# Internal Audit CHARTER

## March 2020

# INTERNAL AUDIT CHARTER

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# 1    Introduction

**Background**

1.1    With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK.   The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

Additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF. The PSIAS are mandatory for all internal auditors working in the UK public sector. The PSIAS were updated in February 2019.

1.2    Internal Audit is defined in the PSIAS as follows:

"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."

1.3    The PSIAS require an Internal Audit Charter to be approved by the Board in order to define Internal Audit's purpose, authority and responsibility.  This Charter establishes Internal Audit's position within the council and reporting lines, authorises access to records, personnel and physical property relevant to the performance of audit work, and defines the scope of Internal Audit activities.

1.4    The PSIAS require an Internal Audit Charter to be periodically reviewed and presented to senior management and the board for approval.  The Internal Audit Charter will be reviewed and updated every two years or earlier as required.

**Legislation and Guidance**

1.5    Section 5 (1) of the Accounts and Audit Regulations 2015 states that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".  The UDC Internal Audit discharges the above responsibilities by conducting an objective and independent appraisal of all of the council's activities, financial and otherwise.

1.6    The practice of Internal Audit is governed by the PSIAS. Internal Audit is also governed by the policies, procedures, rules and regulations established within UDC.  These include schemes of delegation; financial regulations; conditions of service; counter fraud and corruption policies; procedures and HR policies.   Internal Audit takes due

cognisance of external bodies, including the Chartered Institute of Internal Auditors (CIIA), CIPFA, external audit, local government bodies, together with all legislation affecting the service provided by Internal Audit.

1.7 The PSIAS contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff within the Internal Audit team are also required to adhere to the Codes of Ethics of their professional bodies where appropriate. Internal Audit staff will be reminded of the need to comply with the Code on an annual basis.

**Definitions**

1.8 The PSIAS require that the Internal Audit Charter defines the terms "Board" and "Senior Management" in relation to the work of Internal Audit. For the purposes of UDC Internal Audit work:

UDC has designated its **Governance, Audit & Performance Committee** as the **Board** for the purposes of UK Public Sector Internal Audit Standards (PSIAS) and delegated all the functions of the Board under those Standards to the Committee.

**Senior Management** is defined as the members of the **Corporate Management Team (CMT)** i.e. the Chief Executive, Directors and Assistant Directors.

1.9 The PSIAS also refer to the **Chief Audit Executive** which in UDC is deemed to be the **Internal Audit Manager**.

1.10 The Internal Audit Manager is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the Authority's activities. However, 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.

**Customers**

1.11 The customers of Internal Audit effectively comprise all those who expect assurance to be provided on the adequacy of the control environment and the processes which support the protection of public funds. These customers include:

- The residents of Uttlesford District

- Other UDC Service Users;

- Local Tax Payers;

- Central Government;

- Members and Cabinet;

- Head of Paid Service, Section 151 Officer and Monitoring Officer;

- Senior Management and Staff;

- Governance, Audit & Performance Committee;

- Partners;

- External Auditor.


## 2. Aims and Objectives

### Principal Objectives

2.1    The principal objectives of UDC Internal Audit are to:

- Deliver an Internal Audit Annual Report and Opinion that can be used by the council to inform its Annual Governance Statement (AGS);

- Independently review and appraise systems of control throughout the council;

- Ascertain the extent of compliance with procedures, policies, regulations and legislation;

- Provide reassurance to management that their agreed policies are being carried out effectively;

- Facilitate good practice in managing risks;

- Provide advice and input into any significant system or procedural developments;

- Recommend improvements in control, performance and productivity in achieving corporate objectives;

- Review and challenge the economy, efficiency and effectiveness of processes and systems within the council;

- Work in liaison with the external auditors;

- Review controls to prevent and detect fraud;

- Lead and promote the counter fraud culture within the council;

- Comply with the PSIAS and other relevant guidelines and professional practice.

2.2    Internal Audit is neither an extension of nor a substitute for good management. Although Internal Audit can advise management on risk and control issues, it is the duty of management to operate adequate systems of internal control and risk management.

