

Review of the Internal Audit Terms of Reference

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REASON FOR ITEM

The CIPFA¹ Code of Practice for Internal Audit in Local Government (2006) required the Head of Internal Audit to produce an Audit Strategy and Annual Operational Plan, and to ensure that the Audit Committee receives, understands and approves it.

The previous meeting of this Committee approved the Internal Audit Strategy for 2013/14, but noted that the Terms of Reference would be reviewed. This report takes into account that from April 2013 the current CIPFA Code of Practice has been replaced by new UK standards for internal audit in the public sector, the Public Sector Internal Audit Standards (PSIAS). CIPFA has recently published a Local Government Application Note (the Note) for the PSIAS.

This report presents the results of the review of how the new standards and application note affect the terms of reference for Hillingdon's internal audit service, both in 2013/14 and later years. The review has then provided the material to update the Internal Audit Terms of Reference to ensure it complies with the PSIAS. The new Terms of Reference (Charter) are in Appendix A. The existing Terms of Reference are given in Appendix B with the main differences highlighted and some comment provided.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee should note the change from the CIPFA Code of Practice to the Public Sector Internal Audit Standards, note the changes to the Internal Audit Terms of Reference as a result of the review, and endorse the updated Terms of Reference (Charter).

INFORMATION

1. Changes in the Internal Audit Code and Standards

- 1.1. The Internal Audit Terms of Reference describe the purpose and authority of the council's Internal Audit service, as well as its principal responsibilities and operating methods.
- 1.2 For many years the Terms of Reference took into account CIPFA's Code of Practice for Internal Audit in Local Government and also took due cognisance of

¹ The Chartered Institute of Public Finance and Accountancy

the standards of other bodies, such as the Chartered Institute of Internal Auditors, the Auditing Practices Board and the CCAB².

1.3 In 2012 representatives from CIPFA, other professional bodies and the main public sector organisations in the UK agreed to produce a common standard for all internal audit services across the UK public sector. It is based on the IIA's³ International Standards for the Professional Practice of Internal Auditing, Definition of Internal Auditing and Code of Ethics and is called the Public Sector Internal Audit Standards, PSIAS. It was issued in December 2012. CIPFA published a Local Government Application Note for the PSIAS in April 2013 that clarified how the Standards could apply to local authorities.

1.4 The PSIAS are referenced in two series of thousands under these headings:

Attributes Standards

- 1000 Purpose, Authority and Responsibility
- 1100 Independence and Objectivity
- 1200 Proficiency and Due Professional Care
- 1300 Quality Assurance and Improvement Programme

Performance Standards

- 2000 Managing the Internal Audit Activity
- 2100 Nature of Work
- 2200 Engagement Planning
- 2300 Performing the Engagement
- 2400 Communicating Results
- 2500 Monitoring Progress
- 2600 Communicating the Acceptance of Risks.

2. The Components of the New Standards Framework

2.1. As 1.3 above mentions, the new standards are within a framework of three components:

- a definition of internal auditing
- a code of ethics
- the PSIAS.

Definition of Internal Auditing

2.2. The definition of internal auditing in the CIPFA's Code of Practice for Internal Audit in Local Government (CIPFA Code) was:

'an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the

² Consultative Committee of Accountancy Bodies

³ The Institute of Internal Auditors, a body based in the United States with chapters in many countries

adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.'

2.3. The new PSIAS definition is:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

This definition is essentially similar to the definition in the CIPFA Code, but acknowledges the risk management process and the overall governance framework. This more accurately reflects both internal audit and a modern local authority. The new definition is in the revised Terms of Reference.

Code of Ethics

2.4. There is now a requirement for all internal audit staff to comply with the Code of Ethics that accompanies the PSIAS. The PSIAS (and Local Government Application Note) (the Note) state that 'The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced.'

2.5. The PSIAS and the Note also state that: 'The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace internal auditors' own professional bodies' codes of ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards in Public Life's *Seven Principles of Public Life*.'

