



CORPORATE RESOURCES
INTERNAL AUDIT SECTION

Cardiff Council

INTERNAL AUDIT CHARTER 2026/27

Mission Statement

To strengthen the Council's ability to create, protect, and sustain value by providing independent, risk-based, and objective assurance, advice, insight, and foresight.



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1. Purpose

- Internal auditing strengthens the Council's ability to create, protect, and sustain value by providing management, the Governance and Audit Committee and wider stakeholders with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 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, thereby enhancing the Council's:
 - Successful achievement of its objectives.
 - Governance, risk management, and control processes.
 - Decision-making and oversight.
 - Reputation and credibility with its stakeholders.
 - Ability to serve the public interest.
- Internal audit functions in Local Government are most effective when:
 - Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditor's (IIA's) Global Internal Audit Standards, subject to the interpretations and additional requirements set out in the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government.
 - The internal audit function is independently positioned with direct accountability to the Governance and Audit Committee.
 - Internal auditors are free from undue influence and committed to making objective assessments.

Role and responsibilities

In its public sector context the Council's internal audit function will have a focus on:

- Reviews of compliance with laws and/or regulations.
- Identifying opportunities to improve the efficiency, effectiveness, and economy of processes and programs.
- Determining whether public resources are adequately safeguarded and used appropriately to provide services in an equitable manner.
- Assessing whether performance aligns with its strategic objectives and goals.

- The Audit Manager responsibilities and the scope and types of audit services are set out separately in the Audit Charter.
- The Audit Manager will periodically review the mandate and charter and ensure it is properly maintained.

Professionalism

- A professional, independent and objective Internal Audit service is one of the key elements of good governance in Local Government. The Council's Internal Audit Section will adhere to the Global Internal Audit Standards, subject to the interpretations and additional requirements set out in the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government. Through compliance with these standards, all members of the section adhere to the Ethics and Professionalism requirements of the Standards.
- The Audit Manager will report periodically to the Governance and Audit Committee and senior management regarding the internal audit function's conformance with the Standards, Application Note and Code, which will be assessed through a quality assurance and improvement program.
- The standards of Ethics and Professionalism are set out in further detail in Appendix A and are followed in alignment with the Council's code of professional conduct. The internal audit function will adhere to Cardiff Council's relevant policies and procedures, and the internal audit protocol.

2. Mandate

- The Internal Audit Mandate refers to the internal audit function's authority, role and responsibilities, granted by the Governance and Audit Committee and applicable legislation.

Authority

- The Council's internal audit function is founded within the Accounts and Audit Regulations (Wales) 2014, which states that "a local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control."
- The internal audit function's authority is created by its direct reporting relationship to the Governance and Audit Committee to which it has free and unrestricted access. The Local Government and Elections (Wales) Act 2021 requires the appointment of Governance and Audit Committees to oversee the authority's internal and external audit arrangements.

- The Governance and Audit Committee authorises the internal audit function to:
 - Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
 - Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
 - Obtain assistance from the necessary personnel of the Council and other specialised services from within or outside the Council to complete internal audit services.
- All employees are required to assist the internal audit function in fulfilling its roles and responsibilities.
- Management are to 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.

Independence, organisational Position and Reporting Relationships

- The Audit Manager will be positioned at a level in the Council that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The Audit Manager will report functionally to the Governance and Audit Committee and administratively (for example, day-to-day operations) to the Chief Finance & Deputy S151 Officer. The Audit Manager has the organisational authority and status to bring matters directly to senior management and escalate matters to the Governance and Audit Committee, when necessary, without interference.
- The Audit Manager will confirm to the Governance and Audit Committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the Audit Manager will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Audit Manager will disclose to the Governance and Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Audit Manager, Governance and Audit Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the Audit Manager, Governance and Audit Committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

3. Governance and Audit Committee Oversight

- To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfill its duties, the Governance and Audit Committee will:
 - Discuss with the Audit Manager and senior management, as appropriate, the authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
 - Ensure the Audit Manager has unrestricted access to and communicates and interacts directly with the Governance and Audit Committee, including in private meetings without senior management present.
 - Discuss with the Audit Manager and senior management, as appropriate, other topics that should be included in the internal audit charter.
 - Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
 - Review the internal audit charter periodically with the Audit Manager to consider changes affecting the organisation, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually.
 - Approve the risk-based internal audit plan.
 - To consider the internal audit function's Resource Strategy.

- Discuss senior management decisions on the appointment and removal of the Audit Manager, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government.
 - Provide input to senior management on the Audit Manager’s performance.
 - Receive communications from the Audit Manager about the internal audit function including its performance relative to its plan and other matters.
 - Ensure a quality assurance and improvement program has been established and review the results annually.
 - Make appropriate inquiries of senior management and the Audit Manager to determine whether scope or resource limitations are inappropriate.
 - Participate in discussions with the Audit Manager and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
 - Discuss and agree any specific exceptions and alternative arrangements to the essential criteria or wider Standards, in accordance with the sector specific interpretations of the Application Note.
- 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.
 - The resources allocated to the internal audit function are outlined in Appendix B, in conjunction with the reporting arrangements.

