

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Trafford Metropolitan Borough Council's
Internal Audit Service

Final Report

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Trafford Metropolitan Borough Council's Internal Audit Service

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1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service's own self-assessment at least once in a five-year period.

2. Background

- 2.1 The Internal Audit Service provides internal audit and consultancy services to Trafford Metropolitan Borough Council. The Chief Audit Executive is the Council's Audit and Assurance Manager. He is supported by a Principal Audit and Assurance Team Leader, a Principal Audit and Assurance Officer, and three Senior Audit and Assurance Officer posts (one of which was vacant at the time of the EQA).
- 2.2 The Audit and Assurance Manager is an experienced internal audit professional who is a CCAB accountant (CIPFA). The Principal Audit and Assurance Team Leader is also an experienced internal audit professional and is also a CCAB accountant (ACCA) who recently obtained the CISA qualification. The Principal Audit and Assurance Officer holds AAT, CIPFA Counter Fraud and CIPFA Diploma in Public Audit qualifications, whilst the Senior Audit and Assurance Officers hold Chartered Institute of Internal Audit qualifications. One of the Senior Audit and Assurance Officers also gained the CIPFA Diploma in Public Audit.
- 2.3 From an operational perspective, the Internal Audit Service is part of the Finance and Systems Directorate and the Audit and Assurance Manager reports directly to the Director of Finance and Systems, who is the Council's Section 151 Officer. The Audit and Assurance Manager meets frequently with the Section 151 Officer and attends regular meetings of the Finance and Systems Directorate Management Team. He also attends meetings through the year with the External Auditor and the Council's Monitoring Officer. He attends all meetings of the Council's Accounts and Audit Committee and has direct access to the Chair of the Committee. Regular reports on the audit plan, progress on delivering the plan and the annual opinion and outturn, are made to the Corporate Leadership Team and the Accounts and Audit Committee. In addition to relevant senior and service management, the Chief Executive and relevant Executive Portfolio holder receive a copy of all audit opinion reports.
- 2.4 The Internal Audit Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment (EQA) that they have commissioned, the previous one being in 2018 and was also undertaken by CIPFA.
- 2.5 Internal Audit has an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy assignment and is cross referenced to the PSIAS and the LGAN. The Service uses standard templates for all terms of reference, engagement working papers, testing schedules, and audit reports, with completed documents retained in the Service's dedicated network drive. Supervision of the engagements takes place at every stage of the process and is recorded on the appropriate documentation.
- 2.6 There is a quality assurance process in place that includes internal and external quality assessments of the Service, reviews of live engagements, a post-audit client feedback survey, and final clearance of all completed reports by the Audit and Assurance Manager, all of which feed into the Internal Audit Service's Quality Assurance and Improvement Programme (QAIP).

3. Validation Process

- 3.1 This validation of the Service's self-assessment comprised a combination of a review of the evidence provided by Internal Audit; a review of a sample of completed internal audits; a survey that was sent to and completed by a range of stakeholders; and interviews with key stakeholders, using MS Teams. The interviews focussed on determining the strengths and weaknesses of Internal Audit and assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- 3.2 The Internal Audit Service provided a comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review. These documents included the:
- self-assessment against the standards;
 - quality assurance and improvement plan (QAIP);
 - evidence file to support the self-assessment;
 - the audit charter;
 - the annual report and opinions
 - the audit plan and strategy;
 - audit procedures manual;
 - a range of documents and records relating to the team members;
 - progress and other reports to the Accounts and Audit Committee.

All the above documents were examined during this EQA.

- 3.3 The main phase of the validation process was carried out during the week commencing 20 March 2023, with further work and interviews undertaken during the following weeks. This phase of the EQA involved a review of a sample of audit files and interviews with a wide sample of key stakeholders. Overall, the feedback from the interviewees was positive with clients valuing the professional, knowledgeable, and objective way the Internal Audit Service delivered their services.
- 3.4 A survey was sent to a range of key stakeholders and the results analysed during the review. Details of the survey findings have been provided to the Audit and Assurance Manager and a summary table has been included in this report.
- 3.5 The assessor reviewed examples of completed audits, to confirm his understanding of the audit process used at the Council, and to determine how Internal Audit has applied the PSIAS and LGAN in practice.