2.6. Internal auditors currently sign a simpler ethics declaration upon appointment. To better meet the PSIAS internal auditors will be required to sign annually that they will conform to the Code of Ethics that is part of the PSIAS framework and includes the Nolan principles. The external provider of ICT services will be requested to provide assurance that it ensures its auditors follow the Code of Ethics when carrying out work for the council.

3. The Local Government Context

3.1. The Accounts and Audit (England) Regulations 2011 require a relevant body to '*undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control*'. The Note takes into account the local government context and has clarified with the Department for Communities and Local Government (CLG) that the PSIAS and Note together constitute proper practices in this regard.

3.2. There is a terminological issue, due to the global nature of the Standards, which refer often to 'the board' and 'senior management'. The Note says that:

'the terms 'board' and 'senior management' must be interpreted in the context of the governance arrangements within each individual organisation' and

‘It is expected that the audit committee, where one exists, will fulfil the role of the board in the majority of instances’,
but that each organisation should decide how to interpret these terms in each context that they arise.

- 3.3. The PSIAS and Note use the term ‘chief audit executive’ (CAE) throughout, but the Note acknowledges that the term only describes a role that the PSIAS glossary states can vary across organisations. Clearly in the council’s context that role is currently termed the ‘Head of Internal Audit’.
- 3.4. The PSIAS requires there to be an internal audit charter. This fulfils the same role as the current Terms of Reference, therefore the updated Terms of Reference are called Terms of Reference (Charter).
- 3.5. The Note acknowledges the particular context of local authorities, including the following:
 - Accounts and Audit (England) Regulations 2011
 - Section 151 of the Local Government Act 1972
 - CIPFA Statement on the Role of the Chief Financial Officer in Local Government
 - CIPFA’s Statement on the Role of the Head of Internal Audit (2010).

4. Main Changes between the Code and the PSIAS

- 4.1. The differences between the CIPFA Code and the new PSIAS are not fundamental and mainly concern differences in emphasis, terminology, assurance and review mechanisms. The new Terms of Reference (Charter) are in Appendix A. The existing Terms of Reference are given in Appendix B with the main differences highlighted and some comments provided.
- 4.2. The Note takes into account the PSIAS as well as the CIPFA’s *Statement on the Role of the Head of Internal Audit (2010)* when it says ‘CIPFA and the IIA expect that the CAE should not report administratively to or be managed at a lower organisational level than the corporate management team’.
- 4.3. An example given in the PSIAS that functional reporting may include the board approving the remuneration of the CAE. However, the public sector interpretation recognises that in the UK public sector, it would be unusual for the board to carry out such a role, although it may be the case depending on the form of internal audit provision (for example if it is supplied by contractors or a partnership). The Note acknowledges that remuneration decisions within individual organisations will depend on the arrangements within the local authority.
- 4.4. The PSIAS have a narrower definition of ‘conflict of interest’ than was previously set out in the 2006 Code; conflicts of interest, whether real or perceived, are something that should be avoided at all times, whereas in the 2006 Code they were something that could be avoided or managed. The auditor ethics declaration referred to in 2.6 above takes these considerations into account.

- 4.5. The Note comments that ‘good working relationships with management can enhance internal audit’s ability to achieve its objectives, these must not detract from internal audit’s responsibility to report control issues to management and the board’.
- 4.6. The Quality Assurance and Improvement Programme (QAIP) described in the PSIAS is a new specific standards requirement for local authorities, but equates to the processes necessary to conduct a review of the effectiveness of its internal audit at least annually, as required by Accounts and Audit (England) Regulations 2011 section 6(3). The QAIP must include both internal and external assessments: internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years – this currently is less rigorous than the practice at Hillingdon. However, the need to disclose non-conformance with the standards is more rigorous than currently. In practice the QAIP is likely to consist of:
- on-going quality reviews of individual audits to standards
 - PADAs reflecting the change to PSIAS
 - quarterly audit management reviews of service output
 - annual reviews of the effectiveness of the service.
- 4.7. The PSIAS recognises that delivery of the internal audit function could include external provision. Hillingdon Internal Audit currently use a contractor for technical ICT audits and this aspect of work falls within the standards.
- 4.8. In general the PSIAS has less detail than the CIPFA Code on officer management arrangements but places more emphasis on independence of the audit function and its reporting as well as on personal professionalism. The PSIAS also contains more detail on the role of internal audit in risk management, reflecting current practice.