4. Audit Manager Responsibilities

Ethics and Professionalism

- The Audit Manager will ensure that internal auditors:
 - Conform with the Global Internal Audit Standards in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.

- Conform with the Seven Principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty, and leadership).
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.
- When notified of suspected fraud, corruption or impropriety, the Audit Manager will take appropriate actions in line with the Council's Counter-Fraud, Bribery and Corruption Policy for the matter to be properly investigated.
- 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.
- 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 C. The Terms of Reference are reviewed on a periodic basis and are subject to approval by full Council.

Independence and Objectivity

- The Audit Manager will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Audit Manager determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.
- Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.
- Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:
 - Assessing specific operations for which they had responsibility within the previous year.
 - Performing operational duties for the Council or its affiliates.

- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Audit Manager, Governance and Audit Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.
- To safeguard independence and objectivity:
 - If the internal audit function is to provide assurance services where it had previously performed advisory services, the Audit Manager will confirm that the nature of the advisory services does not impair objectivity and must assign resources such that individual objectivity is managed.
 - Any temporary non-audit responsibilities of the Audit Manager or assurance engagements over which the Audit Manager has responsibility will require an independent third party to provide assurance during the assignment period and for the subsequent 12 months upon completion of the work if such assurance activities are required regarding that area. In this event the Audit Manager will establish a plan to transition temporary responsibilities to management.
 - If internal auditors are to provide advisory services relating to activities for which they had previous responsibilities, they will disclose potential impairments to the party requesting the services before accepting the engagement.
- 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.
- 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. Officers are not to be involved in areas of work where potential conflicts have been identified.

Managing the Internal Audit Function

- The Audit Manager has the responsibility to:
 - At least annually, develop a risk-based internal audit plan that includes resource requirements and considers the input of the Governance and Audit Committee and senior management. Discuss the plan with the both parties and submit the plan to the Governance and Audit Committee for review and approval.
 - Communicate the impact of resource limitations on the internal audit plan to the Governance and Audit Committee and senior management.
 - Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.
 - Communicate with the Governance and Audit Committee and senior management if there are significant interim changes to the internal audit plan.
 - Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government, and applicable laws and/or regulations.
 - Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Governance and Audit Committee and senior management periodically and for each engagement as appropriate.
 - Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government, and fulfill the internal audit mandate.
 - Identify and consider trends and emerging issues that could impact Council and communicate to the Governance and Audit Committee and senior management as appropriate.
 - Consider emerging trends and successful practices in internal auditing.
 - Establish and ensure adherence to methodologies designed to guide the internal audit function.
 - Ensure adherence to Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, or the Code of Practice for the

Governance of Internal Audit in UK Local Government. Any such conflicts will be resolved or documented and communicated to the Governance and Audit Committee and senior management.

- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services and provide relevant communication to the Governance and Audit Committee and senior management.
- 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.
- 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.

Communication

- The Audit Manager will report periodically to the Governance and Audit Committee and senior management regarding:
 - The internal audit function's mandate.
 - The internal audit plan and performance relative to its plan.
 - Internal audit budget.
 - Significant revisions to the internal audit plan and budget.
 - Potential impairments to independence, including relevant disclosures as applicable.
 - Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government. and action plans to address the internal audit function's deficiencies and opportunities for improvement.
 - Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Governance and Audit Committee that could interfere with the achievement of Council's strategic objectives.
 - Results of assurance and advisory services.
 - Resource requirements.

- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

Quality Assurance and Improvement Programme - QAIP

- The Audit Manager will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government. It will also include a performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, compliance with relevant laws and/or regulations. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.
- Annually, the Audit Manager will communicate with the Governance and Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council.
- Action taken to ensure that the Quality Assurance and Improvement Programme is effective is set out in Appendix D. It is supplemented by the Audit Protocol, which provides an outline of the audit process from planning to reporting, as contained in Appendix E.

5. Scope and Types of Internal Audit Services

- 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.
- 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 to provide independent assurance and advisory services to the Governance and Audit Committee and management.
- Internal audit may perform 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.

- The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

- Internal audit engagements may include evaluating whether:
 - Risks relating to the achievement of Council's strategic objectives are appropriately identified and managed.
 - The actions of Council officers, directors, management, employees, and contractors or other relevant parties comply with required policies, procedures, and applicable laws, regulations, and governance standards.
 - The results of operations and programs are consistent with established goals and objectives.
 - Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
 - Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
 - The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
 - Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

- Alongside the listed value for money requirements of GIAS Standard 9.1, auditors in the UK public sector must be aware of the importance of securing value for money and the definitions which define that term in their part of the UK public sector.

