BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	**AUDIT COMMITTEE**
Report of:	**Assistant Director, Audit & Risk Management**
Date of Meeting:	**31st January 2023**
Subject:	**Public Sector Internal Audit Standards – External Quality Assessment**

Wards Affected:	**All**

1.   PURPOSE OF REPORT

1.1   To inform members of the results from the recent Public Sector Internal Audit Standards external quality assessment.

2.   RECOMMENDATIONS

2.1   Members note the results of the external quality review completed by Manchester City Council on behalf of the Council together with the agreed improvement actions.

3.   BACKGROUND

3.1   Under the Accounts and Audit Regulations the Council must maintain an effective system of internal audit to evaluate its risk management, control and governance processes. The requirements of an effective system of Internal Audit are laid out within the Public Sector Internal Audit Standards. The Standards, which became effective from 1st April 2013, set out the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). The standards apply to Internal Audit in all parts of the public sector in the UK and are mandatory. They seek to secure 'a professional, independent and objective internal audit' that makes an effective contribution to governance arrangements. Guidance on the interpretation of the Standards is set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Local Government Application Note (LAGN) 2019.

3.2   The Standards require an external assessment of an organisation's internal audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. At their February 2021 meeting Members agreed the approach, i.e. a Core Cities peer review, together with the Terms of Reference for this external quality assessment.

3.3 The external quality review against the standards has been completed by Manchester City Council. Their report, together with agreed improvement plan, is attached in Appendix A.

3.4 Overall the review team found the self-assessment, evidence provided, and interviews with staff confirmed that Birmingham Audit '**conforms**' with the standards.

3.5 Compliance with the standards is considered to provide a strong platform on which our ambitions can be realised and a strategy and structure developed that enables the service to be even more proactive, risk focused, influential, and effective in supporting the assurance arrangements for the Council.

4. **LEGAL AND RESOURCE IMPLICATIONS**

4.1 The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations 2015. The work is carried out within the approved budget.

5. **RISK MANAGEMENT & EQUALITY ANALYSIS ISSUES**

5.1 Risk Management is an important part of the internal control framework and an assessment of risk is a key factor in the determination of the internal audit plan.

5.2 Equality Analysis has been undertaken on all strategies, policies, functions and services used within Birmingham Audit.

6. **COMPLIANCE ISSUES**

6.1 City Council policies, plans, and strategies have been complied with.

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Report to Birmingham City Council:

Councillor Fred Grindrod, Chair of Audit Committee

Rebecca Hellard, Strategic Director of Council Management

Sarah Dunlavey, Assistant Director Audit & Risk Management

From: Tom Powell, Head of Audit and Risk Management and Richard Thomas, Deputy Head of Audit and Risk Management, Manchester City Council

Date: 22 December 2022

Subject: Birmingham City Council Internal Audit Peer Review 2022

1.   Executive Summary

1.1   Birmingham Audit (BA) provides a range of assurance, investigation, and advisory services to the Council.   The 2022/23 audit plan contains 4,416 days of planned activity and is based around five main cross cutting themes:

- Financial
- Business processes
- IT and information management
- Schools
- Investigations (reactive, proactive, awareness).

BA is led by an Assistant Director and a Principal Group Auditor. In addition to the Assistant Director and Principal Group Auditor there are 17.8 FTE roles in audit, 4 FTE roles in corporate fraud, and 10.32 FTE roles in application fraud and intelligence (predominately covering Social Housing and Council Tax fraud Investigations). The Service is well resourced but is currently attempting to fill a vacancy on the IT Audit Team. One audit post and all social housing Investigators are funded from the Housing Revenue Account.

1.2   The Public Sector Internal Audit Standards (PSIAS) apply to Internal Audit in all parts of the public sector in the UK and are mandatory. The Standards introduced a requirement for an external assessment of an organisation's internal audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.

1.3   Birmingham's previous external assessment against the PSIAS was performed by Bristol City Council in July 2016. In line with the agreed terms of reference a further independent review has been completed by Manchester City Council to validate current compliance.

