

Notice of Meeting



Governance and Audit Committee

Thursday, 7 December 2006 at 6.30pm

**In Committee Room 1, Council Offices,
Market Street, Newbury**

Date of despatch of Agenda: 24 November 2006

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Vicky Wheatley, Policy & Research Officer on (01635) 519241
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Further information and Minutes are also available on the Council's website at www.westberks.gov.uk

Governance and Audit Committee to be held on 7 December 2006 *(continued)*

To: Councillors Barbara Alexander (*Chairman*), John Chapman, Sue Farrant, Denise Gaines, Alexander Payton (*Vice Chairman*), Andrew Rowles and Emma Webster.

Agenda

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2. Minutes To approve as a correct record the Minutes of the meeting of this Committee held on 11 October 2006.	1 - 4
3. Declarations of Interest <i>To receive any Declarations of Interest from Members.</i>	Verbal
4. Training on The Internal Audit Process in Detail <i>Purpose: To continue the Committee's training programme.</i>	Verbal
5. Annual Review of Internal Audit <i>Purpose: A review of the Internal Audit Service to comply with the Accounts and Audit Recommendations.</i>	5 - 29
6. Internal Audit – Interim Report <i>Purpose: To provide an update on the work of Internal Audit, comment on results and seek explanations for any failure to implement agreed actions.</i>	30 - 38
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Sue Curtis Davison
Head of Policy and Communication

GOVERNANCE & AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON 11 OCTOBER 2006

Councillors: Barbara Alexander (*Chairman*) (P), John Chapman (A), Sue Farrant (P), Denise Gaines (AP), Alexander Payton (*Vice Chairman*) (AP), Andrew Rowles (P) and Emma Webster (AP)

Substitute(s): Sally Hannon

Also present: David Holling (Head of Legal and Electoral), Ian Priestley (Head of Assurance), Julie Gillhespey (Group Auditor), Charles Morris (Risk Manager), Robert O'Reilly (Head of Human Resources), Tom Herring (Corporate Contracts & Procurement Manager) and Vicky Wheatley (Policy & Research Officer).

PART I

17. APOLOGIES.

Apologies for the inability to attend the meeting were received on behalf of Councillors Alex Payton, Denise Gaines and Emma Webster. Councillor Sally Hannon attended the meeting as a substitute.

18. MINUTES.

The Minutes of the meeting held on 28 September 2006 were approved as a true and correct record and signed by the Chairman.

A note from Simon Freeman, Head of Accountancy, was circulated in response to questions raised at the Committee meeting on 29 June 2006. It was reported that:

- i) The full Capital Strategy 2006 – 2012 was available to Members by entering the words "Capital Strategy" in the search bar on the WBC intranet and searching for Articles and Documents.
- ii) The Councils Assets were valued under the requirements of the Royal Institute of Chartered Surveyors (RICS) in their guidance document "Statements of Asset Valuation Principles and Guidance Notes". The guidance took into consideration a wide range of issues including the use to which the assets were put for example.

19. DECLARATIONS OF INTEREST.

There were no interests declared.

20. PRESENTATION ON THE ROLE OF INTERNAL AUDIT.

The Committee heard a presentation on the role of Internal Audit (Agenda item 4), delivered by Julie Gillhespey, Group Auditor. She reported that Internal Audit:

- Was defined as an independent appraisal function to examine, evaluate and report on the internal control system of an organisation as a contribution to the proper, economic, efficient and effective use of resources,
- Looked at the whole system of internal control, not just financial control, and was a statutory requirement in local government. It was important that Internal Audit was impartial and always had evidence to support their conclusions,
- Aimed to ensure an organisation's objectives and goals could be accomplished, resources were used efficiently and effectively, assets and resources were safeguarded, information was reliable and the organisation complied with policies, plans, procedures, laws and regulations,
- Provided advice across the Council and ad-hoc advice on controls that needed to be put in place,

GOVERNANCE & AUDIT COMMITTEE – 11 OCTOBER 2006 – MINUTES

- Had a 3 year rolling Strategic Internal Audit Plan, which was re-assessed each year. Proposals were discussed at Senior Management Team meetings, and agreed with Corporate Board and the Members. The work was then split between the 2 audit teams,
- Had standards for carrying out audits (Specific to West Berkshire Council) which were set out in the Internal Audit Manual. Every stage of each audit was reviewed by a Group Auditor,
- Was subject to an annual review by External Auditors. The next review was due in February 2007.

In response to questions from the Committee, Julie Gillhespey confirmed that not all audits were carried out internally as some outsourcing did occur. Internal Audit would join a bench marking group to compare and learn from Auditors in similar local authorities. Services were not charged for internal audit work carried out in their departments as it was felt fairer that the overall charge was shared.

The Committee also heard a briefing on the Financial Management Standard in Schools (FMSIS) from Ian Priestley, Head of Assurance. He reported that:

- Schools had been granted greater financial freedoms in the last 20 years, although the Council's Head of Finance and Section 151 Officer retained overall financial control,
- The FMSIS was launched by the DfES in April 2004, and became a requirement from June 2006,
- Internal Audit would focus on working with secondary schools and help them to gain accreditation where possible,
- The DfES had not yet determined whether any sanctions would apply if schools did not comply with the FMSIS.

Councillor Hannon felt that schools were happy to work with Internal Audit, but believed the FMSIS would create extra work for their finance departments and they would write to the DfES.

RESOLVED that the Committee note the presentations from Internal Audit.

21. ANTI FRAUD AND CORRUPTION POLICY – REVIEW AND UPDATE TO INCLUDE AN ANTI MONEY LAUNDERING POLICY.

The Committee considered a review of the existing anti fraud policies and the new anti money laundering policy (Agenda item 5) presented by Ian Priestley, Head of Assurance. Ian Priestley informed the Committee that:

- Although the Council needed to have an anti money laundering policy it was a very low risk,
- The anti fraud and confidential reporting policies had been reviewed as they formed part of the Use of Resources,
- The leaflets at p35 – 39 had been designed by the Audit Commission and then tailored to West Berkshire Council. They would be e-mailed to all employees and be made available on the Council's intranet.

The Chairman thought that a summary for each of the policies would be useful and David Holling, Head of Legal & Electoral, informed the Committee there would be a frequency asked questions page on the Intranet with respect to money laundering.

Councillor Hannon suggested that in the introduction of the policies it was made clear who the policy applied to; officers, leisure centres, schools or partner organisations. This was particularly important when joint working arrangements with partner organisations were in place.

RESOLVED that

1. The revised Anti Fraud and Corruption Policy, Confidential Reporting Code and Anti Money Laundering Policy be approved subject to the following amendments:
2. An executive summary be included in each policy,
3. Who each Policy applies to be made clear in the introduction of each Policy,
4. The process for informing the Head of Human Resources of a concern raised in the Confidential Reporting Code be clarified.

22. DECISION MAKING AUTHORITY FOR HR POLICIES & PROCEDURES.

The Committee considered a report on the Decision Making Authority for HR Policies and Procedures (Agenda item 6). The report was presented by Robert O'Reilly, Head of Human Resources, who explained that the recommendations in the report would clarify in the Council's Constitution who was responsible for making certain HR decisions.

It was recommended that the terms of reference for the Personnel Committee be extended to include the decision making power to approve new or revised HR policies and procedures. Also, that decision making powers be delegated from the Personnel Committee to the Chief Executive under the Scheme of Delegation.

RESOLVED that the report be approved.

23. THE QUARTERLY REVIEW OF THE STRATEGIC RISK REGISTER AND RED RISKS.

The Committee considered the Statement of Internal Control Strategic Risk Register 2006-07 (Agenda item 7) presented by Charles Morris, Risk Manager.

Charles Morris informed the Committee that the issues raised at the meeting on 29 June 2006 (Detailed at paragraph 1.4 in this report) had all been implemented. The only major change to the Risk Register was that the AWE Redevelopment was no longer considered a significant risk and had been managed out of business.

David Holling, Head of Legal & Electoral, reported that major projects, such as Kennet Valley Park were considered to be major risks to the Council as due to their size they had a major impact on Council resources and were beyond what the Council would normally expect to manage.

Charles Morris drew the Committee's attention to the Red Risks on p57 of the agenda and circulated information on the selection criteria for the risks.

The Committee discussed potential new risks the Council faced, such as the effects of the enlargement of the European Union and financial pressure of increasing home to school transport. The Committee also considered whether it would be more appropriate for the Chief Executive and the Leader to take ownership of the Poor / Inappropriate Decisions Risk at 3.2.

The Risk Manager thanked the Committee for their comments which he would raise with the Chief Executive at their next meeting.

RESOLVED that

1. The Quarterly Review of the Strategic Risk Register and Red Risks be noted,
2. The Risk Manager and Chief Executive consider whether to include the effects of the enlargement of the European Union and financial pressure of increasing home to school transport in the Risk Register and whether it would be more appropriate for the Chief Executive and the Leader to take ownership of the Poor / Inappropriate Decisions Risk at 3.2.

24. A PROTOCOL FOR MEMBER INVOLVEMENT IN PROCUREMENT IN CONTRACTS VALUED OVER £50,000.

The Committee considered A Protocol for Member Involvement in Procurement in Contracts Valued Over £50,000 (Agenda item 8) presented by Tom Herring, Corporate Contracts & Procurement Manager.

Tom Herring explained that in May 2005 the Executive had requested a protocol outlining how Member involvement could be ensured in procurement decisions over £50,000 in value. In the protocol, at the beginning of each financial year Heads of Service would identify expected procurements for the year ahead in a Service Procurement Planner. Portfolio Holders and Shadow Portfolio Holders would review this and indicate in which procurement exercises they wished to be involved in, and to what extent.