5. Review of the Terms of Reference against the PSIAS

- 5.1. The Head of Internal Audit has reviewed the existing Terms of Reference against the PSIAS and the CIPFA Local Government Application Note for the PSIAS (the Note). The Terms of Reference have been updated with the PSIAS expressly in mind.
- 5.2. The other significant factor affecting the updating of the Terms of Reference is the separation during 2012/13 of the internal audit, corporate investigations and planning enforcement functions. Having an internal audit service with no other responsibilities enables a more precise fit with the PSIAS.
- 5.3. As referred to in 4.3 above, “Governance requirements in the UK public sector would not generally involve the board approving the CAE’s remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance

appraisal of the CAE and that feedback is also sought from the chair of the audit committee.” The Terms of Reference (Charter) (5.3) takes this into account by including ‘both the Chief Executive and the Chairman of the Audit Committee contribute to and/or review the appraisal of the Head of Internal Audit’.

6. Revised Internal Audit Terms of Reference (Charter)

- 6.1. The review of the current terms of reference has informed the revised terms of reference (charter), attached as **Appendix A**. The existing terms of reference are given in **Appendix B**, with the main differences highlighted and some comments provided.
- 6.2. The PSIAS are sourced from international standards and contain universal terms that occasionally need defining specifically for local authorities. The PSIAS refers to ‘the board’ as “the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.” It also refers to ‘senior management’. The Terms of Reference (Charter) have interpreted this to mean the Audit Committee and Corporate Management Team respectively.

BACKGROUND PAPERS

NIL

London Borough of Hillingdon Internal Audit Terms of Reference (Charter)

1. INTRODUCTION

1.1. These Terms of Reference (Charter) describes the purpose, authority, and principal responsibilities and operating methods of the council's Internal Audit service. The service adopted the mandatory Public Sector Internal Audit Standards on 1st April 2013.

2. DEFINITION OF INTERNAL AUDITING

2.1. The Public Sector Internal Audit Standards (PSIAS) defines internal auditing as *“an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

3. PURPOSE

3.1. Hillingdon's Internal Audit section provides internal auditing services to the council with the objective of successfully carrying out internal auditing to the above standards to add significantly to the assurance and governance processes. The service also works closely with the Corporate Fraud team to provide a range of anti-fraud measures, in order to prevent fraud from occurring and to investigate instances of suspected fraud.

3.2 Internal Audit provides independent and objective assurance to the organisation, its members and directors, and in particular to the Director of Finance as S151 officer, regarding the proper administration of the Council's financial affairs.

4. AUTHORITY

4.1. The statutory basis for Internal Audit is the Accounts and Audit (England) Regulations 2011 which states that *‘A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control’* (6 (1)). Currently the PSIAS and the CIPFA Local Government Application Note (April 2013) constitute proper practices. Internal Audit's remit extends to the entire control and governance environment of the organisation.

5. INDEPENDENCE

5.1. The Head of Internal Audit is independent of other responsibilities, has line reporting responsibilities to the Director of Finance (the Section 151 officer) and has unrestricted access to the Chief Executive, the Council's monitoring officer, the Leader of the Council, the Audit Committee and its independent chairman, the external auditors to the Council. Internal Audit's authority is derived from the Constitution, in particular Financial Regulations and Rules, and also policies, procedures, rules and regulations established

by the Council. This independence is confirmed annually by the review of these Terms of Reference.