1.4   The self-assessment against the standards was completed by the Principal Group Auditor, using the 'Checklist for Assessing Conformance with the PSIAS and Local Government Application Note (LGAN) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.5   Our review of a self-assessment provided by BA, evidence provided and interviews with staff confirmed that Birmingham Audit '**conforms**' with the standards. The Service meets the requirements of the Standards and exceeds the basic expectations in several areas, for example in the operation of an information management system that is accredited to ISO 27001 standards and is externally assessed on an annual basis. Interviews with a sample of stakeholders indicate that BA is valued; and makes a positive contribution to the systems of governance, risk management and internal control.

1.6   Birmingham is an ambitious Council and like all local authorities is facing a wide range of risks and issues as it seeks to deliver transformation and lead a post pandemic recovery for the City during a time of severe financial constraint. The Council sets high standards for all services and expects its core systems, frameworks, and governance arrangements to be best in class. There is an expectation from Council leadership that BA takes further steps to maximise its strategic impact; leading the implementation of a strengthened risk and assurance framework, and this presents an opportunity for the Service in developing its approach and strategy.

1.7   At the time of our conformance review, BA were revising the Council's risk management framework and starting to develop a revised assurance framework. The value and importance of this work and of the leadership role of BA in developing best practice risk and assurance monitoring and reporting was clear from stakeholder meetings and was reflected in recommendations to improve stakeholder engagement, strategic positioning and strengthen business partnering that were made in a *Total Impact Review* report commissioned from PricewaterhouseCoopers.

1.8   The PwC review focus aligns with good practice principles outlined in CIPFA's 2022 *Internal Audit – Untapped Potential* report. This report is useful in considering the effectiveness of internal audit and describes that an effective function should provide:

•   good engagement with senior management and the audit committee, while maintaining independence and objectivity.
•   internal audit plans clearly aligned to the topics that are most important for the success of the organisation.
•   timely and meaningful assurance, communicated in a way that is understood by stakeholders.
•   the ability to challenge constructively and the ability to respond to emerging risks or issues and help management find solutions.

- the ability to respond to emerging risks or issues and changing priorities for the organisation.

1.9   BA is operating from a PSIAS compliant base, and we consider that this provides a strong platform from which these ambitions can be realised. Whilst beyond the agreed scope of the PSIAS review we consider that the PwC and CIPFA reports are a good foundation from which to develop a strategy and structure that can enable the service to be even more proactive, risk focused and influential in driving good governance and effective, added value assurance arrangements for the Council.

2.0   Background and Scope

2.1   Internal Audit in the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 2013 (revised 2016 and 2017). The PSIAS require periodic self-assessments of compliance and an independent external assessment to be conducted at least once every five years as part of an ongoing quality assurance and improvement programme.

2.2   This report details the result of the recent external assessment that has been undertaken of Birmingham City Council's Internal Audit Service (BA). A full Terms of Reference outlining the scope of this review can be found at Appendix 1 of this report.

2.3   This peer review has been completed with the co-operation of staff at BA and our thanks is passed onto all those who contributed. Notably, Craig Price, Principal Group Auditor, spent considerable time compiling the self-assessment, providing supporting evidence and arranging interviews with a sample of members of the audit team and key stakeholders, including the Deputy Leader, Chair of the Audit Committee, Chief Executive and Strategic Director of Council Management.

2.4   The previous peer review by Bristol City Council in July 2016 concluded that Birmingham City Council's Internal Audit Service conformed to the requirements of the PSIAS. There were 184 areas within the Standards at that time and only a few partial conformances and non-conformances were identified which required further development. At this latest review management assessed the Service as complaint in all areas (now 115). Some of the aspects of the assessment are subjective and whilst there are a few areas where we might suggest partial conformation, we are nonetheless of the opinion that BA complies with the PSIAS.

