

Borough Council of  
**King's Lynn &  
West Norfolk**



# **RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE**

**Tuesday 25 June 2013**

**(Immediately following the Resources and Performance  
Panel which commences at 6.00 pm)**

Committee Suite  
King's Court  
Chapel Street  
King's Lynn  
Norfolk  
PE30 1EX



If you require parts of this document in another language, large print, audio, Braille or any alternative format please contact the Council Information Centre on 01553 616200 and we will do our best to help.

#### **LATVIAN**

Ja Jums nepieciešamas daļas no šī dokumenta citā valodā, lielā drukā, audio, Braila rakstā vai alternatīvā formātā, lūdzu, sazinieties ar Padomes informācijas centru (Council Information Centre) pa 01553 616200 un mēs centīsimies Jums palīdzēt.

#### **RUSSIAN**

Если вам нужны части этого документа на другом языке, крупным шрифтом, шрифтом Брайля, в аудио- или ином формате, обращайтесь в Информационный Центр Совета по тел.: 01553 616200, и мы постараемся вам помочь.

#### **LITHUANIAN**

Jei pageidaujate tam tikros šio dokumento dalies kita kalba, dideliu šriftu, Brailio raštu, kitu formatu ar norite užsisakyti garso įrašą, susisiekite su Savivaldybės informacijos centru (Council Information Centre) telefonu 01553 616200 ir mes pasistengsime jums kiek įmanoma padėti.

#### **POLISH**

Jeśli pragną Państwo otrzymać fragmenty niniejszego dokumentu w innym języku, w dużym druku, w formie nagrania audio, alfabetem Braille'a lub w jakimkolwiek innym alternatywnym formacie, prosimy o kontakt z Centrum Informacji Rady pod numerem 01553 616200, zaś my zrobimy, co możemy, by Państwu pomóc.

#### **PORTUGUESE**

Se necessitar de partes deste documento em outro idioma, impressão grande, áudio, Braille ou qualquer outro formato alternativo, por favor contacte o Centro de Informações do Município pelo 01553 616200, e faremos o nosso melhor para ajudar.

Borough Council of  
**King's Lynn &  
West Norfolk**



King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX.  
Telephone: 01553 616200  
Fax: 01553 691663

17 June 2013

Dear Member

**Resources and Performance – Audit and Risk Committee**

You are invited to attend a meeting of the above-mentioned Committee which will be held on **Tuesday 25 June 2013**, at **6.00 pm immediately following the Resources and Performance Panel meeting**, in the **Committee Suite, King's Court, Chapel Street, King's Lynn**, to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Apologies for absence**

To receive any apologies for absence.

**2. Minutes**

To approve the minutes of the Resources and Performance – Audit and Risk Committee meeting held on 10 June 2013 (previously circulated).

**3. Declarations of Interest**

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the Member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on an item or simply observing the meeting from the public seating area.

4. **Urgent Business Under Standing Order 7**

To consider any business which, by reason of special circumstances, the Chairman proposes to accept as urgent under Section 100(b)(4)(b) of the Local Government Act 1972.

5. **Members Present Pursuant to Standing Order 34**

Members wishing to speak pursuant to Standing Order 34 should inform the Chairman of their intention to do so and on what items they wish to be heard before the meeting commences. Any Member attending the meeting under Standing Order 34 will only be permitted to speak on those items which have been previously notified to the Chairman.

6. **Chairman's Correspondence** (if any)

7. **Matters referred to the Committee from other Council Bodies and responses made to previous Committee recommendations/requests**

To receive comments and recommendations from other Council bodies, and any responses subsequent to recommendations, which this Panel has previously made. (N.B. some of the relevant Council bodies may meet after dispatch of the agenda).

**Cabinet's response to be reported at the Panel Meeting**

At the Cabinet meeting to be held on 17 June 2013 the following responses will be made to the recommendations from the Resources and Performance Panel – Audit and Risk Committee meeting held 10 June 2013, on the following items:-

- Revenue Outturn 2012/2013.
- Capital Programme and Resources 2012/2016.
- Annual Treasury Report 2012/2013.

8. **Internal Audit Report 2012/13** (pages 1 to 4)

Members are invited to consider and note the Internal Audit Annual Report and Opinion 2012/13.

9. **Review of the Effectiveness of the Internal Audit Service** (pages 5 to 33)

Members are invited to consider the attached report and to note the contents of the review and the resulting 'Actions Required.'

**10. Corporate Risk Monitoring Report April 2013** (pages 34 to 43)

To receive and note the Corporate Risk Monitoring Report April 2013.

**11. Audit and Risk Committee Work Programme** (pages 44 to 45)

Committee Members are invited to consider the attached Audit and Risk Committee's Work Programme.

**12. Date of Next Meeting**

To note that the next meeting of the Resources and Performance - Audit and Risk Committee will take place on **Tuesday 23 July 2013**.

**To: Panel Members** – Councillors P Beal (Chairman),  
C Manning (Vice-Chairman), D J Collis, J Collop, P Cousins, C J Crofts,  
I Gourlay, M Hopkins, H Humphrey, M Langwade, J Loveless, A Morrison,  
D Tyler, T de Winton and A Wright

**Portfolio Holders:**

Agenda Items 8, 9 and 10

Councillor N Daubney, Leader and Portfolio Holder for Resources

**Chief Executive**

**Deputy Chief Executive and Executive Director, Finance and Resources**

**All other Executive Directors**

**Audit Manager**

**Press**

**AUDIT AND RISK COMMITTEE REPORT**

<b>TYPE OF REPORT:</b> Audit	<b>Portfolio:</b> Corporate/ Strategic Issues & Resources
<b>Author Name:</b> Kate Littlewood	<b>CONSULTATIONS:</b>  Deputy Chief Executive
<b>Tel.:</b> 01553 616252	
<b>Email:</b> <a href="mailto:kate.littlewood@west-norfolk.gcsx.gov.uk">kate.littlewood@west-norfolk.gcsx.gov.uk</a>	
If not for publication, the paragraph of Schedule 12A of the 1972 Local Government Act considered to justify that is paragraph 3.	

**Committee:** Resources and Performance – Audit & Risk Committee  
**Date:** 25<sup>th</sup> June 2013  
**Subject:** Internal Audit Annual Report and Opinion 2012-13

<b>Summary</b>	This report provides Members with an overview of the work undertaken by the Internal Audit Section during the 2012-13 financial year against the Strategic Audit Plan 2012-15, and provides an assurance opinion to support the Annual Governance Statement
<b>Recommendation</b>	To note the report.

**1.0 INTRODUCTION AND BACKGROUND**

- 1.1 Under the Accounts and Audit (Amendment) Regulations 2011, the Council is required to undertake an annual review of its system of internal control, which in accordance with proper practices has been integrated within the Annual Governance Statement. The work of Internal Audit forms part of the assurance provided to Councillors and Management Team.
- 1.2 The Internal Audit Annual Report states the Audit Manager’s opinion on the system of internal control and the sources of assurance used to form this opinion.
- 1.3 To support the stated opinion, this report describes the work carried out by Internal Audit during 2012-13 and summarises the resulting findings. It also reflects on the performance against the strategic plan and the effectiveness of the internal audit team.

### 2.0 Audit Manager's Opinion

2.1 This Internal Audit Annual Report provides an independent opinion on the adequacy and effectiveness of the Council's system of financial control, including in particular:

- the key controls operating within and around the core financial systems
- financial management in each Department and corporately
- arrangements for the letting and monitoring of contracts
- controls over information management and security.

2.2 On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However Internal Control systems are only designed to manage risk to a reasonable, and cost effective, level. Subsequently the Audit Manager's opinion can only provide a reasonable, not absolute, level of assurance as to the adequacy and effectiveness of these systems.

2.3 Bearing this in mind, in the Audit Manager's opinion, the Council's control arrangements were adequate and effective in 2012-13, with sound controls in all key areas.

### 3.0 Sources of Assurance

3.1 The Internal Audit team consists of 2.8 FTE members of staff. The Audit Manager and Senior Auditor are Chartered members of the Chartered Institute of Internal Auditors (CIIA). The Internal Auditor has been a Practitioner member of the CIIA and the team also benefits from the equivalent of a day a week from the Trainee Accountant.

