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**REPORT OF THE CHIEF FINANCE OFFICER  
AND  
HEAD OF INTERNAL AUDIT**

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**TO THE AUDIT & ACCOUNTS COMMITTEE  
ON WEDNESDAY 23<sup>rd</sup> SEPTEMBER 2020**

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**TITLE:** THE INTERNAL AUDIT CHARTER 2020/21

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**RECOMMENDATIONS:**

Members are requested to approve the updated version of the internal audit Charter for 2020/21 (Appendix 1).

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**EXECUTIVE SUMMARY:**

The internal audit Charter was approved previously by the Audit and Accounts Committee in October 2019.

The work of internal audit is governed by the UK Public Sector Internal Audit Standards (PSIAS) which came into effect from 1<sup>st</sup> April 2013. The Standards comprise a revised definition of internal auditing; a Code of Ethics for internal auditors working in the Public Sector; the Mission of Internal Audit; the Core Principles for the Professional Practice of internal auditing; and the Standards themselves.

The Standards are mandatory for all internal auditors working in the UK public sector. The purpose of this Charter is to define the scope, roles and responsibilities of the internal audit function with which internal audit should comply. The Charter follows the model charter document provided by the Chartered Institute of Internal Auditors (CIIA).

The Standards were updated in March 2017 and the CIIA's model charter was updated in January 2019; the internal audit Charter has been updated accordingly. An updated copy of the internal audit Charter is attached at Appendix 1 to this report.

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**BACKGROUND DOCUMENTS:**

Public Sector Internal Audit Standards - Applying the IIA International Standards to the UK Public Sector.

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**KEY DECISION:** NO

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## **DETAILS:**

The Relevant Internal Audit Standard Setters which includes CIPFA in respect of local government across the UK adopted a common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The standards were updated in March 2017 and the Chartered Institute of Internal Auditors (CIIA's) model charter was updated in January 2019; this internal audit Charter has been updated accordingly.

The revised Charter follows the model charter document provided by the CIIA and includes extra detail in line with the PSIAS as follows:

- Definition of the Mission of Internal Audit (section 1)
- Definition of Roles (section 3)
- Ethics and Due Professional Care (section 4)
- Independence and Objectivity (section 7)

The Charter notes that compliance with the PSIAS requires that the internal audit function shall be subject to a Quality Assurance and Improvement Programme (QAIP) in line with the Standards (section 19). This includes a self assessment on a regular basis and an external assessment which must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The external assessment was undertaken in November 2017 and noted that the internal audit service conforms to the PSIAS and the CIPFA Local Government Application Note questionnaire.

Results of quality reviews will be reported to the Audit and Accounts Committee by the Head of Internal Audit on a regular basis.

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## **KEY COUNCIL POLICIES:** Salford City Council Constitution

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## **EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:**

The work required to deliver the internal audit plan is identified through a regular risk assessment process. This is carried out using an established methodology that is designed to show that all potential audit areas are considered fairly.

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## **ASSESSMENT OF RISK:**

The work of internal audit forms a key element of the council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks. A key requirement in producing the Annual Governance Statement is to be able to place reliance on the opinion and annual report of the Head of Internal Audit. The Corporate risk register is reviewed to ensure that the internal audit plan reflects the issues raised. A key requirement for the Audit and Accounts Committee in order for the Committee to meet its Terms of Reference is to assess the adequacy of the internal audit service.

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## **LEGAL IMPLICATIONS:** Supplied by: Melinda Edwards (Principal Solicitor)

Internal audit is a statutory service in the context of the Accounts and Audit (England) Regulations 2015 and the work it undertakes is governed by the UK Public Sector

Internal Audit Standards (“the Standards”). The Standards are mandatory for all internal auditors working in the UK public sector.

The Standards were updated in March 2017 and in that regard require that the purpose, authority and responsibility of the internal audit be formally defined in an internal audit Charter, consistent with a revised definition of internal auditing; a Code of Ethics for internal auditors working in the Public Sector; the Mission of Internal Audit; the Core Principles for the Professional Practice of internal auditing; and the Standards themselves. The Chief Audit Executive must periodically review the internal audit Charter and present it to senior management and the Board for approval.