6. Exceptions to the GIAS and Alternative Arrangements

The Application Note provides UK public sector-specific context, interpretations of GIAS requirements in the specific circumstances expected to apply across the UK public sector and some additional requirements which are considered essential for the practice of internal audit in the UK public sector.

In accordance with the interpretations of the Application Note for auditors working in the UK public sector, the following paragraphs outline the areas where alternative arrangements will be followed. The elements of the Standards which will not be followed, and the alternative approach being taken in accordance with the Application Note, are set out below. The alternative arrangements are set out relating to the 'essential criteria' and 'wider standards'.

(i) Essential Criteria - Alternative Arrangements

- Standard 6.3 Board and Senior Management Support

The following element of the essential criteria for this standard will not be met in full by the Governance and Audit Committee - "Demonstrate support by approving the internal audit charter, internal audit plan, budget, and resource plan".

Alternative arrangement: The Governance and Audit Committee will engage in, but will not approve the internal audit budget and resource plan.

- Standard 7.1 Organisational Independence

In accordance with the Code, the following elements of the essential criteria for this standard will not be met in full by the Governance and Audit Committee – "Authorise the appointment and removal of the chief audit executive" and "Provide input to senior management to support the performance evaluation and remuneration of the chief audit executive." Accordingly, senior management will not "Provide input to the board on the appointment and removal of the chief audit executive."

Alternative arrangement: The Governance and Audit Committee may comment on, but will not authorise the appointment and removal of the Audit Manager. Via the Chairperson, input will be provided to support the performance evaluation of the Audit Manager, but in accordance with corporate procedures, the remuneration of the Audit Manager would not be a responsibility of the Committee.

- Standard 7.2 Chief Audit Executive Qualifications

The following element of the essential criteria for this standard will not be met in full by the Governance and Audit Committee – "Approve the chief audit executive's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities".

Alternative arrangement: The Governance and Audit Committee would be engaged via the Chairperson and provided with an opportunity to comment, but would not formally approve the Audit Manager's roles and responsibilities and the necessary qualifications, experience, and competencies to carry out these roles and responsibilities, or be involved in the appointment process.

The Application Note seeks to maintain an expectation that chief audit executives in the public sector hold appropriate professional qualifications alongside relevant experience. Therefore, in considering whether a chief audit executive is suitably qualified, the Council must be looking for:

- a CMIIA or CCAB qualification or an equivalent professional qualification which includes training on the practice of internal audit, and
 - suitable internal audit experience
- Standard 8.2 Resources

There is a requirement in this Standard, with associated essential conditions, that "the chief audit executive must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the chief audit executive must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how any resource shortfalls will be addressed".

Alternative arrangement: The Audit Manager will follow the interpretation of the Application Note in meeting the requirements as follows:

"The chief audit executive may have no ability to develop resource management approaches distinct from their organisation and tailored to the needs of the internal audit function. The chief audit executive's ability to develop a strategy to obtain sufficient resources and address shortfalls may also be constrained by their organisation's legal or regulatory obligations. In such circumstances to fulfil GIAS 8.2 the chief audit executive must develop a resource strategy which suggests practical approaches for consideration by the board. To supplement this the chief audit executive must set out in the Charter what alternative approaches apply to the internal audit service."

- The resource strategy is a component of the Internal Audit Strategy
- The alternative approaches in respect of financial resource management, human resource management and technological resources are set out in the following sections of this Charter with further reference to Standards 10.1 – 10.3.

(ii) Standards - Alternative Arrangements

- Standard 8.4 External Quality Assessment

The Standard includes the following - "When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor designation."

Alternative arrangement:

The interpretation of the Application Note will be followed, which has determined that this requirement is “replaced by a requirement that at least one person have the characteristics outlined for chief audit executive qualification.” The Application Note states that “such a person would normally have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector. These matters must be considered as part of the selection process.”

- Standard 9.5 – Coordination and Reliance

The Standard requires the following - “The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers. If unable to achieve an appropriate level of coordination, the chief audit executive must raise any concerns with senior management and, if necessary, the board. When the internal audit function relies on the work of other assurance service providers, the chief audit executive must document the basis for that reliance and is still responsible for the conclusions reached by the internal audit function.”

Alternative arrangement: The Audit Manager will follow the interpretation of the Application Note in meeting the requirements as follows, with communication being to the Governance and Audit Committee:

“In the UK public sector, there are various relevant outside assurance providers whose authority flows from separate legal or regulatory sources beyond the control or influence of the chief audit executive. The chief audit executive may not have any ability to access the work of those assurance providers or gain insight into the scope and timing of their work. Under these circumstances the chief audit executive must consider whether it is possible or practical to co-ordinate. Where they do not coordinate, they must set out to the board the barriers to being able to achieve effective coordination.”