4. Opinion

It is our opinion that the self-assessment for the Trafford Metropolitan Borough Council's Internal Audit Service is accurate, and we therefore conclude that the Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

- 4.1 The table below shows the Internal Audit Service’s level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Generally Conforms
Core principles	Generally Conforms
Code of ethics	Generally Conforms
Attribute standard 1000 – Purpose, Authority and Responsibility	Generally Conforms
Attribute standard 1100 – Independence and Objectivity	Generally Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Generally Conforms
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Generally Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Generally Conforms
Performance standard 2100 – Nature of Work	Generally Conforms
Performance standard 2200 – Engagement Planning	Generally Conforms
Performance standard 2300 – Performing the Engagement	Generally Conforms
Performance standard 2400 – Communicating Results	Generally Conforms
Performance standard 2500 – Monitoring Progress	Generally Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Generally Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an Internal Audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in Internal Audit's procedures and working methodologies and they are a very competent, experienced, and professional Service that conforms to all ten elements of the Core Principles.

5.3 Code of Ethics

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that the Internal Audit Service conforms to the Code of Ethics, and this is embedded in their procedures, and their audit methodologies. The code of ethics is part of their overarching culture and underpins the way the Service operates.

5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility

The purpose, authority and responsibility of the Internal Audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

There is an audit charter in place, and this is reviewed on an annual basis. We reviewed this document and found it to be comprehensive and well written and contains all of the elements that the PSIAS expects to be included in an audit charter. We are satisfied that the Internal Audit Service conforms to attribute standard 1000 and the LGAN.

5.5 Attribute Standard 1100 – Independence and Objectivity

Standard 1100 states that the Internal Audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of any Internal Audit Service's culture. The Audit and Assurance Manager reports in his own name directly to the Corporate Leadership Team and to the Accounts and Audit Committee. All employees declare any potential impairment to their independence or objectivity on an annual basis.

We have reviewed the Internal Audit Service's procedures and their standard documentation; their quality assurance and improvement plan; and a small sample of completed audit files. We have also reviewed their reporting lines and their positioning within the organisation. The Audit and Assurance Manager does not currently have responsibilities for functions other than Internal Audit, although this will change in July 2023 when the Council's Counter Fraud function will be transferred to the Audit and Assurance Manager. At this point the audit charter should be revised to reflect the changed management responsibilities and should include the safeguards that are in

place to maintain his independence and objectivity. The audit charter includes a section on the independence and objectivity of the Internal Audit Service, including the process that will be followed should there be any impairment to the independence of the Audit and Assurance Manager or the Service as a whole. Where there have not been any impairments, it is good practice to include a statement confirming this in the Audit and Assurance Manager's annual report.

We have made two advisory suggestions regarding these observations in section 9 of this report. We are however satisfied that the Internal Audit Service conforms with attribute standard 1100 and the LGAN.

5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

Attribute standard 1200 requires the Internal Audit Services' engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that the Internal Audit Service has a professional, experienced, and suitably qualified workforce. The Audit and Assurance Manager is an experienced internal audit professional who is a CCAB accountant (CIPFA). The Principal Audit and Assurance Team Leader is also an experienced internal audit professional and is also a CCAB accountant (ACCA) who recently obtained the CISA qualification. The Principal Audit and Assurance Officer holds AAT, CIPFA Counter Fraud and CIPFA Diploma in Public Audit qualifications whilst the Senior Audit and Assurance Officers hold Chartered Institute of Internal Auditor qualifications. One of the Senior Auditors also gained the CIPFA Diploma in Public Audit.

