

Internal Audit Reporting and Escalation Policy

CONTENTS

INTRODUCTION:

REPORTING:

Draft Report

Exit meeting

Management Action Plan

Ownership of the Management Action Plan

Final Report and agreed MAP

MAP Escalation Procedure

Distribution list

Structure and contents

Protective marking

Summary of completed audits for Members

ESCALATION:

Follow up reviews

Audit and Governance Committee

Select Committee Review of Internal Audit Reports

VERSION CONTROL:

ANNEX A: *Agreed process re Select Committee Review*

INTRODUCTION:

1. The Public Sector Internal Audits Standards require that internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. 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 and there is an expectation that the Head of Service will have briefed their Director on the findings/recommendations arising from any Internal Audit review in advance of agreeing the MAP. 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 completed 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.

Final Report and agreed MAP

12. Upon receipt of the completed 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 completed MAP, both of which must be in PDF format.**

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 report;
 - Relevant Head of Service;
 - Service Finance Manager;
 - Risk and Governance Manager;
 - Section 151 Officer;
 - 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 23)
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. The relevant Select Committee Scrutiny Officer and Committee Assistant should be cc'd in the email circulation of the final audit report.
23. All audit reports for **Procurement**, or reports that have recommendations for Procurement, should be copied to the Procurement and Commissioning Performance and Development Manager.
24. If an audit report has an audit opinion of "Unsatisfactory" or "Significant Improvement Needed" the Chief Internal Auditor will draw this to the attention of the Head of Communications.

Structure and contents

25. Audit reports are generated using a standard reporting template.
26. 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.
27. 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

28. Both draft and final reports should be marked in accordance with the County Council's Security Classifications for Data and Information Policy.
29. The Chief Internal Auditor has determined that of the three levels of marking applicable to local government the third category – OFFICIAL - SENSITIVE – is likely not to be relevant to audit reports. Consequently reports will generally either be marked as 'OFFICIAL' or not marked at all, in accordance with the extract from the Policy below:

[NOT PROTECTIVELY MARKED]

- may have no marking or be marked [NOT PROTECTIVELY MARKED]
- contains no sensitive information
- available to all (internally or externally)
- may be published online or in print

[OFFICIAL]

- many of the council's routine business operations
- policy development, service delivery, statistics
- legal advice, contracts, some administrative data
- contains sensitive information but loss would not cause significant distress

[OFFICIAL - SENSITIVE]

- subject to a heightened risk profile and only available to limited number of users
- contains personal data, commercial confidence or financial information
- loss would cause substantial distress to individuals or damaging consequences for the council

30. If an auditor is in doubt whether a report should be marked "OFFICIAL" or otherwise they should seek guidance from the Chief Internal Auditor or an Audit Performance Manager.

31. Where the "OFFICIAL" 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 **OFFICIAL** 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

32. 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 (together with a link to full copies of those reports) is circulated to all members following the meeting of Audit and Governance Committee.

33. 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***

34. A formal follow-up review of the progress made in implementing recommendations agreed within the MAP may be programmed into the annual Internal Audit Plan at a time the Chief Internal Auditor considers appropriate. A formal follow-up review is typically carried out for audits that have attracted an audit opinion of “Unsatisfactory” or “Significant Improvement Needed”.
35. 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.
34. In addition, the Chief Internal Auditor will provide a report, at least bi-annually, to the Audit and Governance Committee on progress in implementing MAPs agreed for audits completed.

Audit and Governance Committee

36. 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.
37. 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.