2.5   The function has started to consider several initiatives that flow from the PwC Internal Audit Effectiveness – *Total Impact Review*. This review assumed PSIAS compliance and did not test conformity; the focus and intent was to capture and measure the holistic contribution of Internal Audit and identify key areas for development, through consultation with key stakeholders. The findings and resultant recommendations have been considered as context in

terms of our review and there is reference to some of these points in our recommendations in Section 4.

3.0   Detailed findings

3.1   The mission of Internal Audit from the PSIAS is "to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight". PSIAS sets out the definition, principles, ethics, and standards that internal audit are to comply with but allows for variation in how individual audit services do this.

3.2   Compliance with the PSIAS and LGAN provides the foundation for an effective internal audit service. We examined an extensive range of documents provided by BA covering all the requisite paperwork referenced in the 'Checklist for Assessing Conformance with PSIAS and LGAN'. No significant discrepancies were found, and key documents were comprehensively written and recently reviewed. These include the BA Business Plan 2022/23; mid-year and end of year progress reports to Audit Committee; the Audit Charter; papers on strategic risk and the risk management framework; and policy, procedures, and responsibilities.

Key Documents and Approvals

3.3   The Audit Charter was reviewed in June 2022, and we were able to view recordings of Audit Committee and associated agendas to verify approval through the correct channels. The Audit Plan is presented to Audit Committee as is the Annual Report. The Annual Report in June included an assurance to Members over PSIAS compliance. We were able to cross reference the documents to the BA Quality Assurance and Improvement Plan (QAIP).

3.4   Examination of records kept regarding declaration of interests, statements of confidentiality and ethics confirmed these were compliant with PSIAS standards.

Staffing

3.5   Discussions with a selection of BA staff and examination of supporting training records confirmed a significant level of competency and professionalism across the team, ranging from subject matter experts in Counter Fraud, Data Analytics, Computer Audit and Children Services. Records of mandated corporate training and professional qualifications are kept. All staff interviewed were enthusiastic and committed to delivering the BA Business Plan and audits in their areas and each described a good working relationship with clients.

Client Engagement

3.6   BA operates a network of Audit Contact Officers who act as liaison points for client services and directorates. They coordinate client engagement on audit reviews and provide input and intelligence that contributes to audit planning.

We interviewed three of these officers who are contact points for Adult Social Care, City Housing, and IT/Digital. All were knowledgeable about their responsibilities regards BA and their role in progressing audits in a timely manner; from agreeing Audit Planning Memorandum (scopes) and timeframes through to final reports and agreeing recommendations. Workflow is managed through dedicated email boxes.

3.7 We found consistency in the operational approach as outlined in the overarching BA audit protocol document, stipulating that Directors must ensure systems and processes are in place within the service area to allow responses to be provided to audit reports; and for actions to be implemented in accordance with agreed (audit) timescales. Also referenced is the need for Directors and Senior Managers to co-operate fully and promptly with the audit process.

3.8 We found no evidence or suggestion that this protocol was failing in terms of IA plan management, however we did find variations in the way audit management information was being presented back to Directors and Council Leadership Team. This includes information pertaining to progress against plan and tracking outstanding recommendations. Whilst acknowledging the benefits of adapting reports in response to client specific requests, we recommend that consideration be given to standardise the reporting approach as this may be more efficient and effective.

3.9 BA obtain feedback from a process of stakeholder interviews and a director survey conducted by Internal Audit. These are positive processes that provide client insight and input to the audit process. At the last update these processes confirmed that:

- BA advice and guidance provided is trusted and valued;
- strong and effective professional relationships have been established;
- BA is seen as independent and objective;
- BA respond to change and emerging risks;
- recommendations are discussed, are practical and support improvement;
- senior managers are consulted and able to feed into the annual audit plan; and
- BA have a positive impact on the systems of governance, risk and internal control.

3.10 Feedback on behalf of Audit Committee was positive both in terms of the role of Internal Audit and the support that BA and the Assistant Director provide to the Chair and Committee Members. It was clear that there was a good understanding about remit and positive processes were used to engage on risk and control issues beyond audit reports, including a clear programme of regular support and challenge with Cabinet Members and Directors and on areas of risk such as equal pay, fraud, and complaints. The Audit Committee does not have independent members as recommended by CIPFA, but committee members benefit from advice provided by an Independent

Technical Advisor, who is apolitical and provides support on topics, technical issues and suggests questions for Committee Members.

