

# ***Audit & Assurance Services***

## ***Annual Report and Opinion 2007/08***



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***June 2008***

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## I INTRODUCTION

### Purpose of the report

1. The Accounts and Audit Regulations 2003 (Amended 2006) requires the City Council to maintain an adequate and effective system of internal audit. Proper practice under the regulations is defined in the Code of Practice for Internal Audit in Local Government (CIPFA) part of which is a requirement to provide an annual report to those charged with governance. The purpose of the report is to provide a summary of internal audit activity carried out during 2007/08, our performance and present as assurance opinion on the effectiveness of the City Council's internal control environment.
2. This is timed to also inform the City Council's Annual Governance Statement.
3. Our aim is to assist the City Council strive to achieve high standards of service delivery, governance and value for money by examining, evaluating and reporting on the internal control environment. This allows us to provide assurance and support to:
  - The Audit Committee in discharging its responsibilities in particular for overseeing an effective internal control environment
  - Annual review of the effectiveness of governance arrangements and production of the Annual Governance Statement
  - Director of Finance & Resources in discharging her responsibilities as designated Section 151 officer for financial stewardship
  - The Audit Commission as appointed external auditors, in particular for key financial systems and processes
  - Officers' Governance Board

### Role of Internal Audit

4. Internal audit is a statutory requirement for local authorities under the Accounts & Audit Regulations 2006 (Amendment), which states that '*a relevant body shall maintain an adequate and effective system of internal audit of its system of internal control in accordance with proper internal audit practices.*'
5. It gives assurance to the City Council by providing an independent and objective opinion on the adequacy and effectiveness of its internal control environment, comprising risk management, internal control and governance by evaluating its effectiveness as a contribution to the proper economic, efficient and effective use of resources.
6. The City Council's internal audit function is provided by Audit & Assurance Services, part of the Finance & Resources Directorate, together with its partner Deloitte Public Sector Internal Audit Ltd.

## II OPINION ON THE CITY COUNCIL'S INTERNAL CONTROL ENVIRONMENT

7. The level of assurance that we are able to provide is based on the internal audit work carried out during the year and it should be read in conjunction with the Annual Governance Statement for 2007/08. In assessing the level of assurance given, the following have been taken into account:
- The quality and performance of internal audit work;
  - Internal audit work completed during 2007/08;
  - Follow-up action taken following agreement and issue of final audit reports in 2007/08 and previous years;
  - Individual audit opinions given in internal audit reports;
  - Any significant recommendations not accepted by management and the consequence of those risks;
  - The extent to which resource constraints may limit the ability to meet the full internal audit needs of the council; and
  - Impact of significant changes to the internal control environment.

8. No assurance can ever be absolute; however based upon the internal audit work undertaken; our overall opinion is **that reasonable assurance can be provided that the system of internal control in place at the City Council for the year ended 31 March 2008 is operating effectively.** Overall it is our view that the City Council's internal control environment continues to improve.