From our discussions with the Audit and Assurance Manager, it is evident that Internal Audit are struggling to fill the vacant Senior Audit and Assurance Officer post in its structure, largely due to the dire shortage nationally of qualified and experienced internal auditors and finance professionals wanting to work in the public sector. Occasionally internal audit services manage to find a suitably qualified and experienced candidate for a vacant post, but in the current climate this is often not the case, and as such internal audit services are having to explore alternative solutions.

While there is no quick solution to resolving this issue, a longer-term solution would be to consider introducing a career graded trainee or apprentice post to Internal Audit's structure with the post holder following one of the recognised training or apprenticeship programmes, such as the Accounting Technicians or the Institute of Internal Auditors Apprenticeship schemes, or the CIPFA graduate training programme if they hold a higher education qualification. These apprentice or trainee posts could be dedicated to Internal Audit, or they could be part of a wider trainee scheme for the Directorate as a whole. Consideration could also be given to having secondees to the Service from other parts of the Council, or even undergraduate work placements from one of the universities. To assist with this process, we suggest that in addition to steps planned to fill the vacant post, the Audit and Assurance Manager considers succession planning for the other posts (as the Service has a mature workforce), that includes a skills and competencies matrix for the career graded trainee or apprentice posts, based on the CIPFA guide "The Excellent Internal Auditor, Good Practice Guide to Skills and Competencies". We have included an action relating to this in section 9 of this report.

The Service has a contract with another Greater Manchester Local Authority for specialist IT audit services, although, all the Team members have sufficient knowledge of the operation of high-level IT controls that they can incorporate these in their testing for the audits they undertake.

The Standards require internal audit services to consider the use of data analytics when performing their audit reviews. The Service has a licence for the IDEA data analytics software and has started to make use of this tool when they are performing audits, with

the Principal Audit and Assurance Team Leader having the greatest knowledge of the IDEA application. The Service has a data analytics strategy in place which sets out how they will develop the use of data analytics within the Council, including the use of other tools such as Power BI. Notwithstanding the above, there is an opportunity to further broaden the use of data analytics by making use of external sources of data for benchmarking purposes, such as the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Council should already have access to. These are now adaptable tools that should not be overlooked, particularly when auditors are preparing the terms of reference for audits as benchmarking can highlight areas where there may be scope to add value to the Council's operations, or at least challenge the current thinking. We have included this as an advisory action for management to consider in section 9 of this report.

It is evident from this review that the Internal Audit Service's employees are experienced and well qualified and perform their duties with due professional care. We are therefore satisfied that the Internal Audit Service complies with attribute standard 1200 and the LGAN.

5.7 Attribute Standard 1300 – Quality Assurance and Improvement Programmes

This standard requires the Head of Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

The Internal Audit Service has developed an effective quality assurance process which feeds into their quality assurance and improvement programme that ensures engagements are performed to a high standard. Supervision of audit engagements is carried out at all stages of the audit. Evidence of the supervision is recorded throughout the audit process and recorded in the audit files. The Service uses post audit client satisfaction surveys for every audit they undertake, and in addition to the quinquennial EQA, carry out annual self-assessments of their conformance to the Standards and the LGAN. All these feed into the Service's quality assurance and improvement plan (QAIP). Updates on completing the actions in the QAIP are made to the Accounts and Audit Committee although the information provided is limited and could be enhanced to provide the Committee with a greater understanding of how the Service is improving. We have included this observation in the action plan at section 9 of this report as an advisory action for management to consider.

We have examined the supporting evidence provided by the Internal Audit Service during this EQA and notwithstanding the observation above, we are satisfied that they conform to attribute standard 1300 and the LGAN.

5.8 Performance Standard 2000 – Managing the Internal Audit Activity

The remit of this standard is wide and requires the Chief Audit Executive to manage the Internal Audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when Internal Audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Chief Audit Executive must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit and Risk Committee for their review and approval. The Chief Audit Executive must ensure that Internal Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Chief Audit Executive to establish policies and procedures to guide the Internal Audit activity, and to share information, co-ordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Chief Audit Executive to report periodically to senior management and the Audit Committees on Internal Audit's activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit committee.

