Internal Audit Reporting and Escalation Policy
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INTRODUCTION:

1. Timely and appropriate management responses to Internal Audit reports enable the Council to demonstrate that it maintains high standards of internal control and governance in line with corporate objectives.

2. The Audit and Governance Committee have approved this policy in order to ensure that issues are remedied in an appropriate and timely manner.

REPORTING:

3. With the exception of investigations into alleged irregularities (which are subject to separate arrangements not covered in this policy), the following reporting and escalation arrangements apply to all audit reviews undertaken by Internal Audit.

Draft Report

4. Following completion of an audit review the auditor will produce a draft report, which is issued to the responsible manager, (the auditee). The auditee will be asked to comment on the factual accuracy of the report and attend an exit meeting with the auditor within 5 working days. In this context 'factually accurate' means that the auditor’s report and recommendations are based on a correct interpretation of the systems or circumstances pertaining to the review.

Exit meeting

5. The exit meeting is held with the auditee and other officers as appropriate. It is during this meeting that key points arising from the audit, factual amendments and recommendations for improvement are discussed. Where possible service actions addressing audit recommendations should be captured for inclusion in a draft management action plan (MAP).

Management Action Plan production

6. Following the exit meeting a draft MAP and revised draft report will be produced for distribution to the auditee, Head of Service and other key officers involved in the audit. Auditees must obtain agreement from their Head of Service as to the proposed actions to be included in the MAP. The relevant Head of Service will be recorded in the MAP as the Responsible Officer. Where actions rest with one or more service, the Head of Service responsible for the business activity reviewed will be deemed the Responsible Officer.

7. The service then has 10 working days to return a populated MAP and any further comments on factual accuracy to the auditor. As part of this process the service is responsible for ensuring that named officers with responsibility for individual actions within the MAP are sufficiently briefed and accepting of such responsibility before the MAP is returned to Internal Audit.

Ownership of the Management Action Plan

8. Whilst individual actions within the MAP may rest with one or more officers, the Head of Service has overall accountability for timely completion of the actions in the MAP, and is required to inform Internal Audit if timescales are likely to be missed. In assigning their name to the MAP, Heads of Service are confirming that they accept responsibility for completion of the actions therein.
9. Where MAPs involve recommendations for more than one service, each relevant Head of Service must provide confirmation that they accept responsibility for those actions related to their service area.

10. In either case, the auditor will assume that the auditee has consulted with those officers listed as responsible for individual actions in the MAP, prior to said officers being assigned responsibility for those actions.

**Head of Service**

11. The relevant Head of Service must be included on the audit report front cover.

**Final Report and agreed MAP**

12. Upon receipt of the populated MAP the auditor will consider if the actions therein are appropriate. If the auditor is satisfied that all factual points have been addressed; that the service has no outstanding concerns with the report, and that the MAP sufficiently addresses all the findings raised in the audit report, then the final report and MAP can be issued.

13. **Final reports should be issued together with the populated MAP, both of which must be in PDF format. See paragraph 25 below.**

**MAP Escalation Procedure**

14. If the MAP is not returned to deadline, or in the auditor’s opinion does not adequately address the issues raised, the Chief Internal Auditor or Audit Performance Managers will discuss their concerns with the Head of Service. If that discussion does not result in a MAP acceptable to Internal Audit the issue will be referred to the relevant Strategic Director for a decision.

15. The Strategic Director’s decision will be either to agree an acceptable MAP on behalf of the Head of Service, which must then be implemented within the agreed timescale, or to accept the position and acknowledge that the Strategic Director accepts the risk. Risks tolerated in this manner should be entered into the service risk register.

16. If in the opinion of the Chief Internal Auditor the Strategic Director’s decision exposes the Council to an unacceptable level of risk, the matter will be referred first to the Chief Executive and then to the Audit and Governance Committee.

17. Depending upon the time taken in escalating MAP completion, the Chief Internal Auditor reserves the right to issue the final report without the agreed MAP.

**Distribution list**

18. The front cover of the agreed final audit report should list the officers for whom the report has been prepared. This includes the auditee, the Head of Service and other key officers as set out in the agreed Terms of Reference.