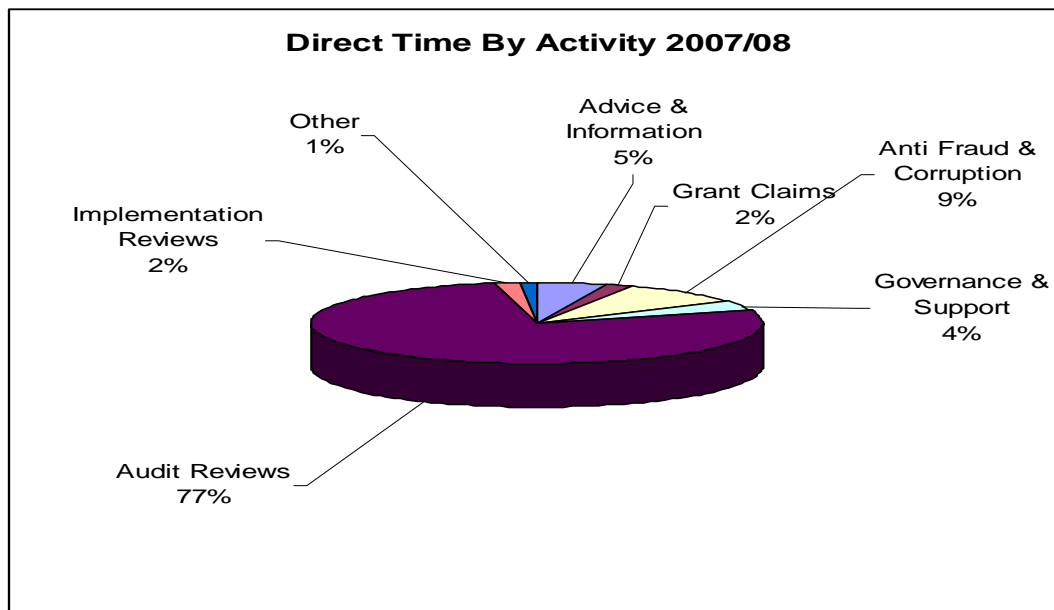
9. Our work during the year has identified specific actions for improvement and we will continue to review the effective implementation of these actions. We will report on a regular basis to the Audit Committee, on progress made and raise any inadequacy of implementation that results in residual risk to the council.

## III INTERNAL AUDIT COVERAGE AND OUTPUT

### Delivery of Internal Audit Plan 2007/08

10. The Internal Audit Plan for 2007/08 was agreed with the Chief Officers Management Team (TMT) and endorsed by the Audit Panel in March 2007. This was derived from the following sources:
- The Council's Risk Registers
  - Priorities identified through extensive consultations with senior management
  - Those audits carried out under 'Managed Audit' arrangements with external audit
  - An audit risk assessment of activity within each service area
11. The plan was continually reviewed and revised throughout the year to reflect emerging issues, risks etc and to be responsive to the changing needs of the City Council.

12. In total we delivered 1,828 direct days against a planned target of 2,100. The shortfall was due to a vacancy throughout the year of Principal Auditor and two further vacancies for Auditors that arose in quarter 4. Due to market conditions and the demand for internal auditors, we were unable to cover the shortfall in lost time with suitable agency staff. We are however currently recruiting for the vacant positions.
13. The Audit Manager was seconded throughout the year to the Integrated Waste Management Contract (IWMC) as Contract Manager. An interim manager was commissioned to undertake the role of Audit Manager but only part time (80%).
14. Direct time spent by activity is shown in the following chart:



### Analysis of Internal Audit Reports Issued for 2007/08

15. Internal audit reports have been issued throughout the year, first as draft versions for discussion and agreement with relevant managers, then as final versions to Directors. Regular progress reports were issued to the Audit Panel throughout the year summarising the outcomes of the audit reviews reported.
16. A total of 87 internal audit reports were issued during 2007/08 against a target of 94. The difference is explained by reviews being either abandoned or deferred to 2008/09, principally due to changes within services and are agreed with management.
17. We have liaised closely with senior management throughout the year, to ensure that reviews undertaken continue to represent the best use of our resources in the light of new issues and risks emerging through change taking place. The outturn therefore includes a number of unplanned audit reviews.

18. Of the 87 internal audit reports issued, 12 (14%) still remain in draft although an improvement over the previous year of 21%. We will be giving priority to progressing these to final in the first quarter of 2008/09. Although the number in draft is considered to be reasonable, we will be reviewing our processes, liaising with management and the Audit Committee.