3.11   Given the scale of the Council and associated BA plan it is critical that reports to Committee are focused and strike a good balance between summary and detailed information. We discussed this with the Chair and with officers and it was agreed this was an area that would benefit from ongoing review to assist Committee Members to focus on key risks and assurances.   There was also a desire for assurance over how BA compares with other audit functions and how this might be used to help drive continuous improvement.

Audit Focus and Impact

3.12   Feedback from senior clients was generally positive; they understand the role of BA within the organisation and the assurance and advice provided is trusted.   Birmingham is a Council of great scale and complexity, and stakeholders noted the importance of audit in this as a force for positive change and organisational improvement.

3.13   The need for an embedded assurance framework was mentioned, as was the desire to translate messages from audit reports and counter fraud work into more understandable, corporate messages; helping leadership use this as a catalyst or stimulus for culture change. Feedback indicated that the volume of audit reports and the format and language used meant that the core messages and key themes from audit work were not always as clear as they might be. There was concern from some clients that they '*could not see the wood for the trees.'* It was recognised and accepted that whilst BA had a leadership role to drive improvement, they could not do this alone as this was part of an ongoing organisational change.

3.14   Some feedback was that BA was fraud and finance focused. It was clear that a focus on the core systems including finance was valued, but that this might be at the expense of other areas of assurance which might give the audit team a higher profile to assert influence at a strategic level. One opinion was that BA had evolved and was now more in tune with clients than in previous years with more focus on key risks rather than process compliance but should continue to get more involved, at an earlier stage in areas of high risk and larger transformational projects.

3.15   For example the 2022/23 Internal Audit plan as reported to CLT in February 2022 allocated 75% of the planned audit days to audits of the Main Financial Systems (705), Business Controls Assurance (1757) and Investigations (830). Much of this time appears to be predominantly focused on financial risk as opposed to being more evenly spread across other risk areas across the Council. The plan should reflect organisational risk and assurance needs and we recognise that financial management and financial systems have been key priorities for the Council in recent years. Whilst this balance may be right to reflect current risks and organisational needs, we do consider this balance needs to be reviewed and challenged as part of the planning process to ensure

that audit focus remains suitably broad and future focused to provide assurance in areas that matter most.

3.16   There was an aspiration that BA would provide more insight into future risks and challenges that the Council might face and provide proactive support in these areas. This was linked to comments about the need to improve the *risk literacy* across the Council, thereby creating more demand for audit expertise in risk identification, evaluation, and control.

PSIAS Compliance

3.17   PSIAS consists of nineteen attribute standards (that describe the organisational characteristics of internal audit services) and thirty-three performance standards (that describe the nature of internal audit services and the criteria against which performance should be measured). These equate to 115 questions within the PSIAS self-assessment checklist.

3.18   The self-assessment completed by BA stated that the service conformed with all 115 questions. We do not consider this misstates the position of BA but there are some areas where we consider it might be more helpful and meaningful to describe as partially conforming, as they are areas that are under review or where planned enhancements are being made. We base this on our meetings and assessment, the findings of the Total Impact Report (PwC) and the BA business plan 2022/23 which positively outlines areas for further service improvement.

3.19   Areas we consider might be worthy of further focus are set out in our recommendations below but could include:

- Core Principles: Is insightful, proactive, and future-focused
- Core Principles: Promotes organisational improvement
- 1112 Impairment of objectivity – risk management
- 2010 Planning – linking annual plan to risks, priorities and objectives
- 2050 Coordination – of assurance sources in planning and reporting
- 2060 Reporting – of outcomes of assurance activity
- 2110 Governance – assessment of organisational ethics
- 2120 Governance – assessment of risk management
- 2500 Monitoring Progress

3.20   Some of the above link to conversations held with BA management and key stakeholders and align with the conclusions of the PwC review. Our work sought to avoid repeating the work of PwC although some degree of overlap was inevitable, and we note that recommendations to develop the outputs, outcomes and value-added contribution of the BA have already been included in the service Business Plan and are being progressed.