2.3    Internal Audit will carry out a continuous audit of all of the council's services by objectively examining, evaluating and reporting upon the adequacy of risk management

and internal control. In doing so ensuring there is proper, economic, efficient and effective use of council resources.

2.4    The annual Internal Audit Opinion focuses on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. This is the 'assurance' role for Internal Audit.

2.5    Internal Audit also provides an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of service management. The aim of the consultancy service is to help line management improve the council's risk management, governance and internal control. This is the 'consultancy' role for Internal Audit and contributes towards the overall opinion. Such consultancy work will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Governance, Audit & Performance Committee before any significant unplanned consultancy work is accepted.

**Achieving our Objectives**

2.6    To meet the above objectives, the UDC Internal Audit function has been established as an independent team. For day to day the Internal Audit Manager reports to the Monitoring Officer; however direct reporting lines for the Internal Audit Manager are also established with the Chief Executive, the Section 151 Officer and the Chair of the Governance, Audit & Performance Committee as considered necessary. The Internal Audit Manager also has unrestricted access to Members (including the Leader of the Council), Directors, Assistant Directors and all Authority officers.

2.7    The Internal Audit Manager is also responsible for managing and co-ordinating the council's involvement in the Cabinet Office's National Fraud Initiative (NFI).

2.8    Internal Audit work is undertaken in accordance with the annual Internal Audit Work Programme which sets out the proposed programme of audit work for each financial year. This Internal Audit Work Programme is approved by CMT and the Governance, Audit & Performance Committee each year and reported to the Committee in summary via progress reports at each ordinary meeting.

**Independence, Access and Remit**

2.9    Internal Audit is independent of all the activities of the council to ensure it is able to appraise the council's governance, risks and internal control systems in the impartial and unbiased manner that is essential to the proper conduct of audits.

2.10   To ensure this independence and in order to undertake its function effectively, Internal Audit has unrestricted access to all of the council's staff; records (whether manual or computerised); cash and property; and may enter UDC property or land to obtain any information or explanations required.

2.11   Such access is granted on demand, need not be subject to prior notice and also extends to partner organisations working on behalf of UDC where this has been agreed within relevant contractual arrangements in order to review, appraise and report on:

- The adequacy and effectiveness of the systems of financial, operational and management controls and as they are practiced in relation to the risks to be addressed;

- The extent to which the assets and interests are acquired economically, used efficiently, accounted for and are safeguarded from loss arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist;

- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;

- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss;

- The follow up action taken to remedy weaknesses identified by Internal Audit;

- The operation of the council's Corporate Governance arrangements.

2.12    To promote independence and objectivity, Internal Audit neither 'owns' a system under audit nor is given any operational responsibilities within the line management structure or responsibility for any aspect of work subject to audit.

2.13    Where Internal Audit staff have a perceived or real conflict of interest in undertaking a piece of work; this will be managed through the Internal Audit management process. Staff are required to inform the Internal Audit Manager or the Monitoring Officer of any relationships or financial interests in any council activity subject to audit.  All Internal Audit staff are required to make an Annual Declaration of Interests and Acknowledgement of their Ethical responsibilities.

2.14    Within the context of the above, the remit of Internal Audit at a corporate level will include audits in the following areas:

- Key Financial systems – covering all the key financial systems;

- Major projects and procurement – contracts and procurement processes, commissioning, project management, post implementation appraisals;

- Asset management – effective management of properties and property related risks;

- Corporate Governance – Internal Audit will make an independent assessment of the assurances being provided from within the governance structures established within UDC and co-ordinate the preparation of the council's Annual Governance Statement;

- Performance Management – evaluation of the processes by which the council assesses, reports monitors and manages its performance;

- Risk Management – evaluation of processes by which the council assesses, reports, monitors and manages its risk;

- Information Management – including data protection, freedom of information, records management and information security;

- Information and Communications Technology – including information technology (IT) strategy and physical IT controls;

- Partnership working – both new and existing arrangements, focusing on governance, controls, risk management and performance management;

- Equality & Diversity – evaluation of the council's strategies, policies procedures and systems and its compliance with Equality and Human Rights regulations;

- Business Continuity & Emergency Planning – at corporate & service level;

- Health and safety – central and service based risks.


