Bridgend CBC– Internal Audit

Compliance with the Code of Practice for Internal Audit

Prepared by: VM   Date Prepared: 26th January 2012

	Background **Code of Practice for Internal Audit in Local Government in the United Kingdom (CIPFA, 2006) – CIPFA Code.** The CIPFA Code's requirements are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2005 (Wales), Section 95 of the Local Government (Scotland) Act 1973, and Section 54 of the Local Government Act (Northern Ireland) 1972. Its themes are also relevant to a wider audience, such as police and fire authorities. The CIPFA Code is aimed at those who play a part in shaping or managing the internal audit function within their organisations, including: - Chief Executives - Responsible Financial Officers and other senior management - The Audit Committee - Elected members within local government in the UK, and - Heads of Internal Audit The CIPFA Code covers the following areas: - Scope of Internal Audit - Independence - Ethics for Internal Auditors - Audit Committees - Relationships - Staffing, Training and Continuing Professional Development - Audit Strategy and Planning - Undertaking Audit Work - Due professional Care - Reporting - Performance, Quality and Effectiveness	
Standard One	**Scope of Internal Audit** 2011/12 Terms of Reference were approved by Audit	1. TOR

	Committee on the 7th July 2011 and were found to be Compliant with the CIPFA Code and Standards for the Internal Audit function.	
	The Scope of Work is defined by the Internal Audit Strategy within the same document and a policy is in place for the Anti Fraud and Corruption arrangements.	2.Anti Fraud & Corruption Strategy
Standard Two	**Independence** The Internal Audit Terms of Reference define a framework within which Internal Audit operate to allow it: • Unrestricted access to the Chief Officers and Senior Management; • Reporting in its own name; • Segregation from line operation; • Freedom to determine its priorities. The Chief Internal Auditor has direct access to Senior Officers and Members for reporting purposes. Audit Staff make a formal declaration of relationships to ensure that a conflict of interest does not occur.	1. TOR 3. Declaration of Interest form
Standard Three	**Ethics for Internal Auditors** Regular team meetings, staff training sessions and staff appraisals educate staff with regards to the purpose, risks and issues of the service area. Where staff have previously held an operation role within another area of the Authority they are precluded from undertaking an audit in that business area for a period of one year. All new members of staff are issued with an "Introduction to the Internal Audit Section" manual to ensure that they have sufficient knowledge of the organisations aims, objectives and risks. * This document will need to be reviewed and amended when BCBC and VOG come together as a fully integrated Internal Audit Shared Service.* Audit briefs are issued to define the scope of each audit assignment.	4. Internal Audit manual 5. Audit Brief

Standard Four	**Audit Committees** The Chief Internal Auditor regularly attends Audit Committee meetings and is able to meet, as required, with members of the Committee. The Audit Committee approved the Internal Audit Plan on the 7th July 2011 and monitors progress of the department via Interim and Outturn reports.	
Standard Five	**Relationships** The Audit Manual and Council Constitution define the working relationship for Internal Audit with management, other Internal Auditors, External Auditors, other regulators and inspectors and Elected Members.	4. Audit Manual 6. Council Constitution
Standard Six	**Staffing, Training and Continuing Professional Development** The Chief Internal Auditor is professionally qualified and experienced as required by the CIPFA Code. Auditors are assessed annually via the staff appraisal system which identifies training requirements. A 'Staff Training Records' file is located within the department for auditors to maintain a record of their professional training and development activities.	8. Staff Appraisals
Standard Seven	**Audit Strategy and Planning** The Internal Audit Strategy, Annual Internal Audit Opinion and Operational plan encompasses the overall strategic approach for the section and this strategy is in line with the CIPFA requirements. The Chief Internal Auditor undertakes her own risk assessment whilst taking into account the overall Council wide risk management process. An Audit Risk Analysis Model which looks at the 'Size', 'Control' and 'Detection' parameters for each business function or system is utilised.	9. IA Strategy 10. IA Annual Plan 11. IA Operational Plan

Standard Eight	**Undertaking Audit Work** An Audit Brief that sets out the objectives, scope, timing, resources and reporting requirements for the individual assignments, is prepared and issued prior to the commencement of audit work. The department relies on an extensive Quality Management System (QMS) library which defines the standards for all audit documentation and working papers. There are defined policies for the retention of and subsequent access to all audit documentation, which conforms to the appropriate legislation and organisational requirements.	5. Audit Brief
Standard Nine	**Due Professional Care** The Council's Constitution incorporating 'Code of Conduct for employees; Gifts & Hospitality and 'Audit Manual' are a sample of the documents that set out the requirements of all audit staff in terms of being fair and not allowing prejudice or bias to override objectivity. The Terms of Reference establishes a monitoring and review programme to ensure that due professional care is achieved and maintained. The internal audit staff are members of AAT, ACCA, IIA and CIPFA and thus have to abide by the codes of ethics set by these organisation. The Anti-Fraud and Corruption section of the Internal Audit Terms of Reference, the Code of Conduct and Anti-Fraud and Corruption Strategy all establish a system for individual and auditors to disclose any suspicions of fraud, corruption or improper conduct.	1. TOR 13. Code of Ethics 2. Anti-Fraud & Corruption Strategy
Standard Ten	**Reporting** An opinion on the control environment and risk exposure is given in each audit report. The QMS system defines the standard for Internal Audit reporting. Exit meetings are held at the end of an audit with the relevant officers to allow discussion and agreement of reports. The "Audit Planning and Control Environment" (APACE) system is extensively used by Internal Audit to	

	record any significant findings, areas of disagreement, recommendations and risk categories when reporting on audit work. The Chief Internal Auditor has mechanisms in place to ensure that recommendations that have a wider impact are reported to the appropriate forum and that risk registers are updated as necessary. The Chief Internal Auditor produces an annual opinion report on the overall adequacy of the Council's internal control environment.	
Standard Eleven	**Performance, Quality and Effectiveness** Internal Audit has satisfactory processes in place to ensure that all staff are supervised appropriately when conducting audits. There are three Senior Group Auditors who provide support and guidance when required. Newcomers are partnered with an experienced Auditor who will act as a 'mentor' or 'buddy' to provide assistance and guidance when needed. There are arrangements in place to access the performance and effectiveness of each individual audit and the Internal Audit service as a whole. Quality of work is ensured by supervision of staff throughout all audits and, by use of training records and experience, ensuring that work is allocated to the most appropriately skilled and experienced Auditor. User feedback is sought for each audit by the use of Client Satisfaction Surveys. These surveys record information relating to audit planning, conduct of audit, audit report and agreement with overall audit opinion. The outcome of these surveys will ultimately be reported to Audit Committee.	12. CSS