with honesty, diligence and responsibility.

1.2 Shall observe the law and make disclosures expected by the law and the profession.

1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of Internal Auditing or to the organisation.

1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Principle

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests, or by others, in forming judgements.

Rules of Conduct

Internal Auditors:

2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.

2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.

2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Principle

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.

Rules of Conduct

Internal Auditors:

3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. Competency

Principle

Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Auditing services.

Rules of Conduct

Internal Auditors:

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

4.2 Shall perform Internal Auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency, effectiveness and quality of their services.

Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk

Core Principles

For the Professional Practice of Internal Auditing

The Internal Audit service is delivered through application of ten Core Principles, which taken as a whole, articulate internal audit effectiveness.

The following Core Principles underpin the mission of the Internal Audit service.
'To enhance and protect organisational value by providing risk based and objective assurance, advice and insight'.

1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence (independent)
4. Aligns with the strategies, objectives, and risks of the organisation
5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive, and future-focused
10. Promotes organisational improvement

Audit Activity & Resources

Resources

1. Audit Manager -1 FTE - responsible for leading and managing the audit and investigation teams in delivering their roles, as set out within the Public Sector Internal Audit Standards (PSIAS), and other professional Codes of Practice.

2. Audit Team - 9.28 FTE - who undertake system based audits, financial audits, provide advice and guidance to clients on a wide range of matters, and undertake work around efficiency and value for money.

3. Investigation Team - 2.42 FTE - dedicated to the prevention, detection and investigation of suspected fraud or financial impropriety.

4. All audit staff are required to maintain the highest standards of professional practice, and comply with professional Codes of Practice. The Public Sector Internal Audit Standards are followed in all aspects of internal audit work undertaken.

5. For the purpose of the Public Sector Internal Audit Standards, the Governance and Audit Committee acts as the "Board", members of the Senior Management Team represent 'Senior Management', and the Corporate Director of Resources & Section 151 Officer is the Senior Manager overseeing the Internal Audit Function. The Audit Manager is the Chief Audit Executive.

6. All auditors and investigators are suitably qualified and collectively offer a wide range of skills, experience and knowledge.

    - In the Audit team, there are three qualified Accountants, one Chartered Internal Auditor, two Certified Internal Auditors and most other auditors are qualified Accounting Technicians. A further member is studying for a Certified Information Systems Auditor (CISA) qualification.

    - The Investigation team is led by a Group Auditor who has the CIPFA Certificate in Investigative Practice, and investigators are professionally trained. Two members are professionally qualified counter fraud officer's, accredited with Portsmouth University, with the third team member being a former police officer with many years of professional expertise.

7. Ongoing development and training of auditors is fundamental to the delivery of an effective and professional audit and Investigation services. The Council's Personal Review Scheme is fully adopted and the teams assess themselves against the skills required for their respective roles. This assists in the identification of team and individual development and training opportunities within a robust performance management framework.

Governance and Audit Committee

Terms of Reference

Statement of Purpose

- Our Governance and Audit Committee is a key component of Cardiff Council's corporate governance. It provides an independent and high-level focus on the audit, assurance, and reporting arrangements that underpin good governance and financial standards.

- The purpose of our Governance and Audit Committee is to provide independent assurance to the members of Cardiff Council, and its wider citizens and stakeholders, on the adequacy of the risk management framework, the internal control environment, and the performance assessment of the Council. It provides an independent review of Cardiff Council's governance, performance assessment, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Performance, Risk & Control

- To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider annual governance reports and assurances.

- To review the Council's draft annual Self-Assessment Report, and make any appropriate recommendations for changes.

- To review the Council's draft response to the Panel Performance Assessment Report, and make any appropriate recommendations for changes.

- To review the Council's draft response to any Auditor General's recommendations arising from a 'special inspection' in respect of the Council's performance requirements, and to make any appropriate recommendations for changes.

- To review and assess the authority's ability to handle complaints effectively, and make any associated reports and recommendations.

- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

- To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.

- To monitor the effective development and operation of risk management in the Council.