3.2 The Internal Audit is independent of any operational responsibilities and manages its own budget. Line management is through the Deputy Chief Executive, but direct access to the Chief Executive, Leader or Chair of the Audit and Risk Committee is available if required.

3.3 All work in 2012-13 has been performed according to the requirements in the Accounts and Audit (Amendment) Regulations 2006 and the Code of Standards and Ethics of the CIIA. From 1<sup>st</sup> April 2013 the Regulations are replaced by the Public Sector Internal Audit Standards (PSIAS), which are largely based on the Standards of the CIIA.

3.4 Reports will be presented to the Committee on:

- Review of the Effectiveness of Internal Audit - included in this agenda
- Review of the Effectiveness of the Audit and Risk Committee - due at the meeting on 23<sup>rd</sup> July 2013.

These describe the work carried out during the year 2012-13 and demonstrate the role each has to play in supporting Corporate Governance in the Council.

## AGENDA ITEM 8

3.5 The Council have been appointed new external auditors this year. As Ernst and Young have only recently commenced their audit work with us, they do not have sufficient familiarity with the work of the Internal Audit Team to be able to confirm their reliance on it at the time of writing this report.

### 4.0 Basis of Assurance

4.1 Each year a Strategic Audit Plan is prepared by the Audit Manager, showing specific audits for the next financial year and proposals for the next two years. This is then presented to the Audit and Risk committee to endorse. The plan for 2012-15 was agreed in this way on 31<sup>st</sup> January 2012.

4.2 When setting the Strategic Audit Plan for the year, the Audit Manager has regard for:

- Discussions with the Executive Directors
- Internal Audit's own risk assessment system
- Corporate Risk register
- Comments from the external auditors
- Protocol for Liaison between the internal and external auditors
- Date and result of the previous audit of an area
- Any other reviews relating to specific services.

4.3 The Strategic Audit Plan 2012-13 has been concluded. A formal report has been issued for each audit, containing an action plan agreed with the relevant managers to address any control weaknesses identified during the audit. The audit reports were entered in to a restricted area of InSite for members of the Management Team and the Audit and Risk Committee to view.

4.4 Each report attributes a level of assurance gained for the area being audited as below:

Full Assurance	A sound system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.
Substantial Assurance	A sound system of internal control, but there are a few weaknesses that could put achievement of system objectives at risk.
Limited Assurance	A system of internal control with a number of weaknesses likely to undermine achievement of system objectives, and which is vulnerable to abuse or error.
No Assurance	A fundamentally flawed system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.



## AGENDA ITEM 8

4.5 During the year 36 internal audit reports have been issued and assessed as:

- 10 - Full Assurance
- 23 - Substantial Assurance
- 3 - Limited Assurance
- 0 - No Assurance

Follow-up reports indicate a good level of implementation with no major concerns raised and I would like to thank all managers for being receptive to our comments and recommendations.

4.6 Quarterly updates on progress against the strategic plan, including summaries of the reports issued, have been presented to the Committee. Amendments to the plan were also included in the progress reports. The report for the final quarter of 2012-13 was presented to the meeting on 10<sup>th</sup> June 2013.

### **5.0 Anti-Fraud and Anti-Corruption Procedures**

5.1 The Council has an Anti-Fraud and Anti-Corruption Strategy and a Whistleblowing Policy in place, which were both approved by Council on 28<sup>th</sup> January 2010. Both documents are due for review and this will be undertaken during 2013-14 as part of a comprehensive review of the Council's fraud prevention and detection processes.

5.2 Work with the National Fraud Initiative (NFI) has continued this year with results of the matching reports arising from the latest exercise being investigated by various sections through out the Council as appropriate. The Committee receives 6-monthly reports from the Fraud Investigations Manager on work carried out by the Benefits Enquiry Unit (BEU) on Benefits matches. The Audit Manager presented a progress report on all other matches on 10<sup>th</sup> June 2013. To date the BEU remain the most active in this area, with very little arising from the matches in other areas.

5.3 Members of the Internal Audit Team are aware of key fraud indicators and are mindful of them during any audit or consultation.

### **6.0 Conclusion**

6.1 The system of internal control is designed to manage risk to a reasonable level, and therefore cannot provide absolute assurance.

6.2 Notwithstanding the above, based on the audit work completed during 2012-13, it is the opinion of the Audit Manager that :

- Adequate assurance can be gained in respect of the overall systems of internal control operating within the council.
- Risk management systems and corporate governance arrangements are satisfactory.

**AUDIT AND RISK COMMITTEE REPORT**

<b>TYPE OF REPORT:</b> Audit	<b>Portfolio:</b>
<b>Author Name:</b> Kate Littlewood	<b>CONSULTATIONS:</b>  Deputy Chief Executive
<b>Tel.:</b> 01553 616252	
<b>Email:</b> kate.littlewood@west-norfolk.gcsx.gov.uk	
<b>Open</b>	

**PR & D Panel:**       **RESOURCES AND PERFORMANCE PANEL – AUDIT AND RISK COMMITTEE**  
**Date:**                 **25<sup>th</sup> June 2013**  
**Subject:**             **Review of the Effectiveness of the Internal Audit Service**

<b>Summary</b>	This report provides Committee Members with the results of the Review of the Effectiveness of the Internal Audit Service.
<b>Recommendation</b>	To note the contents of the review and the resulting 'Actions Required'.

**1.0 INTRODUCTION AND BACKGROUND**

- 1.1 Regulation 4 of the Accounts and Audit Regulations (2003) was amended in 2006 with new reporting requirements on the effectiveness of the system of internal audit. From 2007/08, the new reporting requirements have been included in the Annual Governance Statement (AGS).
- 1.2 The Department for Communities and Local Government (CLG) issued guidance on the amended regulations which requires '*relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings.*'
- 1.3 The guidance also cites the Chartered Institute of Public Finance Accountants (CIPFA) 'Code of Practice for Internal Audit in Local Government in the United Kingdom' (the Code) as proper practice in relation to internal audit in local authorities.

**2.0 REVIEW DETAILS**

- 2.1 This review of the effectiveness of Internal Audit in 2012-13 has been completed with reference to the Code. From 1<sup>st</sup> April 2013, the Code is

## AGENDA ITEM 9

replaced by the Public Sector Internal Audit Standards (PSIAS) and will be applied for 2013-14.

- 2.2 As with previous years, the review is supported by completion of the CIPFA Checklist for Compliance with the Code of Practice for Internal Audit 2006. The completed checklist is attached to this report as **Appendix 1**.
- 2.3 As reported in the final Quarterly Progress Report for 2012-13, which was presented to this committee on 10<sup>th</sup> June 2013, the Strategic Audit Plan for 2012-13 was concluded satisfactorily.
- 2.4 The Audit Manager's Annual Report, presented on 25<sup>th</sup> June 2013 confirmed that the work carried out during the year did not raise any concerns on the system of Internal Control.
- 2.5 The Audit Manager continues to provide quarterly progress reports which reflect on audits completed the quarter, any changes to the plan, additional work performed and performance indicators.

### 3.0 IMPROVING SERVICE DELIVERY AND ADDING VALUE

- 3.1 As well as providing assurance on the system of Internal Control, the definition of Internal Audit includes reference to 'adding value'. This is demonstrated by members of the Internal Audit team being involved in work other than straightforward auditing. During 2012-13, this included:

- Continued involvement in the data conversion for the Revenues and Benefits Shared Services Agreement with North Norfolk.
- Commencing production of detailed Business Process Maps to record the Revenues and Benefits section working practices and controls.
- Additional audit work covering Members' Expenses and Environmental Information Regulations.
- Investigation of Corn Exchange stock.
- Reviewing the data matches returned from the National Fraud Initiative exercise.
- Ongoing management of the Risk Register.

In each case the work was well received and proved useful in ensuring that the Councils' systems are based on sound principles.