The report included recommendations of the Resource Management Task Group. Portfolio and Shadow Portfolio holders would have 5 working days to approve or reject a proposal. If they were unavailable, the proposal would be sent to the Leader or Leader of the Opposition.

The protocol included all capital projects, emergency procurements (when possible) and placements in special schools.

The Committee asked that procurement proposals are sent to Members in their Member's Bags as well as electronically, and followed up with a telephone call.

RESOLVED that

1. A protocol for member involvement in procurement in contracts valued over £50,000 be approved subject to the amendment below,
2. Officers be requested to send procurement requests by e-mail and in Members bags, and telephone Members when necessary.

25. ANNUAL WORK PROGRAMME.

The Committee discussed a draft annual work programme (Agenda item 9).

The Committee agreed that the first main item of each meeting would be a training and development, and suggested that all Members be notified and invited to attend.

RESOLVED that

1. The work plan for the Governance & Audit Committee be approved,
2. All Members be notified of the training session at the beginning of each Committee,
3. The future meeting dates of the Committee would be:
 - 6.30pm, Thursday 7 December 2006
 - 6.30pm, Wednesday 21 March 2007
 - 6.30pm, Tuesday 26 June 2007
 - 6.30pm, Tuesday 25 September 2007

(The meeting commenced at 6.00pm and closed at 7.30pm)

CHAIRMAN

Date of Signature:

Title of Report:

Review of Internal Audit 2006 - 2007

Item 5

Report to be considered by: Governance and Audit Committee

Forward Plan Ref:

Corporate Plan Priority: D4 – Stronger governance

The proposals contained in this report will help to achieve the above Corporate Plan priority by:

- Carrying out an annual review of Internal Audit as required by the Accounts and Audit Regulations 2006 in support of the annual review of the system of internal control.

Purpose of Report:

To carry out a review of the Internal Audit service.

Recommended Action:

To consider the review and approve the associated action plan.

Reason for decision to be taken:

To comply with the Accounts and Audit Regulations 2006.

List of other options considered:

None.

Key background documentation:

CIPFA code of practice for Internal Audit in Local Government (draft 2006).

Contact Officer Details

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1 Introduction

- 1.1 The purpose of this report is to meet the new requirements of the Accounts and Audit Regulations 2006 that the Council

“shall, at least once in every year, conduct a review of the effectiveness of its system of internal audit “

and

“the findings of the review shall be considered, as part of the consideration of the system of internal control, by the relevant committee”

- 1.2 The aim of this amendment is to ensure that a key component of the Council's system of internal control, ie Internal Audit, is reviewed as part of the wider annual review of the whole system of internal control. This wider review is reported annually through the Statement of Internal Control.

2 Approach to the review

- 2.1 The idea of an annual review of Internal Audit is new, however, regular reviews of Internal Audit are carried out by the External Auditor. These take the form of External Audit using, and placing reliance on, the work of Internal Audit and occasionally External Audit carrying out a detailed audit of Internal Audit. The last full audit of Internal Audit by External Audit was carried out in 2001, the next full audit will be carried out in the new year.

- 2.2 When External Audit carry out an audit they usually base their review on the CIPFA Code of Practice for Internal Audit in Local Government. Guidance on the amended Accounts and Audit Regulations from the DCLG also suggests that the CIPFA Code should be the basis for any review.

- 2.3 The CIPFA Code was published in 2003, but is currently being revised. Given the proposed changes in the Code the 2006 draft Code has been used for this review.

3 Results of the review

- 3.1 The detailed review is contained in appendix A of this report. This sets out the relevant paragraphs from the Code of Practice with an associated assessment of current practice from the Internal Audit service. Where action is required to meet the standard set by the Code this has been noted and the findings are summarised in the table below.

Para	Assessment	Action proposed
(1.1.1)	Audit Charter doesn't reflect the requirements of the 2006 code	Update the charter to include <ul style="list-style-type: none">• Accountability reporting lines• Requirement for annual report• resourcing
(2.2.2)	Relationship- between the Head of Audit and the Governance and Audit Committee need formalising	The need to amend the Audit Charter to allow the Head of Audit to report to the G&A Committee.

		The Financial Rules of Procedure also require amendment to confirm the right of the Head of Audit to report to the G&A Committee
(5.6.1)	Relationship- between the Head of Audit and the Governance and Audit Committee need formalising	Action point – revise the terms of reference for the G&A Committee and the internal audit charter to formalise the relationship between internal audit and the committee.
(6.2.2)	Ongoing difficulties recruiting and retaining experienced staff. This often has a significant impact on the work of the service	Action Point – the restructuring of the Finance Service will consider the issues of recruitment and retention in internal audit.
(7.3.4)	Any imbalance between the audit needs assessment the resources available is not currently reported to Committee.	The need to report any imbalance between resources and audit needs to the G&A Committee
(8.3.3)	Document retention periods for internal audit files have not been specified	The need to specify retention periods for audit documentation
(11.3.6)	Formal periodic quality reviews are not presently undertaken	The need for the Head of Audit to carry out occasional quality reviews of audit files to supplement the work of the External Auditor

4 Follow up

- 4.1 As noted above the External Audit are to carry out a detailed audit of Internal Audit in the new year. The findings of this review will be made available to the External Auditor to inform their review. Also the results of the audit by the External Auditor will be reported to this committee. Any further actions arising from the review of the External Auditor will be included in the actions listed above.
- 4.2 Progress in implementing the actions noted above will be reported in the Annual Report from the "Head of Internal Audit" in June with further progress being reported when this review is repeated at the end of 2007.

Annual Self Assessment of Internal Audit for Governance and Audit Committee

1	Scope of Internal Audit	
Purpose :	Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance 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.	
Code ref	Work Required	Self Assessment
(1.1.1)	<p>Are the terms of reference of Internal Audit formally confirmed by the organisation, and are they consistent with the CIPFA code?, do they?</p> <ul style="list-style-type: none"> • establish the responsibilities and objectives of Internal Audit • establish the organisational independence of Internal Audit, • establish the accountability, reporting lines and relationships between the Head of Internal Audit and: <ol style="list-style-type: none"> 1. those charged with governance 2. those parties to whom the Head of Internal Audit may report 3. elected members • recognise that Internal Audit's remit extends to the entire control environment of the organisation • identify Internal Audit's contribution to the review of the effectiveness of the systems of internal control • require the Head of Internal Audit to deliver an annual audit opinion • explain how Internal Audit's resource requirements will be assessed. • establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. 	<p>Yes see Audit Charter. The objectives are listed as:</p> <ul style="list-style-type: none"> • To review, appraise and report on the adequacy of internal controls as a contribution to the economic, efficient and effective use of resources. • 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 • Recommend improvements in control, performance and productivity in achieving corporate objectives. • Review the value for money processes, best value arrangements, systems and units within the Authority. • Work in partnership with External Audit • Identify fraud as a consequence of its reviews and deter crime <p>Charter needs to be amended to cover:</p> <ul style="list-style-type: none"> • Accountability reporting lines • Requirement for annual report • resourcing
(1.1.3)	The terms of reference should, in accordance with the lines of reporting defined above, be approved and regularly reviewed by the organisation	Annual review by G&A at the time of approval of the audit plan
(1.2.3)	If the Head of Internal Audit or those charged with governance consider that the level of audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of Internal Audit, they should advise the organisation accordingly.	<p>This issue is covered in the annual report which includes aspects of performance of the service.</p> <p>The establishment for audit is adequate although Issues of recruitment and retention remain with a low base of experience at present.</p> <p>Benchmarking across Berkshire and via Cipta will be carried out to compare resourcing</p>

Annual Self Assessment of Internal Audit for Governance and Audit Committee

(1.3.3)	<p>Managing the risk of fraud and corruption is the responsibility of management, but the Head of Internal Audit should ensure that, under the organisation's anti-fraud and anti-corruption policies, they are notified of all suspected or detected fraud, corruption or impropriety to inform their opinion on the internal control environment and internal audit's work programme</p>	<p>The anti fraud policy requires that all concerns relating to fraud /corruption or irregularity be reported to the Head of Finance and internal audit.</p>
<p>Action Points</p>	<p>Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.</p>	<p>Yes the standard is being met. Action points are: The need to amend the Audit Charter 1.1.1 above</p>

Annual Self Assessment of Internal Audit for Governance and Audit Committee

2	Independence		
Purpose	Internal Audit should be sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. Internal auditors should have no operational responsibilities. Subject to any overriding statutory responsibilities of the Responsible Financial Officer or any overriding instructions by the organisation, accountability for responding to the advice and recommendations of Internal Audit lies with management, who either accept and implement the advice or formally reject it. Audit advice and recommendations, including where internal audit have been consulted about significant changes to the internal control systems, are given without prejudice to the right of Internal Audit to review and make further recommendations on the relevant policies, procedures, controls and operations at a later date.		
Code ref	Work Required	Self Assessment	
(2.2.2)	Internal Audit should be involved in determining its priorities in consultation with those charged with governance. Accordingly, the Head of Internal Audit should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance.	The Head of Audit sets the priorities through the annual update of the audit plan. This is then agreed with Corporate Board, Management Board and the Governance and Audit Committee. Group Auditors report in their own name to Heads of Service. The Audit Charter needs to formally set out the right of Internal Audit to report to the Governance and Audit Committee. The Financial Rules of procedure should be amended to make reference to the Audit Charter.	
(2.3.1)	The Head of Internal Audit should have sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with senior management and members of the organisation. The position of the Head of Internal Audit in the management structure should reflect the influence he or she has on the control environment and he or she should not report or be managed at a lower organisational level than the corporate management team	Regular reports are made to Management Board and the Governance and Audit Committee. The Head of Audit is line managed by the Head of Finance who is a member of Corporate Board.	
(2.6.1)	It is for the organisation to provide guidance on the type and nature of interests that should be declared. Individual auditors should declare interests in accordance with these requirements. The Head of Internal Audit should review these interests and take appropriate action.	A register of interests is maintained by the Head of Audit and is reviewed regularly. Auditors are reminded annually, and when they start employment with the Council, of the need to declare any interests. The Head of Audit monitors these interests, and refers details to the Group Auditors so conflicts can be avoided wherever possible	
Action Points	Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.	Yes the standard is being met. Action points are: The need to amend the Audit Charter to allow the Head of Audit to report to the G&A Committee. The Financial Rules of Procedure also require amendment to confirm the right of the Head of Audit to report to the G&A Committee.	