The internal audit Charter is a formal document that defines the internal audit activity’s purpose, authority and responsibility. The Charter must establish the internal audit activity’s position within the Authority, including the nature of the chief audit executive’s functional reporting relationship with the Board, authorise access to records, personnel and properties relevant to the performance of engagements, and define the scope of internal audit activities.

Adoption of the Charter provides assurance to the Audit and Accounts Committee that the service undertakes its duties in accordance with the requirements of the recognised Standards.

The report notes that the Council’s Charter has been further updated to reflect the updated model charter issued by the Chartered Institute of Internal Auditors (CIIA’s) in January 2019 and seeks approval of the same accordingly.

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**FINANCIAL IMPLICATIONS:** Supplied by: Jean Gleave (Head of Internal Audit)

There are no budget implications arising from this report.

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**PROCUREMENT IMPLICATIONS:** Supplied by: Christine Flisk (Procurement Manager)

There are no known procurement implications with this report.

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**HR IMPLICATIONS:** Supplied by: Catherine Sharples (HR Manager)

There are no known HR implications with this report.

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**CLIMATE CHANGE IMPLICATIONS:** SUPPLIED BY: N/A

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**OTHER DIRECTORATES CONSULTED:** None

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**CONTACT OFFICER:** Jean Gleave                      TEL NO: 0161 607 6651

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**WARDS TO WHICH REPORT RELATES:** N/A

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# Appendix 1: Salford City Council Internal Audit Charter 2020/21

## **1. Purpose, Mission Statement and Definition**

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

This Charter also covers the arrangements for the appointment of the Head of Internal Audit and internal audit staff, and identifies the nature of professionalism, skills and experience required.

The Mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The purpose of Salford City Council's internal audit service is to provide independent, objective assurance and consulting services designed to add value and improve the council's operations. The internal audit service helps the council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

## **2. Statutory**

Internal audit is a statutory service in the context of the Accounts and Audit (England) Regulations 2015, which require authorities to ensure that they have a sound system of internal control which:

- 1) Facilitates the effective exercise of its functions and the achievement of its aims and objectives
- 2) Ensures that the financial and operational management of the authority is effective
- 3) Includes effective arrangements for the management of risk

The Accounts and Audit Regulations 2015 also state that:

- 1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance
- 2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:
  - (a) make available such documents and records; and
  - (b) supply such information and explanations as are considered necessary by those conducting the internal audit
- 3) A relevant authority must, each financial year:
  - (a) conduct a review of the effectiveness of its system of internal control; and
  - (b) prepare an annual governance statement

The findings of the review referred to in paragraph 3) must be considered, as part of the consideration of the system of internal control by the Audit & Accounts Committee.

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## **3. Roles**

The Public Sector Internal Audit Standards require that the internal audit charter defines the terms 'Board', 'Chief Audit Executive' and 'Senior Management' in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:

### **Board:**

The internal audit activity is established and defined by the Board, (hereafter referred to as the Audit & Accounts Committee). The internal audit activity's responsibilities are defined by the Audit & Accounts Committee as part of their oversight role.

### **Chief Audit Executive:**

The role of the Chief Audit Executive is undertaken by the Head of Internal Audit.

### **Head of Paid Service**

The council's head of paid service is the Chief Executive. The Chief Executive receives high level assurances from internal audit, relating to the council's governance arrangements.

### **Senior Management:**

Senior Management is defined as the Chief Executive, Strategic Directors, Assistant Directors and members of the Corporate Management Team.

### **Chief Finance Officer (Section 151 Officer)**

The council's Section 151 officer is required to ensure that appropriate arrangements are made for the provision of an internal audit service in accordance with the requirements of the Accounts & Audit Regulations (2015). Internal audit activity supports the council's Section 151 officer, to discharge responsibilities for maintaining proper administration of financial affairs and an adequate and effective system of internal control as required under section 151 of the Local Government Act 1972 and by the Accounts and Audit (England) Regulations 2015.