- 3.2 Other work outside the remit of Internal Audit but undertaken as an officer of the Council, has included:
  - Involvement in investigating two cases of alleged racial discrimination.
  - Participating in the Job Evaluation Panel

### 4.0 WORK WITH EXTERNAL AUDITORS

- 4.1 The Internal Audit team continued to work with the Council's external auditors. This year saw the conclusion of the audit contract with PWC and the commencement of Ernst and Young. The existing 'Protocol for liaison

## AGENDA ITEM 9

between internal and external auditors 2012-13', which was in place with PWC, continued to be applied when Ernst and Young took over. In addition internal audit have assisted Ernst and Young with their familiarisation work to enable them to plan their audit work effectively.

### 5.0 Quality and Training

5.1 The Strategic Audit Plan 2012-15 set Performance Indicators for the Internal Audit Service as follows:

Performance Indicator	Target	Achieved	
Delivery of the Audit Plan	95%	79% 4% 12% 5%	Complete Close to completion On Hold Deferred
Rechargeable time	65%	65%	
Audit Questionnaires returned with satisfactory score	95%	95%	

The audits On Hold and Deferred have been reported to the Committee as part of the quarterly progress reports.

5.2 As well as attending various internal staff training sessions, members of the Internal Audit have also attended the following technical courses as part of their CPD requirements:

- 'Procurement – understanding the key risks' – Chartered Institute of Internal Auditors (CIIA).
- 'Internal Investigations' – PHF Training
- Update on the requirements of RIPA (Regulation of Investigative Practices Act) – ITS Training
- 'Phishing' – ISACA (Information Systems Audit and Control Association) Webinar
- Civica OpenRevenues read only training – Revenues and Benefits training section
- Refresher training on IDEA (data analysis software) - Auditware
- Equalities training for Job Evaluation Panel members.
- e5/Cedar/GL Chart of Accounts Workshop - ABC

5.2 The Audit Manager also attends the Norfolk Chief Internal Group meetings to discuss common issues and share experiences.

5.3 The Audit Manager continues to make herself available to answer queries from members of the Committee.

### 6.0 CONCLUSIONS

6.1 The Internal Audit team continues to comply with the Code and provides an effective assurance service, as well as adding value to the Council's services.

Note to accompany Appendix 1

Key to the column headings:

- Y = Yes, the requirement is complied with.
- P = Partial, the requirement is partially met and action may be required.
- N = No, the requirement is not complied with and action may be required.

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on ‘The Role of the Head of Internal Audit’)  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
<b>1.</b>	<b>Scope of Internal Audit</b>					
<b>1.1</b>	<b>Terms of Reference</b>					
1.1.1	Do Terms of Reference:					
	(a) establish the responsibilities and objectives of Internal Audit?	Y			Section 6 and 2 respectively.	
	(b) establish the organisational independence of Internal Audit?	Y			Section 3	
	(c) establish the accountability, reporting lines and relationships between the Audit Manager and: (i) those charged with governance (ii) those parties to whom the Audit Manager may report?	Y Y			Section 2 in both cases.	
	(d) recognise that Internal Audit’s remit extends to the entire control environment of the organisation?	Y			Section 2 & 4.	
	(e) identify Internal Audit’s contribution to the review of the effectiveness of the control environment?	Y			Section 2	
	(f) require and enable the Audit Manager to deliver an annual audit opinion?	Y			Section 6	
	(g) define the role of Internal Audit in any fraud related or consultancy work?	Y			Section 2 and 6	
	(h) explain how Internal Audit’s resource requirements will be assessed?	Y			Section 9	
	(i) 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?	Y			Section 2 and 4	
1.1.2	Does the Audit Manager advise the organisation on the content and the need for subsequent review of the terms of reference?	Y			Section 1 of the Terms of Reference.	
1.1.3	Have the terms of reference been formally approved by the organisation?	Y			Reviewed and confirmed by Audit and Risk Committee 14 <sup>th</sup> June 2010.	
1.1.4	Are the terms of reference regularly reviewed?	Y			Every 3 years as noted in Section 1 of the Terms of Reference.	Reviewed and attached to this report as Appendix 2.

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
<b>1.2</b>	<b>Scope of Work</b>					
1.2.1	Does the Audit Manager provide assurance on the risk management processes and maturity?		P		Audit Manager is responsible for updating and reporting on the Risk Register.	An evaluation of risk areas is due in 2013 and will impact on risk management. An independent audit of risk management should be arranged subsequently.
1.2.2	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	Y			Documentation supporting the work to compile the Strategic Internal Audit Plan.	
1.2.3	Where services are provided in partnership has the Audit Manager identified: (a) how assurance will be sought? (b) agreed access rights where appropriate?		P P		Section 4.3 in the Terms of Reference state that the right of access and audit should be included in any agreements/ contracts.	Identify potential partnership arrangements to ensure the right is included.
1.2.4	Is the Audit Manager consulted on all major projects, programmes and policy initiatives to offer advice on the associated control arrangements and risks?		P		The Audit Manager is aware of major projects, etc through access to Management Team agendas and reports to Cabinet and Panels, and can request involvement if deemed necessary.	Earlier identification of potential projects and involvement at an earlier stage.
<b>1.3</b>	<b>Other Work</b>					
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have: (a) skills, and (b) resources to do this?	Y Y			Qualifications and experience of the team, plus resources are available to buy in external expertise if required.	
<b>1.4</b>	<b>Fraud and Corruption</b>					
1.4.1	Has the Audit Manager made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Y			Fraud Response Plan.	Fraud prevention and detection procedures are due to be reviewed during 2013.

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
<b>2.</b>	<b>Independence</b>					
<b>2.1</b>	<b>Principles of Independence</b>					
2.1.1	Is Internal Audit: (a) independent of the activities it audits (b) free from any non-audit (operational) duties (c) independent of external audit?	Y Y Y			Section 3, Terms of Reference.	
2.1.2	Where internal audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	Y			Section works to CIPFA Code of Practice and CIIA Standards and Code of Ethics.	
<b>2.2</b>	<b>Organisational Independence</b>					
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	Y			Section 3, Terms of Reference Record of work	
2.2.2	Does the Audit Manager have direct access to: (a) officers (b) members?	Y Y			Section 2, Terms of Reference	
2.2.3	Does the Audit Manager report in his or his own name to members and officers?	Y			Minutes of the Audit and Risk Committee. Final audit reports issued.	
2.2.4	Is there an assessment that the budget for Internal Audit is adequate?	Y			Annual Strategic Internal Audit Plan.	
2.2.5	Does any budget delegated to service areas ensure that : (a) Internal Audit adherence to the Code is not compromised? (b) The scope of Internal Audit is not affected? (c) Internal Audit can continue to provide assurance for the Annual Governance Statement?				N/A – No budget delegated to service areas. The service is recharged at the end of the financial year based on the agreed audit plan.	



**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
<b>2.3</b>	<b>Status of the Audit Manager</b>					
2.3.1	Is the Audit Manager managed by a member of the corporate management team?	Y			Executive Director, Resources.	
<b>2.4</b>	<b>Independence of Internal Audit Contractors</b>					
2.4.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?				N/A.	
<b>2.5</b>	<b>Declaration of Interest</b>					
2.5.1	Do audit staff make formal declarations of interest?	Y			Employee Handbook: <ul style="list-style-type: none"> <li>▪ Official Conduct – 7.10(i)(a)</li> <li>▪ Outside Work Commitments - 7.11.</li> <li>▪ Acceptance of gifts/ monies – 7.10.3</li> </ul> IA Manual, Sec 2.2 stipulates CIIA Standards and Code of Ethics	
2.5.2	Does the planning process take account of the declarations of interest registered by staff?	Y			No declarations of interest registered this year.	
<b>3</b>	<b>Ethics for Internal Auditors</b>					
<b>3.1</b>	<b>Purpose</b>					
3.1.1	Does the Audit Manager regularly remind staff of their ethical responsibilities?	Y			Included in PRP discussion. Work to CIPFA Code and CIIA Standards and Code of Ethics	
<b>3.2</b>	<b>Integrity</b>					
3.2.1	Has the internal audit team established an environment of trust and confidence?	Y			Good working relationship with other members of staff. Demonstrated by requests for advice from officers.	
3.2.2	Do internal auditors demonstrate integrity in all aspects of their work?	Y			Good working relationship with other members of staff.	