Annual Self Assessment of Internal Audit for Governance and Audit Committee

Ethics for Internal Auditors	
3	<p>The purpose of this section of the Code is to set the minimum standards for the performance and conduct of all internal auditors. It applies to all staff responsible for delivering internal audit within principal local government organisations, but does not supersede or replace the requirement on individuals to comply with ethical codes issued by professional institutes of which they are members and any organisational codes of ethics or conduct. There are four main principles that should be observed.</p> <ol style="list-style-type: none"> 1. Integrity 2. Objectivity 3. Competence 4. Confidentiality
Code ref	Work Required
(3.2)	<p>All internal auditors should demonstrate integrity in all aspects of their work. At all times the integrity and conduct of each internal auditor must be above reproach. The relationship with colleagues, internal clients and external contacts should be one of honesty, truthfulness and fairness. This establishes an environment of trust and confidence that provides the basis for reliance on all activities carried out by individual auditors and the Internal Audit team.</p>
(3.3)	<p>Objectivity is a state of mind that has regard to all considerations relevant to the activity or process being examined without being unduly influenced by personal interest or the views of others. The internal auditor must be impartial in discharging all responsibilities; bias, prejudice or undue influence must not be allowed to limit or override objectivity</p>
(3.4)	<p>Internal auditors should apply knowledge, skills and experience to their work, seeking additional advice and support where necessary to ensure work is carried out competently.</p>
(3.5)	<p>Internal auditors must safeguard the information they receive in carrying out their duties. Any information gained in the course of audit work should remain confidential, without limiting or preventing Internal Audit from reporting within the organisation as appropriate. There must not be any unauthorised disclosure of information unless there is a</p>
	Self Assessment
	<p>Covered in the audit manual and on the job training</p>
	<p>Work planning takes account of any previous roles staff held before joining audit, and ensures regular rotation of audit work. Also see 2.6.1 above, declarations of interest pick up any potential conflicts and allow the Group Auditors to plan work</p>
	<p>The recruitment and appraisal / training process ensures that staff are competent, work allocation is based on skills and experience of the auditors</p>
	<p>Audit Manual and on the job training reinforce the need for confidentiality.</p>

Annual Self Assessment of Internal Audit for Governance and Audit Committee

	<p>legal or professional requirement to do so. Inappropriate disclosure of information by internal auditors could be a disciplinary offence or illegal. Confidential information gained in the course of audit duties should only be shared with bona fide recipients and must not be used to effect personal benefit.</p>	
<p>Action Points</p>	<p>Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.</p>	<p>Yes the standard is being met. No actions are required</p>

Annual Self Assessment of Internal Audit for Governance and Audit Committee

4 Audit Committees	
Purpose	<p>Audit Committees represent best practice for local authorities. This is reflected across other parts of the public and private sectors. Where an organisation does not have an Audit Committee the Head of Internal Audit should adapt their responsibilities under this section of the Code to reflect local circumstances. The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process. The role is different to that of the Scrutiny function, whose purpose is to review policy and to challenge whether the Executive has made the right decisions to deliver policy goals. The Audit Committee will also review the Statement of Internal Control (prior to approval by the organisation) which in England will include the results of the review of the effectiveness of the system of internal audit.</p>
Code ref (4.2.1&2)	<p style="text-align: center;">Work Required</p> <p>The similarities between the work of the Audit Committee and the role of Internal Audit dictate that the Head of Internal Audit should build and maintain an effective working relationship between the committee and internal audit.</p> <p>That relationship has three elements:</p> <ul style="list-style-type: none"> • The approval (but not direction) of, and monitoring of progress against, the internal audit strategy and plan; • Using the results of internal audit's work to satisfy some of the Audit Committee's objectives (and vice versa); • Aligning the operations of the committee and internal audit, as far as possible without compromising their individual responsibilities, to make best use of resources. <p>The Head of Internal Audit should balance being appropriately accountable to the committee, helping the committee to be effective and relationships with others, for example the Section 151 officer.</p>
(4.2.4)	<p>To facilitate the work of the Committee the Head of Internal Audit should:</p> <ul style="list-style-type: none"> • Attending its meetings, and contribute to setting the agenda • Ensure that it considers its own remit and effectiveness • Ensure that it receives, and understands, documents that describe how internal audit will fulfil its objectives (e.g. the audit strategy, annual work programmes, progress reports) • Report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from
	Self Assessment
	<p>The Head of Audit regards the relationship with the G&A Committee as effective.</p> <p>Plans are approved by the committee</p> <p>Results of work reported to the committee</p>
	<p>The Head of Audit:</p> <ul style="list-style-type: none"> • attends all G&A committee meetings • Advises the committee on its role and responsibilities • Provides reports and explanations regarding the work of Internal Audit • Reports the outcomes of internal audit work every 6 months • Reports significant changes in the audit plan every 6 months • Provides an annual report in support of the Statement of Internal Control

Annual Self Assessment of Internal Audit for Governance and Audit Committee

	<p>that work and/or what unresolved risks or issues it needs to address</p> <ul style="list-style-type: none"> • Establish if anything arising from the work of the committee requires consideration of changes to internal audit's programme, and vice versa • Present an Annual Internal Audit Report including an overall opinion on the control environment, the extent to which the audit plan has been achieved, and a summary of any unresolved issues 	
Action Points	Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.	Yes the standard is being met. No actions are required

Annual Self Assessment of Internal Audit for Governance and Audit Committee

5	Relationships		
Purpose	Internal audit is involved in a wide range of internal and external relationships. The quality of these relationships impacts on the effective delivery of the audit function, its reputation and independence. The Head of Internal Audit must manage such relationships to ensure that there is clarity on issues such as: <ul style="list-style-type: none"> • The nature of the relationship, and its objectives • The responsibilities, expectations and objectives of each party An important part of that task is to ensure that internal audit's plans and activities are co-ordinated with those of other parties to achieve the most effective audit coverage and to minimise duplication.		
Code ref	Work Required	Self Assessment	
(5.2.1)	Management and staff at all levels in the organisation need complete confidence in the integrity, independence and capability of internal audit. The Head of Internal Audit must preserve the privileged nature of the relationship between internal auditors and managers, and should protect the confidentiality of information gained in the course of audit work (unless this would prevent internal audit meeting its reporting responsibilities to the wider organisation)	Effective relationships are maintained with all Directors and Heads of Service. Regular feedback is sought from clients to ensure the relationships remain effective The service operates a clear desk policy with all client files locked away and a password protected IT system with files stored on central file server rather than laptop hard drives	
(5.2.2)	Internal audit's work should provide management with assurance and identify opportunities for improvements. The Head of Internal Audit should ensure that their work addresses both of these aspects, without compromising internal audit's professional responsibilities	All audit reports provide assurance through the opinion given in the executive summary and identify weaknesses and suggest improvements.	
(5.2.3)	Co-operative relationships with management can enhance internal audit's ability to achieve its objectives, but should not dilute internal audit's responsibility for reporting control issues to those charged with governance. Audit work – and especially its timing - should be planned in conjunction with management to minimise abortive work and time unless, for example this might be perceived as jeopardising the "challenge" aspect of internal audit work, or where unannounced visits are necessary	Reports to the G&A Committee highlight where there are concerns re specific systems and overall re the whole internal control framework. Audit work is timed in conjunction with Management. Audits of key financial systems have been programmed for a specific slot each year with the agreement of the relevant manager.	
(5.4.2)	The Head of Internal Audit should meet regularly with the nominated external audit representative to consult on and co-ordinate their respective plans and, particularly, to discuss how work can be tailored to satisfy each parties' responsibilities in areas of common interest. Equally importantly, such meetings are an opportunity to discuss matters of mutual interest and to help develop both parties'	Internal Audit share / exchange details of audit plans to ensure that there is no duplication of effort. Regular meetings are held at all levels between internal and external audit. Some joint working has been carried out and internal audit will always consider appropriate training opportunities. The meetings between internal and external audit should be formalised, on a quarterly basis.	

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	understanding of the organisation and best practice.		
(5.5.1)	The Head of Internal Audit should seek to establish a dialogue with the agencies that may interact with the organisation, with a view to exchanging relevant information		It is not clear what benefits might arise from such a dialogue. There are numerous agencies and inspectors that interact with the Council, none have expressed an interest in a dialogue with internal audit.
(5.6.1)	The Head of Internal Audit must establish and maintain good working relationships and channels of communication with members. The terms of reference for internal audit should describe how such relationships should operate.		Effective links maintained with the G&A Committee and the Finance portfolio holder. Need to formalise the reporting from internal audit through the Chair of G&A, perhaps via the terms of reference of the Committee, and the internal audit charter
Action Points	Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.		Yes the standard is being met. Action point – revise the terms of reference for the G&A Committee and the internal audit charter to formalise the relationship between internal audit and the committee.