## 3. Audit Planning

3.1     The PSIAS require that there must be a risk-based internal audit plan that takes into account the requirement to produce an annual internal audit opinion and assurance framework.   It must incorporate in or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

**Internal Audit Strategic Programme**
3.2     The Internal Audit Strategic Programme details all potential audit areas at both corporate and service area levels within UDC and forms the starting point for the annual audit planning process.

3.3     All areas identified in the Strategic Programme are subject to an audit needs risk assessment to identify their risk level based on a number of risk factors including materiality, third party sensitivity and potential fraud risk. This will influence the frequency of audits and the estimated resource requirements to ensure that all potential audit areas will be audited.

3.4     The Internal Audit Strategic Programme is reviewed annually in conjunction with CMT to ensure that it remains up to date and continues to take account of emerging risks and service developments and that the focus of Internal Audit work remains relevant to the council's Plan and current priorities.

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**Annual Internal Audit Work Programme**

3.5 The annual Internal Audit Work Programme sets out the audit work programme at the beginning of each financial year. It is a rolling programme of planned audit work that is expected to be undertaken during the financial year and is subject to regular review and updating at strategic points throughout the year.

3.6 The Internal Audit Work Programme is risk based as far as is possible, the auditing priorities are determined from a number of sources including:

- The corporate, strategic and directorate risk registers, aligned with the corporate objectives set out in the council's Corporate Plan, the Corporate Plan Delivery Plan and Service Plans to identify areas of high strategic and operational risk;

- The Internal Audit Strategic Programme identifying audit areas of highest risk, the date the audit review was last undertaken and the frequency thereof;

- Any other areas considered high risk by the Internal Audit Manager;

- Specifically requested Directorate & Service high risk areas or services following consultation with the CMT;

- Audits carried forward from the previous years' Audit Programme and any overdue audits from the Strategic Programme;

- Weaknesses identified in the Annual Governance Statement;

- Issues raised by the Governance, Audit & Performance Committee;

- Audit resource availability.

3.7 In order to preserve the independence of Internal Audit, the final risk assessment and selection of areas for inclusion in the Internal Audit Work Programme rests with the Internal Audit Manager.

3.8 Further details on the production of the Internal Audit Strategic and Work Programmes are given in the annual Internal Audit Strategy.

**Other Information Sources**

3.9 Awareness of national issues is maintained through subscription to internet resources such as CIPFA's Technical Information Service. In addition there is liaison with external audit and networking with other local authority audit teams specifically through the Essex, the London and the Midlands Audit Groups. These audit groups have regular meetings during the year and active e-mailing networks to discuss topical issues, emerging risks and progress specific initiatives and sharing of audit planning methodology and points of practice.

**Reviewing the Programme**

3.10 The initial Internal Audit Work Programme for the upcoming financial year is approved by CMT and the Governance, Audit & Performance Committee. Details of reviews and updating of the Programme are included in the Internal Audit Progress Reports to the Governance, Audit & Performance Committee.

3.11 The Internal Audit Work Programme is subject to regular review and updating at strategic points throughout the year generally:

- March / April to determine the proposed audit work for quarters 1 & 2 of the new financial year;

- June / July to determine proposed audit work for quarters 2 and 3 of the financial year;

- September / October to determine proposed audit work for quarters 3 and 4 of the financial year;

- At any other relevant point during the year.

**Non-specific Audit Time**

3.12 The Internal Audit Work Programme includes non-specific audit time allocated for:

- Residual Audit Work – to ensure timely completion of any residual previous year's audits;

- Follow-up Work – to ensure that recommendations have been implemented;

- Irregularity Provision – to include the provision of an independent investigation service on internal matters that require investigative and evidence gathering skills. Also to review controls post investigation as part of the core audit function;

- Consultancy and General Advice - to allow for changes in priorities and issues that arise during the year; extensions to reviews where further testing may be required because of control weaknesses; advice on general control issues and Financial Regulation requests etc.;

- Committee and Member related work – to include Committee Report preparation, liaison meetings with Governance, Audit & Performance Committee Chair and other Members and dealing with Member queries;

- Contribution to Corporate Management – to include the Internal Auditor time spent on corporate projects and working groups;

- Fraud Related work – to include National Fraud Initiative (NFI) Key Contact responsibilities and anti-fraud and corruption awareness work.