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
3.2.3	Does the Audit Manager demonstrate and promote good governance principles – integrity, objectivity, competence and confidentiality?	Y			Good working relationship with other members of staff.	
<b>3.3</b>	<b>Objectivity</b>					
3.3.1	Are internal auditors perceived as being objective and free from conflicts of interest?	Y				
3.3.2	Is a time period set by the Audit Manager for staff where they do not undertake an audit in an area where they have had previous operational roles?	Y			Trainee Accountant does not audit areas of work for which he is responsible in his accountancy role.	
3.3.3	Are staff rotated on regular/ annually audited areas?	Y			Core Audit rotation record as part of preparing the Strategic Internal Audit Plan.	
<b>3.4</b>	<b>Competence</b>					
3.4.1	Does the Audit Manager ensure that staff have sufficient knowledge of: (a) the organisation's aims, objectives, risks and governance arrangements? (b) The purpose, risks and issues of the service? (c) The scope of each audit? (d) Relevant legislation and other regulatory arrangements that relate to the audit?	Y Y Y Y			Corporate Business plan. Corporate Risk Management reports. Service Plan. Audit specific Terms of Reference agreed. Relevant technical updates are circulated to the team.	
<b>3.5</b>	<b>Confidentiality</b>					
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	Y			CIIA Standards and Code of Ethics.	
<b>4</b>	<b>Audit Committees</b>					
<b>4.1</b>	<b>Purpose of the Audit Committee</b>					
4.1.1	Does the organisation have an independent audit committee?	Y			Independent of Cabinet, but formed from the same members as the Resources and Performance Panel.	

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
<b>4.2</b>	<b>Internal Audits Relationship with the Audit Committee</b>					
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	Y				
4.2.2	Does the committee approve the internal audit strategy?	Y			Forms part of Internal Audit Strategic Plan.	
4.2.3	Does the committee approve the annual internal audit plan and monitor progress?	Y			2012-15 Strategic Internal Audit Plan endorsed 31 <sup>st</sup> January 2012.	
4.2.4	Does the Audit Manager: (a) attend the committee and contribute to its agenda? (b) Participate in the committee's review of its own remit and effectiveness? (c) Ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives? (d) Report on the outcomes of internal audit work to the committee? (e) Establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa? (f) Present the annual internal audit report to the committee?	Y Y Y Y Y Y			Agendas and Minutes.  Drafts the report for the Chair's comments and approval.  Relevant reports presented by the Audit Manager and questions answered.  Quarterly progress reports.  Quarterly report includes any changes to the plan and members can request additional items to be considered.  Annual report presented 25 <sup>th</sup> June 2013.	
4.2.5	Is there the opportunity for the Audit Manager to meet privately with the audit committee?	Y				To be included as part of the review of the Committee's Terms of Reference.

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
4.2.6	Is the Audit Managers relationship with the Chair of the Audit Committee clearly set out?		P		Subject to the Member/Officer Protocol. Audit Manager can contact the Chair by email and request a meeting if required.	
<b>5.</b>	<b>Relationships</b>					
<b>5.1</b>	<b>Principles of Good Relationships</b>					
5.1.1	Is there a protocol that defines the working relationship for Internal Audit with: (a) management (b) other internal auditors (c) external auditors  (d) other regulators and inspectors (e) elected members?	Y  Y  Y			Internal Audit Terms of Reference N/A Protocol for Liaison between Internal and External Auditors. N/A Member/Officer Protocol.	
5.1.2	Can the Audit Manager attend the Senior Management Team meetings if she feels it is necessary?	Y			Receives the Management Team agenda and can request to attend if deemed necessary.	
<b>5.2</b>	<b>Relationships with Management</b>					
5.2.1	Does the Audit Manager seek to maintain effective relationships between internal auditors' and managers?	Y			Discussions as part of the audit planning process and risk management. Open door policy.	
5.2.2	Is the timing of audit work planned in conjunction with management?	Y			Emails to arrange approximate dates at the start of the plan. Email to arrange specific date at the start of the audit.	
5.2.3	Does the Audit Manager have an effective working relationship with: • s151 Officer • Monitoring Officer • Chief Executive Officer	Y Y Y			Email correspondence, Section Heads meetings and ad hoc meetings if required.	

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
<b>5.3</b>	<b>Relationships with Other Internal Auditors</b>					
5.3.1	Do arrangements exist with other internal auditors that included joint working, access to working papers, respective roles and confidentiality?	Y			Norfolk Audit Managers Group.	
<b>5.4</b>	<b>Relationships with External Auditors</b>					
5.4.1	Is it possible for Internal Audit and External Audit to rely on each other's work?	Y			PWC as previous external auditors relied on Internal Audit work. Ernst & Young as new external auditors have yet to establish this reliance.	
5.4.2	Are there regular meetings between the Audit Manager and the External Audit Manager?	Y			During external auditors' work on site.	
5.4.3	Are the internal and external audit plans co-ordinated?	Y			Core audit timings communicated to external audit.	
<b>5.5</b>	<b>Relationships with Other Regulators and Inspectors</b>					
5.5.1	Has the Audit Manager sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?	Y			Audit Commission. Health & Safety auditors.	
<b>5.6</b>	<b>Relationships with Elected Members</b>					
5.6.1	Do the terms of reference for Internal Auditors define the channels of communication with members and describe how such relationships should operate?	Y			Section 2.	
5.6.2	Does the Audit Manager maintain good working relationships with members?	Y			Open door policy operates.	
<b>6.</b>	<b>Staffing, Training and Continuing Professional Development</b>					
<b>6.1</b>	<b>Staffing Internal Audit</b>					
6.1.1	Is there a clearly named individual designated as 'Head of Internal Audit'?	Y			Audit Manager	

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
6.1.2	In the case of an employee, is the Audit Manager sufficiently senior and independent to carry out the role without fear or favour?	Y			Reports direct to the Executive Director, Resources/ Deputy Chief Executive.	
6.1.3	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	Y			2.8 FTE staff. CMIIA, ISACA qualified staff plus a previous PIIA and trainee CIPFA accountant. Several years' experience in internal audit and other relevant areas.	
6.1.4	Does the Audit Manager have access to appropriate resources: <ul style="list-style-type: none"> <li>• to buy in specialist skills and expertise where these are not available within the audit team</li> <li>• in terms of necessary IT tools?</li> </ul>	Y Y			£15k in reserve to buy in additional expertise of required. IDEA Data Analysis Software	
6.1.5	Is the Audit Manager professionally qualified and experienced?	Y			Chartered Member of the Institute of Internal Auditors (CMIIA). 12 years private/public experience.	
6.1.6	Do all internal audit staff have up-to-date job descriptions?	Y				
6.1.7	Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?	Y				
<b>6.2</b>	<b>Training and Continuing Professional Development</b>					
6.2.1	Has the Audit Manager defined the skills and competencies for each level of auditor?	Y			Job description and person specification.	
6.2.2	Are individual auditors periodically assessed against these predetermined skills and competencies?	Y			Part of PRP process.	
6.2.3	Are training or development needs identified and included in an appropriate ongoing development programme?	Y			Part of PRP process.	

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
6.2.4	Is the development programme recorded, regularly reviewed and monitored?	Y			Part of PRP process.	
6.2.5	Do individual auditors maintain a record of their professional training and development activities?	Y				
6.2.6	Does the Audit Manager have the means to keep up-to-date with any developments in governance, risk management, control and internal auditing?	Y			CIIA and CIPFA updates. Subscribes to the audit and risk elements of TISOnline. Plus technical from various other bodies.	
<b>7.</b>	<b>Audit Strategy and Planning</b>					
<b>7.1</b>	<b>Strategy</b>					
7.1.1	(a) Is there an <i>internal audit</i> strategy for delivering the service? (b) Is it kept up-to-date with the organisation and its changing priorities?	Y Y			Forms part of the Strategic Internal Audit Plan.	
7.1.2	Does the strategy include: (a) Internal Audit objectives and outcomes? (b) How the Audit Manager will form her opinion on the control environment? (c) How Internal Audit's work will identify and address local and national issues and risks? (d) How the service will be provided, i.e. internally, externally, or a mix of the two? (e) The resources and skills required to deliver the strategy? (f)	Y Y Y Y Y				
7.1.3	Has the strategy been approved by the audit committee?	Y			Report dated 31 <sup>st</sup> January 2012.	