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Staffing, Training and CPD		
Purpose	Internal Audit should be appropriately staffed in terms of numbers, grades, qualifications, personal attributes and experience, having regard to its objectives and to these standards. Internal auditors should be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.	
Code ref	Work Required	Self Assessment
(6.2.1)	The Head of Internal Audit should be both professionally qualified and an experienced individual of a calibre reflecting the responsibilities arising from the need to liaise internally and externally with Members, senior management and professionals. The Head of Internal Audit should have wide experience of internal audit and management.	CIPFA qualified with 20 years management experience and 9 years managing an internal audit service.
(6.2.2)	The Head of Internal Audit is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan to these standards. The Head of Internal Audit is responsible, in accordance with the organisation's human resources processes, for recruiting appropriate staff. In addition, the Head of Internal Audit must consider whether there are sufficient staffing resources at their disposal.	The recruitment process attempts to deliver the range of experience required. However, in reality the service has always operated a policy of training and developing staff in house. Salaries are not competitive enough to attract suitably experienced and qualified staff. One post is currently vacant and is not being filled pending the restructuring of the Finance Service. This restructuring will consider the issues of recruitment within internal audit.
(6.3.1)	All internal auditors have a personal responsibility to undertake a programme of continuing professional development to maintain and develop their competence. This may be fulfilled through requirements set by professional bodies, for example, CIPFA's approach to CPD or the organisation's own appraisal and development programme. They should maintain a record of such training and development activities	Basic on the job training is provided by the Group Auditors. The Home Counties Audit Group also provide a 4 day residential course annually for new recruits, all staff attend this. Development training is provided by gradually exposing staff to more complex types of audit work. This is supplemented by external courses as required, and identified in the individual appraisals / training plans. Specialised training is undertaken eg the Certified Information Systems Auditor to ensure the service has the capability to undertake the full range of audit work. All staff undertake appropriate professional qualification training. NB the Council is currently undergoing accreditation with IIP
(6.3.2)	The Head of Internal Audit should ensure that appropriate provision is made for maintaining and developing the competence of audit staff.	Training needs are assessed as part of the performance management process. Monthly 1:2.1's are held with all staff. Appraisals are carried out annually with an update at half year. The annual appraisal is used to set out a training programme for each member of staff. The training programme is tailored to meet the needs of the service as set out above

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<p>Action Points</p>	<p>Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.</p>	<p>This is an area of difficulty and manifests itself in terms of variable output from the service depending on the experience base of the service. Output usually ranges from 70% to 95% completion of the audit plan. Action Point – the restructuring of the Finance Service will consider the issues of recruitment and retention in internal audit.</p>
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Annual Self Assessment of Internal Audit for Governance and Audit Committee

7		Audit Strategy and Planning	
Purpose	<p>The Head of Internal Audit must produce an audit strategy; this is the high level statement of how the Internal Audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities. The strategy can be presented as a document in its own right or integrated into an existing document, such as the business or service plan. It sets the context within which more detailed plans can be developed.</p>		
Code ref	Work Required	Self Assessment	
(7.2)	<p>The strategy should state how Internal Audit assurance for the annual statement on internal control will be undertaken. This will include how the Head of Internal Audit will contribute to the review of the organisation's corporate governance arrangements, risk management processes and key internal control systems.</p> <p>The strategy will communicate the contribution that Internal Audit makes to the organisation and should include:</p> <ul style="list-style-type: none"> • Short and medium term objectives and outcomes; • How the Head of Internal Audit will form and evidence their opinion on risk management and the control environment; • How internal audit's work will identify and accommodate significant local and national issues and risks; • How the service will be provided i.e. internally, externally or a mix of the two • The resources and skills required to deliver the strategy <p>The strategy should be approved (but not directed) by the Audit Committee.</p>	<p>The strategy is essentially contained in the annual audit plan. This highlights annual and three year objectives, how audit will respond to current issues and how it will be resourced. The audit plan also ties into the Council's Corporate Plan in support of the Development Theme – Stronger Governance. Internal Audit plays a key role in reviewing the Council's Corporate Governance arrangements in the various audits carried out and reported on in the annual report.</p>	
(7.3.1)	<p>The Head of Internal Audit should prepare a risk-based audit plan designed to implement the audit strategy. In preparing the plan the Head of Internal Audit should take account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes. Where the outputs from those processes are not judged to be sufficiently reliable, the Head of Internal Audit should undertake their own risk assessment. The Head of Internal Audit should also consult stakeholders. The Head of Internal Audit should determine whether there are any areas not identified through risk assessment processes that should be included in the plan.</p>	<p>The audit plan covers three years. It highlights:</p> <ul style="list-style-type: none"> • the level of risk • The main risks from the service • The type of audit • The frequency • An assessment of the resources required <p>In addition the plan also sets out the type of risk, eg Strategic risk, Fraud / Corruption risk etc</p> <p>The Head of Audit takes account of the Council's risk management processes, and consults stakeholders. The Audit Manual sets out the risk assessment process followed by Internal Audit and recorded on the audit database "galileo"</p>	

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(7.3.2)	<p>In order to compile the plan, there must be a clear understanding of the organisations functions and the scale and breadth of potential auditable areas. The Head of Internal Audit should keep up to date with the organisation and its changing priorities</p>	<p>The "audit universe" is maintained and updated on a continuous basis and forms the starting point for the preparation of the audit plan.</p>
(7.3.3)	<p>The audit plan should be set for a period of no longer than one year. The plan should outline the assignments to be carried out, their respective priorities and the estimated resources needed. The plan should differentiate between assurance and other work. The plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation.</p>	<p>The audit plan covers one year, with a look forward three years. The plan identifies the risk areas that need to be covered, priority in terms of risk and is also flexible with an element of contingency time and the ability to move audits in and out of the plan as necessary. Regular reviews are carried out between the Group Auditors to manage the workload of the audit plan and re prioritise where necessary.</p>
(7.3.4)	<p>Once the planned work has been determined, this should be compared to resource availability. Where there is an imbalance between the two, the Audit Committee should be informed and solutions agreed. The audit committee should approve, but not direct, the internal audit plan</p>	<p>Not currently done but will be from 1.4.07. The audit plan will be prepared following discussion with Directors and Heads of Service. Any imbalance will be reported to Corporate Board, Management Board and the G&A Committee.</p>
(7.3.5)	<p>The Head of Internal Audit is responsible for the delivery of the audit plan. Significant matters that jeopardise the delivery of the plan or require changes to the plan, should be identified, addressed, and reported to the audit committee</p>	<p>Significant variations to the plan are reported to the G&A Committee, in the interim and annual reports from Internal Audit.</p>
Action Points	<p>Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.</p>	<p>Yes the standard is being met. Action points include: The need to report any imbalance between resources and audit needs to the G&A Committee</p>

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8	Undertaking audit work	
Purpose	For each audit, a brief should be discussed, prepared and agreed with relevant parties. The brief should establish the objectives, scope and timing for the assignment and its resource and reporting requirements	
Code ref	Work Required	Self Assessment
(8.2.1)	Audit work intended to provide an audit opinion should be undertaken using a risk-based audit approach. Where this approach is not to be followed, the reason should be explained in the planning brief.	This is covered in the Terms of Reference that are produced for each audit. Risk issues determine the direction and scope of each audit.
(8.2.2)	At each stage of the audit, auditors should consider what specific work needs to be conducted and evidence gathered to support an independent and objective audit opinion.	Terms of reference set out the way the audit will be conducted. At each stage of the audit the Group Auditor reviews the work and agrees the direction, testing and evidence requirements. The Audit Manual covers this more detail.
(8.3.3)	During the course of the audit, key issues should be brought to the attention of the relevant manager to enable them to take corrective action and to avoid surprises at the closure stage.	Group Auditors use their judgement, and will refer issues to management as required during the audit. Audit Manual covers this in more detail
(8.2.4)	All audit work should be subject to an appropriate review process	Audit Manual covers this process. Work is documented on line on the Galileo system. Reviews are carried out by Group Auditors as the work progresses through each stage of the audit. The Head of Audit reviews reports produced by the Group Auditors.
(8.3.1)	The Head of Internal Audit should specify the required standard of Internal Audit documentation and working papers, and through the review processes, ensure that those standards are met.	This is set out in the Audit Manual and the Galileo system ensures that the standard is followed by providing a set of forms that must be completed to record the documenting and testing of audits
(8.3.2)	The Head of Internal Audit should have systems in place to ensure that auditors obtain and record sufficient evidence to support their conclusions and professional judgements. Internal Audit working papers should always be sufficiently complete and detailed to enable an experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if	Audit Manual provides detailed guidance. Group Auditors provide the judgement in arriving at conclusions. The process of review and the use of Galileo ensures that the work is properly documented.