3.21   The Assistant Director of Audit and Risk Management is the designated Chief Audit Executive under the standards, reporting through to the Director of Council Management - Section 151 Officer.   The Assistant Director has

unfettered access to, and is able to report in her own name, to the Chief Executive, Section 151 Officer, and Audit Committee. We therefore consider the objective of the standard; sufficient status and independence, to be satisfied.

Quality and Performance

3.22 Quality review processes are well established and embedded into operational procedures. An established risk-based planning process is in place. This planning process will be linked to corporate plans as they are developed.

3.23 BA use an 'off the shelf' internal audit management software package to assist in managing the function and to track progress and performance in completion of reviews from the annual audit plan. We understand that elements of functionality and operational support have fallen below expected standards and a replacement is being sought.

4.0 Conclusion and Recommendations

4.1 BA conforms with the PSIAS. The service has strong plans, systems, processes, and audit approach that are well established and support the delivery of a comprehensive, high-quality programme of assurance work. The service has positive relationships with clients and stakeholders and a team that is skilled and equipped to deliver a wide range of assurance, business intelligence, risk management and counter fraud activity.

4.2 The Service is well placed to develop further and has acknowledged areas for development, many of which flowed from a PwC Total Impact Review. This concluded that BA was a well-respected function, recognised as being experienced, professional and easy to deal with. The review findings and recommendations focused on the next phase of development of BA as a service focused on strategic issues, emerging challenges, and insight. This review and recommendations to support service development are captured in the BA service business plan.

4.3 Whilst our work has confirmed compliance with PSIAS there are some suggestions we have shared below that we hope will complement the BA development proposals. These are based on observations and discussions from our review and are intended for consideration within the Service and with stakeholders. The management response to each of these is included.

Core Principles: Is insightful, proactive, and future-focused and promotes organisational improvement

The Council has developed a documented process for developing the corporate assurance framework. This is a positive development and, in our opinion, offers BA opportunity to lead the process, strengthen the audit / business relationship, foster greater engagement with directors and senior managers and be at forefront of reporting on organisational wide assurance through a three lines of defence model. We note that this is reflected as a priority in the BA business plan and recommend this remains an area of focus and development for the Service.

Agreed

The current model of operating through a network of business partners / audit contacts has numerous and accepted benefits. We have discussed that this presents a risk of 'airgap' between the audit team and clients which could impact the quality of engagement, insight, and awareness of the audit team. We recommend that as part of the future operating model and stakeholder engagement planning that this risk be considered to ensure that key elements of the audit process including annual planning, periodic reporting and monitoring the implementation of recommendations continue to actively involve key clients.

See also reporting below.

Agreed

Tracking the implementation of recommendations is recognised as an area that requires strengthening across the organisation. The functionality is not well supported within the existing Audit Management System. We have identified the need for a solution which will allow management to track and update progress online through a single database. It is anticipated that this functionality can be provided in a replacement Audit Management System.

1112 Impairment of objectivity – risk management

2120 Governance – assessment of risk management

The SA confirms reviews of risk management as required under Standard 2120 would be undertaken by the Principal Group Auditor as the AD is operationally responsible for risk management. Whilst this does remove the AD from the review process and reduces the risk of conflict, there remains a risk in that the PGA reports to the AD and as such cannot be wholly independent. The same issue is faced by many audit services and in Manchester we had adopted the same approach as described by BA. In our opinion this does not truly enable independence, so we are exploring

options such as external review or peer review for audits of risk management. This may be something for BA to consider.

Agreed

An independent audit process will be established for future years.