- To monitor progress in addressing risk-related issues reported to the Committee.

- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

- To monitor the Counter-fraud strategy, actions and resources.

- To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

- To approve the Internal Audit Charter.

- To review proposals in relation to the appointment of external providers of internal audit services and to make recommendations.

- To approve the risk-based internal audit plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.

- To approve significant interim changes to the risk based internal audit plan and resource requirements.

- To make appropriate enquiries of both management and the audit manager to determine if there are any inappropriate scope or resource limitations.

- To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Audit Manager. To approve and periodically review safeguards to limit such impairments.

- To consider reports from the Audit Manager on Internal Audit's performance during the year including the performance of external providers of internal audit services. These will include:

    - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work

    - Regular reports on the results of the Quality Assurance and Improvement Programme (QAIP)

    - Reports on instances where the internal audit function does not conform to the PSIAS and Local Government Application Note (LGAN) considering whether the non- conformance is significant enough that it must be included in the Annual Governance Statement.

- To consider the Audit Manager's annual report:

    - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit

- The opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control together with a summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement.

- To consider summaries of specific internal audit reports as requested.

- To receive reports outlining the action taken where the Audit Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

- To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.

- To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

- To provide free and unfettered access to the Governance and Audit Committee Chair for the Audit Manager, including the opportunity for a private meeting with the Committee.

External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

- To consider specific reports as agreed with the external auditors.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.

- To commission work from internal and external audit.

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspector agencies or relevant bodies.

Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

- To seek assurances on the arrangements for the management of the authority's financial affairs.

- To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

Accountability Arrangements

- To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

- To report to Council on an annual basis and to publish an annual report on the Committee's work, its performance in relation to the Terms of Reference, and its effectiveness in meeting its purpose.

- To raise the profile of probity generally within the Council and to report on matters of concern to the individual Cabinet Member, relevant Scrutiny Committee, Cabinet or to Council as necessary and appropriate.

- To work in synergy with the five Scrutiny Committees of the Council and liaise with other Council Committees as and when appropriate to avoid duplication in work programmes.

Training & Development

- To attend relevant training sessions in accordance with the Member Development Programme including specialist training tailored for Members of the Governance and Audit Committee e.g. Treasury Management.

Quality Assurance and Improvement Programme (Qaip)

A Quality Assurance and Improvement Programme (standard 1300) is designed to enable an evaluation of the Internal Audit section's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics.

The programme also assesses the efficiency and effectiveness of the internal audit activity and is used to identify and deliver opportunities for improvement.

Key principles of the QAIP:

- The Audit Manager has established a system of ongoing monitoring of conformance with the standards and the Code of Ethics as part of each audit engagement, and a system of periodic review and reporting.
- Regular periodic reports and an Annual Internal Audit Report are presented to the Section 151 Officer and to the Governance and Audit Committee.
- There is a commitment to undergoing an external inspection on conformance to PSIAS every five years.

To support the delivery of an efficient and effective service:

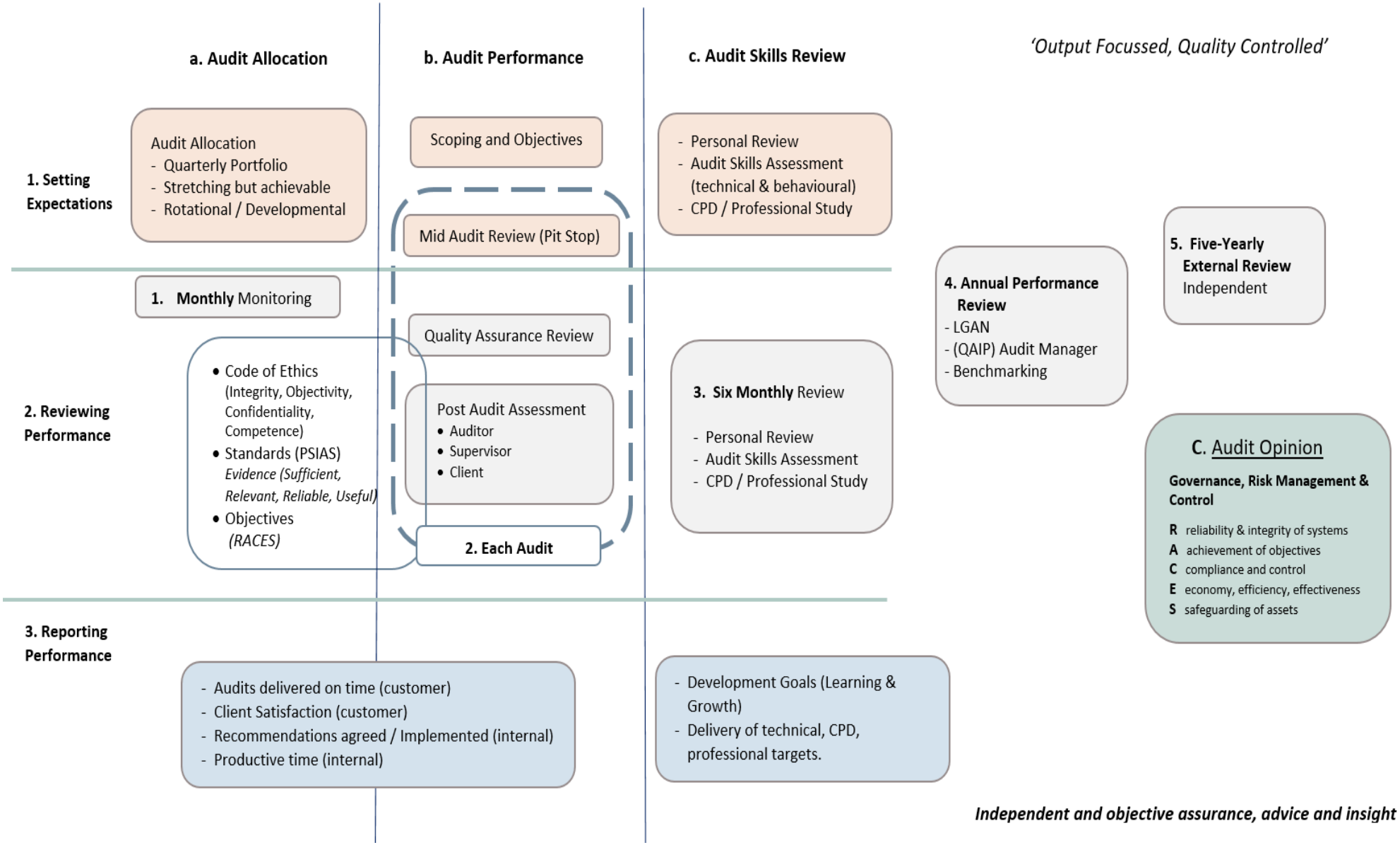
- Each Directorate has a relationship manager with whom they hold regular meetings to discuss risks and emerging issues, progress against and development of the audit plan, and audit outcomes and feedback.
- The Audit Manager has regular contact with the Governance and Audit Committee Chair, Audit Wales, Senior Managers including the Chief Executive and the Section 151 Officer, and peers within Welsh Local Authorities and the Core UK Cities.
- Benchmarking exercises are undertaken in order to assess performance against other comparable organisations and report on significant variances, with action plans developed and implemented where appropriate.
- Annual personal reviews include auditor assessments against a skills and competency framework, leading to development goals and targets.
- Quality assurance is delivered through monitoring and review processes at key stages within the audit, to ensure all relevant Codes of Practice and Standards are adhered to.
- All Auditors are required to comply with the Code of Ethics, any other professional standards for the associations to which they belong and the Council's Codes of Conduct.

QAIP - Operational Approach

The QAIP is built around a performance management approach, which involves 'setting expectations', 'reviewing performance', and 'reporting performance' at individual auditor and team levels. The application of these control stages are summarised as follows.