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	necessary and to support the conclusions reached		
(8.3.3)	The Head of Internal Audit should specify how long all audit documentation should be retained, whether they are held on paper or electronically and having regard to organisational policy and statutory requirements. The Head of Internal Audit should control access to audit documents and should obtain the approval of relevant management before releasing them to third parties		Retention periods are not currently specified. No audit documents are released without the approval on the relevant Head of Service.
Action Points	Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.		The standard is met. Action points include: The need to specify retention periods for audit documentation

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9	Due Professional Care		
Purpose	<p>Due professional care is the care and skill that prudent and competent internal auditors will apply in performing their duties.</p> <p>Due care is working with competence and diligence. It does not imply infallibility. Internal auditors cannot be expected to identify every control weakness or irregularity but they can provide reasonable assurance regarding the controls examined within the scope of their review.</p> <p>Due professional care is the use of audit skills, knowledge and judgement based on appropriate experience, training (including continuing professional development), ability, integrity and objectivity.</p>		
Code ref	Work Required	Self Assessment	
(9.2.1)	<p>Individual auditors are personally responsible for applying due professional care to their own work and conducting themselves appropriately. They should:</p> <ul style="list-style-type: none"> • be fair and not allow prejudice or bias to override objectivity • declare any interest that could be perceived to be conflicting or could potentially lead to conflict (See Standard 2 – Independence – paragraph 2.6.1) • not accept any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties² • use all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base their conclusions and recommendations • be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy, and conflicts of interest • have sufficient knowledge to identify indicators that fraud or corruption may have been committed • disclose all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements • disclose any non-compliance with these standards 	<ul style="list-style-type: none"> • The Audit Manual confirms the ethical standards that are set out in this code which Internal Auditors are expected to follow. • Standards are monitored both through the process of reviewing audit work and 1.2.1's • A register of Interest is maintained. • Fraud training is undertaken • The audit plan identifies the areas most at risk of fraud and these audits are planned to take account of such risks 	
(9.3.1)	<p>The Head of Internal Audit should develop a monitoring and review programme to ensure that due professional care is achieved and maintained. This will generally be achieved through quality assurance methodologies (see Standard 11).</p>	<p>The quality assurance system is set out in the Internal Audit Manual. This sets out roles and responsibilities for the work of the service. Close supervision of new trainees, and ongoing management of more experienced auditors ensures that due professional care is maintained.</p>	

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(9.3.2)	The Head of Internal Audit should ensure that procedures are in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct	Audit Manual covers this and the point is re-enforced through the supervision process.
(9.3.3)	The Head of Internal Audit should make provision within plans to avoid potential conflicts of interest and for the appropriate training and continuing professional development of all Internal Audit staff (see Standard 6).	This point is covered by the requirement to disclose interests. Training is identified in the appraisal process and funding is available to meet the needs of the team.
Action Points	Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.	Yes the standard is being met. No actions are required

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10	Reporting		
Expected Control :	<p>The primary purpose of Internal Audit reporting is to communicate information to provide reasonable assurance and an independent and objective opinion to the organisation on the control environment and to stimulate improvement. Reporting is usually in the form of a written report but can be in other formats, The Head of Internal Audit should have direct access to and freedom to report in their own name and without fear or favour to, all officers and members, and particularly to those charged with governance.</p> <p>The Head of Internal Audit should determine the way in which internal audit will report, subject to the provisions of these standards and the requirements of those charged with governance.</p> <p>The Head of Internal Audit should set standards for reporting, including agreeing reports and the format of reports with the recipient before finalisation, and should make arrangements for the review and approval of reports by audit management before issue.</p> <p>Reports should be clear, concise, and constructive. They should be issued promptly and within laid-down timescales.</p>		
Code ref	Work Required	Self Assessment	
(10.2.1)	<p>Does internal audit produce, promptly, clear, constructive concise reports based on sufficient appropriate evidence which:</p> <ul style="list-style-type: none"> ● give an assurance on the area under review, building up to the overall opinion ● prompt management to implement the agreed actions for change leading to improvement in the control environment and performance ● provide a formal record of points arising from the audit and, where appropriate, of agreements reached with management. 	<p>The reports cover, among other things: Scope and objectives Each weakness identified is categorised and an opinion given on the audit as a whole Findings and an agreed action plan, including responsibility for action and timescales for implementation are agreed with the Head of Service</p>	
(10.2.2)	Each report should include the scope and purpose of the audit to help the reader understand the extent (or limitations) of the assurance provided by the report.	The scope and purpose of the audit is outlined in the report , and indeed this is also covered in the audit plan which highlights the risks that need to be covered. Any areas of risk that are excluded from the audit will be noted in the report.	
(10.2.3)	Are reports discussed with/sent to managers who have direct responsibility for the activity being audited and who have the authority to take action on internal audit recommendations?	Rough drafts are sent to the unit manager. Formal drafts to the Head of Service with whom action plans are agreed. Final reports go to the Director and Head of Service	
(10.2.4)	Recommendations should be prioritised to identify clearly their respective importance. These recommendations and the resultant management action plans should be agreed prior to the issue of the final report and any areas of disagreement between the auditor and management which cannot be resolved by discussion should be recorded in the report/action plan highlighting the residual risk.	Yes, negotiations around recommendations and action plans take place to ensure that action plans are realistic and achievable	

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(10.2.5)	<p>The Head of Internal Audit should determine the circulation of audit reports having due regard to their confidentiality, the organisation's protocol and legislative requirements. The recipients of the audit report – who should have the authority to agree management actions - should be determined when preparing the audit brief. Internal audit should normally obtain the consent of management, and vice versa, before reports are issued to third parties.</p>	<p>This is set out in the terms of reference for audit, and is reviewed annually with the production of the audit plan.</p>
(10.2.6)	<p>Mechanisms should be in place to ensure that wider recommendations, (e.g. ones that would impact on policy or are of a general nature), are reported to the right forum and also to ensure that risk registers are updated to reflect changes deriving from actions arising out of audits.</p>	<p>Council wide issues are referred to Corporate Board. Heads of Service are reminded to take account of risks, highlighted by audit work, when they revise their risk registers. The Risk Manager receives a copy of all audit reports so that he can review them in terms of the wider risks to the Council.</p>
(10.3.1)	<p>Management have responsibility for ensuring that agreed actions are implemented. Internal Audit should obtain assurances that actions have been implemented, particularly those where risks are high, weaknesses are severe or there is organisational sensitivity. The Head of Internal Audit will determine the need for and the form of follow-up action</p>	<p>Follow up process is clearly defined with flagging of any outstanding recommendations to Corporate Board and G&A Committee. Follow up of recommendations for schools is not carried out by audit until the next visit to the school because resources available do not permit this.</p>
(10.3.2)	<p>The Head of Internal Audit should develop escalation procedures for cases where agreed actions are not adequately implemented. These procedures should ensure that the risks of not taking action have been understood and accepted at a sufficiently senior management level</p>	<p>Set out in the audit manual. Corporate Board are informed, as is the G&A Committee via the interim and annual reports from Internal Audit</p>
(10.3.3)	<p>Where follow-up reveals changes that would impact on the original audit opinion, the revised opinion should be reported to the appropriate level of management.</p>	<p>The follow up report to the Head of Service provides an opinion of the progress made with implementing recommendations.</p>
(10.3.4)	<p>The findings of audits and of follow-up reviews provide one component for planning future audit work</p>	<p>The results of audits feed into the audit planning process. The risk scoring matrix on Galileo takes account of the results of previous audit work</p>
(10.4.2)	<p>The Head of Internal Audit's formal annual report to the organisation should:</p> <ul style="list-style-type: none"> • include an opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment • disclose any qualifications to that opinion, together with the reasons for the qualification • present a summary of the audit work from which the opinion is 	<p>All included. Interim report is made at half year stage</p>

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	<p>derived, including reliance placed on work by other assurance bodies</p> <ul style="list-style-type: none"> • draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the statement on internal control • compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria • comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme. <p>In addition to the formal annual report, the Head of Internal Audit should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the formal annual report.</p>	
<p>Action Points</p>	<p>Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.</p>	<p>Yes the standard is being met. No actions are required</p>

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Performance and Effectiveness	
11	
Purpose	<p>The Head of Internal Audit should have in place a performance management framework to demonstrate that it is:</p> <ul style="list-style-type: none"> • meeting its aims and objectives; • compliant with the Code; • effective and efficient; and • continuously improving. <p>The performance management framework should provide some of the evidence for the annual audit report and the Statement on Internal Control. The Head of Internal Audit should establish policies and procedures in an audit manual to guide staff in performing their duties and complying with this Code. The manual should also include a quality assurance programme. The manual should be updated to reflect changes in working practices and standards.</p>
Code ref	Work Required
(11.2.1)	The Head of Internal Audit should ensure that audit work is allocated to staff with the appropriate skills, experience and competence
(11.2.2)	The Head of Internal Audit should ensure that Internal Audit staff at all levels are appropriately supervised throughout all audits to monitor progress, assess quality and coach staff. The extent of supervision will depend on the experience and training of the individual auditor.
(11.2.3)	The Head of Internal Audit should make appropriate arrangements for the review of audit work during each stage of the audit process.
(11.3.1)	The Head of Internal Audit should establish a comprehensive set of targets to measure performance in consultation with appropriate parties. Performance measures should be included in any service level agreement.
(11.3.2)	The Head of Internal Audit should measure, monitor and report appropriately on the progress against these targets
(11.3.3)	The Head of Internal Audit needs to ensure that the performance of the service improves over time, both in terms of the achievement of targets and generally in terms of the quality of the service provided to the user
(11.3.4)	feedback should be obtained for each individual audit and periodically for the whole service.
	Self Assessment
	Work planning and allocation carried out by Group Auditors with this in mind.
	This takes place through the supervision process for each audit
	Audit Manual sets out the process. The supervision by Group Auditors involves a review of work at each stage of the audit.
	Available at Finance Service level - % of the audit plan completed. More detailed benchmarking is being carried out within Berkshire and with the CIPFA benchmarking club.
	Included in the annual report
	Continuous improvement has been made in terms of methods and systems used within internal audit. Examples include the use of Galileo, the revised reporting arrangements. The implementation of IIP by the Council will also ensure further improvement takes place.
	Returns are sought, but rarely received