5.2. The authority for the production and execution of the audit plan and subsequent audit activities rests with the Head of Internal Audit. The annual audit plan is presented for approval to the Council's Management Team and to the Audit Committee. The Head of Internal Audit provides an annual opinion on internal control based on the year's work and contributes to the preparation of the Council's Annual Governance Statement.

5.3. The independence of the Head of Internal Audit is further safeguarded by ensuring that his/her annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chairman of the Audit Committee contribute to and/or review the appraisal of the Head of Internal Audit.

5.4. It is not envisaged that internal audit staff will carry out any non-audit duties. However if the situation were to arise, the Head of Internal Audit would discuss with the Chairman of the Audit Committee what safeguards would be required to maintain overall independence.

6. ACCESS

6.1. Statutory access derives from the Accounts and Audit (England) Regulations 2011 part 2.6.(2):

Any officer or member of a relevant body must, if the body requires:

- a) Make available such documents and records as appear to that body to be necessary for the purposes of the audit; and,*
- b) Supply the body with such information and explanation as that body considers necessary for that purpose.*

6.2. Such access shall be granted on demand and not necessarily be subject to prior notice. To meet its objectives, Internal Audit shall have unrestricted access to all Council records (on manual and computerised systems), cash, stores and other property, and to enter Council property or land, and it has the authority to obtain such information and explanations as it feel necessary to fulfil its responsibilities.

7. RESPONSIBILITIES

7.1. Directors and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

7.2. It is the responsibility of all staff to notify the Head of Internal Audit or the Corporate Fraud Manager of all suspected or detected fraud, corruption or impropriety.

7.3. Internal Audit has a responsibility to provide a high quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources. Its activities include:

- a. deploying a systematic standards-based approach to evaluate and improve the effectiveness of risk management, internal control and governance processes

- b. reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information
- c. providing assurance to management that the council's operations are being conducted in accordance with external regulations, legislation, and internal policies and procedures
- d. contributing to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011
- e. reporting the results of audits and investigations to heads of service and directors and agreeing responses to recommendations made
- f. reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- g. appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assignments
- h. co-ordinating with the work of the external auditors for audit planning and assisting the external auditors as required
- i. promoting anti-fraud and anti-corruption practices and assist management or the Corporate Fraud Investigation team in the investigation of loss, fraud, corruption and bribery
- j. engaging in the process of gathering and assessing evidence for the Annual Governance Statement
- k. maintaining good working relationships with officers at all levels, members, external auditors and any other external review agencies.

7.4. In meeting its responsibilities, Internal Audit will exercise due professional care. Its activities will be conducted in accordance with Council strategic objectives, established policies and procedures and will comply with the PSIAS and its Code of Ethics, including the Nolan Principles (Seven Principles of Public Life). There is a Quality Assurance and Improvement Programme that includes an annual review of effectiveness of the service and on-going performance monitoring. There is an external assessment at least every five years.

7.5. There will be a regular rotation of staff between audit areas and unless there are clear operational reasons staff will not audit the same area more than twice in succession. Auditors will not be assigned to audit an area where they have:

- undertaken operational duties within the previous three years, or
- declared a relationship or other interest.

7.6. Internal Audit may, in line with the PSIAS, engage in consulting activities including advice, facilitation, and training. Internal Audit may accept proposed consulting engagements based on the engagement's potential to improve management of risks, add value or improve the organisation's operations but will not assume management responsibility or decision-making. Any such assignment must not cause a conflict of interest with the audit work programme.

7.7. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

7.8. Internal Audit may at times need to promote the understanding that the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

REPORTING

8.1. To ensure the proper discharge of its responsibility and meet the PSIAS, Internal Audit reports to the top of the organisation – usually the Corporate Management Team and Audit Committee – by:

- a. preparing the risk-based annual strategy and plan
- b. reviewing the Terms of Reference and the effectiveness of the internal audit service, including the adequacy of internal audit resources
- c. reporting quarterly on progress against plan, completed audits, monitoring the implementation of recommendations and highlighting any risk not found to be adequately addressed
- d. providing an annual assurance opinion based on audit work carried out
- e. reporting jointly with the Corporate Fraud team on anti-fraud activity.