Select Committee Review of Internal Audit Reports

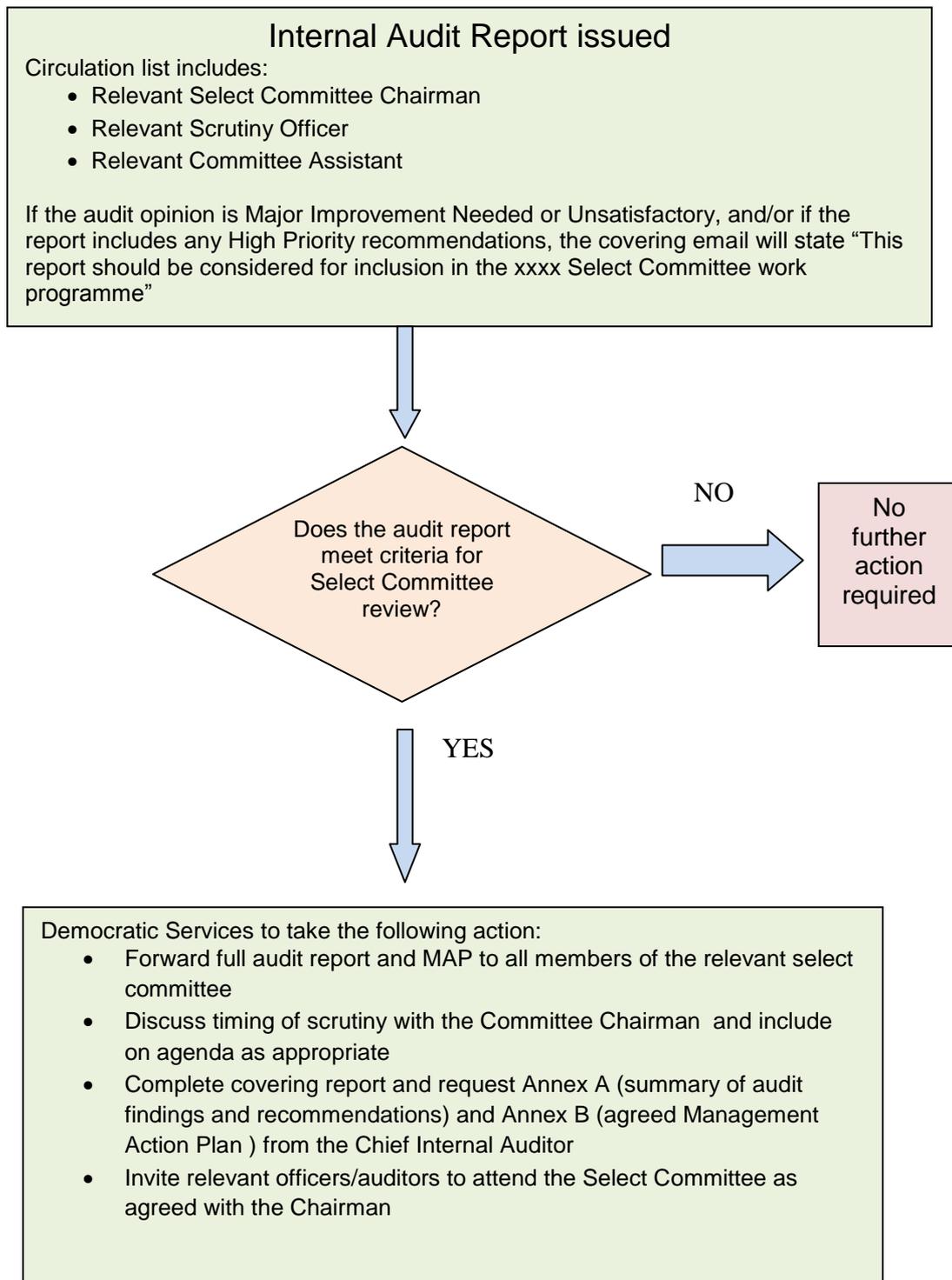
38. It has been agreed by the Chairmen of the Council’s Select Committees that any relevant Internal Audit reports that have attracted an audit opinion of either “Significant Improvement Needed” or “Unsatisfactory”, and/or those with High Priority recommendations, will be considered for inclusion on the Committee’s work programme. The process agreed with Democratic Services to ensure this happens is described at Annex A

VERSION CONTROL:

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| 1.0 | Approved by Audit and Governance Committee 19/11/08 | Effective from 01/12/2008 |
| 1.1 | Amended to include Strategic Director in circulation | Effective from 24/02/2009 |
| 1.2 | Amended to reflect comments made at Audit and Governance Committee 19/03/09 | Effective from 01/04/2009 |
| 1.3 | Amended to reflect Directorate/ Service Restructure | Effective from 11/01/2010 |
| 1.4 | Amended to reflect Protect designation, revised timescales for draft and final reporting times, additional distribution requirements, and incorporation of additional guidance on Galileo in this one document | Draft 01/03/10 |
| 1.5 | As agreed at Audit and Governance Committee 29/03/2010 | Effective from 01/04/2010 |
| 1.6 | Updated following CLT request for MAP ownership to be at Head of Service (or above) level. | Effective from 04/05/2010 |
| 1.7 | Updated to highlight the requirement to issue the Final Report and MAP together, plus reflect changes to the audit manual. | Effective from 09/07/2010 |
| 1.8 | Updated to reflect the responsibility of the Head of Service to inform Internal Audit if timescales in the MAP are likely to be missed. | Effective from 20/08/2010 |
| 1.9 | Revised following Internal Audit team comments. | Effective from 23/09/2010 |

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| 1.10 | Amended to reflect new Service Name | Effective from 01/04/2011 |
| 1.11 | Amendments as reported to A&G committee on 05/04/2012 | Effective from 05/04/2012 |
| 1.12 | Amendments as reported to and agreed with A&G committee on 18/03/2013 | Effective from 18/03/2013 |
| 1.13 | Amended to reflect the need to include officers from Democratic Services in report circulation | Effective from 11/12/2013 |
| 1.14 | Amended to reflect agreed process for Select Committee review (note as discussed with Chairman of A&G Committee) | Effective from 25/03/2013 |
| 1.15 | Amended to reflect the council's new arrangements for the security classification of data and information | Effective from 09/04/2015 |

SELECT COMMITTEE REVIEW OF INTERNAL AUDIT REPORTS – AGREED PROCESS



Note: The Select Committee is encouraged to seek assurance from officers that appropriate and timely action is being taken to address the audit recommendations made. The agreed Management Action Plan will be available as part of the Committee papers, but the supporting audit report will not be included with the public committee papers. This will have been previously circulated to committee members.

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