### **Monitoring Officer**

The council's City Solicitor, Legal & Governance Division has the role of Monitoring Officer; functions include maintenance of the Constitution, supporting the Standards Committee and ensuring lawfulness of decision making. Internal audit activity supports the Monitoring Officer in discharging her responsibilities for maintaining high standards of governance, conduct and ethical behaviour.

## **4. Ethics and Due Professional Care**

Salford Internal Audit Services operate in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013. Internal audit staff shall govern themselves by adherence to the PSIAS Code of Ethics. In addition to this, individual team members

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are also required to adhere to the Codes of Ethics of their professional bodies where appropriate.

Internal auditors who work in the public sector 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 [Committee on Standards in Public Life](#).

Internal auditors must exercise due professional care by considering the:

- extent of work needed to achieve the engagement's objectives;
- relative complexity, materiality or significance of matters to which assurance procedures are applied;
- adequacy and effectiveness of governance, risk management and control processes; and
- probability of significant errors, fraud, or non-compliance.

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF) which includes the Core Principles for the Professional Practice of Internal Auditing; the Code of Ethics; the International Standards for the Professional Practice of Internal Auditing; and the Definition of Internal Auditing. The Relevant Internal Audit Standard Setters, which includes CIPFA in respect of local government across the UK, adopted a common set of internal audit standards (PSIAS) from 1 April 2013. The Standards were subject to review and update in March 2017 (w/e from 1 April 2017). Compliance with the Standards shall be subject to a quality assurance and improvement programme in line with the Standards. This includes a self-assessment on a regular basis and an external assessment which must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. Results of quality reviews, and conformance to the Standards and the Code of Ethics, shall be reported to the Audit and Accounts Committee by the Head of Internal Audit.

The Core Principles within the PSIAS articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively; failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission (see Mission of Internal Audit).

The internal audit activity must achieve the following ten **Core Principles**:

- demonstrates integrity;
- demonstrates competence and due professional care;
- is objective and free from undue influence (independent);
- aligns with the strategies, objectives, and risks of the organisation;
- is appropriately positioned and adequately resourced;
- demonstrates quality and continuous improvement;
- communicates effectively;
- provides risk-based assurance;

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- is insightful, proactive, and future-focused; and
- promotes organisational improvement.

### **5. Authority**

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, will have full, free and unrestricted access to any and all of the organisation's records, physical properties and personnel pertinent to carrying out any engagement.

All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The Head of Internal Audit has direct access to the Chief Officers; the Chief Executive; all levels of management; the Chair of the Audit and Accounts Committee; and the Elected City Mayor.

Designated auditors are entitled, without necessarily giving prior notice, to require and receive:

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- access at all reasonable times to any land, premises, officer and member of the Council;
- the production of any cash, stores or other property of the Council under an officer's and member's control; and
- explanations concerning any matter under investigation.

Where the council works in partnership with other organisations, the role of internal audit will be defined on an individual basis. Where internal audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the organisation's Board and in consultation with the Chief Finance Officer to ensure that appropriate audit resources are available to provide assurance over the council's activities.

External assurance work will result in an assurance statement to the organisation's Board and recommendations to senior management.

### **6. Organisation**

Internal audit resides within the Service Reform Service Group. On an administrative level, the Head of Internal Audit reports to the Chief Finance Officer (S151 Officer) and also reports to the Governance Group which is chaired by the Monitoring Officer.

The Head of Internal Audit reports to the Audit & Accounts Committee, who approves the Annual Internal Audit Plan. The Audit & Accounts Committee reviews the adequacy of internal audit, the scope and nature of its work and receives and reviews its reports.

The Head of Internal Audit shall have an independent right of access to the Chair of the Audit and Accounts Committee. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit, the Head of Internal Audit may report directly to the Chair of the Audit and Accounts Committee

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Annually, the Head of Internal Audit shall have a period of time with the Audit & Accounts Committee Members in camera.