Standards 10.1 – 10.3

The GIAS section on ‘Applying the Global Internal Audit Standards in the Public Sector’ notes that funding processes for internal audit functions vary, that some governance and organisational structures do not give boards authority over budget and that such conditions prevent the chief audit executive from being able to seek or obtain additional funding due to other funding priorities within the organisation. Chief audit executives may also be constrained in the way in which they use financial resources and manage human and technological resources.

In accordance with the ‘Application note’ the Audit Manager is not expected to follow the requirements of Resources (GIAS Standard 10.1 Financial Resource Management, GIAS Standard 10.2 Human Resources Management, GIAS Standard 10.3 Technological Resources), if they cannot develop distinct resource management approaches that achieve the objectives of those standards. Instead, the Audit Manager must set out in the Charter what alternative approaches apply to the internal audit service, and

then seek to manage financial, human and IT resources within those constraints. These details are provided below.

- Standard 10.1 Financial Resource Management

The requirements are that:

“The chief audit executive must manage the internal audit function’s financial resources.

The chief audit executive must develop a budget that enables the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function’s operation, including training and acquisition of technology and tools. The chief audit executive must manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

The chief audit executive must seek budget approval from the board. The chief audit executive must communicate promptly the impact of insufficient financial resources to the board and senior management.”

Alternative arrangement: In place of the above standard, the following financial resource management approach will be followed.

- (a) Financial Resource Management Approach

- The Audit Manager will consider the financial resources required to deliver the internal audit strategy and achievement of the plan on an ongoing basis.
- Approval of the audit budget will be made in line with corporate processes not by the Governance and Audit Committee. However, the Audit Manager will communicate the impact of insufficient resources to the Governance and Audit Committee and senior management promptly.
- The Audit Manager will manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget and the controllable budget position will be reported to the Governance and Audit Committee in an annual report.
- The Audit Manager will ensure that audit staff have an appropriate combination of training and supervision, in accordance with the training plan and quality assurance and improvement plan to deliver audit objectives effectively. In the event that there is insufficient knowledge and skills within the team to deliver any area of the audit plan, consideration will be given to buying in expertise to achieve the audit objectives.

- Standard 10.2 Human Resource Management

The requirements are that:

“The chief audit executive must establish an approach to recruit, develop, and retain internal auditors who are qualified to successfully implement the internal audit strategy and achieve the internal audit plan.

The chief audit executive must strive to ensure that human resources are appropriate, sufficient, and effectively deployed to achieve the approved internal audit plan. Appropriate refers to the mix of knowledge, skills, and abilities; sufficient refers to the quantity of resources; and effective deployment refers to assigning resources in a way that optimizes the achievement of the internal audit plan.

The chief audit executive must communicate with the board and senior management regarding the appropriateness and sufficiency of the internal audit function's human resources. If the function lacks appropriate and sufficient human resources to achieve the internal audit plan, the chief audit executive must determine how to obtain the resources or communicate timely to the board and senior management the impact of the limitations. (See also Standard 8.2 Resources.)

The chief audit executive must evaluate the competencies of individual internal auditors within the internal audit function and encourage professional development. The chief audit executive must collaborate with internal auditors to help them develop their individual competencies through training, supervisory feedback, and/or mentoring. (See also Standard 3.1 Competency.)”

Alternative arrangement: In place of the above standard, the following financial resource management approach will be followed.

(b) Human Resources Management Approach

- The Council's corporate policies and procedures are followed in all human resources processes
- Workforce planning arrangements for internal audit are included in the finance sections workforce plan and the directorate risk register and updated in accordance with corporate requirements. This includes a consideration of recruitment, retention, succession planning and supplementing the in-house resource where required by buying-in resources.
- As part of the CIPFA trainee scheme, there are arrangements for each trainee to spend one year in internal audit as part of their professional development.
- Post entry training applications can be submitted by auditors, will be considered by the audit manager, and decisions are made in finance management team (of which the Audit Manager is a member).
- On the job training and supervision arrangements are in place as part of the quality assurance and improvement programme.
- Review and learning points sheets are completed as part of quality assurance before draft reports are issued, and Post audit assessments are completed with feedback from the client, as well as the reviewer and the audit themselves on the effective delivery of the audit engagement. This provides an opportunity for internal auditors to receive constructive feedback from more experienced internal auditors in supervisory roles.
- A Training Plan is in place for all auditors, and personal reviews are used to identify any further training needs, informed by audit supervision processes, audit review and learning points documented, and associated post audit assessments on each engagement.

- Personal reviews are completed twice a year, which contain individual, and manager-led objectives. There are standard performance measures for auditors, as tailored targets and developmental areas, as appropriate, in personal reviews.
 - At least annually internal auditors complete a competency self-assessment, and the results are considered by the audit manager and inform future training plans, together with professional advisories which may inform training and any structural changes to the team.
- Standard 10.3 Technological Resources

The requirements are that:

“The chief audit executive must strive to ensure that the internal audit function has technology to support the internal audit process. The chief audit executive must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency.