19. At the time of preparing this report, the overall position relating to planned and unplanned reviews is shown in the following tables IA to IG, including individual assurance levels given and actions to issues raised:

**Table IA - Corporate Governance Arrangements**

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
CYPT Trust Governance Arrangements	Draft	Substantial	0	6	1
CYPT Quality Assurance Programme	Final	Reasonable	0	5	2
Fire Safety Regulatory Reform Orders	Final	Reasonable	0	10	0
Fire Safety Regulatory Reform Orders (Housing Specific)	Final	Limited	1	4	1
Asbestos Safety Requirements	Final	Reasonable	0	3	2
Business Continuity	Final	Reasonable	0	1	3
Risk Management	Final	Substantial	0	8	0
Business Planning Process	Final	Reasonable	0	7	1
Code of Conduct	Final	Reasonable	0	2	1
Equalities	Final	Substantial	0	4	1
Sussex Partnership Trust	Final	Reasonable	0	7	0

**Table IB - Cross Cutting and Corporate Projects**

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Data Quality	Draft	Reasonable	0	2	1
Cessation of External Funding Streams	Final	Reasonable	1	6	0
Delivery of Budget/Efficiency Savings	Final	Reasonable	0	3	0
Jointly Funded Posts	Draft	Reasonable	0	6	0
Personal Development Planning Scheme	Final	Limited	0	8	0
Flexible Working Scheme	Draft	Limited	0	7	0
Single Status Modelling	Final	Limited	0	4	0

**Table IC - Key Financial Systems**

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Main Accounting System	Final	Substantial	0	3	0
Creditors	Final	Reasonable	0	7	1
Debtors	Final	Reasonable	0	5	1
Capital Accounting & Expenditure	Final	Substantial	0	2	1
Treasury Management	Final	Full	0	0	0
Payroll	Draft	Limited	2	15	0
Council Tax	Final	Substantial	0	2	0
NNDR (Business Rates)	Final	Substantial	0	1	0
Housing Rents	Final	Substantial	0	5	2
Housing Benefits	Final	Substantial	0	3	0

**Table ID - Procurement and Contract Management**

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Contract Management Arrangements	Final	Reasonable	0	9	0
CYPT Contract Letting	Draft	Reasonable	0	8	1
Contract Management - Education PFI	Final	Reasonable	0	7	3
Home to School Transport	Final	Substantial	0	7	0
Waste PFI – Renegotiation of Contract	Final	Substantial	0	5	1
Contract Management - Leisure Management	Final	Reasonable	0	11	0
Contract Management – School Meals	Final	Substantial	0	0	2
E-Procurement	Final	Reasonable	0	9	0
Gas Servicing Contract	Final	Limited	1	2	0
Leisure Management Contract	Final	Substantial	0	9	2
Dunlop Haywards (Consultant Surveyors)	Final	Limited	2	8	0
Madeira Drive Capital Scheme	Final	Limited	6	3	0

**Table IE - ICT & E-Government**

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
CareFirst Application	Final	Reasonable	0	5	1
OHMS Application	Final	Reasonable	0	1	4
CIVICA Financials Application	Final	Reasonable	0	6	3
End User Computing	Final	Substantial	0	4	3
iWorld Application	Final	Substantial	0	1	3
CIVICA Financial Post Implementation Review	Final	Limited	10	20	0
ICT Strategy and Planning	Final	Reasonable	0	4	4
Mobile Computing	Draft	Limited	2	5	0
Disaster Recovery	Draft	Limited	2	0	0
ICT Security Policy	Draft	Reasonable	0	5	0
Spydus Library Application	Final	Substantial	0	5	0
Data Protection	Final	Reasonable	2	4	7
SIMS FMS Microsoft SQL Upgrade	Final	Substantial	0	5	0

**Table IF - Value for Money**

Audit	Date Completed	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Review of Performance Evaluation Report Actions on Adult Services	Final	Limited	0	2	0
Review of Performance Evaluation Report Actions on Childrens Services	Final	Limited	0	2	0
Housing Benefit Administration Costs	Final	Reasonable	0	3	0
Special Educational Needs	Final	Substantial	0	6	3
Leaving Care 16 Plus Support	Final	Limited	1	10	2
Libraries Service	Final	Substantial	0	5	2
Electronic Documents Records Management (EDRM)	Final	Reasonable	0	8	0
Accommodation Strategy	Final	Reasonable	0	3	0
Learning Disabilities	Final	Reasonable	0	5	0
Agency Staff (Neutral Vendor)	Final	Reasonable	0	4	0