19. The inside cover to the report should include a table showing who else the report has been circulated to. If any people in this list are included on the front cover of the report it will not be necessary to include them in the circulation list. **The following distribution list may not apply should the Chief Internal Auditor deem the report to be of a particularly sensitive nature.**

- The External Auditor (through the Lotus Notes group email address)
- Responsible manager’s level 4 reports.
• Relevant Head of Service;
• Service Finance Manager;
• Risk and Governance Manager;
• Head of Finance;
• Relevant Strategic Director(s);
• All members of the Audit and Governance Committee;
• Relevant Cabinet Portfolio Holder;
• Chairman of the relevant select committee; and
• Procurement (if applicable - see 22)

20. There may also be a requirement to circulate the final report to other officers not included in the above list e.g. where that officer is required to action one of the audit recommendations. Where this individual is known at the time of issuing the final report their details should be included in the circulation table.

21. In all cases the Head of Policy and Performance and the Chief Internal Auditor should be included in the email circulation of the final audit report - this is for information purposes only, so they do not need to be included in the report distribution table referred to above. The Head of Policy and Performance will also ensure that where appropriate to do so final audit reports will be forwarded onto the relevant Performance Lead managers.

22. All audit reports for Procurement, or reports that have recommendations for Procurement, should be copied to Derek Lancaster.

Structure and contents

23. The standard reporting template is found on the Internal Audit shared drive, under: G:\CS Audit Team\Documentation\Galileo Templates.

24. In order to aid the reader’s understanding of the report, a glossary of acronyms should be included as a table on the inside of the front cover under the distribution list.

25. Final audit reports and MAPs should be saved as a PDF document using the format below. Where practical the two documents should be joined as one PDF document.

Audit name-year-Final Report
For example: IFRS-09-10-Fin Rep

Protective marking

26. Both draft and final reports should be marked in accordance with the County Council’s Protective Marking Policy, a copy of which is on the ‘News’ section of Galileo.

27. The Chief Internal Auditor has determined that of the three levels of marking applicable to local government the third category – Restricted – is likely not to be relevant to audit reports. Consequently reports will generally either be marked as ‘Protect’ or not marked at all, in accordance with the extract from the Policy below:

“Information created or held by the council must be classified as either:

• NOT PROTECTIVELY MARKED or UNMARKED: The document may have no markings on it or may be positively marked as NOT PROTECTIVELY MARKED. Anyone is permitted to see the documents internally or externally; the documents may be published on the web or in paper form.
• **PROTECT:** Only available to a limited number of staff. Documents should be clearly marked as PROTECT. The information should be handled with care following the guidance laid out in Appendix B of the Policy.

28. If an auditor is in doubt whether a report should be marked “Protect” or otherwise they should seek guidance from the Chief Internal Auditor or an Audit Performance Managers.

29. Where the Protect marking is used, the following paragraph must be added to the front cover of the draft and final report above the date of issue, and should also be included in the email containing the report:

   Please note that this report has been prepared by the County Council’s Internal Audit team for the use of management in connection with the discharge of the Council’s business and has been marked as PROTECT due to the sensitive nature of its content. A copy is being provided to you on the express understanding that it enables you to carry out your role as an officer or Member of the Council. It is not to be copied or in any way shared with any other person outside the Council.

**Summary of completed audits for Members**

30. The Chief Internal Auditor will report on all audits completed since the previous meeting to the Audit and Governance Committee, summarising the reason for the audit, the key findings, the risks resulting from those findings and the recommendations for improvement. The Audit and Governance Committee then considers whether there are any reports that it would like to review in more detail at a future meeting. A list of completed audit reports for the period is circulated to all members following the meeting of Audit and Governance Committee.

31. This summary will also be provided to the Head of Finance and Head of Legal and Democratic Services, the Council’s S.151 Officer and Monitoring Officer respectively, to ensure they are aware of any issues impacting on their legal responsibilities.

32. Should the Audit and Governance Committee require an update on completion of actions for a particular audit, the relevant Head of Service is responsible for informing the Chief Internal Auditor of what actions have been completed or providing an explanation for any delay in, or change to, the action being taken.

**ESCALATION:**

**Follow up reviews**

33. A follow-up review of the progress made in implementing recommendations agreed within the MAP will, as routine, be programmed into the annual Internal Audit Plan at a time the Chief Internal Auditor considers appropriate.

34. Upon completion of the follow-up review the auditor will report to the Responsible Officer drawing attention to any actions that have not been completed by the agreed date. A copy of the follow-up report will be sent to the full distribution list set out above.

**Audit and Governance Committee**

35. The Head of Service may be required to attend the Audit and Governance Committee to answer questions on the reasons for the non-completion of agreed action or delay in implementation, and the remedial action to be taken.

36. The Audit and Governance Committee having considered the report and the evidence provided by the Head of Service will either agree the remedial actions proposed or, if they
consider the position unsatisfactory, will refer the matter to the relevant select committee or to the Cabinet as necessary.

VERSION CONTROL:

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