



Guidance notes for auditees

Purpose

All local authorities are legally required under the Accounts and Audit Regulations to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes”. This guidance is designed to help managers get the most out of internal audit, ensure the process runs as smoothly as possible and detail what is expected of auditees and what auditees can expect from the auditors.

Internal Audit Arrangements within BFC

The Accounts and Audit Regulations place a legal requirement on local authorities to have internal audit. BFC's Financial Regulations (4.4) require the Director: Finance to maintain an adequate and effective internal audit of the authority. In addition, section 3.3 of Appendix C of the Financial Regulations, provides more detailed information on internal audit. In addition to audit reports issued, a breakdown of audits showing the assurance opinion and number of recommendations of every audit is reported to CMT and Members of the Governance and Audit Committee. Where no assurance, inadequate or partial assurance opinions are concluded a very brief summary of the reasons will be reported to Members at the Governance and Audit Committee as required by mandatory Public Sector Internal Audit Standards. This information will be in the public domain. and, along with other information, forms part of the Authority's statutory Annual Governance Statement.

An annual risk based audit plan is produced in consultation with each directorate. Internal Audit is a management tool that is intended to support managers by providing them with assurance so it is vital that managers fully engage with the Head of Audit and Risk Management during the development of the plan to ensure it is targeted where needed. The plan drives the majority of the audit visits, but a small number take place in response to particular risks or concerns raised by managers which arise during the year. Most of the planned audits are carried out by either Mazars Public Sector Internal Audit, TIAA Ltd or under an agreement with Reading and Wokingham Borough Councils' Internal Audit Services.

The Audit Process

The Internal Audit function within the Authority comes under Sally Hendrick, the Head of Audit and Risk Management.

What is required from the auditors

Booking of planned audits	Auditees should be notified at least 15 working days before the start of audit work.
Issue of Audit Brief (Terms of Reference)	To be issued to the auditee and relevant Assistant Director or equivalent for comment and approval at least 10 days before the audit starts. Before the audit commences, the Assistant Director or equivalent for the service must approve the brief.
Exit Meetings	To be carried out at an agreed time within 5 days of the completion of audit work and should cover all recommendations made. The auditee should be informed of any changes made following quality review of the audit work. The relevant Assistant Director or equivalent must be invited.
Report	Draft report and client satisfaction questionnaire to be issued within 15 working days of the exit meeting. The draft report will be issued to the Assistant Director, the auditees who were key contacts during the audit and other relevant staff as appropriate depending on the audit such as the Finance Business Partner. If an inadequate or partial or no assurance opinion has been given the draft report will also be sent to the Director. The final report to be issued to all recipients of the draft report and the relevant director within 10 days after receipt of final management response to the draft. It will also be copied to the Director: Finance and the external auditors, Ernst and Young. (EY)
General	The auditors should communicate with auditees throughout the audit process and keep them informed of progress. All records examined should be returned in the condition in which they were presented and no original records should be removed by the auditor, although records may be photocopied. Although the auditor may wish to speak to you on the telephone or request some information by e-mail, the majority of the audit work should be carried out on site in person.

What is required of auditees

Bookings	<p>As long as the required notice has been given, unless there is a genuine reason why the timing is not appropriate or key staff will not be available, please agree to the suggested date. Officers should ensure they make themselves available throughout the course of the audit and where they are unexpectedly detained elsewhere ensure an alternative officer is available to assist the auditors. Officers should also ensure that any system access required by the auditors is provided in advance of the audit. The Assistant Director, Head of Service and all key staff who will be contacts during the audit must be made aware of when the audit will be taking place and that they may be required to produce records or answer questions.</p>
Audit Brief (Terms of Reference)	<p>Ensure that everyone involved has seen the brief and that the Assistant Director or equivalent has agreed to the scope and audit approach before the auditors start work. Internal Audit is a management tool to support management in meeting their responsibilities to put effective controls in place so it is important that the scope of the audit will provide the assurance that managers need. If the proposed scope of the audit does not do this then please go back and challenge this and work with the auditors to come up with an agreed terms of reference. Ask questions if unclear about anything.</p>
Access to information	<p>The Accounts and Audit Regulations place a legal requirement on officers to</p> <ul style="list-style-type: none">(a) make available such documents and records; and(b) supply such information and explanations as are considered necessary by those conducting the internal audit. <p>Please ensure for the purposes of the audit you make available such documents and records, as well as supply such information and explanations required by the auditors conducting the internal audit. Remember they can only make evaluations on documents and information they are given. Auditors must not be misled or provided with incorrect information. (Please see the Section 3.3 of the Financial Procedures for more detail).</p> <p>Legal have confirmed that audit is entitled, under General Data Protection Regulations (GDPR), to access to any personal/ sensitive information it requires due to audit being a statutory service under the Accounts and Audit Regulations.</p>

Exit Meeting	Ensure the appropriate people attend the exit meeting. Ensure your line manager is made aware of the exit meeting and is given the opportunity to attend. It may be advisable for other staff to attend this meeting, if they will be involved in implementing the recommendations. The relevant Assistant Director or equivalent for your service area should also have been invited. If you become aware that they have not been invited you must query this with the auditor. The exit meeting is a key part of the process where any misunderstandings from the audit can be discussed or additional information provided to ensure that the draft report issued is as accurate as possible and we would encourage Assistant Directors to attend in all cases.
Reports	Respond to the draft audit report within 15 days of receipt. If you agree with the report, complete Appendix C (Agreement to the Report) of the report by signing it and sending a scanned copy to the address provided on the report. If you have queries on the report, raise these promptly with the audit contractor in the first instance. Please note that the recommendations are proposals and not set in stone. If you think they are impractical and that alternative actions would be more appropriate to address the weakness and risk then please do raise this with the auditor to ensure that managements actions plans are accurate, relevant and achievable.
Client Satisfaction Questionnaires	To ensure we deliver the most effective internal audit service we really need to get feedback from auditees on the service provided by our contractors. Completion of these questionnaires has been made mandatory by the Governance and Audit Committee and should be returned to the Internal Audit Contract Manager promptly. All unsatisfactory responses are followed up and comments are welcome.
Implementation of Recommendations	As noted above, please do not agree to recommendations that you know you cannot implement and ensure the date agreed for implementation is achievable. Once you have agreed to implement recommendations you will be expected to do so and progress on implementation will be monitored and followed up. Where follow up identifies that agreed recommendations have not been implemented, this is reported to the Governance and Audit Committee who may call in officers to explain the reasons for this and set out what action they are taking to address this. This is particularly likely for reports with a no assurance, inadequate or partial opinion.

Additional advice to help the process

- Ensure auditors are given desk space and made aware of the location of all necessary facilities including the photocopier.
- Feel free to ask the auditors questions throughout the duration of the audit and try to respond to their questions fully.
- Do not send sensitive documents by e-mail unless you are able to send it by the secure email facility and if you are unsure about sending anything by e-mail check with Sally Hendrick or Michele Woodhatch first.

Financial Irregularities

Please be reminded that irregularities or suspected irregularities must be reported to the Director: Finance and Head of Audit and Risk Management immediately. The Director: Finance will determine the way these are followed up.

Finally, if there is a problem during the audit process that you cannot resolve with the auditors please do not hesitate to contact either Sally Hendrick (01344 352092) BFC Head of Audit and Risk Management or Michele Woodhatch (01344 352322) BFC Internal Audit Contract Manager.