**Table IG - Service Specific**

Audit	Date Completed	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Professional Registration	Final	Limited	0	6	0
CRB Disclosure Process for Schools	Final	Reasonable	0	7	0
Youth & Connexions Service	Final	Substantial	0	4	1
Print & Sign Shop	Final	Substantial	0	6	0
On Street Car Parking	Final	Limited	0	3	0
Supporting People	Final	Reasonable	1	5	0
Bereavement Services	Final	Reasonable	1	3	0
Housing Cash Collections	Final	Substantial	0	4	2
Leasehold Service Charges	Final	Reasonable	0	3	0
Homelessness	Draft	Limited	2	15	0
Housing Voids – Reinstatement Repairs	Final	Reasonable	2	13	1
Election Expenses	Final	Substantial	0	1	0
Seafront Services	Draft	Substantial	0	3	1
Registrars Security	Final	Limited	6	4	0
Direct Payments	Final	Limited	0	8	3
School Admissions	Final	Substantial	0	2	0
RIPA Compliance	Draft	Reasonable	0	5	0
St Bartholomew C.E. Primary	Final	Substantial	2	10	9
St Mary's RC Primary	Final	Substantial	2	10	4
St Nicolas C.E. Primary	Final	Substantial	0	6	8
St Peter's Primary	Final	Substantial	2	15	3
Portslade Primary	Final	Limited	8	23	4
Dorothy Stringer Secondary	Final	Substantial	0	8	3
Longhill Secondary	Final	Substantial	0	7	7



## Assurance Levels

20. Throughout the year we have provided audit opinions or degree of assurance on adequacy and effectiveness of controls, and management of risks in systems and processes audited. These are given in individual audit reports and shown in tables IA to IG above. Opinions are given according to a five-point scale (full, substantial, reasonable, limited and none).
21. A summary of audit opinions is shown in the Table 2 below for non schools and a comparison made against 2006/08. This shows a general improvement on the previous financial year, in particular the increased percentage of substantial assurance from 24% to 31%, reduction of limited and none from 32% to 24% and 2% to 0%

**Table 2 - Audit Opinions**

<b>Audit Opinions</b>	<b>2007/08</b>	<b>2006/07</b>
Full	1 (1%)	1 (1%)
Substantial	25 (31%)	23 (24%)
Reasonable	35 (44%)	38 (41%)
Limited	19 (24%)	30 (32%)
None	0 (0%)	2 (2%)

## Agreed Management Actions/Audit Recommendations

22. Each internal audit review culminates in a report containing actions or recommendations to improve controls and the use of resources. These are discussed and agree with management and included in management action plans together with responsibility and timescale for implementation.
23. Audit actions or recommendations are prioritised as high, medium and low depending on the level of assessed residual risk. A full explanation of the priority levels is given at Appendix B.
24. The number of agreed management actions resulting from internal audit reviews is summarised in Table 2 below.

**Table 3 - Agreed Management Actions**

<b>Priority Levels of Agreed Management Actions</b>	<b>No</b>
High	28
Medium	173
Low	45
<b>Total</b>	<b>246</b>

25. We undertake implementation reviews usually within six months from agreement and issue of the final audit report. From implementation reviews audits carried out during 2007/08, the level of full implementation of agreed actions is 85% of which 96% relates to high priority ones. Overall we consider this to be a reasonable level and that many managers are responding positively to implement agreed actions.

### **Anti-Fraud and Corruption Work**

26. Our work covers all corporate internal fraud and corruption work. This includes increasingly proactive prevention work in managing the risk of fraud, detection and investigations.