### **7. Independence and Objectivity**

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.

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 judgment including:

- assessing specific operations for which they had responsibility within the previous year;
- performing any operational duties for the council or its affiliates;
- initiating or approving transactions external to the internal audit service; and
- directing the activities of any council employee not employed by the internal audit service, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where internal audit provides consultancy services and/or the Head of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Any operational (non-audit) activities undertaken by the Head of Internal Audit or a member of the internal audit team are recorded and any conflict of interest declared to ensure that the independence of future internal audit work in respect of the activity is not compromised. The Head of Internal Audit will disclose to the Audit and Accounts Committee any interference and related implications in determining the scope of internal audit, performing work and/or communicating results.

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 judgments. If potential impairment to independence or objectivity, in fact or appearance, related to the proposed audit, disclosure must be made prior to accepting the engagement.

The Head of Internal Audit will confirm to the Audit and Accounts Committee, at least annually, the organisational independence of the internal audit activity.

### **8. Responsibility**

Internal audit is responsible for establishing procedures and applying the required resources to ensure that the service conforms with the Mission Statement, the Definition of Internal Auditing and the Standards. The members of the internal audit



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team must demonstrate conformance with the Core Principles, the Code of Ethics and the Standards.

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 must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding:

- consistency of operations or programs 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; and
- safeguarding of assets.

Internal audit is responsible for evaluating all processes ('audit universe') of the entity including governance processes and risk management processes. The Head of Internal Audit must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit. The Head of Internal Audit's opinions are a key element of the framework of assurance the Chief Executive and the Leader of the Council need to inform the completion of the AGS.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. This is advisory in nature and generally performed at the specific request of the organisation, provided the internal audit service does not assume management responsibility. The aim of the consultancy service is to help line management improve the council's risk management, governance and internal control. This is the 'Consultancy' role for internal audit and contributes towards the overall opinion.

Significant consultancy work expected during 2020/21, as detailed within the internal audit plan and progress reports is detailed below:

Head of Internal Audit – Attends Governance Group	Review of risk management arrangements by audit manager
Head of Internal Audit – Role in the facilitation of Annual Governance	Periodic review of arrangements by

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Statement and Code of Corporate Governance	audit manager.
Internal Audit team work on transformation programme	Audit Manager and Principal auditor link to transformation team, supported by Salford IT audit work
IT Audit team input into replacement social care system	IT Audit Manager and Principal IT Auditor link to project team, supported by Salford IT audit work

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Audit and Accounts Committee and to Senior Management, including fraud risks, governance issues, and other matters needed or requested by the Audit and Accounts Committee.

Internal audit may also evaluate specific operations at the request of the Audit & Accounts Committee or Senior Management, as appropriate.

### **Fraud**

Managing the risk of fraud is the responsibility of line management. The Section 151 Officer has specific responsibilities in relation to the detection and investigation of fraud and may request internal audit to assist with the investigation of suspected fraud or corruption. The relationship between the council's corporate fraud team; the corporate fraud lead; the Head of Internal Audit; the Section 151 Officer; Legal Services and HR is to be set out in a fraud response plan.

Internal audit will provide support for the Council's Anti-Fraud & Anti-Corruption Strategy and will investigate significant matters that are reported to them. The Head of Internal Audit will ensure awareness of all serious suspected or detected fraud so that the adequacy of the relevant controls for the opinion on the internal control environment can be considered.

Whilst it is not a primary role of internal audit to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. Internal audit can do additional work, although it cannot be prejudicial to this primary role. Typical activities may include:

- investigating the cause of fraud;
- responding to whistleblowers;
- considering fraud in every audit;
- making recommendations to improve processes; and
- review fraud prevention controls and detection processes put in place by management.

