Eastbourne Borough Council

Internal Audit Services

Audit Manual

Title	Internal Audit Manual
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1.0   <u>INTRODUCTION</u>

This audit manual has been prepared for the guidance of the Internal Auditors of Eastbourne Borough Council.

The production of the manual is intended to serve two purposes:

1.1   Aims

To establish the aims and objectives of the Internal Audit Services.

1.2   Guidance

To provide guidance to Internal Auditors on the procedures to be followed and to enable them to acquire a clear understanding of their responsibilities and authority.

By bringing together general information relevant to the work of the Internal Audit Service, it is anticipated that a uniform and consistent approach can be achieved.

All Auditors must be aware of the strict confidentiality of audit work. Information arising from audit work must under no circumstances form part of any discussions outside the Internal Audit Service.

2.0   <u>THE AUDIT PROCESS</u>

The Annual Audit Plan will be drawn up by the Internal Audit Manager (IAM) based on an annual risk assessment and in consultation with Heads of Service, Senior Heads of Service, External Audit and the Audit and Governance Committee. The work will be allocated to Auditors by the IAM based on various criteria, including the specific skills of the Auditor.

When completing an audit review the Auditor must consider values contained within the Code of Ethics for Internal Auditors and especially;

<div align="center">

Competency
Independence
Confidentiality
Integrity

</div>

The Auditor must have the necessary skills required for carrying out an audit. If the requisite skills are not available

within the team then the IAM must give consideration to "buying in" these skills.

It should also be ensured that the Auditor does not undertake a review of an area in which they have worked up to twelve months previously.

In consultation with the IAM and the Service Manager, each Auditor will plan the approximate time of year the audit will be completed to ensure work can be factored into both the client's and the Auditor's planned work.

An Audit Process Checklist (Appendix A) will act as an aide memoir to the Auditor and provide a quick reference guide on the progress of the audit. The audit process will include most, but not necessarily all, of the following steps :

Description of work	Further detail
Planning the audit – this will include research, risk assessment, considering the Key Control Objectives and discussing this with the Service Manager at an introductory meeting and preparing the audit working programme and audit brief.	2.1.1 2.1.2
Interviews are likely to be held with key staff to determine/confirm the procedures in place.	2.2
An Internal Control Questionnaire (ICQ) may be sent to the client.	2.3
Documentation of the System.	2.4
Testing : ▪ Walk through test; ▪ Compliance test; ▪ Substantive test; ▪ IDEA testing.	2.5 8.5
Complete working programme to record findings and recommendations.	4.0
Write a draft report based on the findings and results of testing.	10.0
The draft report and working programme are reviewed by the IAM before the report is issued.	
The draft report is issued electronically to the Service Manager (or managers up to Head of Service level) for comments and response to the recommendations in the report. The draft report should be issued within 10 working days of completing the audit work.	

When the draft report is issued a closure meeting with the Service Manager/s is set up by the Auditor. This should take place approximately one week after the issue of the draft report to discuss and agree the contents of the report. The final response to the report should be received within 10 working days of the issue of the draft report.	
The Service Manager's response and any necessary changes are included in the final report, which should be issued electronically within 10 working days of the final response from management. A Draft Final report should be sent to the Service Manager(s) and to the Senior Head/Head of Service. The email must explain that unless a response is received within 5 working days (taking leave into consideration) the report will be issued as Final.	
The final report should be sent to the Service Manager(s) and to the Senior Head/Head of Service, s151 Officer, Portfolio Holder for Finance, the Chair of the Audit and Governance Committee and the external auditors (currently BDO).	
A client satisfaction survey should be e-mailed to the Service Manager (or Head of Service as appropriate) with the final report and a response expected within 10 working days.	
The Auditor, in consultation with the IAM, will decide when a follow up to the audit should be completed (usually 3-4 months after issuing the final report), and will diarise accordingly.	
On completion of the follow up an e-mail/ memo/report, as appropriate, should be sent to the same officers/members as the final report.	
Major findings and weaknesses identified will be reported to the Audit and Governance Committee by the IAM. Failure by management to implement agreed recommendations within reasonable timescales will be reported to the Audit and Governance Committee by the IAM.	

2.1 Completion of Audit Spreadsheet

Each audit will be started by the completion of the spreadsheet of the annual audits for the current year which is part of the

time recording Excel workbook. The spreadsheet records :

- name of the auditor undertaking the review;
- total days allocated to the audit;
- key dates e.g. when audit fieldwork completed, reports issued, closure meetings held, satisfaction surveys returned and follow up review;
- total days taken;
- reason for any extra time taken;
- number of high and medium risk recommendations.

The spreadsheet must be updated throughout the course of the audit. The IAM can therefore establish, at any time, the progress of the audit.

Responsibility for the audit remains with the IAM, though the actual workload will be delegated to the relevant Auditor.

2.2 Planning

Planning is critical to the success of each audit assignment. The aim at this stage of the audit is to ensure that the proposals satisfy both Internal Audit's, the client's and, where possible, the requirements of External Audit. Adequate time must be set-aside for this stage, which identifies priorities, objectives and allocates resources.

The planning and preparation may include :
- research; (2.2.1.)
- assessment of the main risks relating to the area being audited (including reviewing the operational and departmental risk registers); (2.2.2.)
- the expected controls to mitigate or detect those risks,
- an introductory meeting with the Service Manager to agree the Key Control Objectives; (2.2.3 & 2.2.4)
- an outline of the tests which will be carried out to test controls in place. (2.2.5.)

2.2.1 Research

It is essential for Auditors at this stage to gain an understanding of the operation under review to enable them to establish professional credibility with the client. Sources of information include:

- Previous audit reports, working programmes and files;

- External audit reports;

- Audit technical library including *CIPFA Systems-Based Auditing Control Matrices, CIPFA Audit Guidelines, CIPFA Computer Audit Matrices, CIPFA Computer Audit Guidelines, TIS On-line;*

- Intranet;

- Internet;

- Legislation;

- The Constitution;

- Council policy documents and Procedure Rules;

- Committee Minutes and Agendas;

- Financial records (including discussions with relevant accountancy staff);

- Organisation charts and job descriptions;

- Documents and information received from the client including departmental correspondence, service plans, procedure notes, performance indicators etc;

- Professional journals;

- Local newspapers.

A draft Audit Brief should be drawn up at this stage to be discussed and agreed at the introductory meeting. See 2.2.3 and 2.2.4.

2.2.2 Risk Assessment

Prior to each audit a risk assessment will be carried out. Reference to the Service Centre's Service & Financial Plan and operational and departmental risk registers will be a good starting point. The risk assessment will inform the scope of the audit, which will be discussed with the IAM prior to the introductory meeting with senior management (see 2.2.3).