1. Setting expectations - With clear expectations in place, auditors can focus on delivery.
✓ Audit Allocation - Each auditor has a quarterly allocation of work, which is stretching but achievable. Auditors are responsible for delivering their allocation effectively and on time. ✓ Scoping and Objectives – Each auditor has clear and documented objectives for each audit engagement, that they are responsible for delivering. ✓ Audit 'Pit Stop' - When half of the audit time is used, a senior team member completes a short and sharp review of progress against the audit objectives. This can either result in assurance that the audit is being delivered effectively, or it leads to expectations being re-set, with actions developed for the auditor to conclude a high quality audit engagement on time. ✓ Personal Reviews – Each year delivery, training and development goals and objectives are established for each auditor, in recognition of the individual and collective skills needed to deliver the risk-based plan effectively in the current and medium term.
2. Reviewing Performance - Expectations are revisited in quality assurance and control reviews.
✓ Monitoring - Each auditor attends a monthly monitoring meeting, through which the delivery of their 'Audit Allocation' is reviewed, issues are identified and addressed. ✓ Quality Assurance Review - Each audit is subject to a quality assurance review by a member of the audit management team, to ensure high quality delivery in accordance with the Code of Ethics and the Standards. The review considers the quality of evidence to support the audit 'Objectives', and the delivery of actions resulting from the audit 'Pit Stop'. ✓ Post Audit Assessment – Upon conclusion of each audit, the auditor, and a senior team member review the auditor's performance against best practice technical and behavioural qualities. A client satisfaction survey is also used to identify the audit delivery and value from the client's perspective. Any development needs are identified and progressed. ✓ Six Monthly Personal Review – Progress is measured against the objectives and targets in each Auditor's 'Personal Review', taking account of the findings and outcomes from the activities in the 'Reviewing Performance' control stage. It can lead to new objectives, targets and support.
3. Reporting Performance - A range of performance measures are used for reporting and review.
○ Core performance measures relate to the audits delivered on time, client satisfaction, recommendations agreed / implemented, productivity and the delivery of personal objectives. ○ Performance information is regularly monitored by the Audit Manager and is considered by the Finance Management Team and the Governance and Audit Committee on a quarterly basis. ○ On an annual basis, the Audit Manager reviews and reports on the application and findings of the performance management Framework that underpins the QAIP to the Governance and Audit Committee. An external assessment of conformance with the PSIAS is completed and reported at least every five years.

QAIP – Operational Approach (Diagram)



The Audit Protocol provides an outline of the audit process from planning to reporting.

PLANNING

The Audit Plan sets the proposed audit coverage, based on a risk assessment. The plan is approved by the Governance and Audit Committee and is discussed with Directors.

Auditors are allocated audit engagements from the plan. They research the audit area and meet the client to understand relevant strategies, objectives and risks. A risk assessment informs the audit objectives and approach.

Control Stage 1 (Audit Planning) – The risk assessment is reviewed by a member of the audit management team, and used to develop the audit terms of reference (TOR)

The TOR is issued: it sets out the area/s under review, the objectives, approach and records required. The TOR is sent to the relevant management (Line Management, OM (and Director, where appropriate)). The audit fieldwork will commence as set out in the TOR.

NB – For consultancy services, the guidance / support is planned with management directly, with the objectives documented for significant engagements. There will be regular dialogue with the reviewing manager throughout the audit, but only formal control stage 4 will apply (Post Audit Review).

FIELDWORK

Normally pre-arranged to help minimise disruption. Any significant issues will be raised as soon as they are identified. The main findings will be discussed at the end of the visit (where applicable) or shortly afterwards.

Control Stage 2 (Audit Fieldwork) – An audit 'pit-stop' is held with the senior team member mid-way through the audit, as a quality assurance and progress check. A full quality assurance review is completed once fieldwork is completed and the draft audit opinion, output and recommendations are prepared.

Once fieldwork has been completed, and a review undertaken, a decision will be made whether to issue a formal Report or an Action Plan, depending on the overall 'Audit Opinion'.