## **9. Internal Audit Plan**

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The Head of Internal Audit should develop and maintain a strategy for providing the Section 151 Officer economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the council's risk management, governance and internal control arrangements

At least annually, the Head of Internal Audit will submit to the Audit & Accounts Committee a risk-based Internal Audit Plan for review and approval, including risk assessment criteria. The Internal Audit Plan will include timing as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of any resource limitations or significant changes to Senior Management and the Audit & Accounts Committee.

The Internal Audit Plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of Senior Management and the Audit & Accounts Committee. The plan will be discussed with appropriate Senior Management prior to submission to the Audit & Accounts Committee for approval.

The Head of Internal Audit will review and adjust the internal audit plan, as necessary, in response to changes in council's business, risks, operations, programmes, systems and controls. Any significant deviation from the approved Internal Audit Plan will be communicated through the periodic activity reporting process. These activities will all combine to assist the Head of Internal Audit in the production of an annual report and annual audit opinion on the council's control environment, as required by the Standards.

### **10. Scope of Internal Audit Work – Opinion Work**

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

#### **Governance**

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

- promoting appropriate ethics and values within the organisation;
- ensuring effective organisational performance management and accountability;
- communicating risk and control information to appropriate areas of the organisation; and
- co-ordinating the activities of and communicating information among the Audit and Accounts Committee, external and internal auditors and management.

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### **Risk Management**

In order to prepare the risk-based audit plan, the Head of Internal Audit undertakes a review of the council's risk registers, and has discussions with Strategic Directors of Service Groups.

A risk assessment is undertaken by scoring a number of factors, which are weighted to give an overall risk score. The resultant Internal Audit Plan will provide for:

- the balance of the range of reviews and sufficient coverage to ensure that External Audit can consider the work of internal audit;
- the need to update and review for emerging risks;
- contingency time for ad hoc reviews or fraud investigations;
- sufficient time for audit management including audit planning, development of the annual opinion and attendance at meetings and maintenance of audit policies and procedures;
- staff training and development needs;
- liaison time with other assurance providers to share information, such as the External Auditor;
- assurances provided by other bodies; and
- a proper degree of co-ordination with the plan of the external audit team.

### **Internal Control**

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

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

## **11. Overall Opinions**

The annual report of the Head of Internal Audit is used to inform the Annual Governance Statement. This report must conclude on the overall adequacy and effectiveness of the council's framework of governance, risk management and control giving an overall opinion, summary of the work undertaken to support this opinion (including any reliance placed on work by other assurance providers).

A statement will also be made on the conformance with the PSIAS and the CIIA's Code of Ethics, the results of the quality assurance and improvement program and

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any external assessor's improvement recommendations, disclosure of any impairments or limitations. If an unfavourable opinion is given, the reasons for this must be specified.

A statement will also be made on the conformance with the PSIAS, the results of the quality assurance and improvement program and any external assessor's improvement recommendations, disclosure of any impairments or limitations. If an unfavourable opinion is given, the reasons for this must be specified.

### **12. Non-Opinion Work**

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

The Head of Internal Audit must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. Approval must be sought from the Audit and Accounts Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. The Head of Internal Audit must consider how the consultancy work contributes towards the overall opinion.

### **13. Performance Standards**

Internal audit's prime responsibility is to the council. Where the council activities are undertaken by "partners", internal audit needs to have assurance that risks and controls are being properly managed by those organisations.

In order to give an evidenced based opinion, a minimum level of coverage is required. When planning the work of internal audit, assurances provided by third parties can be considered.

### **14. Audit Delivery**

#### **Engagement Planning**

For each engagement, a Terms of Reference will be prepared, and agreed with relevant managers. The Terms of Reference will establish the objectives, scope and timing for the audit assignment, and reporting requirements.

Audit work is undertaken using a risk based audit approach, which will consider the probability of significant errors, fraud, value for money and non-compliance. Risk categories are used to assess the level of risk within the processes under review.

#### **Performing the Engagement**

Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the review's objectives. This evidence supports their conclusions, professional judgments and recommendations and therefore must be factual and accurate.