## 4. Basis of Forming and Evidencing the Audit Opinion

**Audit Approach**

4.1 Internal Audit is responsible for providing an annual opinion on the internal control environment for the Council as a whole. A risk based approach is taken with individual audit reviews embracing operational and management controls and the wider business risks. This allows an opinion to be expressed on risk identification & exposure and the adequacy of systems in place to manage those risks.

**Key Financial and Other audit work**

4.2 The annual Internal Audit Work Programme governs each year's activity and, to enable the work to be planned and delivered effectively, audit coverage is prioritised and categorised between

- Key Financial

- Corporate

- Other

4.3 Key Financial audit work relates to those areas where Internal Audit review or support will generally add greatest value to the organisation. The audits within this category will be given highest priority in the event of competing demands for Internal Audit resources.

4.4 Corporate audit work relates to those areas where the overall responsibility lies at Corporate rather than service level

4.5 Other audit work complements the work from the Key Financial and Corporate programmes and ensures an adequate level of Internal Audit review each year throughout the council's services. Whilst the individual reviews are initially agreed with the service Directors and Assistant Directors at the start of each year, it is also accepted that should the need arise audit work may be directed towards other emerging risks or investigations as required. Overall levels of input will remain broadly as agreed which means that the levels of assurance work are aligned with the initial levels of risk identified. This approach enables a wide range of coverage for a formal audit opinion to be formed.

**Recommendation Risk Level Definitions and Assurance Opinion Criteria**

4.6 Recommendations are categorised as High, Medium or Low risk; each final report issued gives our opinion on the level of assurance of the internal controls operating within the area being audited, this opinion will be Substantial, Adequate or Limited.

4.7 The recommendation risk level definitions used in audit reports are aligned to the Council's Risk Management Policy

| Risk Level | Risk Score | Description |
|---|---|---|
| High | 12,16 | Matters that are considered **FUNDEMENTAL** that require immediate attention and priority action. |
| Medium | 4,6,8,9 | Matters that are considered **SIGNIFICANT** that should be addressed within six months. |
| Low | 2,3 | Matters that are considered **IMPORTANT** that should be addressed within twelve months. |
| | 1 | Low impact / likelihood matters that do not warrant a recommendation; will be discussed with auditees during closing meetings. |

4.8    The opinion will be based on the following criteria:

| Opinion | Definition | Maximum recommendations overall |
|---|---|---|
| Substantial Assurance | There is a sound system of internal control designed to achieve the objectives of the system / process and manage the risks to achieving those objectives. Generally only LOW risk recommendations, any MEDIUM risk recommendations relating to part of the system / process would need to be mitigated by significant strengths elsewhere. | Maximum of 4 |
| Adequate Assurance | There is basically a sound system of control and satisfactory management of risk; there are moderate recommendation indicating weaknesses but these do not undermine the system's overall integrity.  Generally MEDIUM and LOW risk recommendations.  Any HIGH risk recommendations will prevent this assessment. | Maximum of 8 |
| Limited Assurance | There are significant weaknesses in key areas in the systems of control which put the system / process objectives at risk.  There are HIGH RISK recommendations or a number of MEDIUM risk recommendations indicating significant failings. | If any HIGH risk or total over 8 |

**Audit Reporting**

4.9    At the completion of each audit a report is produced for management with recommendations for improvement where considered appropriate; such recommendations are agreed with management together with accountability for action and timescales for completion.  The Internal Audit Reporting Protocols are presented in Appendix A.

**Monitoring**

4.10   The progress of the Internal Audit Work Programme is monitored on an on-going basis through:

- Monthly meetings between the Internal Audit Manager and the Monitoring Officer;

- Periodic meetings with CMT;

- Internal Audit Progress Reports to the Governance, Audit & Performance Committee.

This ensures that audit coverage will be sufficient to ensure an overall opinion can be given on the control environment.

