

Internal Audit Reporting Protocol

1 Purpose and Scope

- 1.1 This document outlines the way Internal Audit will initiate, and report on work for the Council. This protocol relates only to Council Services, a separate protocol exists for Schools.
- 1.2 In terms of this protocol there are two main types of audit work that will involve different approaches to reporting. These are:
 - Routine planned audits to provide assurance
 - Advisory work carried out at the request of the client
- 1.3 Two tables are attached which set out the recipients for the above types of audit work.
- 1.4 The lead auditor for each audit as well as the Audit Manager are both responsible for managing the audit in compliance with the “Public Sector Internal Audit Standards”. Responsibility for the content of the resulting audit report will remain with the relevant lead auditor and the Audit Manager.

2 Initiating Internal Audit work

- 2.1 Prior to commencing an audit, contact will be made with the relevant Service Director/Head of Service informing them of the intention to commence the audit and ask for feedback on the timing, any observations they would like to make to inform scoping of the audit.
- 2.2 Terms of reference will be issued for planned audit reviews that set out the scope of the work to be carried out and confirm the reporting arrangements. These will be issued in draft/consulted on prior to the audit work commencing.

3 Reporting the results of Internal Audit work

- 3.1 The reporting process for planned assurance work has three key stages:-
Rough Draft Report;
Draft Report;
Final Report.
- 3.2 The rough draft will be issued to the relevant service manager(s) to check the factual accuracy, and to obtain their initial observations on the findings and recommendations.
- 3.3 The formal draft will be issued once the service manager is satisfied with the accuracy of the report. The circulation of the formal draft report will ensure that all relevant people have had an opportunity to comment on the content of the report, prior to it being finalised.

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- 3.4 We treat the relevant Service Director/Head of Service/Unit Manager as the main client, and as such we require a response from them as to whether the recommendations are agreed or otherwise before a report is finalised. Where a recommendation is not agreed, we require the client's reasoning for this, and this detail is included in the Action Plan (attached at the back of the report) for future reference.
- 3.5 Where, during an audit, a serious problem is discovered which requires immediate attention, it may be necessary to issue an interim report. The Audit Manager will contact the Service Director/Head of Service to discuss any such issues prior to an interim report being issued. At a minimum any issues of concern will be raised at the point of identification.
- 3.6 If the Audit Manager considers that an issue could be a significant risk to the Council that needs flagging up, this will be immediately notified to the S151 Officer and Monitoring Officer. These officers will then consider the need for further escalation/whether an urgent meeting of the Governance Committee is required so members are notified of the issue promptly.
- 3.7 Some audit sections carry out a 'closure meeting/discussion at the end of the 'testing' stage of each audit to give initial feedback and to highlight the areas of weakness identified that will be included in the report. We do not do this, we use the 'rough draft report' as the basis of the initial discussion with managers, as this has been created after a thorough review process it ensures that the feedback is comprehensive and points are not missed.
- 3.8 The Terms of Reference for the audit give an indication of the timescales for issuing the rough draft report. This is for guidance only as there are numerous factors that can impact on us being able to meet these targets. We have however set out our internal targets for trying to produce a rough draft report, for corporate reviews this is six months after the audit has commenced, and for a school audit this is six weeks after the on-site visit.

4 Follow Up of Audit Recommendations

- 4.1 A follow up process is required in order to be able to give management/members assurance that the agreed action plans have been implemented. All audits with weak or very weak opinions will be followed up. Audits with a satisfactory opinion may be followed up if, in the opinion of Internal Audit or management, the weaknesses identified during the audit warrant a follow up.
- 4.2 A follow-up review is usually instigated six months after the audit report was finalised, the timescale for completion will vary as it is dependent on the number of recommendations made and level of further testing required.

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5 Reporting to the Governance Committee

- 5.1 On a quarterly basis the Audit Manager will provide the Committee with a report that summarises the results of audits and follow up audits completed during the period.
- 5.2 Where a follow up is categorised as unsatisfactory a summary of the progress/issues outstanding will be provided by Internal Audit. In addition, the Service Director/Head of Service will normally be asked to attend the Governance Committee to outline the reasons for the failure to implement the agreed action plan and to provide plans on how they intend to improve the situation. Members of the Committee may request Internal Audit to carry out a second stage Follow-up if they require further assurance that progress has been made with taking action on the outstanding points.

6. Role of Portfolio Holders in the audit process

- 6.1 Portfolio Holders are copied in on the proposed Terms of Reference for each engagement together with being copied in on the final version of the report.
- 6.2 The role of the Portfolio Holder in the audit process is to:
- Feed in any issues of concern at the start of the audit so that these can be considered by the auditor in scoping the review.
 - Support the relevant Service Director/Head of Service in considering weaknesses identified in the audit report together with the recommended actions.
 - Support the Service Director/Head of Service in implementing agreed action plans.
- 6.3 In order that portfolio holders can support their service when considering audit findings, and are fully informed of audit issues in a timely manner, Heads of Service/Service Directors should share/discuss draft report Findings with them. In order to ensure that this requirement is being followed Internal Audit will prompt managers of the need to do this when issuing draft reports.

(Reviewed April 2023)

1) Audit Assurance Reviews

Client	Terms of reference	Rough Draft Report	Formal Draft Report	Final Report	Follow-up details
S151 Officer (Executive Director - Resources)	All cases		Other services - where there are fundamental weaknesses identified	All cases	All cases
Service Director for Strategy and Governance (Line Management for Internal Audit/Monitoring Officer)	All cases		All cases for the SD's service areas Other services - where there are fundamental weaknesses identified	All cases	All cases
Service / Unit Manager	All cases	All cases	All cases	All cases	All cases
Service Lead	All cases	Only where serious issues relating to the service, i.e. fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written	All cases		
Head of Service/Service Director	All cases	Only where serious issues relating to the service, i.e. fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written	All cases	All cases	All cases
Executive Director	All cases		Where there are fundamental weaknesses in the service	All cases	All cases
Chief Executive	Only where the C/Ex has requested the work		Only where the C/Ex has requested the work or if there are significant issues that need to be highlighted - The Audit Manager will decide on the necessity to issue a report at this level.	Cases where there are significant issues that need to be highlighted.	Cases where there are significant issues that need to be highlighted.
Service Portfolio Holder	All cases		Head of Service/Service Director will be advised by Audit to share/discuss any less than satisfactory opinions with their portfolio holder at the draft report stage.	All cases	All cases

Client	Terms of reference	Rough Draft Report	Formal Draft Report	Final Report	Follow-up details
Portfolio Holder for Internal Audit	Depending on the preference of the portfolio holder.			Depending on the preference of the portfolio holder.	Depending on the preference of the portfolio holder.

2) Advisory/VFM Reviews

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

Client	Terms of Reference	Rough Draft Report	Formal Draft Report	Final Report
Line Manager	All cases	All cases	All cases	All cases
Service Lead	All cases		All cases	All cases
Service Director/Head of Service	All cases		All cases	All cases
Executive Director	All cases		Cases where there are significant issues that need to be highlighted.	All cases
S151 Officer	All cases		All cases for his Directorate Cases where there are significant issues that need to be highlighted.	All cases
Service Director – Strategy and Governance	All cases		All cases for her Dept. Cases where there are significant issues that need to be highlighted.	All cases

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