

AUDIT, RISK AND ANTI-FRAUD TEAM – SEVENOAKS DISTRICT COUNCIL**CIPFA Code of Practice – Standards****Self Assessment Review of the Internal Audit Service 2010/11 [May 2011]**

2006 Code Standard	Evidence of Achievement	Areas for further development
<p>1. Scope of internal audit</p> <ul style="list-style-type: none"> • Terms of reference • Scope • Responsibilities in respect of other organisations • Fraud and corruption 	<p>New joint Audit Strategy and Charter reflecting the CIPFA Code of Practice requirements were approved by the P&G Committee in Nov 2010.</p> <p>Scope of audit work takes into account risk management processes and wider internal control. Audit Plan and Resource levels were reviewed and commented on in report to the Performance & Governance Committee on 19 April 2011.</p> <p>There is a shared service arrangement with Dartford Borough Council for the management of the internal audit function. This was agreed by the P&G committee in June 2010. The team therefore provides a full internal audit service for both Councils. However, the team's contribution towards Strategic Procurement for SDC will now be taken up by other arrangements, thus making more time available for the team to focus on core activities.</p> <p>The new joint team is called Audit, Risk and Anti-fraud and incorporates Internal audit, risk management and the Anti-fraud Services of Councils. The joint internal audit team serving both Councils have 7 staff members equivalent to 5.8 FTE.</p>	<p>Need to ensure all staff are aware of the Audit Charter and Audit Strategy.</p> <p>There is a need to ensure that the transition process for procurement is effectively managed.</p>
<p>2. Independence</p> <ul style="list-style-type: none"> • Organisational independence 	<p>The Audit Manager has direct access to those that are charged with governance through the Performance & Governance Committee – (see Constitution and P&GC ToR</p>	

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<ul style="list-style-type: none"> • Status of head of internal audit • Independence of individual internal audit • Independence of internal audit contractors • Declaration of interest 	<p>extract E002). Reports are made in own name to management and to Performance & Governance Committee. No conflict of interest between operational responsibilities and audit has been found. Rotation of audit work within the team is the norm. Contractor IT firm does not have any other role within the authority. Auditors are required to declare interests and have been vetted.</p>	
<p>3. Ethics:</p> <ul style="list-style-type: none"> • Integrity • Objectivity • Competence • Confidentiality 	<p>Staff appraisal system considers these issues. No significant points have been identified. Staff have aware of ethics requirements. Guidance has been circulated. (This is part of the ToR – E001). Also qualified staff are subjected to professional ethics of the relevant professional body (CIPFA, Institute of Internal Auditors -IIA and Association of Accounting Technicians -AAT). All staff have their developmental needs assessed during yearly appraisal and relevant individual training needs identified and delivered during the year.</p>	<p>Individual training needs will be discussed in an appraisal or 1:1 process during the year.</p>
<p>4. Performance & Governance Committee (P&GC)</p> <ul style="list-style-type: none"> • Purpose of the Performance & Governance Committee • Internal Audit's relationship with the Performance & Governance Committee 	<p>The P&G Committee has now been active for 4 years. The Committee completed the standard CIPFA self-assessment checklist to assess its achievements and reported to upon in April 2011. The committee's Terms of Reference may require updating in view of the joint working arrangements with DBC and also to reflect the investigations team, which now sits within the audit team.</p> <p>The audit manager attends meetings of the P&G Committee; and has direct access to the Chairman and Vice-Chairman of the Committee.</p> <p>(see Constitution and P&GC ToR extract E002).</p>	<p>The outcome of the self-assessment checklist of the P&GC will inform any further areas for development</p> <p>The Audit Manager will need to meet with the new Chairman of the P&G Committee to agree working together audit protocol. There will be an audit presentation at the first committee meeting to brief members of the</p>

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		requirements.
<p>5. Relationships</p> <ul style="list-style-type: none"> • With management • With other internal auditors • With external auditors • With other regulators and inspectors • With elected Members 	<p>Managers are consulted on the audit plan and on the scope of each audit by way of an audit brief. The audit plan takes account of the key risks which have been identified by management. Customer satisfaction surveys are sent to managers after every audit review, for their views and comments. (See sample customer satisfaction survey E005). The Audit Manager attends weekly finance managers team meetings and contributes towards the overall management of the department.</p> <p>Responsibilities of managers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters. (See IA ToR E100, and SIC guidelines E005b)</p> <p>The audit team is part of the Kent Audit Group Network, and shares a common website where common practices and ideas are shared. Also the Audit Manager is a member of the Chartered Institute of Internal Auditors (IIA), Heads of Internal Audit Forum, and also subscribes to CIPFA “audit viewpoint” and CIPFA benchmarking Club for Internal Audit.</p> <p>Good working relations have been established with external audit, including consultation on planning and sharing of review outcomes. This will be continued under new Auditor arrangements with the Audit Commission.</p> <p>Sharing of information is undertaken with other internal review agencies. There is liaison with external regulators and inspectors.</p> <p>The relationship with Members is that of a “critical friend” with robust challenge mechanisms in place as evidenced in the</p>	<p>The outcome of the self-assessment checklist for the P&GC will inform any areas for further development.</p>