2.2.3   Introductory/Pre-Audit Meeting

An introductory/pre-audit meeting must be arranged with the Service Manager, or Head of Service where appropriate, to:

- Ensure senior management are given the opportunity to discuss and contribute to the scope of the audit;

- Allow the Auditor to obtain critical information which will assist in the preparation of the scope and planning;

- Ensure the scope of the audit meets with the requirements of the client and with those of Internal Audit;

- Advise management of the audit process i.e.

  - formal agreement of the scope of the audit;
  - the start date for the audit and expected timescale for the audit fieldwork;
  - an indication of how the audit work will be completed;
  - reporting of findings and recommendations in a draft report and to whom this report will be issued;
  - closure meeting to agree recommendations and management response;
  - issue of final report and to whom this report will be issued;
  - customer satisfaction survey will be issued with the final report and a response will be expected within a reasonable period;
  - a follow up will be carried out after the final report has been issued; the time scale to be determined by the Auditor depending on the findings.

- Obtain information from management which may include:

  - Organisation chart and job descriptions;
  - Procedure manuals;
  - Systems documentation;
  - Main contacts for the Auditor.

- Ensure senior management endorses the audit;

- Demonstrate common courtesy.

This meeting will establish, among other things:

- concerns;

- expectations;

- issues;

- current and future pressures facing the service;

- confirm the Auditor's understanding of systems and objectives;

- timing of the audit;

- key contact(s);

- closure arrangements and reporting lines.

A copy of the form "What you can expect from us" should also be emailed to the client for their information. This can be found at Appendix B.

2.2.4   Audit Brief / Key Control Objectives

The scope of the assignment will be formally agreed with the client following the introductory meeting to ensure that the exact terms and details of the audit have been agreed and understood. The client should be asked to provide comments on the scope of the audit so that any thoughts or concerns can be built into the audit at the planning stage.

The Audit Brief *(example at appendix C)* should be written and sent to the client for agreement. The brief includes;

Scope – what is covered and what isn't;
Objectives – the purpose of the audit;
Strategic Position – how the review aligns with the Corporate
                              Plan;
Responsibility – who will be carrying out the audit;
Time Frame – start and finish dates.

2.2.5 Working Programme

The Working Programme takes the risk assessment and the Key Control Objectives and translates them into a detailed work programme of the tasks to be performed and testing to be carried out. It is therefore the basis of any well-organised audit and should conform to a standard pattern wherever possible. (A copy is retained on the shared drive at Audit Documents/Templates/New style programme and report). This will provide an appendix to the report to demonstrate the work carried out by the Auditor.

Audits must not become merely a routine exercise and checking procedure, otherwise any deviation from stereotyped instructions will tend to be overlooked. Auditors should always exercise initiative and seek external evidence to test the validity of records.

The Working Programme serves the following important purposes:

- Assistance to the Auditor carrying out a particular audit for the first time or after a lapse of time;

- Guidance as to the minimum coverage of the audit;

- It gives the IAM a useful record of work carried out and provides valuable evidence of what has been done if any queries are raised after the event.

It must be borne in mind that the Working Programme may require addition or amendment in light of 'on the job' experience as the audit progresses. However, any changes must be agreed by both the IAM and the manager who agreed the initial scope and programme.

2.3 Interviews

The Auditor will plan who they need to interview in order to obtain any information required and will make an appointment with them. The Auditor will make sure that they introduce themselves and explain, wherever possible, the reason why the information is required. The Auditor will normally have a set of pre-prepared questions and/or a list of information required to ensure that the interview can be completed as efficiently as possible. Wherever practicable the Auditor will request information in advance which can be received electronically or provided at the meeting. The Auditor will

make notes during the interview, which will be typed up afterwards and stored electronically. (An Auditor may type up notes directly onto their laptop if they so wish).

2.4　　Internal Control Questionnaires (ICQ)

An ICQ is a comprehensive series of questions relating to the subject under review. They may be used in 4 ways:

- As part of an audit, enabling the Auditor to review and evaluate the system of control in operation in order to detect any weaknesses or defects;

- As an initial fact finding exercise on an audit where no previous documentation is available, to assist the Auditor in gaining an insight into the operation of a service;

- As an examination of those controls exercised by senior management which are concerned with the overall running of each department rather than individual accounting systems;

- As a self auditing exercise, whereby the client completes an ICQ. This can be used by the Auditor to determine areas of concerns and areas which the client indicates to be working appropriately, which can then be tested to confirm this.

CIPFA and the Audit Commission have published a series of ICQs for reference and use. Copies of the models are held within the Audit Section and should be used where required.

2.5　　Documenting the Controls in the System

The permanent file should already hold documentation for the controls in the System. This should be reviewed by the Auditor and confirmation should be sought from the client that this is still correct and up to date. The documentation should be up dated accordingly.

If, however, there is no previous documentation of the controls of the system, this should be completed by the Auditor using flow diagrams and narrative as appropriate. Examples of existing diagrams can be found on the shared drive under Documented System & Flowcharts.

2.6　　Testing

Having reviewed the systems of control and established the expected controls within the system, the Auditor should confirm that the expected controls are in place. This may be

carried out using various testing techniques as follows :

- Walk through Testing – See 8.6
- Compliance Testing – See 8.7
- Substantive Testing – See 8.8

2.7   **IDEA Testing**

Consideration must be given to carrying out matching and analysis of data using IDEA. The possibilities of using IDEA should be discussed with the IAM and the Computer Auditor, who will need to make arrangements to obtain the necessary files. Examples of the use of IDEA include:

- detecting duplicate payments;
- detecting duplicate creditors;
- matching benefit claimants to other systems like BACAS, the system used by Cemeteries and Crematorium.

3.0   **AUDIT CONTROL AND REVIEW**

3.1   **File Review**

In order to ensure consistency and compliance with professional standards and audit procedures, it is essential that all audit work is effectively supervised at all stages of the audit and reviewed and signed off by the IAM at its conclusion. This process is designed to ensure that:

- All work undertaken complies with the requirements of professional best practice (Public Sector Internal Audit Standards);

- Working Programmes are adhered to and completed unless any deviations are both justified by the findings of the work undertaken and authorised;

- Audit files are complete and properly structured (i.e. cross-referenced);

- Appropriate audit techniques have been used (e.g. sampling);

- The Working Programme adequately supports the findings, conclusions and recommendations of the report to which it relates;

- The related audit report is complete, accurate, objective, clear, concise, constructive and timely;

- The Key Control Objectives of the audit assignment are met

within the allocated time budgets or that appropriate time variations have been authorised.

4.0   **WORKING PROGRAMME AND FILES**

The Working Programme records the evidence on which any audit report is based. It is essential that it is produced professionally and in accordance with recognised standards. The Working Programme will link to all the testing completed, documents prepared and gathered during the audit. The Working Programme must fulfil the following objectives:

- Record the work carried out and evidence gathered;
- Provide details of problems encountered;
- Demonstrate a methodical approach;
- Support the conclusions and recommendations of the audit report;
- Facilitate the review of the audit;
- Create background and reference material for future audits;
- Facilitate discussion with clients.