2010 Planning – linking annual plan to risks, priorities and objectives

Periodic audit reports include links to strategic risks and Council priorities and the annual plan describes that the plan is based on Council risks, priorities, and objectives. We consider that this could be developed further to explain why particular blocks of work are included in the plan and how this links to the assessment of risk. For example, a large proportion (16%) of the plan 2022/23 relates to financial systems, 12% on schools and 5% of time is spent on data analysis. Whilst we understand through discussions that there is a rationale and basis for the investment of time in these areas, this is less clear from the report.

Agreed

A revised planning methodology has been established for 2022/23. The revised methodology attempts to establish clear linkages between Council priorities, risks, 1st and 2nd line controls, and sources of assurance. We will look to automate the process via the new Audit Management System.

2050 Coordination – of assurance sources in planning and reporting

As above, the Assurance Framework is a positive step in developing sources of assurance for audit purposes and for consideration by Council Management Team. Whilst acknowledging that the role of internal audit is to provide independent assurance there are substantial benefits for audit in driving and leading this process and drawing intelligence from the risk management process. This could impact on the roles and capacity especially of senior audit staff, but we consider it presents an opportunity for BA to position the service in leading the Council in an articulation of assurance sources and in the evaluation, insight, and communication of levels of assurance.

Agreed

We will continue to develop the assurance framework and the resources required to support its implementation.

2060 Reporting – of outcomes of assurance activity

Reports to CLT and Audit Committee (twice yearly) includes a summary of progress against the plan, a list of audits and opinions finalised in the period and a short summary of high-risk audits. Members of Audit Committee can request copies of finalised reports should they require more detail.

Stakeholders described a desire for assignment and periodic audit reporting to more clearly articulate key risks, issues and intelligence arising from audit work and other sources of assurance. This may include for example, benchmarking or undertaking comparisons with other Councils or public sector bodies, reporting on thematic issues arising from audit work or providing insight into sector developments. Some of this related to analysis of current issues but also to look forward to potential risks that the Council may face and to further align risk and assurance reporting. In our opinion this merits further discussion with CLT and Audit Committee.

Agreed

Appendix 1 – Terms of Reference

1.   Background Information

PSIAS introduced in 2013 and most recently updated in 2017, the Public Sector Internal Audit Standards (PSIAS) promote robust governance and audit within public sector bodies and ensure that organisations and audit committees can be confident that their internal audit function is performing effectively. Together with the PSIAS, CIPFA's Local Government Application Note stands as 'proper practices' for local government and we are best placed to carry out the external assessment process required by the PSIAS.

Core Principles for the Professional Practice of Internal Auditing

- 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.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

Ethics

- Integrity
- Objectivity
- Confidentiality
- Competency

Attribute Standards

- Have a clear purpose, authority, and responsibility
- Maintain independence and objectivity
- Apply proficiency and due professional care
- Maintain quality assurance and improvement

Performance Standards must in place for

- Managing the internal audit activity
- Nature of work
- Engagement planning
- Performing the engagement
- Communicating results
- Monitoring progress

- Communicating the acceptance of risks.

2. Assessment Team

External reviewers should:

- Possess a recognised professional qualification
- Have appropriate experience of internal audit within the public sector / local government
- Have detailed knowledge of leading audit practices, and
- Have current knowledge of the Definition, the Code of Ethics, and International Standards.

3. Preparation

The Head of Internal Audit or Chief Audit Executive should discuss the proposed format of the external peer assessment with their line manager (where relevant) or the Section 151 Officer (or equivalent), or Chief Executive prior to making recommendations to the Audit Committee regarding the nature of the assessment. The scope of the external assessment should have an appropriate sponsor, such as the Chair of the Audit Committee or Section 151 Officer. In this case the sponsor will be the Chair of the Audit Committee.

The Head of Internal Audit should report the results of their quality assurance improvement programme (ongoing activity, implementation progress following internal and external assessments) to key stakeholders. Such stakeholders should monitor the implementation of actions arising from internal and external assessments.

4. Purpose of Peer Review

The purpose of the external assessment is to check conformance with accepted standards of practice and to help improve delivery of the audit service; establishing whether governance requirements relating to the provision of service are embedded. The assessment should be a supportive process that identifies opportunities for development and enhances the value of the audit service to the authority.