REPORTING

The audit output prepared depends on the audit opinion:

- An Action Plan – For *Effective*, or *Effective with Opportunity for Improvement* audit opinions (where recommendations are raised);
- A Report and Action Plan – for *Insufficient with Major Improvement Needed*, or *Unsatisfactory* audit opinions.

Control Stage 3 (Audit Reporting) – Where the audit opinion is *Insufficient with Major Improvement Needed*, or *Unsatisfactory*, the draft report will be considered by the Audit Management Team prior to being issued.

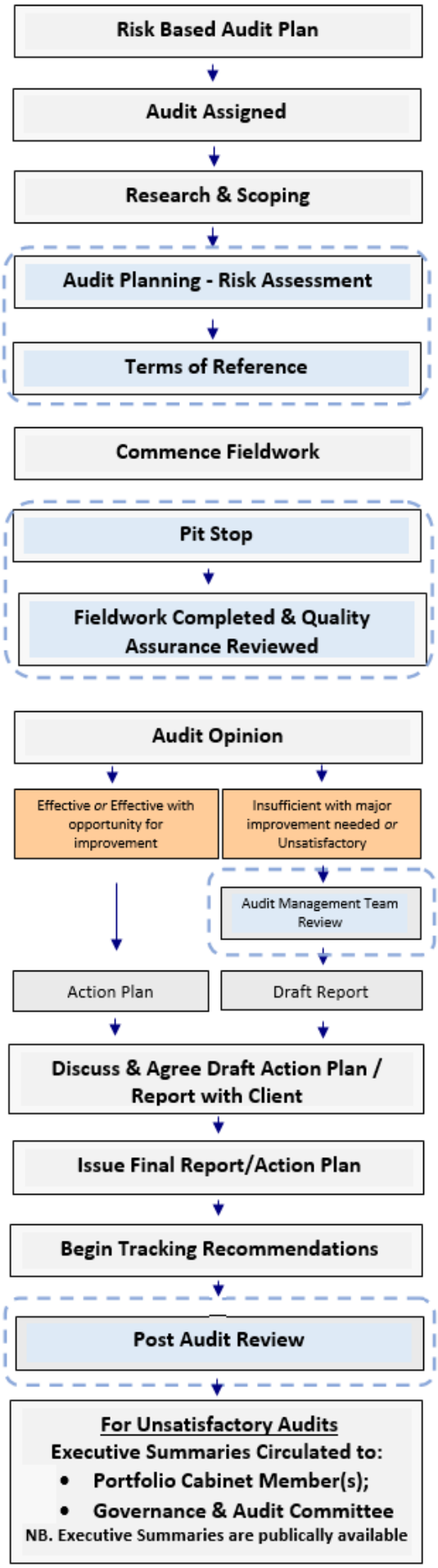
Draft Reports / Action Plans are discussed with Client Manager and comments are considered in any final Report / Action Plan. Management responses to audit recommendations are recorded in the Action Plan.

Final report or Action Plan is issued to the Director, OM/Line Manager and an opportunity to discuss the report, or provide comments is provided. Any recommendations not agreed are referred to the Director for consideration.

Control Stage 4 (Post Audit Review) – Upon conclusion of each audit, the auditor, and a senior team member review the auditor's performance. A client satisfaction survey is used to identify the audit delivery and value from the client's perspective. Development needs are progressed.

The Audit Manager reports the summary findings of Insufficient and Unsatisfactory Reports to the Chief Executive and the Governance and Audit Committee. For all *Unsatisfactory* Reports, an Executive Summary is prepared, discussed with the Chief Executive and Section 151 Officer, reported to the relevant Portfolio Cabinet Member(s) and the Governance and Audit Committee.

RESPONSE

Recommendations are added to the 'Recommendation Tracker' in SharePoint, through which management provide progress updates and submit evidence of delivering agreed actions. All red and red/amber rated recommendations require evidence of completion in order to be closed. The recommendation tracker is reported as part of each progress report to Governance and Audit Committee meetings, and is discussed in Director Relationship Manager Meetings.

All Unsatisfactory Audit Opinion Reports will be scheduled for an audit follow-up six months after the audit conclusion.