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
<b>7.2</b>	<b>Audit Planning</b>					
7.2.1	Is there a risk-based plan that is informed by the organisation's: <ul style="list-style-type: none"> <li>• risk management</li> <li>• performance management</li> <li>• corporate objectives</li> <li>• any other assurance processes?</li> </ul>	Y			Paperwork supporting the development of the Strategic Internal Audit Plan.	
7.2.2	Where the risk management process is not fully developed or reliable, does the Audit Manager undertake her own risk assessment process?	Y			Internal Audit risk calculation spreadsheet.	
7.2.3	Are stakeholders consulted on the audit plan?	Y			Executive Directors Audit & Risk Committee Audit team	
7.2.4	Does the plan demonstrate a clear understanding of the organisation's functions?	Y			Paperwork supporting the development of the Strategic Internal Audit Plan.	
7.2.5	Does the plan: <ul style="list-style-type: none"> <li>(a) cover a fixed period of no longer than one year</li> <li>(b) outline the assignments to be carried out</li> <li>(c) prioritise assignments</li> <li>(d) estimate the resources required</li> <li>(e) differentiate between assurance and other work</li> <li>(f) allow a degree of flexibility?</li> </ul>	Y Y Y Y Y	P		2012-15.  Core audits only prioritised.  Some contingency allowance included.	
7.2.6	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?	Y			Conclusion on resources is included in the covering report to the Strategic Internal Audit Plan.	
7.2.7	Has the plan been approved by the audit committee?	Y			31 <sup>st</sup> January 2012.	



**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
7.2.8	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	Y			Changes to the plan are included in the quarterly report. Urgent matters would be notified to the Chair and then taken to the next meeting.	
<b>8.</b>	<b>Undertaking Audit Work</b>					
<b>8.1</b>	<b>Planning</b>					
8.1.1	(a) Is a brief prepared for each audit? (b) Is the brief discussed and agreed with the relevant managers?	Y Y			Signed copy kept on audit files	
8.1.2	Does the brief set out: (a) objectives (b) scope (c) timing (d) resources (e) reporting requirements?	Y Y Y Y Y			Contained in the Terms of Reference template.	
<b>8.2</b>	<b>Approach</b>					
8.2.1	Is a risk based audit approach used?		P		Combination of risk and straightforward systems approach.	
8.2.2	Does the audit approach show when management should be informed of interim findings where (serious) issues have arisen?	Y			Internal Audit manual, Section 13.1	
8.2.3	Does the audit approach include a quality review process for each audit?	Y			Internal Audit manual, Section 15	
<b>8.3</b>	<b>Recording Audit Assignments</b>					
8.3.1	Has the Audit Manager defined a standard for audit documentation and working papers?	Y			Internal Audit manual, Appendix F	
8.3.2	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	Y			Review sheets in audit files. Checklist on back of Contact Sheet.	
8.3.3	Are working papers such that an experienced auditor can easily: (a) identify the work that has been performed? (b) Re-perform it if necessary?	Y Y				

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
	(c) See how the work supports the conclusions reached?	Y				
8.3.4	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Y			Internal Audit manual, Appendix H	
8.3.5	Do all retention and access policies conform to appropriate legislation, i.e. Data Protection Act, Freedom of Information Act, etc and any organisational requirements?	Y				
8.3.6	Is there an access policy for audit files and records?	Y			Internal Audit manual, Section 13.3.	
<b>9.</b>	<b>Due Professional Care</b>					
<b>9.1</b>	<b>Responsibilities of the Individual Auditor</b>					
9.1.1	Are there documents that set out the requirements on all audit staff in terms of: (a) being fair and not allowing prejudice or bias to override objectivity? (b) Declaring interests that could be perceived to be conflicting or could potentially lead to conflict? (c) Receiving and giving gifts and hospitality from employees, clients, suppliers or third parties? (d) Using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions? (e) Being alert to the possibility of intentional wrongdoing, error or omissions, poor value for money, failure to comply with management policy or conflict of interest? (f) Having sufficient knowledge to identify indicators that fraud or corruption may have been committed? (g) Disclosing all material facts known to them which, if not disclosed, could distort their	Y Y Y Y Y Y Y			CIIA Standards and Code of Ethics Internal Audit Terms of Reference Staff Handbook	

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
	reports or conceal unlawful practice? (h) Disclosing any non-compliance with these standards? (i) Not using information they gain in the course of their duties for personal use?	Y Y				
<b>9.2</b>	<b>Responsibilities of the Audit Manager</b>					
9.2.1	Has the Audit Manager established a monitoring and review programme to ensure due professional care is achieved and maintained?	Y			Internal Audit Manual, Section 15. Audit file reviews.	
9.2.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	Y			Direct access to Audit Manager and Executive Director, Finance & Resources	
<b>10.</b>	<b>Reporting</b>					
<b>10.1</b>	<b>Principles of Reporting</b>					
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	Y			Internal Audit Manual, Section 13. Report template	
10.1.2	Has the Audit Manager determined the way in which Internal Audit will report?	Y			Internal Audit Manual, Section 13.	
10.1.3	Has the Audit Manager set out the standards for internal audit reporting?	Y			Internal Audit Manual, Section 13.	
10.1.4	Are there laid-down timescales for reports to be issued?	Y			PRP targets include issuing of final reports within 2 weeks of file review completed. Internal Audit Manual, Section 13 states final reports to be issued to wider audience 2 weeks after line manager and Executive Director.	
<b>10.2</b>	<b>Reporting on Audit Work</b>					
10.2.1	Do the reporting standards include: (a) format of the reports (b) quality assurance of the reports (c) the need to state the scope and purpose of	Y Y Y			Report template  Terms of Reference attached to report	

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on ‘The Role of the Head of Internal Audit’)  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
	the audit (d) the requirement to give an opinion (e) process for agreeing reports with the recipient (f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	Y Y Y			Report template Internal Audit Manual, Section 13 Report template  Report template.	
10.2.2	Does the audit reporting process include discussion and agreement of records?	Y			Internal Audit Manual, Section 13	
10.2.3	Has the Audit Manager determined a process for prioritising recommendations according to risk?	Y			Report template	
10.2.4	Are areas of disagreement recorded appropriately?	Y			Emails and draft reports demonstrate any areas of disagreement.	
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention of senior management?	Y			Recommendation retained in report and management comments entered as appropriate.	
10.2.6	Is the circulation of each audit report determined when preparing the brief?	Y			General circulation of reports given in Internal Audit Manual, Section 13. Specific circulation may change according to findings during the audit.	
10.2.7	(a) Does the reporting process include details of circulation of that particular audit report? (b) Is this included in the brief for each individual audit?	Y Y			Report template  Terms of Reference template.	
10.2.8	Does the Audit Manager have mechanisms in place to ensure that : (a) recommendations that have a wider impact are reported to the appropriate forums (b) risk registers are updated?	Y Y			Relevant sections of the final report are sent out as needed. Risk assessment sheets and risk calculation spreadsheet.	