**Recommendations**

4.11    All audit recommendations are monitored by Internal Audit using Pentana which records all recommendations made and their status at any given time.  Pentana also sends automated trigger e-mails to managers as a management action approaches its implementation date.  Audit recommendations are followed up on an on-going basis with status reports included in the regular Internal Audit reports prepared for the Governance, Audit & Performance Committee, specifically to highlight any significant actions which have not been completed within agreed timescales.  Audit recommendations are also subject to follow up as part of a rolling programme of review and as a matter of course recommendations made in a previous audit are followed up at the next audit.

**Audit Opinion**

4.10    The annual assessment of the council's overall internal control environment is based on the collective view of all the opinions and outcomes of all audit work undertaken during the course of each year.  A full summary is included in the Internal Audit Annual Report and Opinion presented to the Governance, Audit & Performance Committee. The annual opinion then forms part of the review of the effectiveness of the Council's governance framework and is included in the Annual Governance Statement.

**External Auditor**

4.11    In the performance of their work the External Auditor expects to be able to review the Internal Audit work on key financial systems and its assessment of system controls. Internal Audit aims to maintain a good working relationship with the external auditors, and expects to hold liaison meetings between the Internal and External Audit managers.

# 5. Outcomes

5.1    The main outcomes from the work of Internal Audit are:

- The delivery of the annual Internal Audit Work Programme, taking into account necessary changes for unplanned work and revised priorities in the context of new emerging risks and requests for investigations into specific issues;

- The issue of audit reports at the conclusion of each audit;

- The follow up of progress on implementation of agreed audit recommendations;

- The provision of regular reports to the Governance, Audit & Performance Committee summarising the audit work completed since the previous meeting and the key issues and conclusions derived from that work in terms of the control environment and management of risks;

- The provision of an Internal Audit Annual Report and Opinion on the effectiveness of the overall control environment presented to the Governance, Audit & Performance Committee which will also be included in the Annual

Governance Statement which accompanies the Annual Statement of Accounts for the Authority;

- The investigation of referrals of cases of suspected financial irregularity, fraud or corruption;

- The provision of ad hoc advice on control and governance issues.

## 6. Internal Audit Team

6.1     The size of the Internal Audit team required is evaluated from the Internal Audit Strategic Programme and is subject to review and consideration by the Internal Audit Manager in liaison with CMT and the Governance, Audit & Performance Committee to ensure it remains adequate to deliver an effective service and an annual opinion.  Regular updates to the Governance, Audit & Performance Committee are provided through the Internal Audit Progress reports.

6.2     The current level of resource of:

- Internal Audit Manager – full-time

- 1 Internal Auditor - full-time

- 1 Internal Auditor - part-time, 0.7 FTE

is considered adequate to ensure delivery of a basic Annual Audit Programme  needed to provide the necessary assurance on the effectiveness of the systems of internal control.

6.3     The Internal Audit section includes a range of qualified and part-qualified staff.  The PSIAS require that the Internal Audit Manager must hold a relevant professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.  The current Internal Audit Manager holds both the CMIIA and PIIA (Chartered Institute of Internal Auditors UK & Ireland) and the QIAL and CIA (Global IIA) qualifications and has been in the present role since 2007.

6.4     Although the annual Internal Audit Work Audit Programme sets out the potential number of audit days allocated for each year;  the working arrangements provide for a flexible approach between clients whereby audit days or expertise can be transferred depending upon any additional work that may be required.

6.5     All audits are performed by staff with qualifications and experience appropriate to the work undertaken and Internal Audit's quality control procedures require some supervisory input into all work by the Internal Audit Manager.

6.6      Individual members of the Internal Audit team have a personal responsibility to undertake a programme of continuing professional development to maintain and develop their competence. This will be achieved through professional training, attendance at ad-hoc seminars and in-house training courses. Training needs are assessed on an on-going basis and are formally reviewed at least annually as part of the council's U-Perform process.

## 7. Performance Management

7.1      The performance of the Internal Audit function is measured through the use and monitoring of performance indicators some of which are reported to CMT and the Governance, Audit & Performance Committee in the Internal Audit Progress Report and the Internal Audit Annual Report and Opinion.