9. RESOURCES

9.1. Internal Audit resources will be determined by the Director of Finance, after consulting annually with the Chairman of the Audit Committee, who will also need to ensure compliance with the Accounts and Audit (England) Regulations 2011 Part 2, 4-(1):

The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

9.2. The internal audit staffing structure will comprise suitable qualified posts, including trainees, to reflect the needs of the organisation. Resources may be bought in for specific specialist areas such as ICT audit.

10. DEFINITIONS

10.1 The PSIAS are sourced from international standards and contain universal terms that occasionally need defining specifically for local authorities. The PSIAS refers to 'the board' as "The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation." It also refers to

'senior management'. These Terms of Reference (Charter) have interpreted this to mean the Audit Committee and Corporate Management Team respectively.

Revised and approved by the Audit Committee June 2013

**Existing Terms of Reference
(main changes highlighted and comment provided)**

**London Borough of Hillingdon
Internal Audit Terms of Reference**

1. PURPOSE

1.1. This Terms of Reference describes the purpose, authority, and principal responsibilities and operating methods of the council's Internal Audit Section.

2. DEFINITION OF INTERNAL AUDIT

2.1. The CIPFA Code of Practice for Internal Audit in Local Government (2003) defines Internal Audit as *'an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.'* [comment: replaced by new definition]

3. PURPOSE

3.1. Internal Audit is an independent appraisal function established within the Council to examine and evaluate activities as a service to the organisation and to contribute advice at an early stage in the implementation of any developments/amendments to processes. The objective of Internal Audit is to assist elected members and officers of the Council in the effective discharge of their responsibilities. To this end, Internal Audit will furnish them with analysis, appraisals, recommendations, advice and information concerning the activities reviewed. [comment: reworded to reflect the new standard and anti-fraud role]

4. AUTHORITY

4.1. The statutory basis for Internal Audit is the Accounts and Audit Regulations 2011, which require that a "relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control." Proper internal Audit Practices are defined in the *Code of Practice for Internal Audit in Local Government in the UK*. [comment: reworded to reflect the new standard and Application Note]

4.2. Internal Audit Section takes due cognisance of the standards promoted by other bodies such as the Institute of Internal Auditors (IIA), Auditing Practices Board (APB) and the CCAB accounting bodies. [comment: not now needed]

5. INDEPENDENCE

5.1. The Head of Internal Audit reports to the Deputy Chief Executive and Corporate Director Central Services and has unrestricted access to the External Auditors, Chief Executive, the S151 Officer, Independent Members of the Audit Committee, Leader of the Council and to members through the Audit Committee. Internal Audit's authority is defined in statute and internally is derived from policies, procedures, rules and regulations established by the Council. This includes these terms of reference, Financial Regulations, Conditions of Service, and Code of Conduct.

5.2. The authority for the production and execution of the audit plan and subsequent audit activities rests with the Head of Internal Audit. The annual audit plan will be presented for approval to the Council's Corporate Management Team (CMT) and to the elected members via the Audit Committee. Based on the work carried out the Head of Internal Audit will produce an Annual Audit Opinion on the systems and controls operating in the year.

5.3. The Head of Internal Audit will also report to the Annual Governance Statement Working Group any audit issues likely to merit inclusion in the statement and contribute to the Audit Committee's Annual Report to the Council.

5.4. The Head of Audit has operational duties in respect of Corporate Fraud and Planning Enforcement. Where audits are required in these areas the Terms of Reference for the audits will be discussed with and all finding will be reported directly to the Deputy Chief Executive and Corporate Director Central Services, prior to the implementation by the Head of Audit. *[comment: deleted - not now applicable and replaced by general principles for non-audit work]*

6. ACCESS

6.1. Statutory access derives for the Accounts and Audit regulations 2011, part 2 6.(2) which state

Any officer or member of a relevant body must, if the body requires-

- c) Make available such documents and records as appear to that body to be necessary for the purposes of the audit; and,*
- d) Supply the body with such information and explanation as that body considers necessary for that purpose.*

6.2. To meet its objectives, Internal Audit shall have unrestricted access to all Council records (whether manual or computerised systems), cash, stores and other property, and to enter Council property or land. Such access shall be granted on demand and not subject to prior notice. Internal Audit will have the authority to obtain such information and explanations as it feel necessary to fulfil its responsibilities.