27. During the year we received and investigated 75 referrals of suspected fraud and irregularities.. This represents a 79% increase in referrals from 2006/07 demonstrating a growing awareness of fraud both from staff and the public.

28. Of the 75 cases investigated, 47 have been closed or transferred and 28 work in progress cases carried forward to 2008/09. The cases investigated represent a variety of types of fraud and have resulted in a range of sanctions being applied.

29. The City Council participates in the Audit Commission's National Fraud Initiative (NFI) being a biannual data matching exercise to identify fraud and error. We have a lead role in co-ordinating the exercise at the City Council and undertaking any resulting investigations. Work on the NFI 2006-7 has been substantially completed resulting in a number of successful sanctions being applied and losses recovered. This was reported to the Audit Panel in March 2008.

30. During 2007/8 the City Wide Anti Fraud Campaign was completed for which we had a lead role. This resulted in significant reduction of fraud in areas such as council tax single persons discounts, benefits and insurance. This was again reported to the Audit Panel in March 2008.

31. In terms of other areas of proactive anti fraud and corruption work during 2007/08, we have:

- Updated our Fraud Risk Assessment both methodology and content;
- Delivered fraud awareness training and workshops in key service areas;
- Assessed the City Council's anti fraud framework against CIPFA Standard, "Managing the Risk of Fraud" and actions resulting;
- Undertaken key probity checks for financial systems using audit software;
- Establishing greater links with other anti fraud agencies;
- Established a corporate anti fraud group
- Use of City Council's Website

32. For 2008/09, proactive anti fraud work will be an important and increasing part of our work to detect and deter fraud.

## Corporate Governance

33. During 2007/08 we continued to undertake a major role in reviewing and improving the effectiveness of the City Council's corporate governance arrangements. Together with the Strategy & Governance Directorate, we prepared and implemented a new Code of Corporate Governance.
34. In June 2007, CIPFA/SOLACE published a framework document, "Delivering Good Governance in Local Government". This was long awaited and provides an effective framework by which the City Council can measure its corporate governance arrangements. Working closely with the Audit Panel and Officers Governance Board, we completed a review of the corporate governance arrangements to prepare the City Council's Annual Governance Statement. The outcomes of our work is a key part, in providing the assurance required for review particularly in areas such as key financial systems, ICT, risk management and codes of conduct.
35. The effectiveness of the City Council's corporate governance arrangements and Annual Governance Statement will form a key part of the forthcoming CAA process for the Use of Resources.

## Financial Management Standard in Schools (FMSiS)

36. Although the FMSiS has existed for a number of years, the DfES imposed the requirement in 2006/07 for all schools to be assessed for compliance once every three years. This commenced with all Secondary Schools for 2006/07 and continued in 2007/08 with 26 Primary and Special Schools, being a third of the total.
37. A key part of the process is the external assessment and we have been accredited by the DfES to undertake this work. In addition to the actual external assessments, a substantial amount of support has been provided to schools and this has been extremely well received.
38. 17 of the 26 schools were assessed as complying with the standard, awarded passes and the remaining 9 were given conditional passes under the assessment scheme by which they have two months to implement agreed actions. We are currently in the process of re-assessing the 9 schools.

**Table 4 – FMSiS External Assessments Undertaken**

<b>School</b>	<b>Result</b>
Balfour Junior	Pass
Bevendean Primary	Pass
Carden Primary	Pass
Cottesmore St Marys RC	Pass
Downs Junior	Conditional Pass
Elm Grove Primary	Conditional Pass
Goldstone Primary	Conditional Pass
Hangleton Junior	Pass
Mile Oak Primary	Pass
Moulsecoomb Primary	Conditional Pass
Rudyard Kipling Primary	Conditional Pass
Saltdean Primary	Conditional Pass
Somerhill Junior	Conditional Pass
St Andrews CE	Pass
St Lukes Junior	Pass
West Hove Infant	Pass
West Hove Junior	Pass
Westdene Primary	Pass
Woodingdean Primary	Pass
Whitehawk Primary	Conditional Pass
ACE	Pass
Cedar Centre	Pass
Downs Park	Pass
Downsview	Pass
Hillside	Pass
Patcham House	Conditional Pass