7.2      Feedback on Internal Audit is requested from audit clients through Post Audit Questionnaires (PAQ) issued at the end of each audit assignment. This enables Internal Audit to identify and respond to any specific performance issues promptly to ensure efficiency and effectiveness is maintained, as well as ensuring the needs and expectations of clients are fully considered on an on-going basis.

**Performance Indicators**
7.3      There are Internal Audit performance indicators which are monitored monthly by the Internal Audit Manager and are the basis of some of the objectives set for the Internal Audit Team in their U-Perform appraisals. The indicators are:

- %age of audits completed within the allocated time;
- %age of planned audits completed to Draft report stage;
- %age of planned audits completed to Final report stage;
- %age of time spent on productive audit and non-specific audit work;
- %age of customer satisfaction from PAQs returned.

7.4      Some of these indicators are also compared periodically with data from the Essex and Midlands Audit Groups.

## 8. Governance and Strategic Framework

8.1      Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. The corporate governance framework published by CIPFA in 2016 "Delivering Good Governance in Local Government" defines the principles that should underpin the governance of each local government body. It provides a structure to help authorities with their own approach to governance and contains six core principles focusing on:

- The purpose of the authority and on the outcomes for the community, and creating and implementing a vision for the local area;

- Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour;

- Taking informed and transparent decisions which are subject to effective scrutiny and risk management;

- Developing the capacity of officers to be effective;

- Engaging with local people and other stakeholders to ensure robust public accountability.

8.2     The framework is intended to be followed as best practice for developing and maintaining a local code of corporate governance and for discharging responsibility for the proper conduct of public business, and this is summarised within the Annual Governance Statement (AGS).  Time is included in the annual Internal Audit Work Programme to evaluate the effectiveness of the governance arrangements on an annual basis and independently challenge the assurances which underpin the AGS.


## 9. Review of Effectiveness of Internal Audit

9.1     The Internal Audit Annual Report and Opinion provides an overview of the work and performance of Internal Audit throughout each year.  This report provides an assurance of the effectiveness of the Internal Audit service during the year.

9.2     Details of work performed by Internal Audit during the year are summarised in the progress reports to the Governance, Audit & Performance Committee, thereby providing an on-going view of the effectiveness of the overall internal control environment and also providing the Members with an opportunity to challenge both the audit process and relevant officers in relation to specific issues identified within Service areas.

9.3     Internal Audit complete an annual self-assessment against the PSIAS from which areas of non-conformance are addressed in the Internal Audit Quality Assurance & Improvement Programme (QAIP).  The results of this annual self-assessment and progress against the QAIP are reported to the Governance, Audit & Performance Committee in the Internal Audit Annual Report and Opinion.

9.4     The PSIAS require an external assessment of Internal Audit every five years. An external assessment of the Uttlesford Internal Audit Service was completed in September 2017; the next external assessment must be completed by September 2022. Whilst the PSIAS are not prescriptive in terms of how this should be fulfilled, CIPFA

guidance indicates that external assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. Furthermore, an independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs.

# INTERNAL AUDIT REPORTING PROTOCOLS

## 1. Chief & Main Auditees

1.1     The Chief Auditee will be the member of the Corporate Management Team to whom the head of the service area being audited reports.

1.2     The Main Auditee will be the service manager with direct operational responsibility for the area being audited.

## 2.  Terms of Reference

2.1     The Terms of Reference for an audit will be agreed with the Chief and Main auditees.

2.2     The Assistant Director of Resources will be consulted on the Terms of Reference of all Key Financial audits.

2.3     Once agreed, a copy of the Terms of Reference will be sent to Members of the Governance, Audit & Performance Committee

## 3. Audit Progression

3.1     Internal Audit will carry out reviews and evaluations as an audit progresses.  At any time during an audit, testing may identify that it would be more effective and efficient to:

   •   Stop audit field work at a given point;

   •   Consider issuing an interim report with recommendations and agreed realistic implementation time (to a max of 6 months) and

   •   Return once the interim recommendations have been implemented to complete the audit.

## 4. Findings & Recommendations

4.1     Internal Audit will hold informal discussions with Chief and Main auditees of our findings & evaluation and proposed recommendations & management actions.  All non-confidential or sensitive working papers will be made available on request to auditees. Management will be advised of examples of good practice; exceptional working etc. where identified during the audit and confirmation of these will be given by e-mail to managers and staff on request.