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	minutes of the meetings.	
6. Staffing, training and development	<p>The skills and competencies required of each post have been determined. (Identified in Job descriptions). The team is now at full strength to deliver the assurance requirements of the Council. Additional resources equivalent to 0.3 FTE is obtained from the Policy and Performance Section which enables us to progress non-planned audit work, thus allowing the team to spend a greater proportion of dedicated time on planned audit activities.</p> <p>Actual skills and competencies were last assessed during the objective setting process in early March 2011. This enabled bespoke training requirements to be agreed with each audit staff member to be delivered during the year. (See training plan E006).</p> <p>Professional staff are required to complete Continuing Professional Development. Training plan is linked to Appraisal process.</p>	<p>Competency assessments and training needs will be further reviewed in the light of the current Joint Working Proposals in order to identify and address any areas for further development.</p> <p>In addition to the above some specific training needs have been identified and this will be addressed in the coming year.</p>
7. Audit Strategy and Planning	<p>The Audit Strategy was approved by the P&GC in November 2010. (Audit Strategy E007)</p> <p>The risk-based Audit Plan was prepared in accordance with existing strategy, and approved by the Performance and Governance Committee Services 19th April 2011 (See committee minutes E007, and Audit Plan E700b).</p> <p>Available resources were reconciled with the resource needed, and appropriate steps taken to address any identified shortfall as necessary.</p>	
8. Undertaking Audit Work	An audit brief is prepared identifying the objectives, scope and approach of each audit review, for agreement with	

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<ul style="list-style-type: none"> • Planning • Approach • Recording and Assignments 	<p>management prior to commencing each review. (See sample audit brief E008).</p> <p>A risk-based approach is used and an audit opinion is given. (See sample audit report E008b).</p> <p>Issues are discussed with management as they arise, and formal feedback is given at the end of the visit, prior to completing the report.</p> <p>Standards of working papers are specified and checked by the Audit and Efficiency Manager as part of the file review process. (See file review forms on audit files).</p> <p>Adequate working papers supporting conclusions drawn and recommendations made are maintained and retained in accordance with defined policy.</p> <p>Reports are issued to appropriate managers in accordance with defined policy. A follow up of recommendations are carried out to check implementation of recommendations (See audit progress logs 2010/11, TOR and Audit Strategy).</p> <p>The joint Audit team is ISO 9000 accredited and was last reviewed and assessed in April 2011. There were no non-conformances.</p>	
<p>9. Due professional care</p> <ul style="list-style-type: none"> • Responsibilities of the individual auditor • Responsibilities of the Head of Internal Audit 	<p>All internal auditors are aware of their individual responsibilities for due professional care. Where appropriate additional training is identified and offered.</p> <p>Arrangements are in place to monitor this:</p> <ul style="list-style-type: none"> • Audit Manager reviews all audit files and reports. • Annual Appraisal and training needs are identified and 	

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	<p>delivered.</p> <p>Work is assigned so as to avoid potential conflicts of interest. The Audit Manager produces an annual report with an overall opinion on the system of internal control within the Council. The report is considered by the P&G Committee which performs the role of an Audit Committee.</p>	<p>Review the implementation of the new CIPFA guidance on the role of Head of Internal Audit to ensure full compliance</p>
<p>10. Reporting</p> <ul style="list-style-type: none"> • Reporting on audit work • Annual reporting 	<p>Audit reports give an opinion on risks and controls, using approved methodology.</p> <p>Scope of audit is set out in report.</p> <p>Recommendations are prioritised according to risk. Field-work outcomes are discussed with management and action plans agreed in response to recommendations made.</p> <p>Reports are issued to appropriate managers.</p> <p>Where necessary, issues are referred to the risk manager.</p> <p>Assurances are sought from managers on delivery of agreed actions, and appropriate follow-up actions carried out to assess the effectiveness of recommendations.</p> <p>An escalation procedure has been defined which may go as far as the P&G Committee and is used as appropriate (see ToR of Performance & Governance Committee)</p> <p>Where necessary, the opinion is revised in the light of the delivery of agreed actions.</p> <p>The IA annual report to support the Annual Governance Statement for 2009/10 will be presented to the Performance & Governance Committee on 29th June 2011.</p> <p>The report will include the overall opinion on the control environment and any qualifications to that opinion. The work</p>	<p>An area for further development identified is to use a traffic light system to grade recommendations on audit reviews, to enable service managers to easily identify the associated level of risk with the relevant recommendations. This will aid the prioritisation process.</p>