The Working Programme must be:
- Legible;
- Clear;
- Concise, but with sufficient detail;
- Objective;
- Titled, dated and showing the name of the Auditor carrying out the review;
- Cross-referenced;
- Contemporaneous;
- Relevant;
- Referenced back to source.

The Working Programme must not contain:
- Gratuitous comments;
- Jargon, buzz words or unexplained abbreviations;
- Speculation, unsupported or anecdotal evidence;
- Padding or extraneous material.

The evidence linked to the Working Paper covering audit tests must state the:

- Objective of the test;

- Nature of the test;

- From where the population was obtained (e.g. the system);

- Method of sampling used;

- Size of the sample compared to the total of transactions from which it is chosen (the population);

- Clear results of the testing;

- Conclusion drawn from the test;

- Suggestions for recommendations.

The Working Programme will form the basis to record findings and testing carried out. Other evidence to support those findings will be held electronically and linked, using a hyperlink to the correct section of the Working Programme.

The Working Programme should enable a reasonable person with no previous knowledge of the particular system to reach the same conclusions as the actual Auditor.

5.0   AUDIT EVIDENCE

In general terms, Auditors should recognise that independent documentary evidence carries more weight than anecdotal verbal reports. Indirect verbal evidence from third parties should always be independently validated if it is necessary to place reliance upon it. Good quality evidence in the form of the Working Programme and detailed notes of interviews is essential and can be crucial in persuading service management to accept audit points and recommendations.

The Audit Working Programme and files form one of the main review and assessment tools available to managers and to external reviewers of Internal Audit, such as the External Auditor. For many aspects of the audit, standard matrices are available and should be used.

Audit evidence takes on an additional importance in relation to fraud investigations. (Refer to the Special Investigations Manual).

6.0   <u>CONDUCT</u>

On occasions, the Auditor may sense that, however friendly the initial reception given to them, their presence is possibly being regarded with suspicion and apprehension.

The Auditor must seek to overcome any suspicions by gaining the confidence of the client, working with them, explaining the real intent of the audit and the necessity for the correct operation of the systems.

Internal Auditors should always take into account the following points:

- Arrive on time for all appointments;

- Presentation is important, in terms of both the Auditor's personal appearance and attitude. A professional image and the impression you personally make upon the client are very important;

- Introduce yourself to the staff of the section;

- Make use of the time spent on preparation by showing that you are interested in the service and that you have grasped a basic knowledge of their work. Show that time has been taken in producing relevant notes that can be used to commence the audit without delay;

- Stress the time limitations placed on the audit by the Audit Plan and conduct the audit in a methodical manner with the object of achieving maximum coverage within the time allowed.

The Auditor must at all times be seen to be informal, helpful and understanding, but at the same time retain their independence and determination to complete their task.

7.0   <u>AUDIT FILES</u>

The Internal Audit function maintains its own filing system. The system provides for permanent and working files together.

Permanent files should include:

- Organisation charts;

- Policies and Procedures;

- System documentation notes, flowcharts and ICQ's;

Working files should include:

- The Working Programme, reports, testing, evidence and emails relevant to the last completed audit;

- Any advice or guidance given since the previous audit.

Additionally, files are retained on fraud, irregularity and other confidential items (special investigations).

It is vital that files are kept up to date and the contents regularly perused to ensure their relevance. Audit files are retained for 7 years before destruction.

In view of the constraints imposed by the Data Protection Act, any computer outputs containing personal information, which are not pertinent to the audit should be destroyed at the end of the audit.

With the introduction of the Freedom of Information Act 2000 the Council adopted a formal Corporate Record Retention and Disposal Schedule. The pages relevant to audit documentation can be found at Appendix 1.

Audit files should be maintained securely at all times. The lead Auditor is responsible for ensuring the security of the audit file during an audit. Files loaned to other review agencies, i.e. External Audit, should be approved by the appropriate level of audit management and the loan recorded. Any information given to external auditors containing personal information (or if the files to be sent are large) must be sent using the Egress package attached to Outlook.

Access to audit files is limited to the audit team. To ensure no unauthorised access takes place filing cabinets, containing old reviews, must remain locked when not being used and computers must be locked when unattended. Access to the shared drive for Audit must remain limited to the Internal Audit team only.

On request external auditors, the Section 151 officer and the Police may have access to the records.

Should anyone else wish to see the files consideration must be given to the person making the request and the reason for the request as well as to any data protection issues that may arise. It may be necessary to redact some information before paperwork is given out.

All papers may be requested under the Freedom of Information Act. As a whole they are not exempt but it may be necessary to redact some information before the information is sent out. In order to ensure that the legislation is correctly adhered to the Information and Administrative Officer (FOI/DP) must be consulted.

8.0 **AUDIT TECHNIQUES**

The following techniques may be of assistance in some types of audit review. However, before using any of these techniques, their use must be discussed with, and approved by, the IAM and appropriate time incorporated into the plan of audit work to be performed.

8.1 **Internal Control Questionnaires (ICQ)**

See 2.3

8.2 **Flowcharting**

The detailed analysis of systems and the evaluation of controls are essential features of an audit. To carry out such an analysis, it is necessary to record the system under review in a readily comprehensible format.

A flowchart is a means of showing diagrammatically how documents or transactions pass through a system, indicating the sequence in which operations or controls take place. Flowcharts can therefore be a means of presenting information in a concise form and can assist in the development of testing strategies to determine the extent to which internal controls, including internal checks, are operating.

Existing flowcharts can be found on the shared drive at Documented System & Flowcharts.

8.2.1 **Advantages of Flowcharting**

During the preparation of a flowchart, each step in the system is individually examined so weaknesses are more readily exposed. The discipline of presenting a system in this form facilitates a more comprehensive understanding of the procedures involved and also aids subsequent evaluation or review. It is often easier to demonstrate weaknesses in internal control by portraying them in diagrammatic form. Flowcharts prepared in a standard form provide a permanent and easily understood record for future reference and once a

flowchart has been prepared, the effects of proposed changes may be evaluated.

8.2.2   Preparation of a Flowchart

Through enquiry and observation, determine the procedures actually in operation because the system as explained by departmental staff may not be consistent with the situation in reality.

Obtain information from each person involved in the system to ascertain what documents are handled and how these are processed.

When all information has been obtained, produce the flowchart. Note that it may be appropriate to produce small flowcharts for individual processes, which are amalgamated to produce a composite flowchart.

Finally, test the system to ensure that the flowchart correctly reflects it; walk through testing.