The Internal Audit Service has a comprehensive audit manual in place that covers all aspects of the Internal Audit Service.

The Service have developed comprehensive planning processes that take into consideration the Council's risks and objectives; the risk management and governance frameworks; the Council's objectives and priorities; any other relevant and reliable sources of assurance that are available; key issues identified by managers during planning meetings; the Service's own risk and audit needs assessments; and any emerging risks identified through horizon scanning and networking with other organisations. The Service produces a high-level risk-based operational audit plan that is underpinned by a detailed tactical audit plan that is aligned to the Council's objectives and is designed to provide the Council with relevant assurance on their governance, risk management and control frameworks. The audit plan is reviewed and approved by the Corporate Leadership Team and the Accounts and Audit Committee.

Details of the completed audits, together with regular updates on the progress being made on delivering the audit plan and the performance of the Internal Audit Service, are reported regularly to the Corporate Leadership Team and the Accounts and Audit Committee. An annual report and opinion are also issued at the end of the year and presented to the Corporate Leadership Team and the Accounts and Audit Committee.

The clear indication from this EQA is that the Internal Audit Service is managed effectively and conforms to standard 2000 and the LGAN.

5.9 Performance Standard 2100 – Nature of Work

Standard 2100 covers the way the Internal Audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by the Internal Audit Service and is embedded in their working methodologies. During this EQA, we reviewed a sample of completed audits and examined them to see if they conformed to standard 2100, the LGAN and Internal Audit's own methodologies. We found that all the sample audit files examined during the EQA complied with all three.

The clear indication from this EQA is that the Internal Audit Service conforms to performance standard 2100 and the LGAN.

5.10 Performance Standard 2200 – Engagement Planning

Performance standard 2200 requires Internal Auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

The Service has an audit manual and robust supervision processes in place that include engagement planning and meets the requirements of the PSIAS. From the sample of audit files that we examined during the EQA we found that they all conformed to standard 2200, the LGAN, and the Service's own audit procedures, and we therefore conclude that Internal Audit conforms to performance standard 2200 and the LGAN.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that Internal Auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

As we have mentioned above, the Internal Audit Service has an audit manual, sound supervision arrangements, and quality assurance processes in place that meet the requirements of the standards. We reviewed the evidence provided in support of the Service's self-assessment, together with a sample of audit files to see if they conformed to the standards, and Internal Audit's own working methodologies. We found that all the evidence we examined conformed to the standards and Internal Audit's own procedures and methodologies. We therefore conclude that Internal Audit conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires Internal Auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit committee and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".

The Service's procedures and supervision processes cover the communication of results of individual audits and meet the requirements of the PSIAS. During the EQA we reviewed the evidence provided in support of the Service's self-assessment and the audit reports issued for a sample of audits to establish if they conformed to the standards. We found that all the evidence we examined conformed to the standards and Internal Audit's own procedures and methodologies.

We also reviewed the progress and annual reports presented to the Accounts and Audit Committee and found that these also conformed to the standards and the Service's own internal procedures.

We therefore conclude that the Internal Audit Service conforms to performance standard 2400 and the LGAN.

5.13 **Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the Accounts and Audit Committee. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2500 and the LGAN.

5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Chief Audit Executive has concluded that management at the client's services have accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples of this during this review. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

8. Survey results

- 8.1 Overall, the results of the survey of key stakeholders were positive with respondents valuing the services provided by them. The overall number of 'do not agree' responses were very low with most respondents agreeing or partially agreeing with the survey statements. The detailed findings from the survey have been shared with the Audit and Assurance Manager to enable them to explore the responses in more depth. A summary of the survey results is included in this report at Appendix A.

