Appendix E – Internal Audit Reporting Protocol March 2018

1 Purpose and Scope

1.1 This document outlines the way internal audit will initiate, and report on work for the Council. This protocol relates only to Council Services, a separate protocol exists for Schools.

1.2 In terms of this protocol there are two types of audit work that will involve different approaches to reporting. These are:

- Routine planned audits to provide assurance
- Advisory work carried out at the request of the client

1.3 Two tables are attached which summarise the key elements of this protocol for each of the above.

1.4 The lead auditor is responsible to the Audit Manager for managing the audit in compliance with the "Public Sector Internal Audit Standards". Responsibility for the content of the resulting audit report will remain with the relevant lead auditor and the Audit Manager.

2 Initiating work

2.1 The following highlights the key stages for commencing Internal Audits

2.2 Terms of reference will be issued for planned audit reviews that will set out the scope of the work to be carried out and confirm the reporting arrangements.

3 Reporting the results of Internal Audit work

3.1 The reporting process planned work has three key stages :-

Rough Draft Report;
Draft Report;
Final Report.

3.2 The rough draft will be issued to the Service Manager to check the factual accuracy, and to obtain their initial observations.

3.3 The formal draft will be issued once the Service Manager is satisfied with the accuracy of the report. The circulation of the formal draft report will ensure that all relevant people have had an opportunity to comment on the content of the report, prior to it being finalised.

3.4 We request comments/observations from all recipients, however, we treat the relevant Head of Service/Unit Manager as the main client, and as such we require a response as to whether the recommendations are agreed or otherwise before the report is finalised. Where a recommendation is not agreed, we require the client's reasoning for this, and this detail is included in the Action Plan (attached at the back of the report) for future reference.

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3.5 Where, during an audit, a serious problem is discovered which requires immediate attention, it may be necessary to issue an interim report. The Audit Manager will contact the Head of Service to discuss any such issues prior to an interim report being issued. At a minimum any issues of concern will be raised at the point of identification. Some audit sections carry out a 'closure meeting/discussion at the end of the 'testing' stage of each audit to highlight the areas of weakness identified that will be included in the report. We do not do this, we use the 'rough draft report' as the basis of the initial discussion with managers, as this has been created after a thorough review process it ensures that the feedback is comprehensive and points are not missed.

3.6 The Terms of Reference for the audit give an indication of the timescales for issuing the rough draft report. This is for guidance only as there are numerous factors that can impact on us being able to meet these targets.

4 Follow Up of Audit Recommendations

4.1 A follow up process is required in order to be able to give management/members assurance that the agreed action plans have been implemented. All audits with weak or very weak opinions will be followed up. Audits with a satisfactory opinion may be followed up if, in the opinion of internal audit or management, the weaknesses identified by the audit warrant a follow up.

4.2 A follow-up review is carried out roughly six months after the audit report was finalised.

5 Reporting to the Governance and Ethics Committee

5.1 The Audit Manager will provide the Committee, on a quarterly basis with a report that will summarise the results of completed audits and follow up audits.

5.2 Where an audit is categorised as weak or very weak a written comment from Internal Audit will be provided to the Committee and a written response / comment / update will be sought from the Head of Service.

5.3 Where a follow up is classed as unsatisfactory then again a written comment and response will be provided. In addition, the Head of Service will normally be asked to attend the Governance and Ethics Committee to outline the reasons for the failure to implement the agreed action plan and answer Members questions on the audit.

6. Role of Portfolio Holders in the audit process

6.1 Portfolio Holders are copied in on the proposed Terms of Reference for each engagement together with being consulted on the content of the draft report.

6.2 The role of the Portfolio Holder in the audit process is to:

- Feed in any issues of concern at the start of the audit so that these can be considered by the auditor in scoping the review.
- Support the relevant Head of Service in considering weaknesses identified during the audit and action plans proposed by the auditor at the conclusion of the audit
- Support the Head of Service in implementing agreed action plans

1   Audit Reviews to provide Assurance

Client	Terms of reference	Rough Draft Report	Formal Draft Report	Final Report	Follow-up details
S151 Officer (Head of Finance)	All cases		All cases for his service areas Other services - where there are fundamental weaknesses identified	All cases	All cases
Service / Unit Manager	All cases	All cases	All cases	All cases	All cases
Head of Service	All cases	Only where serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written	All cases	All cases	All cases
Corporate Director	All cases		Where there are fundamental weaknesses in the service	All cases	All cases
Chief Executive	For his service areas		Only where serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the service manager. Such	Any report with fundamental weaknesses	Any report with fundamental weaknesses

Client	Terms of reference	Rough Draft Report	Formal Draft Report	Final Report	Follow-up details
			issues would normally be raised before the report is written. **The Audit Manager will decide on the necessity to issue a report at this level.**		
Service Portfolio Holder	All cases		All cases	All cases	All cases
Portfolio Holder for Assurance	All cases		All cases	All cases	All cases

2 Advisory/VFM Reviews

(The approach will be agreed with the Client prior to commencing a review, and to be noted in the terms of reference to provide clarity of how the findings are to be reported). Advisory reviews may arise from the need for advice on key controls in systems where the Service concerned is already aware that improvement is needed or where the systems are being changed by the service area, (eg a new ICT system is being implemented).

Client	Terms of Reference	Rough Draft Report	Formal Draft Report	Final Report
Line Manager	All cases	All cases	All cases	All cases
Head of Service	All cases		All cases	All cases
Corporate Director	All cases		Where there are fundamental weaknesses in the service	All cases
S151 Officer (Head of Finance)	All cases		All cases for his service areas Other services - where there are fundamental weaknesses identified	All cases

Further escalation of the advisory / VFM reviews reporting to the Chief Executive and the relevant portfolio Member will depend upon the significance of issues / number of weaknesses identified and will be determined by the relevant auditor.
Due to the nature of the work an overall opinion will not be given for an advisory/VFM review. However, some of these reviews may warrant a follow-up audit, depending on the significance of the findings, where this is the case a progress categorisation will be given.