7. RESPONSIBILITIES

7.1. Service Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Services.

7.2. Internal Audit responsibilities include but are not limited to:

- a. Examining and evaluating the adequacy of the Council's system of internal control;
- b. Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- c. Reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- d. Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- e. Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assignments;
- f. Co-ordinating with the work of the external auditors for audit planning and assisting the external auditors as required;
- g. Working in partnership with other bodies to secure robust internal control that protects the Council's interests.
- h. Promote anti-fraud and anti-corruption practices and assist management in the investigation of fraud/corruption and other irregularities.
- i. Engage in the process of gathering and assessing the evidence for the assessment of the control environment thereby contributing to the production of the Annual Governance Statement

[comment: a), c) and i) broadened beyond internal control]

7.3. In meeting its responsibilities, Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures. In addition, Internal Auditors shall comply with the Code of Ethics and the Code of Practice for Internal Audit in Local Government promulgated by the Chartered Institute of Public Finance and Accountancy and other such professional bodies of which internal auditors are members. *[comment: reworded to reflect the new standard]*

7.4. There will be a regular rotation of staff between audit areas and unless there are clear operational reasons staff will not audit the same area more than twice in succession. Auditors will not be assigned to audit an area where they have;

- undertaken operational duties within the previous three years.
- declared a relationship or other interest

7.5. In line with the International Standards internal audit may engage in consulting activities including, advice, facilitation, and training. Internal Audit will accept proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organisation's operations but will not assume management responsibility or decision-making. For significant pieces of work a specific

written understanding as to the objectives, scope, respective responsibilities, and other expectations will be reached with managers. Such agreements will ensure that there is a clear separation of the role of Internal Audit from the decision making process.
[comment: reworded to relate directly to the PSIAS, also sentence removed]

7.6. In order to ensure the proper discharge of its responsibility, Internal Audit will:-

- a. Prepare the strategic and annual plan for approval by the Corporate Management Team, taking into account the risks of service departments.
- b. Conduct audits in accordance with established and best practice, as enshrined in CIPFA's Internal Audit Manual, which has been supplemented by internal procedures.
- c. Promptly consult and report its findings to the relevant level of management, including members as necessary, making recommendations for improvements where weaknesses are identified.
- d. Monitor the progress of implementation of recommendations and report this to members. It is for management to accept and implement internal audit findings and recommendations or to accept the risk resulting from taking no action. However, it is for the Head of Internal Auditor to bring to the attention of management and/or members any risk they feel is not being adequately addressed.
- e. Educate the organisation to understand that the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- f. Maintain good working relationships with officers at all levels, Members, External Auditors and any other external review agencies.
- g. Make adequate arrangements for the monitoring and review of audit work to deliver a quality audit service.

[comment: this is now a separate section on reporting with a) to e) simplified, and f) is now 7.3(k), and g) is in 7.4]

8. RESOURCES

8.1. Internal Audit resources will be determined by the Deputy Chief Executive Central Services and S151 Officer acting on behalf of the members of the Audit Committee and will reflect the corporate needs of the council. *[comment: reworded to reflect the new standard and reporting lines]* Resources will also reflect the need to allow the S151 Officer to discharge his obligations and the council to discharge its obligations under the Accounts and Audit Regulations 2011 Part 2, 4-(1).

The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

8.2. The staffing structure will comprise suitable qualified posts with a mix of professional specialisms to reflect the needs of the organisation. Resources may be bought in for specific specialisms such as IT audit. [comment: reworded]