9. Issues for management action

- 9.1 From our review of the Service's self-assessment we have noted there are some operational issues that the Audit and Assurance Manager has already identified, such as updating the audit manual, further development of data analytics, enhancing the Service's staff training programme, and strengthening the Anti-fraud and Corruption arrangements which already form part of the Service's QAIP. We have therefore not included these as actions for management to consider.

We have however identified six advisory issues from this EQA that management need to consider. Five relate to the operation of the service and not the Service's conformance to the standards, and one is a generic issue relating to the future of the PSIAS for the Audit and Assurance Manager to consider. These are all set out in the management action plan at appendix B.

10. Definitions

Level of Conformity	Description
Generally Conforms	The Internal Audit Service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the individual Standard, the element of the Code of Ethics, and the Local Government Application Note in all material respects. This means that there is general conformance to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note, and at least partial conformance to the others.
Partially Conforms	The Internal Audit Service is endeavouring to deliver an effective service however, they are falling short of achieving some of their objectives and/or generally conforming to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note and at least partial conformance to the others. There will usually be significant opportunities to improve the delivery of effective internal audit, and enhance conformance to the Standards, elements of the Code of Ethics, and/or the Local Government Application Note. The Internal Audit Service may be aware of some of these opportunities and the areas they need to develop. Some identified deficiencies may be beyond the control of Internal Audit and may result in actions for Senior Management or the Board of the organisation to address.
Does Not Conform	The Internal Audit Service is not aware of; not making efforts to comply with; or is failing to achieve many/all of the individual Standards, elements of the Code of Ethics, or the Local Government Application Note. These deficiencies will usually have a significant adverse impact on Internal Audit's effectiveness and its potential to add value and are likely to represent significant opportunities for improvement to Internal Audit. Some identified deficiencies may be beyond the control of Internal Audit and may result in recommendations to Senior Management or the Board of the organisation.

Action Priorities	Criteria
High priority	The Internal Audit Service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The Internal Audit Service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within a reasonable time scale, for example six months.

Low priority	The Internal Audit Service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Audit and Assurance Manager and the Principal Auditor in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the Chair of the Accounts and Audit Committees and the key stakeholders that made themselves available for interview during the EQAs and/or completed the survey.