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	<p>on which the opinion is based will be set out in the report, including details of all internal audit reviews and the individual opinions, including achievements of PIs and relevant targets.</p> <p>The report will highlight significant issues if appropriate.</p> <p>Interim reports are submitted to the Performance & Governance Committee every quarter advising of how the opinion is developing (see P&GC ToR extract E002).</p>	
<p>11. Performance, quality and effectiveness</p> <ul style="list-style-type: none"> • Principles of performance, quality and effectiveness • Quality assurance of audit work • Performance and effectiveness of the internal audit service 	<p>Policies and procedures are defined in the Audit Strategy and Charter (See Audit manual E011) Audits are assigned according to the skills mix required and so that there is adequate supervision. Performance measures are defined and Internal quality reviews are undertaken by the Manager for all audit work. (See file review forms).</p> <p>Client satisfaction surveys are issued with each final report and are summarised in the IA annual report.</p> <p>An annual assessment of the work of internal audit is undertaken by the external auditor. (See management letter E011b).</p>	<p>The shared services arrangement with Dartford offers an opportunity to align good practice from both Councils and to develop a common integrated approach which would be beneficial to both Councils and staff.</p> <p>NOTE: Some skills gap exists within the team, given the skills necessary to meet the requirements of service transformation. Thus to some extent this may have some impact on overall performance and effectiveness. But this is recognised and being addressed. Staff development and skills gap is being addressed through the appraisal process and regular 1:1 meetings</p>

CIPFA Code of Practice – Characteristics of Effectiveness

Characteristic of 'effectiveness'	Evidence of achievement	Areas for further development
Understand its position in respect to the organisation's other sources of assurance and plan its work accordingly	The Audit Team, identifies other sources of assurance (for e.g. external audit and regulator's reports; Directors Assurance Statement; the AGS and risk management processes, and takes these into account when preparing the internal audit plan or preparing the work plan for audit reviews). [No adverse comments reported on IA arrangements by external audit]	
Understand the whole organisation, its needs and objectives.	The audit plan demonstrates how audit work will provide assurance in relation to the authority's objectives and is based on an in-depth knowledge of the organisations key priorities. Individual audit assignments identify risks to the achievement of those objectives.	The shared working agreement provides an opportunity to develop the skills and competencies of the available pool of auditors, thus providing greater resilience and synergy which would contribute to more effective performance towards overall organisational objectives.
Be seen as a catalyst for change at the heart of the organisation.	The Audit Manager was part of the project team set up to manager Revenues and Benefits shared services project which resulted in the new joint Audit, Risk and Anti-Fraud Team. The Audit Manager also actively participates in Business Process Reengineering process; oversees the AGS process and attends finance managers meetings. Supportive role of the audit team is also demonstrated through corporate developments such as corporate governance review, risk management and ethics. The team has played a key role in service transformation through the shared services arrangements.	

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Add value and assist the organisation in achieving its objectives.	Demonstrated through individual audit assignments and also corporate work such as risk management, the AGS process, CPA/UoR (prior to disbandment), sustainable procurement etc. Contributed towards the success of the organisation in obtaining IIP Gold Standard award for the Council.	
Be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.	<p>Internal audit provides help and advice on request and supports specific projects identified in the plan and on an <i>ad hoc</i> basis.</p> <p>Also supported management in developing shared services and Partnership working across Councils and initiatives for improvements in business processes (see above).</p> <p>Member of Kent Audit Group and Kent Risk Management Group, Kent Buying Consortium, London Contracts Audit Group, ALARM and the SE Institute of Internal Auditors Forum.</p>	
Be innovative and challenging - shaping the values and standards of the organisation; providing internal inspection and validation and encouraging service managers to take ownership of processes, systems and policy.	Internal audit has taken an innovative approach to its reporting arrangements by focusing on risks and encouraging managers, through departmental management team meetings (DMTs) to develop their own responses and to identify, rather than merely waiting for audit recommendations to effect improvements. The aim of this is to encourage greater ownership of the control environment amongst managers. Internal audit will also look to review the process for internal service assessments, and make appropriate recommendations for improvements.	
Ensure the right resources are available – the skills mix, capacity,	In view of the shared services arrangements, there is now increased resilience; therefore we are now looking at	See comments on 11 above

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specialism and qualifications/experience requirements all change constantly.	<p>developing in-house specialists and expertise for specialist work such as IT audits etc. There is already a good skills mix with members of the joint team coming from both Councils with different skills and experiences. This is further enhanced by allowing staff to experience working at both Councils.</p> <p>The trainee internal auditor appointed in 2009 has now successfully completed his IIA examinations; following support from the Council. Thus contributing to the professionalism of the team</p>	

Completed by the Audit and Efficiency Manager on: May 2011

OPINION:

Following the above review of the effectiveness of the Audit and Efficiency Team, it is my opinion that the system of Internal Audit within Sevenoaks District Council is Effective (It substantially complies with the CIPFA Code requirements).

Signed..... (Audit, Risk and Ant-fraud Manager)

13th May 2010

Reviewed by the Officers Risk Management Group on: 3rd June 2011

Signed..... (Professional Services Manager)

Reviewed by the Performance and Governance Committee on: 28th June 2011

Signed..... (Chair of the P&GC).