8.3   Testing

When carrying out an audit of systems, activities and internal controls, the Auditor is concerned with the adequacy of accounting and other records and the systems of internal control. It is therefore necessary to ascertain, evaluate and test the operation of any internal controls upon which the Auditor wishes to place reliance in determining the nature, extent and timing of further audit work.

8.3.1   Walk Through Testing

Walk through testing is exactly what it says. It is the means to follow through a piece of paper or a transaction from beginning to end. This will confirm that a system works in the way in which the Auditor understands it. This will help the auditor confirm the stages of the process from initiation to recording, processing and through to reporting.

8.3.2   Compliance Testing

Compliance tests provide evidence about the operation of internal controls; it is the control that is tested. Note that an important feature of a compliance test is that, for each item examined, the control either operates or it does not. Compliance testing forms part of a systems-based approach

and provides evidence about the effectiveness of the operation of those identified controls that are matched to control objectives.

If the compliance tests expose exceptions, these must be fully investigated and explanations sought. Internal controls should operate effectively at all times and any deviation suggests a control weakness, which should be reported. The only exception to this is where it is possible to prove that the deviations were isolated incidents that do not indicate failure of the control.

Compliance tests include enquiry, observation and inspection of documents. Tests of detail are normally the strongest type of compliance test, but can only be used when the performance of the internal control is documented and can be re-performed. When the performance of the internal control is not documented or cannot be re-performed, the Auditor may perform an observation and enquiry test to enquire about the function of the internal control and observe the performance. Such tests generally provide less audit evidence than a test of detail.

8.3.3   Substantive Testing

These tests are designed to give direct evidence as to the completeness, accuracy and validity of records, account balances, etc.

Substantive tests include analytical review, substantive sampling, observation and enquiry (i.e. the confirmation that a staff list is accurate by tracing all employees), re-computations, inspections (i.e. physical inspection of items on an inventory) and re-performance of internal controls.

8.4   Statistical Sampling

It is not intended here to explain the theory of statistical sampling. The aim is to emphasise the practical value to the Auditor of the methods available.

Statistical sampling offers the Auditor opportunities of reducing large masses of information to the minimum size required to meet the objectives of the audit check, thus reducing the amount of routine work.

The most common methods of reducing a large number of items to a manageable size are:

- Selecting every (say) tenth item for check;

- Selecting only items over (say) £100;

- Selecting (say) one or two month's transactions out of a year;

- Selecting (say) an individual account or accounts for comprehensive check of procedure for payment, receipt of goods etc.

It is crucial that samples should be selected in a random fashion, i.e. every item in the field must have an equal chance of being selected. If the sample is not selected at random, the validity of the results can not be assessed. There will however be occasions when the sample may be taken using the Auditor's judgement and experience, such samples should be recorded as such and the reason provided. (Even if an auditor chooses items apparently at random – e.g. not every 5th entry – then this must be recorded as "selective sampling").

9.0   COMPUTER AUDIT

Computer Audit principles are no different to those that operate in all other spheres of audit but the technical qualities of computers and their associated software make the application of audit objectives more difficult. In order to provide the Auditor with a framework to use when considering how best audit objectives can be satisfied, CIPFA has published *"Computer Audit Guidelines"*, comprising topics covering the complete subject of computer auditing. A copy of CIPFA's latest guidelines is kept in the Division.

10.0   AUDIT REPORTING

10.1   Audit Reports

The audit report is the culmination of the work undertaken. It provides a permanent and visible record of views formed, opinions reached and recommendations made. It is therefore vital that adequate time is set aside and care taken at this stage.

NB: It is important that management should be informed of interim findings where key issues have arisen. No major observation in a report should come as a surprise to the manager concerned.

Any suspicions of fraud, corruption or improper conduct must

be reported immediately to the IAM or, in their absence, to the section 151 officer.

The primary purposes of audit reports are to provide management with an opinion on the adequacy of the internal control system and to inform management of significant audit observations, conclusions and recommendations.

In order to achieve these objectives the Auditor should produce clear, constructive and concise written reports based on sufficient, relevant and reliable evidence, which should:

- Make recommendations which are appropriate and relevant and which flow from the conclusions;

- Indicate the priority attached to the recommendation by the Auditor and the time scale within which the recommendation is expected to be implemented;

- Acknowledge the action taken, or proposed, by management.

10.2   Form of Report

The report must always be written in a language that is easily understood by the recipient, be based on relevant facts and information which are documented in the Working Programme and contain recommendations which are sound, relevant and practical.

Often during the course of an audit minor observations to improve service provision are noted. Such observations may be included in a separate note/email/appendix at the discretion of the Auditor and the IAM. This is to ensure that the impact of the recommendations within the report is not diluted by trivial matters.

The report should always be written in a professional manner and be in the prescribed layout. A copy of the style of layout can be found on the shared drive at Audit Documents/Templates/New Style Programme and Report.

10.3   Introduction

The introduction should contain:

- Background to the system or establishment being audited;

- Inclusion in audit plan (if applicable);

- Main purpose of exercise;

- Thanks expressed - staff involved.

10.4   Executive Summary

A summary of the key observations of the assignment. This should provide a balanced view of positive as well as negative issues. This is very important as the body of the report will only focus on areas where weaknesses have been identified.

It should also contain the Auditors opinion of the control environment and the risk exposure of the area reviewed. This will be demonstrated by the inclusion of a paragraph which reads:

Provisional Assurance Level Prior to Recommendations Being Implemented:

This should be followed by the longer description of the level of assurance which is shown in the table below. For example, if the level of assurance is considered to be inadequate the paragraph in the report will read:

Provisional Assurance Level Prior to Recommendations Being Implemented: Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.

However the entry in the spreadsheet will just use the short descriptor e.g. Performing inadequately.

Levels of Assurance

Performing inadequately	Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.
Performing adequately	Some important weaknesses. Key controls need to be improved. – Medium to high risk.
Performing well	Important strengths but some areas for improvement. – Medium to low risk.
Performing excellently	Major strengths. Minor or no

recommendations. A good example of internal control. – Low risk.

After the assurance level is given the following paragraph must be included in all reports where an assurance level is given:

REASONABLE ASSURANCE
In giving this assessment, it should be noted that assurance cannot be absolute. The most that an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. The performance of internal audit work is not, and should not be taken as, a substitute for management's responsibilities for the application of sound management practices. It should be emphasised that the responsibility for a sound system of internal controls, and the prevention and detection of fraud and other irregularities, rests with management. The work of Internal Audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

10.5   Recommendation Action Plan

The Recommendation Action Plan should list all the recommendations made and include a grading of the priority of recommendations - high, medium or low. The Action Plan provides space for the client to sign up to time scales for implementation. It should be recognised that on occasions high priority recommendations may not practically be implemented quickly and the time scale may need to reflect this. Conversely some low priority recommendations can be implemented immediately with little or no inconvenience.