### **Working with External Audit**

39. When forming an opinion on the City Council's financial statements, the External Auditor, the Audit Commission, relies upon our work. Our close working relationship with external audit continues to operate effectively to ensure audit coverage is co-ordinated and maximised for the benefit to the City Council.
40. We have continued to complete a significant and increasing amount of work on the external auditor's behalf including the review of key financial systems, performance indicators, data quality and grant claim verification. This has resulted in a significant decrease in external audit fees to the City Council.

## IV INTERNAL AUDIT PERFORMANCE 2007/08

41. Agreed local performance indicators for internal audit were established and targets set as part of the Annual Internal Audit Plan for 2007/08. These were monitored throughout the year and reported to the Director of Finance & Resources.

### Summary of 2007/08 performance data

42. These local performance indicators are generally quantitative and are shown in Table 4 below, actual performance against targets set. The actuals for 2006/07 are shown in brackets for trend analysis.

### Table 4 - Performance Indicators Targets V Actuals

#### Completion of audits against the number identified in the Agreed Annual Internal Audit for 2007/08

<b>Purpose of the performance indicator:</b> to ensure that Audit & Assurance Services provides sufficient coverage to provide an adequate and effective internal service, to provide sufficient assurance to management on the City Council's system of internal control and meet the requirements of the Section 151 Officer and External Audit	
<b>Target:</b> 95	<b>Achieved:</b> 92.5% (2006/07 93%)

#### Turnaround times of audit reports

<b>Purpose of the performance indicator:</b> to ensure effectiveness of audit work in terms of timeliness and service delivery to clients.	
<b>Target:</b> Issue 100% of draft reports within 10 working days of completion of audit fieldwork	<b>Achieved:</b> 96% (2006/07 90%)
<b>Target:</b> Receive 100% of client responses within Client responses within 15 days of issue of draft reports.	<b>Achieved:</b> 88% (2006/07 90%)
<b>Target:</b> Issue of 100% of final audit reports within 10 days of agreement with clients	<b>Achieved:</b> 98% (2006/07 97%)

#### Client satisfaction levels of at least good or very good

<b>Purpose of the performance indicator:</b> to ensure Audit & Assurance Services provides a sufficient level of service in terms of quality and impact through adding value as required by its clients.	
<b>Target:</b> 92% of client satisfaction responses at least good or very good.	<b>Achieved:</b> 96% (2006/07 94%)

## Reliance by External Audit on the work of Audit & Assurance Services

<b>Purpose of the performance indicator:</b> to ensure the audit coverage and quality is sufficient to meet the statutory requirements of external audit, including the International Standards of Auditing and beneficial in terms of reducing external audit fees to the City Council.	
<b>Target:</b> Reliance	<b>Achieved:</b> Reliance (2006/07 Reliance)

43. In addition to the monitoring and reporting of the above local performance indicators, we continuously review and improve our working practices aimed at ensuring we provide an excellent internal audit service to the council. The Accounts and Audit Regulations 2006 introduced a new requirement to conduct at least once a year a review of the effectiveness of internal audit. A review was undertaken during 2007/08 that included external peer challenge/examination and raised no significant concerns. This was reported to the Audit Panel in September 2007.
44. We participate in a national benchmarking exercise operated by the Chartered Institute of Public Finance. From previous benchmarking exercise we are generally in the upper quartile for the majority of areas. We are currently submitting the data for the 2007/08 exercise and the results will be reported to the Audit Committee as part of this year's Effectiveness Review.
45. The Comprehensive Performance Assessment (CPA) for Internal Control is considered to be in part, a reflection of the ongoing effectiveness of internal audit activity as it contributes to and influences the quality of the internal control environment. The 2007 CPA score for Internal Control was 3 out of 4 and although the same as 2006, individual components had improved. Our target is to achieve a score of 4 for which currently only 11 other local authorities achieve.