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This data is held in compliance with the General Data Protection Regulation and internal audit's Document Retention Policy. Engagements are properly supervised to ensure objectives are achieved, quality is assured and staff is developed.

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

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

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

### **Reporting and Monitoring**

A written report will be prepared including the objective, scope, and the internal auditors' opinion; all material findings, and recommendations and this will be issued by the Head of Internal Audit or designee following the conclusion of each internal audit engagement.

It will be distributed in accordance with internal protocols. Internal audit results will also be communicated to the Audit and Accounts Committee. All reports will be accurate, objective, clear, concise, constructive, complete and timely.

The internal audit report 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 report or provided thereafter of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

If the final communication contains a significant error or omission, the Head of Internal Audit will communicate the corrected information to relevant parties.

Internal audit undertakes a further review of agreed actions by means of Post Implementation Reviews. It is the responsibility of the manager to ensure agreed recommendations are implemented and for them to provide relevant evidence to internal audit.

The findings and results of Post Implementation Reviews are communicated to the Audit and Accounts Committee and used to inform future audit planning.

### **15. Communicating the Acceptance of Risks**

If the Head of Internal Audit concludes that management has accepted a level of risk that may be unacceptable to the organisation, the Head of Internal Audit will discuss the matter with Senior Management. If the Head of Internal Audit determines that the matter has not been resolved, the Head of Internal Audit will communicate the matter to the S151 Officer and Audit and Accounts Committee.

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### **16. Responsibilities of the Council**

The council is responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Section 151 Officer will make appropriate arrangements for the provision of an internal audit service. This will include the formal adoption of this Charter by the Audit & Accounts Committee and the adoption of corresponding elements in the Financial Procedure Rules.

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

The council, through the Chief Executive; Monitoring Officer; Director of Service Reform, Section 151 Officer; and other relevant managers will respond promptly to audit plans, reports and recommendations.

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the council.

### **17. Skills and Competencies**

#### **Head of Internal Audit**

The Head of Internal Audit will be appointed by the council and will have sufficient skill, experience and competencies to work with the leadership team and the Audit & Accounts Committee and influence the risk management, governance and internal control of the council. The Head of Internal Audit must hold a professional qualification (CCAB, CIIA or equivalent) and be suitably experienced.

The Head of Internal Audit is responsible for appointing the staff of internal audit and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills and meet the requirements of the PSIAS. Internal audit maintains an annually updated Training and Development Plan that sets out an ongoing development programme for internal audit staff.

The Head of Internal Audit has responsibility to establish and ensure adherence to policies and procedures designed to guide the internal audit activity. This also includes ensure emerging trends and successful practices in internal auditing are considered.

The Head of Internal Audit has the responsibility to ensure adherence to the council's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit and Accounts Committee

#### **Internal Audit Staff**

Internal audit must be appropriately staffed in terms of grades, qualification levels and experience, having regards to its objectives and to the risk level within the council. Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

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Each job role within the internal audit structure will detail skills and competencies within the approved role profile (job description and person specification). In line with council policy and the PSIAS, each member of the team will be assessed against these predetermined competencies and annual objectives.

Any development and training plans will be regularly reviewed, monitored and agreed with officers. This assessment will also take into account competency changes as needed i.e. to reflect changing technology and legislation.

Auditors are also required to maintain a record of their continual professional development in line with their professional body.

### **18. Periodic Assessment**

The Head of Internal Audit is also responsible for providing, periodically, a self-assessment on the internal audit activity as regards its consistency with the internal audit Charter (purpose, authority, responsibility) and performance relative to its internal audit Plan.

### **19. Quality Assurance and Improvement Programme**

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 PSIAS and the Definition of Internal Auditing 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 identifies opportunities for improvement.

The Head of Internal Audit will communicate to Senior Management and the Audit and Accounts Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years by a qualified, independent assessor or assessment team from outside the council.

### **20. Internal Audit Resources**

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

### **21. Review**

This Charter will be the subject of an annual review by the Head of Internal Audit and will be formally presented to the Audit and Accounts Committee for approval.