When implementing new technology, the chief audit executive must implement appropriate training for internal auditors in the effective use of technological resources.

The chief audit executive must collaborate with the organisation’s information technology and information security functions to implement technological resources properly. The chief audit executive must communicate the impact of technology limitations on the effectiveness or efficiency of the internal audit function to the board and senior management.”

Alternative arrangement: In place of the above standard, the following financial resource management approach will be followed.

(c) Technological Resources Approach

- The Audit Manager is required to ensure that the internal audit function has technology to support the internal audit process, but this will be undertaken both in the context of the budgetary financial envelope, and the corporate technology and initiatives.
- The Audit Manager will regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency.
- The general approach to meeting the technology needs of the internal audit service will be through engagement with the ICT service, through which SharePoint has been configured for internal audit and investigation team use and reporting and for recommendation tracking. When implementing new technology, the Audit Manager there will be appropriate training in place.
- The Audit Manager will discuss any required technology needs that cannot be provided in-house or via corporate systems and technology with the Section 151 Officer, and any gaps in technology impacting on the efficient and effective running of the service will be reported to the Governance and Audit Committee and senior management.

ETHICS AND PROFESSIONALISM

All internal auditors are required to conform with the standards of ethics and professionalism. If internal auditors are expected to abide by other codes of ethics, behaviour, or conduct, such as those of an organisation, conformance with the principles and standards of ethics and professionalism contained herein is still expected. The fact that a particular behavior is not mentioned in these principles and standards does not preclude it from being considered unacceptable or discreditable.

While internal auditors are responsible for their own conformance, the chief audit executive is expected to support and promote conformance with the principles and standards in the Ethics and Professionalism domain by providing opportunities for training and guidance. The chief audit executive may choose to delegate certain responsibilities for managing conformance but retains accountability for the ethics and professionalism of the internal audit function.

Principle 1 Demonstrate Integrity

Internal auditors demonstrate integrity in their work and behaviour.

Integrity is behavior characterised by adherence to moral and ethical principles, including demonstrating honesty and the courage to act based on relevant facts, even when facing pressure to do otherwise, or when doing so might create potential adverse personal or organisational consequences. In simple terms, internal auditors are expected to tell the truth and do the right thing, even when it is uncomfortable or difficult.

Integrity is the foundation of the other principles of ethics and professionalism, including objectivity, competency, due professional care, and confidentiality. The integrity of internal auditors is essential to establishing trust and earning respect.

Standard 1.1 Honesty and Professional Courage

Internal auditors must perform their work with honesty and professional courage. Internal auditors must be truthful, accurate, clear, open, and respectful in all professional relationships and communications, even when expressing skepticism or offering an opposing viewpoint. Internal auditors must not make false, misleading, or deceptive statements, nor conceal or omit findings or other pertinent information from communications.

Internal auditors must disclose all material facts known to them that, if not disclosed, could affect the organisation's ability to make well-informed decisions. Internal auditors must exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.

The chief audit executive must maintain a work environment where internal auditors feel supported when expressing legitimate, evidence-based engagement results, whether favorable or unfavorable

Standard 1.2 Organisation's Ethical Expectations

Internal auditors must understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and must be able to recognise conduct that is contrary to those expectations.

Internal auditors must encourage and promote an ethics-based culture in the organisation. If internal auditors identify behaviour within the organisation that is inconsistent with the organisation's ethical expectations, they must report the concern according to applicable policies and procedures.

Standard 1.3 Legal and Ethical Behaviour

Internal auditors must not engage in or be a party to any activity that is illegal or discreditable to the organisation or the profession of internal auditing or that may harm the organisation or its employees.

Internal auditors must understand and abide by the laws and/or regulations relevant to the industry and jurisdictions in which the organisation operates, including making disclosures as required.

If internal auditors identify legal or regulatory violations, they must report such incidents to individuals or entities that have the authority to take appropriate action, as specified in laws, regulations, and applicable policies and procedures.

Principle 2 Maintain Objectivity

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

Objectivity is an unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise. An independently positioned internal audit function supports internal auditors' ability to maintain objectivity.

Standard 2.1 Individual Objectivity

Internal auditors must maintain professional objectivity when performing all aspects of internal audit services. Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances.

Internal auditors must be aware of and manage potential biases.

Standard 2.2 Safeguarding Objectivity

Internal auditors must recognise and avoid or mitigate actual, potential, and perceived impairments to objectivity.

Internal auditors must not accept any tangible or intangible item, such as a gift, reward, or favour, that may impair or be presumed to impair objectivity.

Internal auditors must avoid conflicts of interest and must not be unduly influenced by their own interests or the interests of others, including senior management or others in a position of authority, or by the political environment or other aspects of their surroundings.