## 5. Draft Report and Management Action Plan

5.1    Within 5 days of completion of our audit fieldwork, a Draft Report with recommendations will be circulated to auditees for:

  1. final agreement and comment;

  2. assignment of management action responsibilities and

  3. the expected implementation date for each recommendation.

5.2    It is Internal Audit's expectation to reach agreement at the Draft Report stage with auditees on recommendations, management actions and implementation dates. However, it is for management to determine whether or not to accept the Internal Audit recommendations and to recognise and accept the implications of not taking action. Management must formally respond giving reasons for their decisions which will be recorded on the Final Report and be reported to the Governance, Audit & Performance Committee.

5.3    The Draft Report and completed Management Action Plan is to be returned to Internal Audit within 10 working days of issue.

## 6. Final Report

6.1    The Final Report will record only:

  • The Internal Audit Opinion;

  • The overall comment on the effectiveness of the audited service;

  • The Management Action Plan detailing recommendations and their risk ratings, agreed management action and implementation dates.

6.2    The Final Report will be sent to the Chief Auditee for overall agreement and signature.

6.3    The Final Report will be issued to the Chief Auditee and copied for information to the Chief Executive; the Monitoring Officer; The Section 151 Officer; the Director of Public Services; the Main Auditee and other staff as appropriate.

6.4    A copy of each Final Report issued will be sent to Members of the Governance, Audit & Performance Committee and posted on the intranet.

6.5    Implementation of all recommendations is monitored by Internal Audit through Pentana which automatically generates reminder e-mails to managers as a recommendation approaches its agreed implementation date.

6.6    A Post Audit Questionnaire will be sent to the Main Auditee and other relevant officers for completion and return to the Internal Audit Manager.

## 7. Escalation Procedures

7.1    To ensure the timely issue of a Final Report for an audit, a reminder will be sent to the auditees concerned on the **10th working day** following the issue of a Draft Report if it has not already been returned to Internal Audit.

7.2    If a Draft Report remains outstanding, further reminders will be sent every **5 working days** via the Chief Auditee for the service concerned.

7.3    A reminder will be sent to the Chief Auditee on the **10th working day** following the sending out of a draft Final Report & Management Action Plan for overall agreement and signature, if it has not already been returned to Internal Audit.

7.4    If a draft Final Report & Management Action Plan remains outstanding, further reminders will be sent every **5 working days** via the Director for the service concerned.

7.5    Any persistent outstanding draft Final Report & Management Action Plan will be reported to the Monitoring Officer, CMT and Governance, Audit & Performance Committee in the next reporting cycle.

7.6    Internal Audit will follow up all the recommendations on the Management Action Plan to ascertain the extent to which agreed actions are actually implemented.

7.7    Recommendations will be followed up prior to meetings of the Governance, Audit & Performance Committee and are also subject to followed up as part of a rolling programme of review from the earlier of 6 months after the issue of the Final Report or 1 month after the latest implementation date of action.

7.8    Progress on implementation of recommendations is reported to Members at each meeting of the Governance, Audit & Performance Committee.

## 8. Key Target Dates

The key target dates associated with reporting are summarised below:

| Target date | Key task |
|---|---|
| On completion of audit fieldwork | Findings & evaluation and proposed recommendations & management actions discussed with auditees. |
| Within **5 working days** of completing audit fieldwork | Draft Report circulated to auditees for management agreement on actions, assigned responsibilities and implementation dates. |
| Within **10 working days** of issuing the Draft Report and Management Action Plan | Draft Report and Management Action Plan with agree actions, assigned responsibilities and implementation dates returned to Internal Audit. |
| Within **1 working day** of the return to Internal Audit of Draft Report | Final Report sent to Chief Auditee for signature. |
| Within **10 working days** of the Final Report and Management Action Plan being sent for signature | Signed Final Report and Management Action Plan returned to Internal Audit. |
| Within **1 working day** of the return to Internal Audit of signed Final Report | Final Report issued. |
| The earlier of **6** months after the issue of the Final Report or **1** month after the latest implementation date of action | Follow-up action on Management Action Plan recommendations |