10.6   Appendices

An electronic copy of the Working Programme will be provided to the Service Manager with the draft report to provide additional evidence. The Working Programme lists key objectives, expected controls, risks, testing and observations. This will be made available to others with the final report on request.

Only attach additional appendices where more explanation or an illustration is needed. Attach copies or scans where appropriate by the use of hyperlinks in the Working Programme.

10.7   Review of Draft Report

During the course of any audit, Auditors will provide verbal progress reports to the IAM. On conclusion of an audit, a formal written Draft Report will be prepared in the prescribed manner. The IAM will review all Draft Reports and associated the Working Programme and discuss the report in detail with the Auditor concerned.

10.8   Issue of Draft Report

Following the IAM's approval, the Draft Report will be e-mailed to the Service Manager and Head of Service together with a copy of the Working Programme. The Auditor will make an appointment for a **closure meeting**, which will be held approximately one week after the issue of the draft report.

Draft Reports must be issued within 10 working days of completion of the audit fieldwork.

10.9   Closure Meeting

This meeting will provide a forum to discuss the details of the report and highlight the important observations and recommendations. Such discussions improve the relationship between Audit and the client and the initial response of the client may suggest further areas for investigation. The Service Manager will have the opportunity to confirm that the body of the report is factually correct and will also be asked to respond to the conclusions and recommendations, advising what action they propose to take.

10.10   Responses Received

Following receipt of management comments, amendments can be made, if necessary, to the Draft Report. If appropriate, the report can include "officer comment" received from management. Adverse comments should be discussed with the IAM and if necessary further meetings can be arranged with the client.

The Auditor must ensure that all responses to Draft Reports are received within 10 working days of the report being issued.

10.11   Issue of Draft Final and Final Report

Once the Draft Report has been amended, including agreed

action and action by date against each recommendation this should be saved as a "Draft Final Report".

This step was introduced following issues where the Assistant Director and/or Director did not agree with comments that the manager had made but they had not had a chance to comment before the final report stage. Having this step allows them to see the report and make amendments or comments before the report is issued to Councillors.

The Draft Final Report should be reviewed by the IAM and then issued to the Service Manager, Head of Service/Senior Head of Service. They should be informed that if no further comments are received within 10 working days then the report will be issued as Final in its current state.

The Final Report can then be formally issued by e-mail to the Service Manager together with a Client Satisfaction Survey. A copy of the Final Report should be sent to the relevant Head of Service/Senior Head of Service, s151 Officer, Chair of the Audit and Governance Committee and Portfolio Holder for Finance. A bcc copy must also be sent to the external auditors. Recipients of the Final Report should be advised that a copy of the Working Programme, which provides detailed observations, is available on request.

On receipt of the completed satisfaction surveys any adverse comments must be followed up in order to improve the service given and to ensure good client/auditor relationships are maintained.

Once the Final report has been issued, the spreadsheet of audits for the current year must be updated. Discuss with the IAM when a follow up is required, diarise accordingly and enter the date onto the spreadsheet.

It is essential that all Final Audit Reports are issued within 10 working days of receipt of all responses to the Draft Report. Any further delay will weaken the impact of the report and possibly hinder implementation of recommendations.

10.12   Follow-up Procedure

Each audit report contains a schedule setting out an agreed action plan for management to implement. This will form the basis of a follow-up review or visit aimed at reviewing the implementation of agreed recommendations. Where there are fundamental issues a scheduled visit will be undertaken.

Audit reports should be followed up within a reasonable timescale after the issue of the Final Report. The timescale will be agreed with the IAM and will depend on the findings and recommendations of the review. The follow up will be carried out in the manner prescribed by the IAM and sufficient work should be carried out until a satisfactory conclusion is reached. Follow-up work should be documented and cross-referenced to the original working programmes.

The results of the follow up must communicated to all those to whom the final report was issued using the updated final report document or a memo format if the follow up is small.

It is preferable that a draft follow up be sent out to allow managers/Heads of service to know what is being reported. Issue the follow up with a covering email stating that the report will be issued in 5 working days unless a response is received.

Where agreed recommendations have not been implemented these must be reported to the IAM and they will be reported to Audit and Governance Committee.

The IAM should ensure that the findings of audits and follow ups are used to inform the planning of future audit work.

10.13   Response of Management

If corrective measures have been agreed at the time of the audit, Internal Audit must confirm that they have been implemented. Whilst Audit cannot insist upon the implementation of all its recommendations, it is the duty of Audit to ensure that the eventual decision on a report has been taken deliberately by management, with full understanding of its significance.

Provided all audit work undertaken, including the report, has been documented and placed on the audit file, Audit are protected from any adverse criticism that may arise from external audit or inspection sources, on the non-implementation of measures previously recommended.

10.14   End of Audit

The end of an audit will normally give rise to a variety of matters which may need to be brought to the attention of the client and the Auditor should proceed as outlined previously in

the report stage and clear all outstanding matters.

The client's premises should be left in the same order as at the start of the audit and all books, records and documents borrowed for the purpose of the audit should be returned.

The Auditor should ensure that at the conclusion of the audit the staff involved are thanked for their time, co-operation and assistance.

11.0   <u>TYPES OF AUDIT</u>

11.1   Systems Based Audit

The auditor's prime role is to review the internal control system and report upon the adequacy of controls. The principal mechanism by which this is achieved is by undertaking systems-based audits. This represents agreed best practice from a professional audit service.

Conduct of an audit using this methodology enables us to:

- assess how internal controls are operating in a system, thereby forming a view on whether reliance can be placed upon the system;

- provide management with assurances that systems are adequately meeting the purposes for which they were designed;

- provide constructive and practical recommendations to strengthen systems and address identified risks;

- use findings to feed into an overall opinion on the control framework, thereby fulfilling S151 responsibilities;

- furnish appropriate evidence for external audit and other review agencies.

Standard documentation exists to help guide the auditor through the systems-based audit process, the main elements of which are set out below.

Stage 1

Identification of the nature and scope of the system to:

- define the boundaries
- define the type of system

- identify the inputs to the system
- identify functional areas and processes
- identify the outputs and purpose of the system.

All this should be achieved during the preparation stage as part of the process of developing the audit brief.

Stage 2

Determination of control objectives:

- this shows the purpose of the control, not the control itself;
- the objective indicates the aim of the activity, not the means by which the control is achieved.

It is important to focus upon key control objectives. A series of five standard objectives has been identified for all systems and these should always be included. It is likely that there will only be a small number of additional system-specific key objectives. As a rule of thumb, if you reach 10 key objectives (including the standards), it is likely that either the systems boundaries have been too widely drawn or that you have included secondary objectives.

The standard objectives are as follows:

Standard 1 Achievement of organisational objectives.
Standard 2 Ensuring economical and efficient use of resources.
Standard 3 Ensuring compliance with established policies, laws and regulations.
Standard 4 Safeguarding the authority's assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption.
Standard 5 Ensuring the integrity and reliability of information and data.