When performing internal audit services:

- Internal auditors must refrain from assessing specific activities for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous 12 months.
- If the internal audit function is to provide assurance services where it had previously performed advisory services, the chief audit executive must confirm that the nature of the advisory services does not impair objectivity and must assign resources such that individual objectivity is managed. Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by an independent party outside the internal audit function.
- If internal auditors are to provide advisory services relating to activities for which they had previous responsibilities, they must disclose potential impairments to the party requesting the services before accepting the engagement.

The chief audit executive must establish methodologies to address impairments to objectivity. Internal auditors must discuss impairments and take appropriate actions according to relevant methodologies.

Standard 2.3 Disclosing Impairments to Objectivity

If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.

If internal auditors become aware of an impairment that may affect their objectivity, they must disclose the impairment to the chief audit executive or a designated supervisor. If the chief audit executive determines that an impairment is affecting an internal auditor's ability to perform duties objectively, the chief audit executive must discuss the impairment with the management of the activity under review, the board, and/or senior management and determine the appropriate actions to resolve the situation.

If an impairment that affects the reliability or perceived reliability of the engagement findings, recommendations, and/or conclusions is discovered after an engagement has been completed, the chief audit executive must discuss the concern with the management of the activity under review, the board, senior management, and/or other affected stakeholders and determine the appropriate actions to resolve the situation. (See also Standard 11.4 Errors and Omissions.)

If the objectivity of the chief audit executive is impaired in fact or appearance, the chief audit executive must disclose the impairment to the board. (See also Standard 7.1 Organisational Independence.)

Principle 3 Demonstrate Competency

Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.

Demonstrating competency requires developing and applying the knowledge, skills, and abilities to provide internal audit services. Because internal auditors provide a diverse array of services, the competencies needed by each internal auditor vary. In addition to possessing or obtaining the competencies needed to perform services, internal auditors improve the effectiveness and quality of services by pursuing professional development.

Standard 3.1 Competency

Internal auditors must possess or obtain the competencies to perform their responsibilities successfully. The required competencies include the knowledge, skills, and abilities suitable for one's job position and responsibilities commensurate with their level of experience. Internal auditors must possess or develop knowledge of The IIA's Global Internal Audit Standards.

Internal auditors must engage only in those services for which they have or can attain the necessary competencies.

Each internal auditor is responsible for continually developing and applying the competencies necessary to fulfill their professional responsibilities. Additionally, the chief audit executive must ensure that the internal audit function collectively possesses the competencies to perform the internal audit services described in the internal audit charter or must obtain the necessary competencies. (See also Standards 7.2 Chief Audit Executive Qualifications and 10.2 Human Resources Management.)

Standard 3.2 Continuing Professional Development

Internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services. Internal auditors must pursue continuing professional development including education and training. Practicing internal auditors who have attained professional internal audit

certifications must follow the continuing professional education policies and fulfill the requirements applicable to their certifications.

Principle 4 Exercise Due Professional Care

Internal auditors apply due professional care in planning and performing internal audit services.

The standards that embody exercising due professional care require:

- Conformance with the Global Internal Audit Standards.
- Consideration of the nature, circumstances, and requirements of the work to be performed.
- Application of professional skepticism to critically assess and evaluate information.

Due professional care requires planning and performing internal audit services with the diligence, judgment, and skepticism possessed by prudent and competent internal auditors. When exercising due professional care, internal auditors perform in the best interests of those receiving internal audit services but are not expected to be infallible.

Standard 4.1 Conformance with the Global Internal Audit Standards

Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards.

The internal audit function's methodologies must be established, documented, and maintained in alignment with the Standards. Internal auditors must follow the Standards and the internal audit function's methodologies when planning and performing internal audit services and communicating results.

If the Standards are used in conjunction with requirements issued by other authoritative bodies, internal audit communications must also cite the use of the other requirements, as appropriate.

If laws or regulations prohibit internal auditors or the internal audit function from conforming with any part of the Standards, conformance with all other parts of the Standards is required and appropriate disclosures must be made.

When internal auditors are unable to conform with a requirement, the chief audit executive must document and communicate a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale. Requirements related to disclosing nonconformance with the Standards are described in Standards 8.3 Quality, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication.

Standard 4.2 Due Professional Care

Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided, including:

- The organisation's strategy and objectives.
- The interests of those for whom internal audit services are provided and the interests of other stakeholders.
- Adequacy and effectiveness of governance, risk management, and control processes.
- Cost relative to potential benefits of the internal audit services to be performed.
- Extent and timeliness of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of risks to the activity under review.
- Probability of significant errors, fraud, noncompliance, and other risks that might affect objectives, operations, or resources.
- Use of appropriate techniques, tools, and technology

Standard 4.3 Professional Skepticism

Internal auditors must exercise professional skepticism when planning and performing internal audit services.