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(11.3.5)	The Head of Internal Audit should periodically review the service against the strategy and the achievement of its aims and objectives. The results of this should inform the future strategy, aims and objectives	Part of the annual report, and will also feed into the production of the audit plan
(11.3.6)	The Head of Internal Audit should make provision for internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual. An action plan for improvement should be developed	Reviews of quality are ongoing in terms of the supervision process for each audit. Also the External Auditor regularly uses and relies on the work of internal audit. This review will provide an action plan for further improvement. The Head of Audit will in future carry out a sample review of audit files as an internal quality review.
(11.4.1)	An annual review of the effectiveness of the system of internal audit should be undertaken as determined by the organisation and the results should be reported to the Audit Committee. The extent of this review will depend on the assurance that the organisation can obtain from the Head of Internal Audit's systems for the review of performance and quality and the results of any external quality reviews.	This document covers the need to review the internal audit service
Action Points	Based on your evaluation of the above issues, has the standard been met overall? Note any issues that require action.	Yes the standard is being met. Action points include: The need for the Head of Audit to carry out occasional quality reviews of audit files to supplement the work of the External Auditor

Title of Report:	Interim Report of Internal Audit 2006-2007	Item 6
Report to be considered by:	Governance and Audit Committee	
Forward Plan Ref:		

Corporate Plan Priority:	D4 – Stronger governance
The proposals contained in this report will help to achieve the above Corporate Plan priority by:	
<ul style="list-style-type: none"> Updating the committee of the findings and concerns raised by Internal Audit over the last 6 months 	

Purpose of Report:	To report the findings of the Internal Audit for the six months to 30 September 2006.
Recommended Action:	To consider the findings of Internal Audit and take appropriate action.
Reason for decision to be taken:	To support the annual statement of internal control.
List of other options considered:	None.
Key background documentation:	Internal Audit files.

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1 Introduction

1.1 The CIPFA Code of Practice for Internal Audit in Local Government requires the "Head of Internal Audit" to make a formal report annually to the Council. The report should:

- include an opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the statement on internal control
- compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

1.2 In addition to the formal annual report, the Head of Internal Audit should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the formal annual report.

1.3 This interim report meets the requirements of the CIPFA Code of Practice.

2 The Internal Control Framework

2.1 The internal control framework remains robust. No fundamental weaknesses were identified in the work carried out by Internal Audit.

3 Results of work completed

3.1 The audit plan was approved in April 2006 by the Governance and Audit Committee.

3.2 A listing of the results of work that has been completed over the last six months is attached at appendix A. This list uses a traffic lights system to set out the position of each audit or follow up audit.

3.3 A rating system is used to derive the overall opinion. Each audit is categorised into one of five, these are – Very Weak, Weak, Satisfactory, Well Controlled, Very Well Controlled. Satisfactory and better are given a Green rating, weak and very weak are give Amber. Where our follow up work indicates that satisfactory progress has not been made in implementing the action plan then a Red rating is given.

3.4 A key outcome of each audit is a management action plan that is designed to resolve issues of concern. All action plans are drawn up between the auditor and the service manager, agreed with the Head of Service, and copied to the relevant Corporate Director.

- 3.5 Internal Audit carry out follow up reviews to ensure that action plans are progressing as agreed.
- 3.6 The areas of real concern are those where follow up work, or repeat audits, by Internal Audit indicate difficulties in delivery of agreed action plans. As noted above, such audits are given a Red.
- 3.7 Details of concerns raised by the audit reports for Amber and Red audits are set out in Appendix B.

4. Progress with the audit plan

- 4.1 Delivery of the audit plan is falling behind in the current year. There are two reasons for this.
- The turnover of staff on the team has reduced the experience base significantly. New untrained auditors require more supervision and take longer to complete work. Vacancy levels have also been quite high.
 - The Dfes have introduced a new Financial Management Standard for schools. Internal Audit are committing resources to help schools achieve the standard. Internal Audit will also be assessing all Secondary schools against the standard by 31st March 07.
- 4.2 As a result a number of audits will not be completed. The audit team will prioritise the work remaining in the audit plan to focus on high risk and key financial systems for the remainder of the year.

**APPENDIX A – SUMMARY OF COMPLETED AUDITS AND OPINIONS
(November 2006)**

	Service	Audit	Opinion
1	Accountancy	General Ledger	Green *
2	Resources and Commissioning	Contract letting and Monitoring Follow-up	Red
3	Corporate	Business Continuity	No opinion given, processes still being established
4	Benefits and Exchequer	Electronic Payments	Green
5	Finance	Bank Reconciliation	Green *
6	I.T.	Post Implementation reviews Follow-up	Red
7	Policy and Communication	Postage and Carriage Follow-up	Green
8	Policy and Communication	Data Protection/Freedom of Information	Green *
9	Children's Services	Moorside Youth and Community Follow-up	Green
10	Children's Services	Assessment of Need	Green
11	Children's Services	Child Care Lawyers	Amber
12	Cultural Services	Libraries VFM	N/A
13	Cultural Services	Thatcham Library Follow-up	Green
14	Cultural Services	Lambourn Library Follow-up	Green
15	Cultural Services	Libraries VFM	N/A
16	Cultural Services	Theale Green Recreation Centre Follow-up	Green
17	Education	Child Protection in Schools Follow-up	Green
18	Education	Extended Schools/After School Clubs	Green
19	Older People's Services	Chestnut Walk EPH	Green
20	Older People's Services	Hungerford Day Centre Follow-up	Green
21	Older People's Services	Willows Edge EPH Follow-up	Green
22	Community Care and Housing	Direct Payments Follow-up	Green
23	Planning and Transport Strategy	Planning Obligations Follow-up	Red
24	Countryside and Waste	Nature Discovery Centre Follow-up	Green
25	Benefits & Exchequer	Payroll	Green *
26	Benefits & Exchequer	Accounts Payable	Green *
27	Finance	Procurement	Amber
28	Education	Park House	Amber
29	Education	Learning Skills Council – Park House School	No opinion given
30	Education	Learning Skills Council – Kennet School	No opinion given
31	Education	Brightwalton Primary School	Green **
32	Education	Chaddleworth St Andrews C of E School	Green
33	Education	Greenham Court Community Primary	Amber
34	Education	Mrs Blands Infant School	Green *
35	Education	Pangbourne Primary School	Green
36	Education	St Johns C of E Infants	Green
37	Education	Cold Ash St Marks C of E Primary School	Green
38	Education	Littleheath School	Green

Key:-

* Overall opinion of the audit - well controlled

** Overall opinion of the audit - very well controlled

**APPENDIX A – SUMMARY OF COMPLETED AUDITS AND OPINIONS
(November 2006)**

Advisory Reviews (such reviews arise from the provision of advice on system key controls, where the Service concerned is already aware that improvement is needed or the systems are being reviewed by the service area, and this approach as been agreed between the relevant Head of Service and Internal Audit at the commencement of the Review).

The Standard follow-up process applies to these reviews - at which time progress made would be linked into the traffic light reporting process.

1	Corporate	Business Continuity
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Follow-ups where we have agreed extended deadlines for implementation :-

	No audits in this category	
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APPENDIX B
BRIEFING NOTE TO SUPPORT GOVERNANCE AND AUDIT COMMITTEE AUDIT PLAN UP-DATE REPORT
(DECEMBER 2006)

The following comments relate to those audits highlighted as Amber (Weak or very weak):-

1. Child Care Lawyers

The main areas of weakness relate to the following:-

- 1.1 The Head of Children's Services receives a quarterly return from Reading Borough Council (RBC), and also, the senior solicitor from RBC attends Children's Services meetings, where the progress on each case is discussed. However, we found that the processes in place to check the information provided by Reading Borough Council (both in terms of provision of service and the associated costs) are not as robust as they could be.
- 1.2 The budget is held by Legal Services, however, they do not have any input on determining the level of service provision required/provided. The budget is demand led and therefore this makes it difficult to control and monitor.
- 1.3 There is no formal method of recording the referral of a case to RBC. This area could be improved by requiring RBC to provide a rough estimate of the level of work that may be required for any referral, and for this information to be used by Children's Services to monitor actual service provided. However, it was acknowledged that in many circumstances, such an estimate would be very approximate.

2. Procurement

- 2.1 As the Council is currently operating a devolved procurement model the responsibility for procuring the majority of goods and services (i.e. goods and services for spend areas under the EU threshold value), has been devolved down to actual service areas. Our testing highlighted weaknesses in service areas' understanding of their role in the procurement process. Service areas were also found to be agreeing payment conditions with suppliers that conflict with standard Council policies and procedures.
- 2.2 We identified the main controls on which reliance is placed by Procurement to ensure that effective procurement is delivered as: compliance with the Council's Contract Rules of Procedure; authorisation of new supplier request forms by the Senior Procurement Manager and the validation of suppliers through the purchase requisition process to be weak. Discrepancies were identified between information detailed on new supplier request forms and that entered into the Agresso supplier database. Budget holder authorisation of new supplier request forms is not required as reliance is placed on budget holders/line managers authorising purchase requisitions. Our review of access levels in Agresso and the results from our sample of purchase requisitions tested as part of the Accounts Payable audit found that budget holders are not authorising purchase requisitions, but have delegated responsibility to individuals within their service areas resulting in dual requisition and authorisation roles.

3. Park House School

- 3.1 Our main concerns were:
 - A formal budget setting timetable was not in place
 - Responsibility for financial decision making had been delegated in full to the Finance Committee
 - Limited evidence was found of decisions made by the Finance Committee being reviewed and endorsed by the Full Governing Body.

APPENDIX B
BRIEFING NOTE TO SUPPORT GOVERNANCE AND AUDIT COMMITTEE AUDIT PLAN UP-DATE REPORT
(DECEMBER 2006)

4. Greenham Court Primary

4.1 The main concerns were:

- The budget had not been approved by the governors.
- Budget monitoring was found to be inadequate. The school finance system (FMS) was not reconciled back to Agresso as the budget had not been fixed on the Agresso system.
- The bank account had gone overdrawn for which approval had not been sought by the school.
- Purchases were not always appropriately requested and orders were not always raised.