5. Proposed Approach

Members of the Core Cities group have elected to adopt the internal self-assessment approach, validated by an external peer reviewer. The key benefit to this approach is cost. The Chartered Institute of Public Finance (CIPFA) offer a service to provide external assessments; a full quality assessment costing approximately £30k. The Chartered Institute of Internal Auditors (CIIA) offer a similar service at approximately £14K. They also provide validated assessment, like the model proposed by the Core Cities group, taking 5 day and costing £12.5k.

There are clear financial savings to members of the group by adopting a peer review approach, in addition to promoting collaborative working arrangements and sharing areas of best practice and innovation. Upon conclusion, the report provided will offer a true and fair judgement on whether Birmingham Audit (BA) **Conforms / Partially Conforms** or **Does Not Conform** with PSIAS.

6.   Review Team

The review of Birmingham Audit will be undertaken by Richard Thomas – Deputy Head of Audit and Risk, and Tom Powell – Head of Audit and Risk, both Manchester City Council.

Richard Thomas is qualified auditor – member of the IIA, and holds QIAL, qualification in internal audit leadership. He is accredited through the Institute of Information Security Professionals under the UK government's National Technical Authority for Information Assurance (CESG). In addition, he is part qualified management accountant (CIMA) and a Member of the Association of Accounting Technicians (AAT). Richard has over 25 years' experience working in Local Government internal audit, and within risk, corporate governance, and information security roles in the DWP and HMRC.

Tom Powell is a CIPFA qualified accountant with previous experience at Wigan Council and in the assurance and advisory practices of PricewaterhouseCoopers LLP. He has led the Manchester audit and risk management function for 12 years and is also the Head of Audit and Risk (via secondment) for Bolton Council. His role covers internal audit, counter fraud, risk management, business continuity, insurance, and safety. Tom is a member of the CIPFAs Governance and Assurance Forum, North West Institute of Internal Auditors Committee and is the Audit Committee Chair of a Multi Academy Trust with schools across the Greater Manchester and Merseyside.

7.   Independence and Objectivity

Prior to the assessments taking place all parties will agree the programme of peer reviews and an appropriate timetable, including the number of days required to undertake the reviews. The Core Cities Chief Internal Auditors Group has determined that Manchester City Council will undertake the review for Birmingham City Council.

It is important to ensure the independence of the auditor undertaking the peer assessment. There are no known or perceived conflicts of interest in Manchester City Council's Audit Team undertaking this review. Both Richard Thomas and Tom Powell have also confirmed no conflict exists at a personal level.

It should be acknowledged at the outset that all Core City Internal Audit services have some knowledge of each other.

8.   Assessment Process / Timetable

A shared TEAM has been created to facilitate the sharing of key documents, to undertake a desk top review. A full listing of these documents will be made available, but includes the IA Charter, organisation structure charts, training and development records, IA plan and progress reports, Audit Committee agenda and minutes, Annual Report of Head of IA, PSIAS self-assessment, the QAIP, declarations of interest, code of conduct, risk management strategy / procedures, and reports produced for IA client directorates.

Interviews with key stakeholders and members of the IA team have been arranged, both face to face and over video conferencing, between 7th to 9th of September. The onsite visit is scheduled for the 7th September 2022. List of interviews proposed are outlined below.

Date	Name	Position	Method
7/9/22	Dave Mallard	Principal Auditor	F2F
	Louise Milner	Principal Computer Auditor	F2F
	Sarah Dunlavey	Assistant Director Audit and Risk Management	F2F
	Matt Evitts	Computer Auditor	F2F
	John Preston	Group Auditor – Corporate Fraud	F2F
	Mira Gola	Head of Business Improvement and Support – IA contact City Housing	F2F
	Sally Marlow	Risk Management Officer Adult Social Care – IA contact Adults	TEAMS
	Fiona Griffin	Intelligence Officer – Counter Fraud	TEAMS
	Councillor Fred Grindrod	Chair of the Audit Committee	TEAMS
8/9/22	Deborah Cadman	Chief Executive	TEAMS
	Peter Bishop	Director Digital and Customer Services	TEAMS
	Councillor Brigid Jones	Deputy Leader of the Council	TEAMS
9/9/22	Sue Tilley	Business Excellence Manager – IA contact IT & Digital	TEAMS
	Rebecca Hellard	Section 151 – Strategic Director of Council Management	TEAMS