To exercise professional skepticism, internal auditors must:

- Maintain an attitude that includes inquisitiveness.
- Critically assess the reliability of information.
- Be straightforward and honest when raising concerns and asking questions about inconsistent information.
- Seek additional evidence to make a judgment about information and statements that might be incomplete, inconsistent, false, or misleading

Principle 5 Maintain Confidentiality

Internal auditors use and protect information appropriately.

Because internal auditors have unrestricted access to the data, records, and other information necessary to fulfill the internal audit mandate, they often receive information that is confidential, proprietary, and/or personally identifiable. (See also Principle 6 Authorised by the Board and its standards.) This includes information in physical and digital form as well as information derived from oral communication, such as formal or informal meeting discussions. Internal auditors must respect the value and ownership of information they receive by using it only for professional purposes and protecting it from unauthorised access or disclosure, internally and externally.

Standard 5.1 Use of Information

Internal auditors must follow the relevant policies, procedures, laws, and regulations when using information. The information must not be used for personal gain or in a manner contrary or detrimental to the organisation's legitimate and ethical objectives.

Standard 5.2 Protection of Information

Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.

Internal auditors must understand and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security that apply to the organisation and internal audit function.

Considerations specifically relevant to the internal audit function include:

- Custody, retention, and disposal of engagement records.
- Release of engagement records to internal and external parties.
- Handling of, access to, or copies of confidential information when it is no longer needed.

Internal auditors must not disclose confidential information to unauthorised parties unless there is a legal or professional responsibility to do so.

Internal auditors must manage the risk of exposing or disclosing information inadvertently.

The chief audit executive must ensure that the internal audit function and individuals assisting the internal audit function adhere to the same protection requirements.

Further Public Sector Context

Auditors working in the UK public sector must be aware of their organisation's policies and procedures for routine publication of certain information under freedom of information legislation. These do not normally encompass information on operational matters such as internal audit. Publication may be required if internal audit reports are referenced or discussed at public meetings, which happens more frequently in some parts of the UK public sector than others. Auditors must also be aware that their work may be subject to freedom of information requests; where they receive such requests auditors must consider each request on its merits against the requirements of the legislation.

The Seven Principles of Public Life

Internal Auditors must also conform with the Seven Principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty, and leadership), which can be found at www.public-standards.gov.uk

AUDIT ACTIVITY & RESOURCES

Resources

1. **Audit Manager** -1 FTE - responsible for leading and managing the audit and investigation teams in delivering their roles.
2. **Audit Team** – 9.46 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, supported by an Audit Assistant.
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 Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government are followed in all aspects of internal audit work undertaken.
5. For the purpose of the above 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 two qualified Accountants, one Chartered Internal Auditor, two Certified Internal Auditors and three qualified Accounting Technicians. A team member is studying for a Certified Information Systems Auditor (CISA) qualification and, in addition to the substantive resource, the team benefits from a CIPFA Trainee placement.
 - 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 officers, 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****Governance**

The Governance and Audit Committee is one of the Council's Governance Committees. It discharges the following duties in accordance with its statement of purpose, and reports to full Council.

Statement of Purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements, and the performance assessment of the Council. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

The committee is to seek assurance that the budgetary control systems (as an internal control) of the council are operating effectively. The scrutiny of spend falls within the remit of the Council's Scrutiny Committees

Governance, Performance, Risk & Control

- To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the Code of Corporate Governance.
- 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 consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- 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.

Financial and governance reporting

Governance reporting

- To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the Audit Manager's internal audit's annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial Reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and profession standards can be met.
- 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.

Treasury Management

- 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.
- To review the treasury management policy and procedures to be satisfied that controls are satisfactory.
- To review the treasury risk profile and adequacy of treasury risk management processes.
- To review assurances on treasury management (for example, an internal audit report, external audit or other review).
- To develop awareness and understanding of treasury matters, and to receive regular reports on activities, issues and trends to support the committee's understanding of treasury management activities. *(The committee is not responsible for the regular monitoring of treasury management policies and practices, which are the responsibility of the Cabinet, under the Council's Scheme of*

Delegations (Section 2, paragraph 10), the approved Treasury Management Policy Statement and the Third Clause of Treasury Management, as set out therein).'

Arrangements for audit and assurance

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

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 consider commissioning additional work from internal and external audit.
- To advise and make recommendations on the effectiveness of relationships between external and internal audit and other inspector agencies or relevant bodies.
- To provide auditors with free and unfettered access to the Governance and Audit Committee Chair and the opportunity for a private meeting with the Committee.

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, including 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 of the Audit Manager arising from additional roles or responsibilities outside of internal auditing and 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 Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, or the Code

of Practice for the Governance of Internal Audit in UK Local Government, 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 Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, or the Code of Practice for the Governance of Internal Audit in UK Local Government, 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.

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 its Terms of Reference, and its effectiveness in meeting its purpose including a conclusion on compliance with the CIPFA Position Statement.
- 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

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

A Quality Assurance and Improvement Programme (Standard 8.3 Quality) is designed to enable an evaluation of the Internal Audit section's conformance with the Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government.