Stage 3

Identify expected controls to meet control objectives. At this point of the audit (which is essentially the end of the desktop stage of work and before going to the client to undertake the subsequent phases of the audit), the supervising auditor

should sign off the objectives and expected controls. For the first three stages, unless this is a totally new area, much of the required information will be held on the existing audit files for the system.

Stage 4

Review the system against the expected controls. Gather information to document the system and confirm understanding by walk-through testing. Methods for documentation can be:

- pure narrative
- flowchart
- detailed
- process with combined narrative.

Pure narrative should generally be avoided, as it is much more difficult to ensure it is clear and logical and it is harder to spot gaps in systems knowledge.

Stage 5

- appraise the stated controls against control objectives;
- evaluate adequacy of controls against objectives
- look for 'gaps' and assess risk and materiality where controls are absent;
- consider whether there are compensating controls;
- consider whether controls are excessive or superfluous.

Stage 6

Test the operation of controls in practice through compliance and substantive tests.

Stage 7

Evaluate test results.
Having done this, decide whether further work or testing is necessary. At this stage, the Auditor should ensure matters are fully discussed with the IAM and that review of the work is undertaken.

Stage 8

Draw conclusions and report.
Although systems-based audit will form the normal approach, there are a number of areas where it is not readily applicable. These include:

- where the number of transactions is low;

- where the transactions can be fully checked to an independent source;

- for interim audits of major systems when it is possible that only testing will be necessary;

- where the system is known to be so poor that control evaluation is not appropriate;

- for fraud investigations;

- for VFM reviews.

Details of expected controls and other useful information can be drawn from a number of sources, including the CIPFA *Systems-Based Auditing Control Matrices* publication.

11.2   Probity and Regularity Audits

These audits are undertaken on a rolling cyclical programme, with the frequency of review determined by an assessment of risk, and are designed to ensure the proper administration of the authority's affairs. They are, in general, establishment audits where the propriety, accuracy and recording of all transactions, and the proper function of the main systems in operation, are tested by audit staff by means of detailed examination of individual transactions to ensure that each is:

- valid;

- properly authorised;

- intra vires.

The objective of the audit is not only to discharge the Proper Officer's statutory S151 responsibility but also to provide an assurance to client management on the proper and effective administration of their area of responsibility. This is particularly relevant where the main elements of control are exercised at a local level.

11.3   Value for Money Audit

The term value for money (VFM) is used to describe the combination of economy, efficiency and effectiveness with the authority. The 3Es, as they are commonly known, can be described as:

- *Economy* is the study of purchasing goods or services of the quality desired at the best possible price.

- *Efficiency* is the relationship between inputs and outputs and this measures the use of goods and services towards a desired output.

- *Effectiveness* measures the relationship between outputs and objectives. It is a measure of the extent to which the authority's outputs, policies and procedures achieve the desired objectives.

Improving VFM is therefore a key objective for Eastbourne Borough Council. The primary responsibility for achieving good VFM lies with management, but Internal Audit has a key role in helping to discharge this responsibility.

VFM is an integral part of every piece of audit work. Internal Audit is uniquely placed through its independence, professional expertise and right of access to every part of the authority and all aspects of its operation to recognise and promote VFM.

The role of Internal Audit in relation to VFM is twofold:

- as a fundamental part of the audit review, the systems and controls established by management to secure VFM will be examined and evaluated;

- auditors may initiate, conduct or participate in special VFM reviews.

Just as a systems review may generate VFM recommendations, a VFM review may initiate systems changes. The scope for undertaking VFM reviews will be determined by the audit planning process. Whilst each review will be unique, it can be broken down into a series of logical steps:

- Identify the area for review. This may be identified by Internal Audit, based upon knowledge and experience, be requested from elsewhere within the authority, or be stimulated by activities outside the authority. Areas that are suitable for review may be indicated by the absolute level of spend or known or perceived issues with service

- Gather information from all available sources, thinking more widely than just financial and organisational records. The Internet, professional bodies, trade associations and other authorities' experiences are all valuable sources.

- Establish the true scope of the function or activity, including levels and patterns of provision.

- Compare levels of spending and activity over time and against available comparators.

- Consider the scope for varying the style or nature of service delivery – don't be afraid to think the unthinkable, the key questions being 'why?' and 'what if?'

- Make recommendations on alternative approaches and identify the cost associated with each option.

It is important to establish good relationships with those responsible for the service and to check regularly on your understanding of the process, your assumptions and the viability of the proposals.

11.4   Certification Audit

Grant claims are usually the province of external auditors. However, there are occasions where Internal Audit has legitimately become involved in the audit of claims, returns or accounts, for example government returns, grants and European funding claims.

The general principles for these types of validation and verification work are as follows:

- Determine whether it is a one-off or an annual/periodic statement that is being reviewed. If the latter, then compare the current return to the previous one to ensure any balance transfers have been properly performed and that significant variations between periods can be explained.

- Set levels for materiality (usually based on the total values involved) and in any checking be aware of those limits.

- In choosing sample transactions for validation, select

those that are largest and/or most common. Choosing the largest will help give greater assurance in a shorter length of time (if four transactions represent 90% of the value, it's best to look at these ones). Choosing transactions of a common type will help determine that proper process has been followed (if 80% of costs relate to travel, and a sample is checked and shown to have been treated correctly, this gives a greater level of confidence in the remainder).

- Consider the purpose and user audience for the certification together with any standard wording or statements that may be required. Consider also whether the body concerned has set out requirements or guidance on checks to be undertaken. These matters will influence the extent and nature of the testing to be undertaken.

The standard requirements relating to working programmes and review apply.

11.5   IT Audit

The CIPFA *Computer Audit Guidelines* define IT Audit as: "the application of auditing skills to the technological aspects of an authority's business processes. It embraces the independent reviewing and testing of the authority's practices and procedures relating to:

- the secure provision of business processing

- the processes for developing and acquiring new systems and facilities

- the economy, efficiency and effectiveness of the use and exploitation of IT facilities.

All auditors should be familiar with the broad concepts of the application of technology to the authority's primary business activities. This includes an understanding of, and an ability to use, technology to assist in the audit processes. The increasing complexity and diversity in the application of technology means that management in most organisations will need to call upon more specialised skills for at least a part of their activities if they are to demonstrate their ability to:

- support their objectives of maximising their investment in IT

- empower the audit function to work professionally and competently in a computerised environment."

IT auditors will be concerned with:

IT Strategy and Policies
The review of the strategy and policies provides an overview of IT within the authority and helps to identify areas of greatest risk. In such a fast-growing area of activity, it is necessary to maintain a very close liaison with IT professionals to ensure awareness of all developments, such as the potential growth in E-commerce.