The review will conclude with a detailed report providing an evaluation of the team's conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The report will highlight areas of partial conformance / non-conformance and include suggested actions for improvement, as appropriate.

Reporting will follow a phased process, as outlined:

A.   Discussion of the draft report with the Head of Internal Audit.
B.   Issue of draft final report and agreed actions to the Head of Internal Audit to confirm accuracy.

C.   Issue final report to the Head of Internal Audit, Chair of the Audit Committee, and Section 151 Officer.

D.   Head of Internal Audit / Sponsor to report outcomes to their Audit Committee, together with an action plan and proposed implementation date(s).

We aim to complete testing by 16th September and issue our draft report for agreeing factual accuracy by 23rd September, issuing the final report on or before **30th September 2022**.

Appendix 2 – List of documentation reviewed to support conformance

1. Annual Report to Audit Committee dated 30th June 2022 (including reapproval of the Audit Charter)
2. Business Plan 2022/23 – June 2022
3. Structure Charts - current
4. Example CLT Assurance update reports.
5. Example declaration of interests / register
6. Example entities and risking process from Galileo AMS system
7. Audit Plan Approval – Audit Committee Report – March 2022
8. Risk Management Framework – June 2022
9. Code of Conduct – not dated
10. CLT Report incorporating 22/23 proposed Audit Plan – February 2022
11. Total Impact Review – PwC - July 2020
12. Audit Protocol – October 2021
13. Half Year Report – November 2021
14. Annual Fraud Report 2020/21 – October 2021
15. Example statement of confidentiality
16. ISO Manual - screen shot
17. Mandatory training Modules
18. Confirmation of e-learning completion
19. Training Strategy – not dated
20. Example appraisal form
21. Example APM – Audit Planning Memorandum
22. Half year report 2020/21 – November 2020
23. Annual Report 2020/21 – June 2021
24. Corporate Gifts and Hospitality - current
25. Example Job Description - current
26. Qualification breakdown – current
27. Pen Portraits for Management Team - current
28. Training Log - current
29. Quality Assurance Improvement Plan – QAIP -
30. PSIAS Peer Review Approach - Audit Committee Approval – February 2021
31. Previous PSIAS Peer Review Report – July 2016
32. PI Monitoring e-mail
33. Example Monthly Performance Summary – September 2022
34. Example Audit Evaluation Questionnaire – as above
35. Example Galileo Entity risk calculation – as above
36. Annual opinion calculation
37. Example list of final reports
38. Fraud Risk Assessment – Rationale and Approach – not dated
39. Proactive Fraud Plan – extract taken September 2022
40. Annual Fraud Report – 2020/21 – October 2022
41. Audit Committee - Effectiveness review – July 2020

42. Annual Audit Committee Chairs Report to Full Council – February 2022
43. Assurance Framework – 2021/22 – Not dated
44. Example Audit Report
45. Workforce Review Board – Business Case Approval – August 2022
46. Audit Committee Forward Plan – June 2022
47. Ethics Audit Report – June 2021
48. Information Governance- Data Loss Audit Report – May 2021
49. Accounts Payable – Vendor Changes Audit Report – September 2021
50. Audit Committee - Training supporting doc's – August 2022
51. IT & Digital - Recommendation Tracker
52. CLT report 11/07/22 requesting support for PSIAS review
53. Schedule of Outstanding Audit Committee Actions
54. Agenda / Minutes Adult Social Care Directorate – Risk and Audit Board
55 Tracking and compliance Evidence from Sue Tilley