APPENDIX B
BRIEFING NOTE TO SUPPORT GOVERNANCE AND AUDIT COMMITTEE AUDIT PLAN UP-DATE REPORT
(DECEMBER 2006)

The following comments relate to those follow-ups highlighted as red (Unsatisfactory):-

1. Contract letting and Monitoring

1.1 The following provides an overview of the outstanding issues:-

- a) Heads of Service are not always complying with the requirements of the Contract Rules of Procedures, eg Site instruction/variation forms requesting additional work should be costed. There are a few recommendations where Heads of Service need to be reminded of the requirements of the Contract Rules of Procedure.
- b) The Council does not have a comprehensive listing of all contracts in place, which could result in contracts not been renewed promptly/the market is not tested/value for money is not obtained/there is no record of ongoing committed costs for contracts.
- c) The process for approving contract price increases, as per the Contract Rules of Procedure are not always being followed, this approval process needs to be reviewed.
- d) Contracts are not managed / monitored to a minimum standard, which could result in the contract specification not being achieved and/or there being an escalation of costs.

1.2 At the time of drafting this summary of points outstanding, we were informed that the Contract Rules of Procedure have been amended to take into account our recommendations and are in the process of being submitted for approval.

2. Planning Obligations

2.1 We acknowledged that the service had made considerable progress with implementing the points we raised. As part of the follow-up process we were informed that the Audit Commission has recently published a report on Developer Contributions and has identified the system within West Berkshire as 'best practice'.

2.2 Our main areas of concern related to the outstanding recommendations which underlined the need for an overall reconciliation of cases / information recorded on Uniform and the Developer Contributions Database and the records held in Legal Services. We consider these elements are key controls that need to be included in the processes.

2.3 We were informed by the Head of Service that these issues had not been addressed due to the Service not having the required resources.

3. Post Implementation Reviews (I.T. Systems)

3.1 The overall weakness we identified was that the Council did not have a formal process in place for carrying out post implementation reviews of I.T. systems. Therefore, there is no assurance that the system has met the original business needs, within budget and on time.

3.2 The ICT Strategy Board agreed that the Head of I.T. would draft some changes to the Council's Project Management Methodology (PMM) to take into account our recommendations.

APPENDIX B
BRIEFING NOTE TO SUPPORT GOVERNANCE AND AUDIT COMMITTEE AUDIT PLAN UP-DATE REPORT
(DECEMBER 2006)

- 3.3 At the time of our follow-up the Head of I.T. had written a report covering the development of the PMM, identifying what needs to be undertaken together with estimating a timeframe for this to be carried out. However, no progress had been made on implementing our specific recommendations.
- 3.4 The outcome of the follow-up was included as an item on the agenda for Corporate Board (September), at which time it was agreed that the PMM be updated to include the improved PIR process.

Title of Report:	Statement of Internal Control Strategic Risk Register – 2006-07	Item 7
Report to be considered by:	Governance and Audit Committee	
Forward Plan Ref:		

Corporate Plan Priority:	D4 - Stronger governance
The proposals contained in this report will help to achieve the above Corporate Plan priority by: Strengthening the internal control framework of the Council.	

Purpose of Report:

To support the Statement of Internal Control by identifying the Strategic Risks and associated action plan

Recommended Action:

To consider and comment on the Strategic Risks and action plan.

Reason for decision to be taken:

To ensure that the Council's strategic objectives are met and that any associated risks with achieving them are identified and appropriately managed.

List of other options considered:

None

Key background documentation:

- Risk Management Strategy
- Strategic risk Register / Action Plan

Contact Officer Details	
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1. Background

- 1.1 As part of the Statement of Internal Control the Council is required to identify and set out how it intends to deal with, significant control issues. A key part of the evidence that supports this process is Strategic Risks and associated action plan.
- 1.2 The Council adopted a Risk Management Strategy in December 2004. This is revised annually. The strategy for 2006-07 is included in the agenda for approval at this Executive. This report is an annual review of the Strategic Risk Register building on the work of previous years.
- 1.3 Risk management is an integral part of the corporate governance framework and is embedded into the fabric and decision making process of the Council. Risk management is a central part of any organisation's management. It is the process by which organisations methodically address the risks associated with the delivery of their objectives. The focus of good risk management is the identification and handling of those risks. The risk management process is fully supported by Members and the senior management team.
- 1.4 The previous Strategic Risk Register was reported to Members at the last meeting of this Committee and the following amendments were suggested:

The Risk Manager and Chief Executive consider whether to include the effects of the enlargement of the European Union and financial pressure of increasing home to school transport in the Risk Register. Whether it would be more appropriate for the Chief Executive and the Leader to take ownership of the Poor / Inappropriate Decisions Risk at 3.2.

- 1.5 Corporate Board will review the SRR on 5 December 2006. The SRR and Action Plan will be available on 7 December for the meeting of this committee. The planning related risk, AWE Redevelopment, is to be reconsidered as a strategic risk by Corporate Board.
- 1.6 The risk manager has contacted all responsible officers with red risks on the Strategic Action Plan and their comments are included. Responsible Officers are aware that this information is required to be updated on a quarterly basis and that it is reported to this committee.
 - Environmental risks - regular reviews
 - The flu pandemic working group meets on approximately a six-week cycle. Training has now been arranged.
 - The risk register for the Waste PFI is reviewed on an on going 3 monthly basis. Lack of detail in the bid – this is being resolved.
 - A risk management workshop was held in September for the Tilehurst Learning Campus, and a separate risk register established. Project Board has been appraised.
 - Kennet Valley Park – Applicant has now withdrawn planning application. Authority continues to work on proposal with applicant.

Appendices

Appendix 7A - Strategic Risk Register (To Follow)
Appendix 7B - Strategic Action Plan MB Key Risks (To Follow)
Appendix 7C - 4*4 Matrix (Attached)

Consultation Responses

Local Stakeholders: Not Consulted
Officers Consulted: Corporate Board, Risk Management JCC
Trade Union: None

Title of Report:	Review of the Terms of Reference for the Governance and Audit Committee	Item 8
Report to be considered by:	Governance and Audit Committee	
Forward Plan Ref:		

Corporate Plan Priority:	D4 – Stronger Governance
The proposals contained in this report will help to achieve the above Corporate Plan priority by: Reviewing the role and work of this committee in the light of newly published guidance from CIPFA	

Purpose of Report:	To consider the latest guidance on the role of the Committee
Recommended Action:	To amend the Terms of Reference of the Committee
Reason for decision to be taken:	To ensure the Committee is following best practice.
List of other options considered:	None
Key background documentation:	CIPFA Guidance on the role of the Audit Committee. Audit Commission Key Lines of Enquiry for use of Resources 2007 assessments. Code of Practice for Internal Audit in Local Government.

Contact Officer Details	
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Supporting Information

1. Background

1.1 The Governance and Audit Committee was set up last year with the following terms of reference. These are:

- To consider and make recommendations to the Council on proposed changes to the Constitution.
- To review the Council's Statement of Internal Control and recommend any proposed action to Council.
- To consider and make recommendations to the Council on any comments to be made in relation to the Annual Audit Commission Management Letter.
- To consider any reports and recommendations made by the Audit Commission.
- To take a leading role in the development of the Council's Risk Management Strategy by identifying corporate and operational risks and dealing with mitigating measures.
- To consider any issues emanating from the Government and determine their effect on the Council's business and governance processes.

1.2 The Committee considered further guidance from CIPFA on the role of Audit Committees earlier this year. This set out the key audit functions of the Committee as:

- Review the effectiveness of the Council's Risk Management arrangements, the control environment and associated Anti Fraud and Corruption arrangements
- Seek assurance that action is being taken on risk related issues identified by auditors and inspectors
- Be satisfied that the Council's assurance statements (currently produced annually by all Heads of Service) and the Statement of Internal Control properly reflect the risk environment and any actions required to improve it.
- Approve the Internal Audit Strategy and Plan (to ensure that there is adequate coverage) and monitor performance (assessing whether adequate skills and resources are available to provide an effective function).
- Review summary internal audit reports and the main issues arising and seek assurances that action has been taken where necessary.
- Receive the annual report of the head of internal audit
- Consider reports of external audit and inspection agencies

- Ensure that there are effective relationships between external and internal audit and inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
 - Review the financial statements, including the suitability of accounting policies and treatments, provisions or adjustments.
 - Review the external auditors annual audit letter, any other reports and opinion and monitor management action in response to issues raised. (Also comment on the external auditors planned work programme)
- 1.3 The latest advice relating to audit committees from the Audit Commission, contained in the current key lines of enquiry for Use of Resources, is;
- An audit committee has been established that is independent of the executive function, with terms of reference that are consistent with CIPFA's guidance. It provides effective challenge across the council and independent assurance on the risk management framework and associated internal control environment to members and the public, and can demonstrate the impact of its work.
- 1.4 The Committee should review its terms of reference annually to ensure they remain consistent with best practice. The purpose of this report is to do that and revised Terms of Reference are set out below.

2 Proposed revised Terms of Reference

- 2.1 Based on the above the following revised Terms of Reference are proposed for the Committee.

"The overall purpose of the Governance and Audit Committee is to provide effective challenge across the council and independent assurance on the risk management framework and associated internal control environment to members and the public, independently of the Executive.