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
<b>10.3</b>	<b>Follow-up Audits and Reporting</b>					
10.3.1	Has the Audit Manager defined the need for and the form of any follow-up action?	Y			Internal Audit Manual, Section 14	
10.3.2	Has the Audit Manager established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	Y			Internal Audit Manual, Section 14.	
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?			N	The follow-up report comments on the progress in implementing the agreed action plan. It does not change the original findings.	
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Y			Referred to during work to set Strategic Internal Audit Plan.	
<b>10.4</b>	<b>Annual Reporting and Presentation of Audit Opinion</b>					
10.4.1	Does the Audit Manager provide an annual report to support the Annual Governance Statement?	Y			Report to Audit & Risk Committee 11 <sup>th</sup> September 2012.	
10.4.2	Does the Audit Manager issue an annual report in her own name that: (a) includes an opinion on the overall adequacy and effectiveness of the organisation's control environment? (b) Discloses any qualifications to that opinion, together with the reasons for qualification (c) Presents as a summary of the audit work from which the opinion was derived, including any reliance placed on work by other assurance bodies?	Y Y Y			Annual report 25 <sup>th</sup> June 2013  None have arisen so far.	

**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
	(d) Draws attention to any issues the Audit Manager judges particularly relevant to the preparation of the Annual Governance Statement	Y				
	(e) Compares the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets	Y				
	(f) Comments on compliance with the standards of the Code	Y				
	(g) Communicates the results of the internal audit quality assurance programme	Y				
	(h) Demonstrates how the internal audit adds value?	Y				
10.4.3	Has the Audit Manager made provision for interim reporting to the organisation during the year?	Y			Quarterly reports to Audit and Risk Committee	
<b>11.</b>	<b>Performance, Quality and Effectiveness</b>					
<b>11.1</b>	<b>Principles of Performance, Quality and Effectiveness</b>					
11.1.1	Is there an audit manual?	Y				
11.1.2	Does the audit manual provide guidance on: (a) carrying out day-today audit work (b) complying with the Code	Y Y			Internal Audit Manual, Appendix F Internal Audit Manual, Section 2.2	
11.1.3	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	Y			Formally every 3 years –Section 2.3. Revised as necessary in between.	
11.1.4	Does the Audit Manager have arrangements in place to assess the performance and effectiveness of: (a) each individual audit (b) the internal audit service as a whole?	Y Y			File reviews. Annual review of effectiveness. Annual report process. Strategic audit planning process.	



**CIPFA – Checklist for Compliance with Code of Practice for Internal Audit. 2006**  
 (plus CIPFA statement on 'The Role of the Head of Internal Audit')  
**For the year 2012-13**

**APPENDIX 1**

Ref	Subject	Y	P	N	Evidence/ Comments	Action Required
	(d) Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual? (e) an action plan to implement improvements?	Y Y			Audit file reviews Annual review of effectiveness  Resulting from annual review	
11.3.3	Does the Audit Manager compare performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?	Y				
11.3.4	Do the results of the performance management and quality assurance programme evidence that the internal audit service is: (a) meeting its aims and objectives (b) compliant with the Code (c) meeting internal quality standards (d) effective, efficient, continuously improving (e) adding value and assisting the organisation in achieving its objectives?	Y Y Y Y Y				
11.3.5	Does the Audit Manager report on the results of the performance management and quality assurance programme in the annual report?	Y			Included in the quarterly progress reports and in the Annual Report.	
11.3.6	Does the Audit Manager provide evidence from her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?	Y				
11.3.7	Is the internal audit service subject to a regular external review?		P		PWC reviewed core audit files and internal audit working practices and established that reliance can be placed on the work.	External review to be arranged for next year.



## AGENDA ITEM 9

Formatted: Font color: Black

Borough Council of  
**King's Lynn &  
West Norfolk**



### Internal Audit Terms of Reference

#### 1. Introduction

- 1.1 These Internal Audit Terms of Reference describe the purpose, authority and principal responsibilities of the Councils' Internal Audit Section.
- 1.2 Overall responsibility for Internal Audit provision within the Council rests with the Audit and Risk Committee. For line-management purposes, the Audit Manager reports to the Deputy Chief Executive and Executive Director, Finance and Resources.
- 1.3 The Terms of Reference for Internal Audit need to be reviewed every three years and the results presented to the Audit & Risk Committee (or subsequent body) for approval. Next review is due – May 2016.

Formatted: Not Highlight

#### 2. Scope And Objectives Internal Audit

- 2.1 Internal Audit is an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to that organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic and effective use of resources and management of business risks.
- 2.2 The scope of Internal Audit's remit includes the Council's entire control environment. In determining where effort should be concentrated, the Audit Manager will take account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the Council's objectives. This scope encompasses any work undertaken either by a partnership agreement or under contract to the Council.
- 2.3 Internal Audit's objectives are to:
  - Provide an independent and objective internal audit service that helps the Council to meet its stated objectives
  - Support the Deputy Chief Executive Financial Services Manager in the discharge of his-her duties as Section 151 Officer (the officer responsible for the proper administration of the financial affairs of the authority).

Formatted: Not Highlight

## **AGENDA ITEM 9**

Formatted: Font color: Black

- support and assist in embedding corporate governance, effective internal controls and risk management throughout the Council
- help to identify areas for improvement and make recommendations to address these
- offer advice and assurance on achieving effective internal controls
- comply with ~~the CIPFA Code and the professional internal auditing standards established by the IIA, the Public Sector Internal Audit Standards (PSIAS).~~

Formatted: Not Highlight

2.4 In order to carry out its role effectively, Internal Audit has unrestricted access to all records and assets deemed necessary to the Audit Manager. This right of access is included in the Council's Financial Regulations.

2.5 Channels of communication with Members are set out in the Member/Officer Protocol June 2009. In addition, where necessary, the Audit Manager has unrestricted access to:

Formatted: Not Highlight

- The Chief Executive
- Members, including the Leader of the Council
- Individual Executive Directors
- All Other Employees

2.6 Internal Audit may provide advice, facilitation or training to assist managers in meeting the objectives of the Council. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

2.7 Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Internal Auditors should, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud or corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

### **3. Independence**

3.1 In order to achieve its objectives effectively, Internal Audit must be seen to be independent. This is achieved by:

- The organisational status and the objectivity of Internal Audit
- Ability to report to all senior management and to members.
- Not being part of the systems and procedures being audited.
- Where internal audit is asked to provide any services in a consultancy role, this should be made clear in the project brief

## **AGENDA ITEM 9**

Formatted: Font color: Black

- 3.2 Audit advice and recommendations, including where Internal Audit has 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.
- 3.3 Individual auditors should have an impartial, unbiased attitude, characterised by integrity and an objective approach to work, and should avoid conflicts of interest. They should not allow external factors to compromise their professional judgement.

### **4. Authority**

- 4.1 There are two principal pieces of legislation that impact upon local authority internal audit provision:
- S 151 of the Local Government Act 1972 – requires the Council to ensure that one of the officers has responsibility for the proper administration of its financial affairs.
  - Section 6 of the Accounts and Audit Regulations 2003 (as amended) – states that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.
- 4.2 Internal Audit is also governed by policies, procedures, rules and regulations established by the Council. These include Financial Regulations, Contract Standing Orders, Conditions of service, codes of conduct and anti-fraud and anti-corruption strategies.
- 4.3 Where key services are to be provided to the Council by other contractors or through a partnership, in order for internal audit to form an opinion on the controls operating, –a right of access to relevant information and documents should be included in contracts or agreements concerned (Contract Standing Orders Section 9.56 require this for contracts and Financial Regulation 9.11.3 requires this for grants to external organisations).
- 4.4 Any officer or Member of the Council must, if required:
- Make available such documents of the Council which relate to its accounting and other records as appear to the auditor to be necessary for the purposes of the audit or investigation;
  - Supply any auditor (both internal and external) with such information and explanation as the auditor considers necessary for their purpose;
  - Allow entry to auditors (both internal and external) at all reasonable times to any Council premises or land;

Formatted: Not Highlight

## **AGENDA ITEM 9**

Formatted: Font color: Black

- Produce to auditors (both internal and external) cash, stores or any other Council property or records under their control.

### **5. Standards**

5.1 Internal Audit adopts ~~standards established by the Institute of Internal Auditors (IIA) and The Chartered Institute of Public Finance and Accountancy (CIPFA)~~ the Public Sector Internal Audit Standards (PSIAS) in undertaking its work .