The programme also assesses the efficiency and effectiveness of the internal audit function 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 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 the Global Internal Audit Standards, the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government every five years.

To support the delivery of an efficient and effective service:

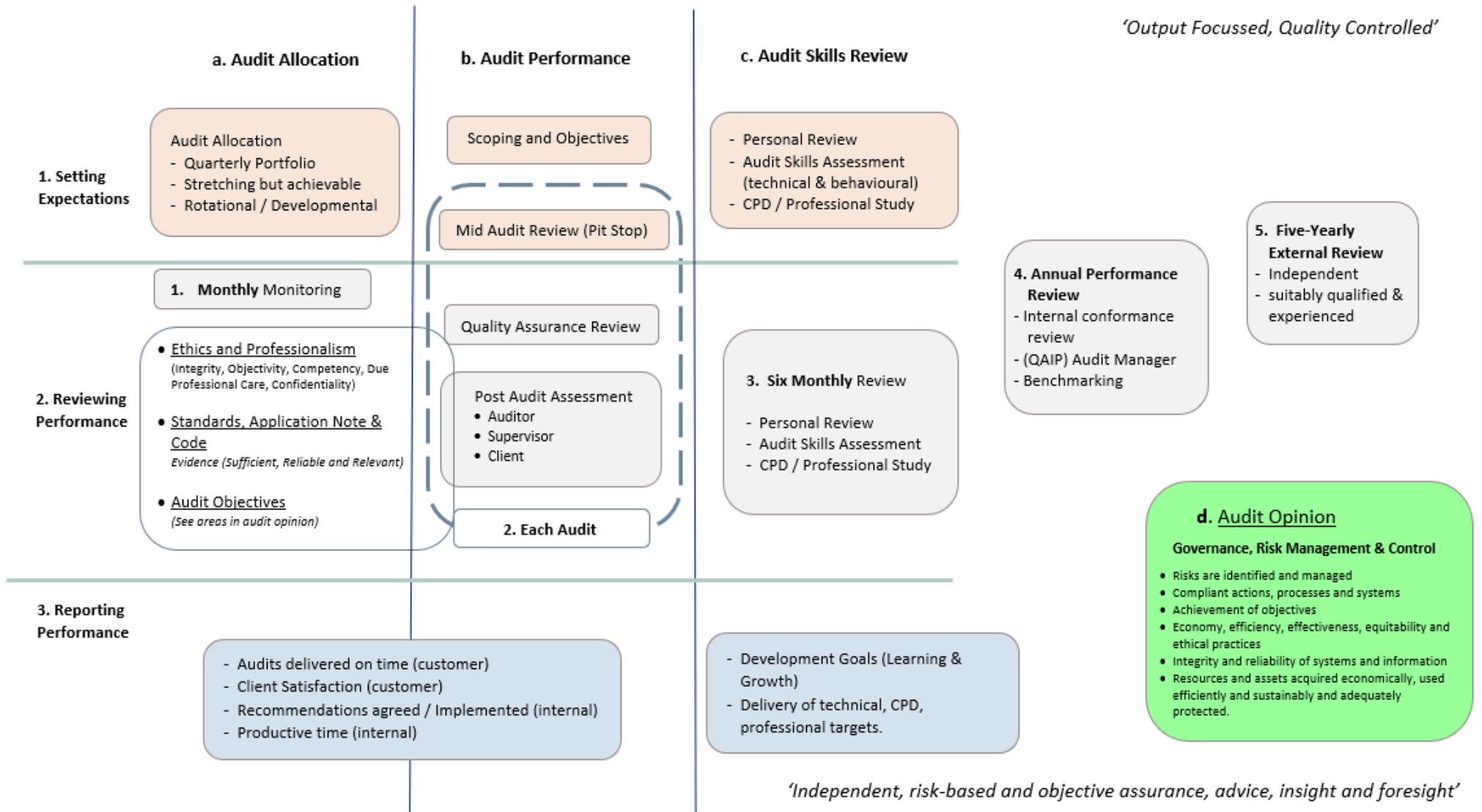
- Each Directorate has a relationship manager with whom they hold regular meetings to discuss risks and emerging issues, progress against and development of the audit plan, and audit outcomes and feedback.
- The Audit Manager has regular contact with the Governance and Audit Committee Chair, Audit Wales, 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 standards of Ethics and Professionalism, 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.
<ul style="list-style-type: none">✓ 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.
<ul style="list-style-type: none">✓ 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 standards of Ethics and Professionalism, Standards, Application Note and Code of Practice. The review considers the quality of evidence to support the audit 'Objectives', and the delivery of actions resulting from the audit 'Pit Stop'. Any learning points are recorded and feed into performance management processes.✓ 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.
<ul style="list-style-type: none">○ 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 Standards, Application Note and Code of Practice 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.