Ray Gard, CPFA, FCCA, FCIIA, DMS

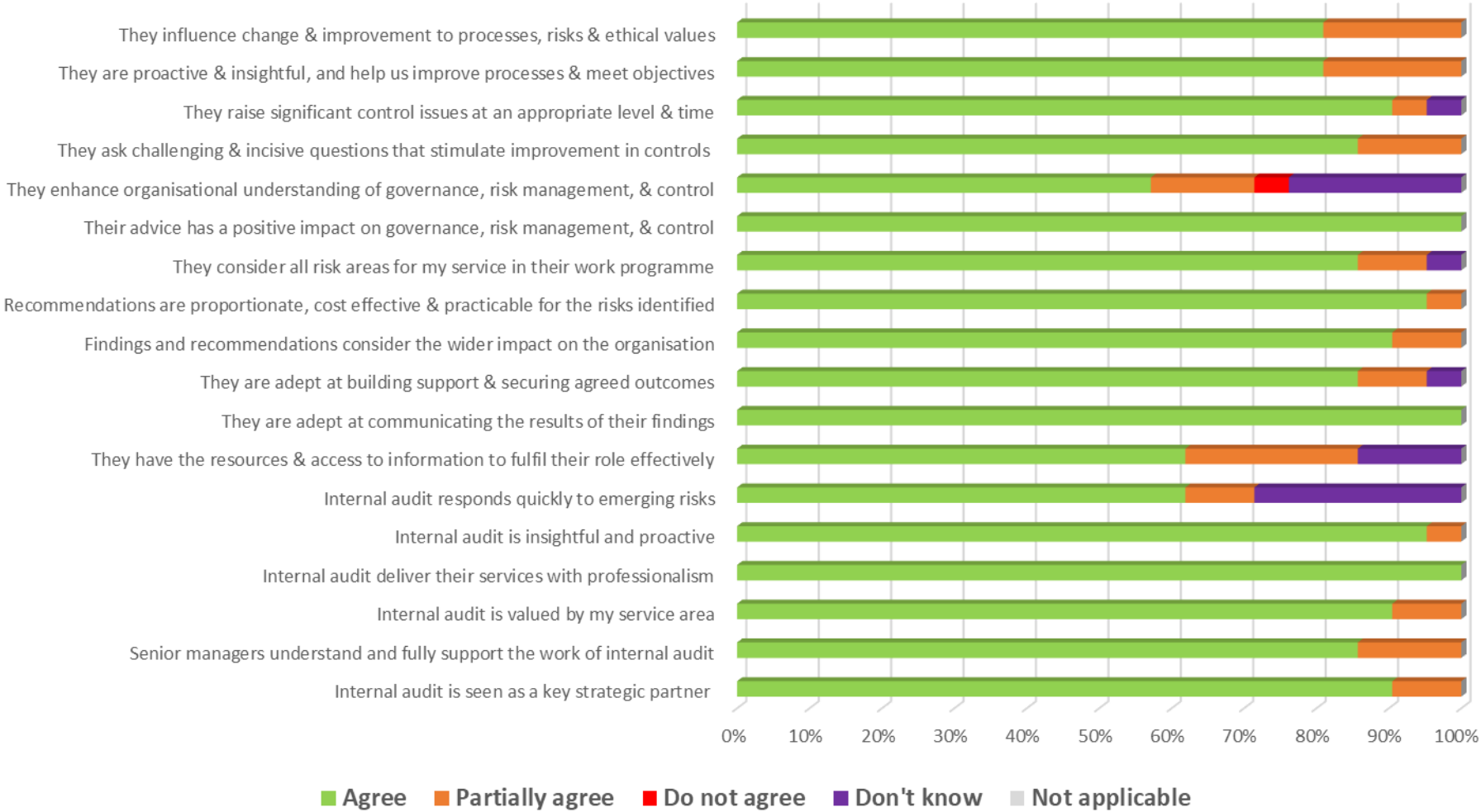
16 May 2023

11. Disclaimer

This report has been prepared by CIPFA at the request of the Trafford Metropolitan Borough Council, and the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided to us. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of Trafford Metropolitan Borough Council's Internal Audit Service, including the Officers and elected Members of the Council, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Trafford Metropolitan Borough Council Internal Audit EQA - Survey Response



Management action plan

1. Revise the audit charter when the Counter Fraud function moves under the Audit and Assurance Manager (Advisory)	
Rationale	Agreed Action
At the time of the EQA, the Audit and Assurance Manager did not have responsibility for functions other than Internal Audit. However, this will change in July 2023 when the Council's Counter Fraud function will be transferred to the Audit and Assurance Manager. Once this change in managerial responsibilities takes place, the Audit and Assurance Manager should revise the audit charter to reflect the current position, and ensure adequate safeguards are in place to maintain his, and the Service's, independence and objectivity.	The Internal Audit Charter is reviewed on a regular basis and approved by the Accounts and Audit Committee. As part of reviewing the Charter in 2023/24, any service changes will be taken into account in updating the document. Internal Audit Charter to be included as an item on the Accounts and Audit Committee work programme for review during 2023/24.
Action Responsibility	Audit and Assurance Manager
Deadline	Internal Audit Charter review to be listed on Accounts and Audit Committee work programme (produced June 2023) with relevant item to be presented to an agreed meeting in 2023/24.