Systems Development Controls
The earlier that auditors can advise on controls within IT systems, the easier they will be to implement and the more effective the audit input. Auditors will also be interested in the control framework of the project itself.

Application Controls
Specialist IT auditors should be involved in the audit process and provide support as follows:

- examination, testing and evaluation of computerised controls in live application systems

- examination and evaluation of the technical documentation supporting the computerised elements of the system

- downloading and testing data files through the use of interrogation packages.

Environmental Controls
There are many activities within the IT environment where Internal Audit needs to evaluate the effectiveness of controls:

- resource management
- technical support
- business continuity
- security.

The environment within which IT systems operate affects all applications and can therefore provide a degree of assurance over all applications.

Infrastructure Controls
The infrastructure possibly affects all users and includes the

network and servers. The security, integrity and availability of the infrastructure are of prime interest to IT auditors. This will also include access to the Internet, which requires close control.

Office Systems Controls

End-user developed systems are of concern as they may:

- not comply with the IT strategy
- not provide adequate security
- use illegal or unauthorised software
- be managed by untrained staff.

Legislation

There are a number of pieces of legislation that impact directly on the IT environment which require auditors to confirm compliance. Those that have a direct impact on IT and consequently the audit of IT include:

- Data Protection Acts 1984 and 1998
- Computer Misuse Act 1990
- Copyright, Designs and Patents Act 1988
- Telecommunications (Fraud) Act 1997
- Obscene Publications Act 1959
- Telecommunications Act 1984
- Protection of Children Act 1978;
- Criminal Justice Act 1988
- Protection from Harassment Act 1997
- Sex Discrimination Act 1975
- Race Relations Act 1976
- Human Rights Act 1998
- European Convention on Human Rights
- Public Interest Disclosure Act 1998
- Regulation of Investigatory Powers Act 2000.

11.6   Control and Risk-Assessment

Various labels have been attached to the process of management appraisal of control systems, control self

assessment (CSA) and control risk self-assessment (CRSA) being the most common. The definition adopted by CIPFA is:

> "…a formalised, documented and committed approach to the regular, fundamental and open review by managers and staff of the strength of control systems designed to achieve business objectives and guard against risks within their sphere of influence."
>
> <p align="right">It's a Risky Business, CIPFA, 1997</p>

CRSA is a structured approach that allows individual staff members and line managers to take part in reviewing existing controls to assess their adequacy and, if appropriate, to make recommendations to improve them.

The key factor is the involvement of line management and staff – the auditees – in assessing the controls that apply to their day-to-day work, and in setting new or modified controls. They take an active part and, if the process is successful, become 'owners' of the controls.

11.7 Consulting

The Internal Audit function is able to undertake consulting engagements as part of its work plan for the year. However, it must be ensured that these assignments are not carried out to the detriment of the governance reviews.

Consulting assignments must be requested in time to be considered as part of the process of designing the audit plan for the year. Any requests received after the plan has been agreed can only be undertaken with the agreement of the Corporate Management Team and the Audit and Governance Committee.

To begin the assignment a meeting must be held with the senior manager/head of service to discuss and agree the objectives for the assignment. Once the objectives are agreed the scope of the work must be discussed and agreed. The scope must be enough to be able to meet the objectives but not go beyond this. The work to be undertaken will be dependent upon the objectives and scope agreed.

The auditor must keep in mind risks and control issues as this work is undertaken and report any issues separately to the senior manager/head of service and the Internal Audit Manager.

On completion of the assignment a report will be written and the conclusion must demonstrate how the work has met the objectives set. The report should also detail any recommendations made.

The reporting and follow up procedures will be the same as for any other audit review,

12.0   REVIEWING THE AUDIT FUNCTION

12.1   The IAM and individual auditors must ensure that they and their work are in compliance with the Public Sector Internal Audit Standards (PSIAS). A copy of which is held on the section.

12.2   An annual self assessment of the audit function against the (PSIAS) will be carried out and the results reported to the Audit and Governance Committee.

12.3   The IAM will meet with the Audit and Governance Committee on a quarterly basis to report on work carried out against the annual plan, findings which need to be brought to the committee's attention and any failure to implement agreed recommendations within reasonable timescales.

12.4   The IAM should carry out a strategic survey of quality with customers to inform the process of audit and to ensure the function is providing added value and assisting the Council to achieve its objectives.

12.5   The IAM should complete performance figures against agreed targets and report these to the Section 151 officer.

12.6   The IAM should instigate and undertake a Performance Management and Quality Assurance programme for the Audit Function.

13.0   THE AUDIT OPINION

13.1   The IAM will provide an annual report to the Section 151 Officer which will include the following:-

- Opinion on the overall adequacy and effectiveness of the control environment;

- Disclosure of any qualifications to the opinion with reasons for the qualification;

- Presentation of a summary of the work from which the opinion was derived;

- Draws attention to any issues relevant to the preparation of the Annual Governance Statement;

- Comparison of work undertaken against the annual plan and summarises the functions performance against targets;

- Comment on compliance with the standards of the code;

- Comment on quality assurance measures carried out within the function.

APPENDIX 1

Internal Audit					
Corporate Reference	**Record Status**	**Function / Function Description**	**Type of Record**	**Retention Action**	**Legislation/ Regulation**
FSSerIA		Audit reports (including interim)	• Routine • Financial System • Computer • Contract Audits • VFM Audits	Keep for 3 years before considering destruction	
FSSerIA			• Special Investigation Audits • Examination of long-term contracts	Keep for 6 years before considering destruction	
FSSerIA		Audit Reports and supporting documents	Electronic • Key Control Objectives • Working papers • Testing results • Witness Statements	Keep for 3 years before considering destruction	
FSSerIA			Paper Records • Key Control Objectives • Working papers • Testing results • Witness Statements	**Reviewable** Destroy records as they become obsolete or are no longer required.	
FSSerIA		Report papers used in the course of a special investigation that leads to prosecution.		Keep for 6 years after any legal proceedings have concluded.	
FSSerIA		Programmes / plans / strategies	• Information Security Strategy • Audit Plan	Keep for 1 year before considering destruction	
FSSerIA		Operational/Policy Records	• Internal Audit Guides • Manuals and guides relating to departmental procedures • Local auditing standards	**Reviewable** Destroy records as they become obsolete or are no longer required.	

APPENDIX A

AUDIT PROCESS CHECKLIST

- Start an electronic folder in the Internal Audit shared drive under the correct letter. The folder should be given the name of the audit if such a folder does not currently exist. If one does then a folder should be set up within that folder. The new folder should be called simply the name of year e.g. 2013-14. Within this folder other folders should be set up to hold the work. Suggested folder names are Testing, Reports, Emails etc. Try to keep as much work as possible within folders to ensure that it is easy to find.

- Enter auditor name onto spreadsheet entry for the relevant audit.