Formatted: Not Highlight

~~5.2 In particular, CIPFA has issued "The Code of Practice for Internal Audit in Local Government in the U.K. 2006" which sets out the duties and responsibilities of internal auditors in local authorities.~~

5.23 The Internal Audit Section will follow the guidance in this document as 'proper practice' in the provision of the Internal Audit Service to the Council.

### **6. Internal Audit Responsibility**

6.1 The main areas of Internal Audit responsibility are to:

a. Review, appraise and report on:

- The soundness, adequacy and application of internal controls;
- The reliability of systems for ensuring that expenditure is properly authorised/ incurred and income is properly / promptly brought into account;
- The extent to which the assets and interests are accounted for and safeguarded from loss;
- The suitability and reliability of financial and other management data;
- The Economy, Efficiency and Effectiveness of systems and procedures.

b. Assist line management to investigate all frauds and irregularities, whilst acknowledging that managing the risk of fraud and corruption is the primary responsibility of management.

c. To assist in the review and reporting on the effectiveness of the operation of the Council's Local Code of Corporate Governance and to promote good standards of Corporate Governance, including the review of Financial Regulations and Contract Standing Orders.

d. To contribute to the production of the Council's Annual Governance Statement, required under Regulation 4 of the Accounts and Audit Regulations 2003 (as amended).

## **AGENDA ITEM 9**

Formatted: Font color: Black

- e. Advise on internal control implications of new systems.
- f. Where either:
  - Key systems are being operated, or key systems provided by other organisations on behalf of the Council or
  - Key systems are being operated, or key systems provided, on behalf of other organisations by the Council

the Audit Manager will decide, in consultation with all parties, whether Internal Audit conduct the work to derive the required opinions on the reliability of systems and controls or should rely on the opinion provided by other auditors.

### **7. Audit Style aAnd Content**

7.1 The primary task of Internal Audit is to review systems of internal control operating throughout the Council, and in this will adopt a predominantly systems – based approach to the audit. The Audit Manager will manage the provision of the Internal Audit service to the Council by:

- Preparing a rolling three-year strategic audit plan for approval by the Audit and Risk Committee and the Deputy Chief Executive
- Translating the strategic plan into annual plans for agreement by the Deputy Chief Executive
- Ensuring audit work is supervised, recorded and reported.
- Preparing an annual report on the work of internal audit for agreement with the Deputy Chief Executive and then for submission to the Audit and Risk Committee, giving an overall opinion on the reliability of the system of Internal control.

### **8. Audit Reporting**

8.1 All audits will result in the issue of formal reports. Reports will be issued to the relevant Executive Director, Service Manager and relevant staff and copied to the Chief Executive, the relevant Cabinet Portfolio Holder, the ~~Chief Accountant~~ Financial Services Manager, Principal Accountant and Portfolio Accountant/ Accounting Technician, and placed on ~~the TENInSite Performance Management system~~, where it will be made accessible to members of the Audit and Risk Committee and other Executive Directors ~~and other Cabinet Members~~. The Audit Manager will make quarterly reports to the Audit and Risk Committee summarising all internal audit reports issued.

Formatted: Not Highlight

Formatted: Not Highlight

Formatted: Not Highlight

8.2 In addition, all audits will be followed up approximately six months from the issue of the final audit report, in order to ascertain progress on agreed recommendations. A report (a follow-up report) will then be

## **AGENDA ITEM 9**

Formatted: Font color: Black

issued to the previous recipients (as outlined in 8.1 above) and summary information provided to the Audit and Risk Committee as part of the Audit Manager's quarterly report on progress against the annual audit plan.

### **9. Audit Resources**

- 9.1 The staffing of the Internal Audit Section will be kept under review by the Deputy Chief Executive and the Audit Manager, bearing in mind the resource requirements identified in the strategic audit plan and the overall needs of the Council.
- 9.2 If the Audit Manager 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 Council accordingly.

**AUDIT AND RISK COMMITTEE REPORT**

<b>TYPE OF REPORT:</b> Audit	<b>Portfolio:</b> Performance
<b>Author Name:</b> Kate Littlewood	<b>CONSULTATIONS:</b> <b>Senior Management Team</b>
<b>Tel.:</b> 01553 616252	
<b>Email:</b> kate.littlewood@west-norfolk.gov.uk	
<b>OPEN</b>	

**Committee:** Resources and Performance – Audit & Risk Committee  
**Date:** 25<sup>th</sup> June 2013  
**Subject:** Corporate Risk Monitoring Report April 2013

<b>Summary</b>	This report presents the changes to the Risk Register since the last monitoring report in September 2012 and gives details of the risks falling into the ‘Very High’ category and the associated work to mitigate the effects.
<b>Recommendation</b>	To note the report.

**1.0 Introduction and Background**

- 1.1 The Committee receives reports on a half-yearly basis on the position of the Corporate Risk Register, with the last one being presented in September 2012.
- 1.2 Each risk on the register is scored in terms of Impact and Likelihood, according to criteria defined within the Corporate Risk Strategy. The definitions are attached for reference in Appendix 2.
- 1.3 The Risk Register is reviewed by the Executive Directors on a 6-monthly basis. Any existing entries on the register are considered for changes to the nature of the risk, progress to be reported and any adjustments to the risk scores. Risks that are no longer relevant are removed and new risks considered in the context of current circumstances are added.
- 1.4 A summary of the changes to the Risk Register since the last monitoring report are detailed in section 2 below. Details of the ‘Very High’ risks are given in Appendix 1 together with a list of the ‘High’ risks.

- 1.5 The full Risk Register, as agreed by Management Team, is placed on InSite, within the Risk Management section on the Corporate Documents tab.

**2.0 Changes to the Register**

- 2.1 Apart from updates on progress for various entries, the main changes are listed below.

**2.2 New Entries:**

- 1) 1.11 – Due Diligence. Score 12 (High Risk)

The risk is that increasing pressure on the Council to find alternative ways of delivering services means that new, innovative projects are being considered, some of which may inadvertently be ultra vires.

- 2) 1.12 – Co-op Bank. Score 12 (High Risk).

As the Council's bank, the downgrading of the Co-op Bank's credit rating could adversely affect the Council's funds.

**2.3 Risk Rating Amendments:**

- 1) 1.9 - Incinerator. The Likelihood has been reduced from 'Possible' to 'Unlikely', reducing the overall risk rating from 'High' to 'Medium'. The risk concerns any adverse effect on the Council's reputation if we were not seen to be doing enough to stop it. This has largely passed now as we have done as much as we can reasonably be expected to do, even if the enquiry goes against us and NCC decide to go ahead.

- 2) 2.7 – Capital receipts

Likelihood increased from 'Possible' to 'Likely' increasing the overall risk rating from 'High' to 'Very High'. As the Council's landbank is reduced, there are less options for sale of land to raise capital.

- 3) 5.1 – Benefits reimbursement

Likelihood reduced from 'Possible' to 'Unlikely' reducing the overall risk rating from 'High' to 'Medium'. The error levels are dropping and a contingency sum is available if the reimbursement falls below that budgeted.

**2.4 Removed:**

- 1) 5.5 – Revenues and Benefits Shared Services Resource Issue

Implementation phase is complete and staff are now able to concentrate on day-to-day operations. However this risk may return if it is decided that the merger with North Norfolk's database will go ahead next year and resources are again diverted to resolve issues relating to that.

- 2) 5.6 – Local Council Tax Scheme IT system

Council determined to continue with 'national' scheme during 2013/14, but the new scheme with reductions is planned to run from April 2014. This risk may return if a viable IT system is not fully developed during 2013/14.



3) 5.7 – Localisation of Business Rates

The new Business Rates Retention scheme is now in place and the uncertainty around its operation is removed.

**3.0 Conclusion**

The Risk Register continues to be actively monitored by Senior Management on a regular basis.

**CORPORATE RISK MONITORING REPORT  
APRIL 2013**

<b>Risk name: Capital Receipts</b>	<b>Responsible Director: Resources</b>

<b>Ref</b>	<b>Description</b>	<b>Mitigation</b>	<b>Progress</b>
2.7	Insufficient land and asset sales will be achieved to fund future capital projects due to the state of the market and the reduced land bank of the Council.	Active marketing of property and assets. Investment in new assets.	Marketing of sites on Rightmove Commercial and Council website. Alternative investments in property being investigated.