**Appendix A****Definitions of Audit Opinions**

<b>Categories of Assurance</b>	<b>Assessment</b>
<b>Full</b>	There is a sound system of control designed to achieve the system and service objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.
<b>Substantial</b>	Whilst there is a basically sound system of control (i.e. key controls), there are weaknesses, which put some of the system/service objectives at risk, and/or there is evidence that the level on non-compliance with some of the controls may put some of the system objectives at risk and result in possible loss or material error. Opportunities to strengthen control still exist.
<b>Reasonable</b>	Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and result in residual risk. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the City Council.
<b>Limited</b>	Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve control or compliance lead to an increased risk of loss to the Authority. Not all major risks are identified and/or being managed effectively.
<b>No</b>	Control is generally very weak or non-existent, leaving the system open to significant error or abuse and high level of residual risk to the City Council.  A high number of key risks remain unidentified and/or unmanaged.

**Appendix B****Definitions of Audit Recommendations**

<b>Priority</b>	<b>Assessment</b>	<b>Timescale for Implementation</b>
<b>High</b>	<p><b>Fundamental</b> There is a <b>weakness</b> in control that represents <b>immediate</b> material risk to the City Council or a service and requires urgent attention by management.</p> <p>These issues generally merit the attention of senior management.</p>	Actions to address recommendations should in a number of cases be immediate and at least within three months.
<b>Medium</b>	<p><b>Significant</b> There is weakness in control and a <b>risk</b> of material inaccuracy/loss to the City Council or a service area and requires corrective action/attention by local management within a <b>reasonable</b> period.</p>	Should be implemented within 6 months
<b>Low</b>	<p><b>Merits Attention</b> Minor matters where there is a weakness or opportunity for improvement, which does not expose the service/system under review to any significant risk, but management should consider taking action.</p>	No set time period.



## **Internal Audit Charter**

### **1. Purpose**

- 1.1 This purpose of this charter is to set out the purpose, role, responsibility, status and authority of internal auditing within Brighton & Hove City Council

### **2. Responsibilities & Objectives**

- 2.1 Internal audit is an assurance function that primarily provides an independent and objective opinion to the City Council on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 2.2 The control environment comprises the systems of governance, risk management and internal control.

### **3. Reporting Lines & Relationships**

- 3.1 Audit & Assurance Services provide the City Council's internal audit function and are part of the Finance & Resources Directorate. The Head of Audit & Assurance reports functionally to the Chief Executive, Director of Finance & Resources (Section 151 Officer), other Directors and members of the Audit Committee. Administratively the Head of Audit & Assurance also reports to the Director of Finance & Resources.
- 3.1 The Audit Committee is responsible for endorsing the Internal Audit Strategy and Annual Audit Plan. The Head of Audit & Assurance reports regularly to the Audit Committee on progress against the Annual Audit Plan and key issues arising.

### **4. Independence and Accountability**

- 4.1 Audit & Assurance Services are required to provide an objective and professional internal audit service. To this end it will be independent of the activities which it audits to ensure impartial and effective professional judgement and recommendations. To ensure this, Audit & Assurance Services operates within a framework that allows unrestricted access to senior management, reporting in its own name and segregation from line operations.
- 4.2 The existence of an internal audit function within the City Council 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.

## **5. Statutory Role**

- 5.1 Internal auditing is provided as a statutory service in the context of the Accounts & Audit Regulations 2006, which states that a relevant body shall maintain an adequate and effective system of internal audit of its accounting systems and its system of internal control in accordance with the proper Internal audit practices.
- 5.2 The statutory role is recognised and endorsed within the City Council's Financial Regulations, which provides the authority for unlimited access to officers, Members, documents and records and to require information and explanation necessary.