- Undertake planning and research.

- Draw up a draft "Audit Brief" and email it to the relevant manager along with a meeting request for an introductory meeting. Include a copy of the form "What you can expect from us". Retain a copy of the email in the electronic file.

- Discuss the brief (and any already prepared working programme) with the manager.

- Complete audit brief and working programme (if altered or new) and send to the manager. Retain a copy of the email sending the working programme to the manager.

  (NB keep on file notes from any meetings or emails relating to the audit brief and the working programme).

- Arrange interviews and times for testing.

- Carry out interviews and testing.

- Agree any extra time needed with the Internal Audit Manager.

- Write up the working programme.

- Enter date fieldwork completed on the spreadsheet.

- Write up the draft report. Including a Provisional Assurance Level.

- Internal Audit Manager to review draft and file contents and suggest amendments/extra testing. IAM to complete Quality Assurance checklist.

- Send draft to manager and their manager (not Head of Service) of the relevant section. Retain a copy of the email on file.

- Enter draft report date on spreadsheet.

- Arrange meeting with manager for 10 working days later for closure meeting.

- Attend closure meeting and discuss audit and recommendations.

- Update spreadsheet with date of closure meeting and date final response to report received.

- Write up draft final report (copy draft as final and add comments and alter form to read "draft final"). IAM to see final report before it is sent out in order to complete the Quality Assurance Checklist.

- Send a Draft final report to the manager, their manager, and Head of Service stating that if no comments are received within 10 working days the report will be issued as Final. Retain a copy of the email on file.

- After 10 working days save a copy as Final. Save one copy of Final as a PDF document and send this out to: manager, their manager, Head of Service, Section 151 officer, Chair of Audit and Governance Committee, Portfolio Holder for Finance and the Shadow Portfolio Holder for Finance. bcc or separate email to external auditors at: janine.combrinck@bdo.co.uk Retain a copy of the emails on file.

- Enter date final report issued, number of recommendations and date for follow up on spreadsheet (3-4 months).

- Put reminder on Outlook to carry out follow up.

- Issue client satisfaction survey to manager and ask for a response in 10 days. Retain a copy of the email sending the survey on file.

- Enter date satisfaction survey returned on spreadsheet and complete days taken field.

NB. Ensure that the spreadsheet is updated at all stages.

APPENDIX A

<u>FOLLOW UP</u>

- On completion of follow up discussions/ testing the updated report (which should now be headed "Follow Up") must be passed to the IAM to check.

- The "provisional assurance level" must be amended to "final assurance level" and the wording altered to reflect the level at the time of the follow up.

- Follow up report to be sent in PDF format to the Manager, their manager, Head of Service, s151 officer, Chair of Audit and Governance Committee, Portfolio Holder for Finance and (as a BCC) to the external auditors.

- If any recommendations remain outstanding then schedule another follow up for a further 3-4 months time.

- Update spreadsheet to show number of outstanding recommendations and reasons. Update follow up due date if further follow up to be carried out.

<u>CLIENTS – WHAT YOU CAN EXPECT FROM US</u>
Updated January 2014

- If we have a review of your area in our annual plan we will contact you to agree when to begin the audit.

- We will assess the service under review and produce a working programme.

- An introductory meeting will be arranged to discuss the scope of the review. This enables you to tell us any areas of concern you particularly wish us to review. At this stage the working programme can be modified and agreed. We will also ask you to tell us who we should be talking to for the various elements of the audit.

- During the audit the auditor will be talking to the staff directly involved in the work being reviewed and testing the work. If any important issues are discovered the auditor will raise these with you immediately.

  If the auditor does not report to you it probably means that there are no significant issues. If you want an update please just ask the auditor. Make it clear if you want regular updates, regardless of the level of findings, and we will oblige.

- Once the fieldwork has been completed the auditor will write up a draft report which will be sent to you to review along with the working programme which will now contain all the observations made during the review. Please check these for factual accuracy and to consider the recommendations made.

- The auditor will book a closure meeting with you for about one week after the issue of the draft report. At this meeting please point out any factual inaccuracies that you have discovered. The auditor will discuss the recommendations with you and note your comments.

- Your comments, and any agreed amendments, will be incorporated into the report and this will be issued as a "draft final" to yourself, your manager (if applicable), and Head of Service stating that if no comments are received within 10 working days the report will be issued as Final. Once issued as final this report will be passed to you, your line manager (if appropriate), your Head of Service, the Section 151 Officer, the Portfolio Holder for Finance and the Chair of the Audit and Governance Committee. The Provisional Assurance Level will be reported to the Audit and Governance Committee.

- You will be sent a client satisfaction survey along with your final report. Please complete this form and return it to us within a week.

Your comments allow us to see if we are providing an adequate service and, if not, to review and amend our procedures as necessary.

- A follow up review will take place about 3 months after the issue of the final report. The auditor will contact you to discuss how the agreed recommendations have been implemented. Some testing may be required to provide assurance that the recommended controls are in place. A report on the follow up will be issued to the same officers/members to whom the final report was sent . Please note that any high or medium risk recommendations that have not been implemented will be reported to CMT and the Audit and Governance Committee for review and further follow up reviews undertaken to ensure that these are implemented later.

Please remember that Internal Audit is a management tool to be used to provide you and the Council with assurance that controls in your area are in place and working adequately. We are also here to add value to the Council by ensuring that risk is mitigated and that value for money is obtained from all systems. We can also provide advice and help share best practice across the departments.

Internal Audit are also able to offer consultancy. Work can be undertaken in specific areas with objectives and scope set completely by the commissioning officer, with input from the auditor. Consulting engagements should be requested before the start of the financial year in order that they can be considered for inclusion in the annual audit plan.

<u>AUDIT BRIEF</u>

HOUSING BENEFITS (QUALITY ASSURANCE)

<u>Scope</u> *(e.g. this review checks A but not B)*

This audit review covers the process of quality checking of claims and not the processing of claims.

<u>Objectives</u> *(key control objectives)*

- To ensure a quality checking regime is in place;
- To ensure results of checking are reported and monitored;
- To ensure that errors are reported back to assessors and necessary retraining given.

<u>Strategic Position</u> *(how the audit meets Council objectives)*

<u>Council Priorities 06/07</u>
- Focused attention to customer care standard – *by ensuring that claims are processed accurately thereby making correct benefit payments*

- Improve performance for Housing Benefits – *by ensuring error rates are reported, monitored and improved*

<u>Council Values</u>
- Delivering excellent customer service – *by ensuring that claims are processed accurately thereby making correct benefit payments*

<u>Responsibility</u> *(who will be undertaking the review – list all if more than one)*

The review will be undertaken by *A N Auditor*

<u>Time Frame</u> *("between" dates to be agreed with management)*

The review is proposed to take 10 days between July and August 2007