2. Add a statement on impairments to the annual report and opinion (Advisory)	
Rationale	Agreed Action
<p>The audit charter includes a section on the independence and objectivity of the Internal Audit Service, including the process that will be followed should there be an impairment to the independence of the Audit and Assurance Manager or the Service as a whole. The audit charter is however designed to be a forward-looking document, whereas the annual report and opinion is a reflection on the audit year that has just ended. It is therefore good practice to include a statement in the annual report confirming that there have not been any impairments to the independence or objectivity of the Audit and Assurance Managers or the Internal Audit Service. If there has been an impairment, these should be included in the annual report, together with details of the action taken to resolve the issue.</p>	<p>This detail will be incorporated within the 2022/23 Annual Head of Internal Audit Report and future annual reports.</p>
Action Responsibility	Audit and Assurance Manager
Deadline	June 2023

3. Consider introducing trainee or apprentice internal auditor posts to address recruitment issues (Advisory)

Rationale	Agreed Action
<p>Consideration should be given to introducing a career graded trainee or apprentice post to Internal Audit's structure to try and resolve the recruitment problem. The post holder would follow one of the recognised training or apprenticeship programmes, such as the Accounting Technicians or the Institute of Internal Auditors Apprenticeship schemes, or the CIPFA graduate training programme if they hold a higher education qualification. These apprentice or trainee posts could be dedicated to Internal Audit, or they could be part of a wider trainee scheme for the Directorate as a whole. Consideration could also be given to having secondees to the Service from other parts of the Council, or even undergraduate work placements from one of the universities. To assist with this process, we also suggest that in addition to steps planned to fill the vacant post, the Audit and Assurance Manager produces a skills and competencies matrix for the career graded trainee or apprentice posts, based on the CIPFA guide "The Excellent Internal Auditor, Good Practice Guide to Skills and Competencies".</p>	<p>The Service will continue to consider its resource capacity during the year which will include further action to fill the vacant post and consider resources available with future service changes in relation to the transfer of the Counter Fraud team. Taking into account the above developments during the year, the Service will review this issue to consider future action. This includes consideration of grade levels for any vacant posts and career graded trainee or apprenticeship posts, taking into account the relevant CIPFA guidance.</p>
<p>Action Responsibility</p>	<p>Audit and Assurance Manager</p>
<p>Deadline</p>	<p>March 2024</p>

4. Use of benchmarking data when scoping audits (Advisory)	
Rationale	Agreed Action
There is an opportunity to further broaden the use of data analytics by making use of external sources of data for benchmarking purposes, such as the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Council should already have access to. These are now adaptable tools that should not be overlooked, particularly when auditors are preparing the terms of reference for audits as benchmarking can highlight areas where there may be scope to add value to the Council's operations, or at least challenge the current thinking.	Benchmarking is considered as part of some audit reviews, but we will explore the use of available information for future audit work. This will include liaising with financial management regards information available.
Action Responsibility	Audit and Assurance Manager
Deadline	Ongoing action

5. More detailed updates on the QAIP to the Accounts and Audit Committee (Advisory)	
Rationale	Agreed Action
Updates on completing the actions in the QAIP are made to the Accounts and Audit Committee although the information provided is limited and could be enhanced to provide the Committee with a greater understanding of how the Service is improving.	This will be considered as part of future reporting including detail to be reflected in the Annual Head of Internal Audit Report.
Action Responsibility	Audit and Assurance Manager
Deadline	Ongoing action

6. Consultation on the International Professional Practice Framework (IPPF) (Advisory)

Rationale	Agreed Action
Management should be mindful of the fact that a consultation on revising the Institute of Internal Auditors global International Professional Practice Framework (IPPF) which is incorporated into the PSIAS, commenced on 1 March 2023. Whilst this will not impact on the Service's current level of conformance, any changes to the Standards arising from the consultation may affect the Service's conformance in the medium term. It is therefore suggested that the Audit and Assurance Manager considers the contents of the consultation document and keeps a watching brief on the developments to the Standards and how this may impact the Service in the medium term.	The Audit and Assurance Manager will continue to monitor developments regards any future changes in standards to inform the service's approach to support ongoing conformance.
Action Responsibility	Audit and Assurance Manager
Deadline	Ongoing action