## **6. Consultancy and Advisory Role**

- 6.1 Audit & Assurance Services also perform a consultancy or advisory role on an ad hoc basis or as part of the Annual Internal audit Plan, as requested by management. Reports from this type of work contain findings and recommendations particularly to add value to the City Council's services in achieving value for money in its use of resources.

## **7. Internal audit Standards**

- 7.1 There is a statutory requirement for Audit & Assurance Services to work in accordance with the 'proper audit practices'. These are effectively the CIPFA Code of Practice for Internal Audit in Local Government that accompanies the Accounts & Audit Regulations 2006

## **8. Internal audit Scope**

- 8.1 The scope for Audit & Assurance Services is 'the control environment comprising risk management, control and governance'. This means that the scope of Audit & Assurance Services includes all of the City Council's operations, resources, services and responsibilities in relation to associated partner organisations. The priorities for Audit & Assurance Services will be determined by a process of risk assessment.

## **9 Internal audit Resources**

- 9.1 Audit & Assurance Services will ensure as far as possible that it appropriately staffed in terms of numbers, skills and experience. The Head of Audit & Assurance is responsible for appointing of staff and will ensure these are made in order to achieve the appropriate mix of qualifications, experience and skills.
- 9.2 The Head of Audit & Assurance is responsible for ensuring that the resources of Audit & Assurance Services are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report this to the Director of Finance & Resources (Section 151 Officer) and the Audit Committee.

- 9.3 Where necessary to provide an adequate, effective and professional service the Head of Audit & Assurance will outsource internal audit work to supplement internal resources.
- 9.4 If Internal auditors are appointed from operational roles elsewhere within the City Council, they do not undertake an audit in that area directly within one year unless by prior agreement.

## **10. Fraud and Corruption**

- 10.1 Managing the risk of fraud and corruption is the responsibility of management. Internal audit reviews alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Audit & Assurance Services will, however be alert in all their work to risks and exposures that could allow fraud or corruption.
- 10.2 The Head of Audit & Assurance has lead responsibility for corporate counter fraud activities including proactive initiatives, maintaining and developing an effective framework, and advising management.

## **11. Reporting Accountabilities**

- 11.1 A written internal audit report will be prepared for every audit carried out and issued to the appropriate manager responsible for the area under review. Internal audit reports will include an 'opinion' on the risk and adequacy of controls, which together will contribute to the annual audit opinion on the City Council's control environment.
- 11.2 Audit & Assurance Services will make practical recommendations based on the findings of the audit work and discuss these with management to establish appropriate action plans.
- 11.3 Management are expected to implement all agreed recommendations within a reasonable timeframe. Each internal audit will be followed up normally within six months of issue, in order to ascertain whether agreed actions have been implemented effectively.
- 11.4 The Head of Audit & Assurance reports regularly to the Audit Committee on progress made against the Annual Audit Plan and the summarised outcomes of individual audits.
- 11.5 The Head of Audit & Assurance Services provides an Annual Internal Audit Report to the Audit Committee that includes an opinion on the adequacy and effectiveness of the control environment.

## **12. Responsibilities**

- 12.1 In meeting its responsibilities, the activities of Audit & Assurance Services will be conducted in accordance with the City Council's objectives, established policies and procedures. In addition, internal auditors comply with the Code of Practice for Internal Audit in Local Government (CIPFA).
- 12.2 Audit & Assurance Services will co-ordinate effectively with the Audit Commission (as the City Council's appointed external auditors) for optimal audit coverage and to ensure that appropriate reliance can be placed on internal audit work.
- 12.3 Audit & Assurance Services will work the internal audit functions of the City Council's partner organisations to ensure the robustness of controls and risk management arrangements, to protect the City Council's interests.