Specifically the Governance and Audit Committee will:

- *Consider and make recommendations to the Council on proposed changes to the Constitution.*
- *Consider any issues emanating from the Government and determine their effect on the Council's business and governance processes.*
- *Review the effectiveness of the Council's Risk Management arrangements, the control environment and associated Anti Fraud and Corruption arrangements.*
- *Seek assurance that action is being taken on risk related issues identified by auditors and inspectors.*

- *Be satisfied that the Council's assurance statements (currently produced annually by all Heads of Service) and the Statement of Internal Control properly reflect the risk environment and any actions required to improve it.*
- *Approve the Internal Audit Strategy and Plan (to ensure that there is adequate coverage) and monitor performance (assessing whether adequate skills and resources are available to provide an effective function).*
- *Review summary internal audit reports and the main issues arising and seek assurances that action has been taken where necessary.*
- *Receive the annual report of the head of internal audit.*
- *To consider any issues that are brought to the attention of the Committee, or Chair and Vice Chair, by the head of internal audit at any time during the year.*
- *Consider reports of external audit and inspection agencies.*
- *Ensure that there are effective relationships between external and internal audit and inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.*
- *Review the financial statements, including the suitability of accounting policies and treatments, provisions or adjustments.*
- *Review the external auditors annual audit letter, any other reports and opinion and monitor management action in response to issues raised. (Also comment on the external auditors planned work programme)"*

2.2 In addition the Charter for Internal Audit has been amended to reflect changes in the CIPFA Code of Practice for Internal Audit in Local Government. And it is recommended that the Charter be incorporated in the Terms of Reference for the Governance and Audit Committee and be subject to the same annual review. A copy of the amended Charter for Internal Audit is attached at Appendix A.

Appendices A – Internal Audit Charter

Consultation Responses

Local Stakeholders:	None
Officers Consulted:	None
Trade Union:	None

Implications

Policy:	None
Financial:	None
Personnel:	None
Legal:	None
Property:	None
Risk Management:	None

Appendix 8A

AUDIT CHARTER

1 Definition and Purpose of Internal Audit

- 1.1 The CIPFA Code of Practice for Internal Audit in Local Government (2003) defined Internal Audit

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on risk management, control and governance by evaluating their effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment¹ as a contribution to the proper, economic, efficient and effective use of resources.

- 1.2 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2003, which state in respect of Internal Audit:
- 1.3 'A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices.'
- 1.4 The existence of an Internal Audit function does in no way diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in an efficient, secure and well ordered manner within the Authority.

2 Responsibility & Objectives

- 2.1 As an independent appraisal function within the Authority, the objectives of Internal Audit are:
- To review, appraise and report on the adequacy of internal controls as a contribution to the economic, efficient and effective use of resources.
 - 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
 - Recommend improvements in control, performance and productivity in achieving corporate objectives.
 - Review the value for money processes, best value arrangements, systems and units within the Authority.
 - Work in partnership with External Audit
 - Identify fraud as a consequence of its reviews and deter crime.

3 Scope and Accountability

- 3.1 Internal Audit as a function will remain independent of the Authority's operational activities, and its auditors will undertake no operational duties. This will allow auditors to perform duties in a manner which facilitates impartial and effective professional judgements and recommendations.
- 3.2 The scope of Internal Audit allows for unrestricted coverage of the Authority's activities and access to all staff, records and assets deemed necessary in the course of the audit.
- 3.3 Accountability for the response to advice and recommendations made by Internal Audit lies with the management of the Authority. Management can accept and implement advice and recommendations provided or formally reject it. Internal Audit is not responsible for the implementation of recommendations or advice provided.
- 3.4 Internal Audit sits within the Finance Service and supports the statutory functions of the Head of Finance. However, Internal Audit is also accountable to the Governance and Audit Committee for the delivery of assurance in relation to the Council's system of internal control

4 Reporting

- 4.1 All audit assignments will be the subject of a formal report written by the appropriate auditor. The report will include an 'opinion' on the adequacy of controls in the area that has been audited.
- 4.2 Every Internal Audit report issued, with the exception of schools, is subject to a follow up in order to ascertain whether actions stated by management in response to the audit report have been implemented. Internal Audit will determine if progress made in response to recommendations stated in the issued audit report is satisfactory, or if a further follow up is required.
- 4.3 Internal Audit will prepare an interim and annual report for the Governance and Audit Committee and give an opinion on the Council's internal control framework.
- 4.4 Internal Audit will bring to the attention of the Governance and Audit Committee any serious matters of concern that may arise in the course of audit work

5 Resources

- 5.1 Internal Audit will prepare an Audit Strategy each year that sets out the aims and objectives of the service.
- 5.2 A detailed risk based plan of work will be prepared for approval by the Governance and Audit Committee, including the resources required to carry out the work. This will set out the key areas / risks that are to be subject to audit. It will also identify any gap between the assessment of need for audit work and the resources available to carry that work out.

Title of Report:

Governance and Audit Work Programme

Item 9

Report to be considered by: Governance and Audit Committee

Forward Plan Ref:

Corporate Plan Priority: D4 – Stronger governance

The proposals contained in this report will help to achieve the above Corporate Plan priority by:

- Outlining a programme of work for the Committee

Purpose of Report:

To note the programme of work and future meeting dates of the Committee.

Recommended Action:

To note the work programme and future meeting dates.

Reason for decision to be taken:

To note the work programme and future meeting dates.

List of other options considered:

None

Key background documentation:

Contact Officer Details

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Supporting Information

1 Introduction

- 1.1 The purpose of this report is to outline the work and meeting dates of the Committee for the coming year, including a list of training items at the start of each meeting.
- 1.2 In addition it is likely that the Committee will have a number of issues to consider in relation to the Council's Constitution. These will be timetabled to fit these planned meetings.

Appendices

Appendix 9A – Governance & Audit Committee Work Programme

**GOVERNANCE & AUDIT COMMITTEE
WORK PROGRAMME (2006/2007)**

Updated on 24/11/2006

Topic	Detail	Lead Officer	Date of Committee
Training Programme	Use of Resources block of the CPA	Andy Walker	21 March 2007
Use of Resources	Details of the Council's position re the Use of Resources, including action plans to deal with any shortcomings identified by the Audit Commission. The Committee to approve any action plan that may be required.	Andy Walker	21 March 2007
Internal Audit Plan	Details of Internal Audit work to be undertaken in the coming year. Committee to approve the plan	Ian Priestley	21 March 2007
Risk Management Strategy	Annual review and renewal of the Council's Risk Strategy. The Committee to review the Strategy and approve the work set out in the strategy	Charles Morris	21 March 2007
Strategic Risk Register	Quarterly review of the Council's Strategic Risk Register. Committee to comment, and acting as critical friend, agree or suggest changes to the register and ensure that relevant Members of the Executive are delivering the agreed action plan.	Charles Morris	21 March 2007
Training Programme	Presentation on the Accounts Process, including the purpose of the Statement	Simon Freeman	26 June 2007
Statement of Accounts	Review of the statement of Accounts, as required by the Audit Commission the review must be carried out by 30 th June by "those charged with Governance". The Committee, with the Leader, Portfolio Holder and Leader of the Opposition review and approve the statements	Simon Freeman	26 June 2007
Statement of Internal Control – Report of the Monitoring Officer	Annual report of the Monitoring Officer to provide assurance that the Internal Control Framework is sound, in support of the Statement of Internal Control. The Committee to approve the report	David Holling	26 June 2007

**GOVERNANCE & AUDIT COMMITTEE
WORK PROGRAMME (2006/2007)**

Updated on 24/11/2006

Topic	Detail	Lead Officer	Date of Committee
Statement of Internal Control – Report of the s151 Officer	Annual report of the s151 Officer to provide assurance that the Internal Control Framework is sound, in support of the Statement of Internal Control. The Committee to approve the report.	Andy Walker	26 June 2007
Statement of Internal Control – Report of the Head of Internal Audit	Annual report of Internal Audit to provide assurance that the Internal Control Framework is sound, in support of the Statement of Internal Control. The Committee to approve the report	Ian Priestley	26 June 2007
Statement of Internal Control – Heads of Service Assurance Statements	Annual report of the review of Assurance Statements and Service Risk Registers by Corporate Board, to provide assurance that the Internal Control Framework is sound, in support of the Statement of Internal Control. The Committee to approve the report	Ian Priestley	26 June 2007
Strategic Risk Register	Quarterly review of the Council's Strategic Risk Register. Committee to comment, and acting as critical friend, agree or suggest changes to the register and ensure that relevant Members of the Executive are delivering the agreed action plan.	Charles Morris	26 June 2007
Statement of Internal Control	Annual Statement of Internal Control. The Committee to review the Statement prior to it being signed by the Leader and Chief Executive	Ian Priestley	26 June 2007
Training Programme	Presentation on Anti Fraud and Corruption work undertaken by the Council in respect of Housing Benefits and the National Fraud Initiative	Karen Greenaway Julie Gillhespey	25 September 2007
Annual Governance Report	The annual Governance Report of the Audit Commission for 2006/07. The Committee to receive the report before the 30 th September	Mick West (Audit Commission)	25 September 2007
Annual Review of the Council's Anti Fraud and Corruption policies and procedures	Annual update of the Anti Fraud and Corruption Policies, including the Confidential Reporting Code, and Anti Money laundering Policies.	Ian Priestley	25 September 2007

**GOVERNANCE & AUDIT COMMITTEE
WORK PROGRAMME (2006/2007)**

Updated on 24/11/2006

Topic	Detail	Lead Officer	Date of Committee
Strategic Risk Register	Quarterly review of the Council's Strategic Risk Register. Committee to comment, and acting as critical friend, agree or suggest changes to the register and ensure that relevant Members of the Executive are delivering the agreed action plan.	Charles Morris	25 September 2007