<b>Risk Score:</b>		
Impact	Major	4
Likelihood	Likely	4
Total score		16
<b>Risk Category</b>		<b>Very High Risk</b>

**CORPORATE RISK MONITORING REPORT  
APRIL 2013**

<b>Risk name: Financial Plan</b>	<b>Responsible Director: Resources</b>

<b>Ref</b>	<b>Description</b>	<b>Mitigation</b>	<b>Progress</b>
5.4	Balancing income and expenditure for both Revenue and Capital as set out in the estimates. In addition to the current economic climate, there is currently a significant pressure to reduce the level of public spending , which is likely to continue through to 2020. The current Budget Plan assumes challenging levels of savings in service delivery costs. There is a possibility that assumptions will not be fully met.	<p>A review of the costs and provision of all services will continue with the aim of reducing costs and if necessary reduce services to match income.</p> <p>Budgets will be monitored against estimates on a regular basis.</p>	<p>The current Financial Plan 2012/16 shows that with the use of reserves the Council can 'balance' the budget through to 2015/16. Reviews are underway with revised projected target savings of £1.7m for 2016/17.</p> <p>The Budget Plan is monitored on a monthly basis. A full review of the Budget will take place in February 2014 when the cost of services will be updated and grant/ council tax income raised. New savings targets, if necessary, will be set then.</p>

<b>Risk Score:</b>		
Impact	Major	4
Likelihood	Likely	4
Total score		16
<b>Risk Category</b>		<b>Very High Risk</b>

**Risks categorized as 'High Risk'**

- 1.1 – Business Continuity
- 1.2 – Cost Reduction Programme
- 1.4 - Emergency Response
- 1.7 – Community Relations
- 1.10 – Refuse and Recycling
- 1.11 – Due Diligence
- 1.12 – Co-op Bank Financial Standing
- 2.1 – Local Employment
- 2.5 – Empty retail properties/ Town centre decline
- 2.8 – Major Housing Developments
- 3.1 – Loss of ICT server
- 3.2 – ICT failure of backup.
- 4.1 – Health and Safety
- 5.2 – Fraud and Corruption
- 5.3 – VAT

5.8 – Revenues & Benefits Shared Services – working practices

5.9 – Local Council Tax Scheme model

5.10 – Local Council Tax Scheme equality challenge

**CORPORATE RISK MONITORING REPORT  
APRIL 2013**

<b>LIKELIHOOD</b>	5 Almost Certain	(5) (Green)	(10) (Orange)	(15) (Red)	(20) (Red)	(25) (Red)
	4 Likely		(8) (Green)	(12) (Orange) 5.8	(16) (Red) 2.7, 5.4	(20) (Red)
	3 Possible		(6) (Green)	(9) (Green) 1.6, 2.6	(12) (Orange) 1.1, 1.2, 1.7, 1.10, 1.11, 1.12 2.1, 2.5, 2.8 4.1, 5.2, 5.3, 5.9, 5.10	(15) (Red)
	2 Unlikely			(6) (Green)	(8) (Green) 1.5, 1.8, 1.9 5.1	(10) (Orange) 1.4, 3.1, 3.2
	1 Rare					(5) (Green)
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
		<b>IMPACT</b>				

<b>Risk Category</b>	<b>How the Risk should be managed</b>
Very High Risk (15 – 25) (Red)	Immediate action required. Senior Management must be involved.
High Risk (10 – 12) (Orange)	Senior Management attention needed and management responsibility specified.
Medium Risk (5 – 9) (Green)	Manage by specific monitoring or response procedures
Low Risk (1 – 4) (White)	Manage by routine procedures, unlikely to need specific or significant application of resources.

## Likelihood

Score	Definition
1 – Rare	The event may occur only in exceptional circumstances
2 – Unlikely	The event is not expected to occur
3 – Possible	The event might occur at some time
4 – Likely	The event will probably occur in most circumstances
5 – Almost Certain	The event is expected to occur in most circumstances

## Impact

Score	Definition
1 – Insignificant	<ul style="list-style-type: none"> <li>• Little disruption to services</li> <li>• No injury</li> <li>• Loss of &lt;£25,000</li> <li>• Unplanned change in service delivery due to budget overspend &lt;£100,000</li> <li>• No effect on delivering partnership objective fully</li> <li>• No damage to BCKLWN reputation</li> <li>• No or insignificant environmental damage</li> </ul>
2 – Minor	<ul style="list-style-type: none"> <li>• Some disruption to services</li> <li>• Minor injury</li> <li>• Loss of £25,000 - £175,000</li> <li>• Unplanned change in service delivery due to budget overspend of £100,000 - £500,000</li> <li>• Little effect on achieving partnership objective</li> <li>• Minimal damage to BCKLWN reputation (minimal coverage in local press)</li> <li>• Minor damage to local environment</li> </ul>
3 - Moderate	<ul style="list-style-type: none"> <li>• Significant disruption to services</li> <li>• Violence or threat of serious injury</li> <li>• Loss of £175,000 - £500,000</li> <li>• Unplanned change in service delivery due to budget overspend of £500,000 - £1m</li> <li>• Partial failure to achieve partnership objective</li> <li>• Significant coverage in local press</li> <li>• Moderate damage to local environment</li> </ul>

4 – Major	<ul style="list-style-type: none"> <li>• Loss of services for more than 48 hours but less than 7 days</li> <li>• Extensive or multiple injuries</li> <li>• Loss of £500,000 - £1m</li> <li>• Unplanned change in service delivery due to budget overspend of £1m - £3m</li> <li>• Significant impact on achieving partnership objective and significantly affects BCKLWN corporate objective</li> <li>• Coverage in national press</li> <li>• Major damage to local environment</li> </ul>
5 - Extreme	<ul style="list-style-type: none"> <li>• Loss of service for &gt;7 days</li> <li>• Fatality</li> <li>• Loss of &gt;£1m</li> <li>• Unplanned change in service delivery due to budget overspend &gt;£3m</li> <li>• Non delivery of partnership objectives and BCKLWN corporate objective</li> <li>• Extensive coverage in national press and TV</li> <li>• Significant damage to local or national environment</li> <li>• Requires resignation of Chief Executive, Executive Director or Leader of the Council</li> </ul>



**AUDIT AND RISK COMMITTEE WORK PROGRAMME 2013/2014****10 June 2013**

- Final Accounts and Statement of Accounts for year ended 31 March 2013
- Quarterly Progress Final Report 2012/2013
- National Fraud Initiative – Update on Work

**25 June 2013**

- Internal Audit Annual Report 2012/2013
- Review of the Effectiveness of Internal Audit Service/Internal Audit Terms of Reference Update
- Risk Management

**23 July 2013**

- Audit and Risk Effectiveness Review
- Benefit Investigations Unit Annual Report

**27 August 2013** (A briefing session on the Annual Governance Statement will be held from 5 pm to 5.45 pm prior to the formal meeting of the Committee)

- National Fraud Initiative 2011/13 Summary of Work
- Quarterly Progress Update Quarter 1 2013-2014
- Business Continuity – Annual Update

**9 September 2013**

Special Meeting – to consider the Statement of Accounts 2012/2013  
Annual Governance Statement

**24 September 2013**

**29 October 2013**

- Internal Audit Plan 2013/2014 – Progress report for the quarter July to September 2013
- Risk Management
- NFI Update
- Treasury Mid Year Report

**26 November 2013**

- Benefit Investigations Unit Half-Year Report – S Munson
- Annual Audit Letter – to be presented by the Council's External Auditor

**7 January 2014**

**27 January 2014**

**25 February 2014**

- Quarterly Progress Report Quarter 3 2013-2014
- Strategic Internal Audit Plan 2014-2015

**25 March 2014**

- Business Continuity – Annual Update
- BCKL&WN Audit Plan 2014/2015 (external)
- Internal Audit – Strategic Audit Plan 2014/15

**29 April 2014**

- Corporate Risk Monitoring Report (October 2013 to March 2014)