

## **SUMMARY COMPLIANCE WITH THE CODE OF AUDIT PRACTICE**

The Code of Practice (The Code) sets out organisational and operational standards for internal audit in Local Government. A general position statement on compliance with each of these is set out below:

- 1 Scope of Internal Audit – The terms of reference were approved by the Audit Committee in March 2008. The scope of work and responsibilities are set out in an approved Service Plan. A Service Level Agreement covering these aspects has been discussed and agreed with Stevenage Homes Ltd. An Audit Charter was introduced during 2004.
- 2 Independence – organisational status enables Internal Audit to function effectively. The Code states that the Chief Internal Auditor (CIA) should not normally be managed at a lower level than the corporate management team. However effective discussion of audit issues is still undertaken with Officers of this level including monthly meetings with the Strategic Director - Resources as S151 Officer. Also the immediate line manager for the CIA is the Head of Finance who is the designated Deputy S151 Officer. The independence of individual auditors is maintained by not having any operational responsibility for the areas audited.
- 3 Ethics for Internal Auditors – internal auditors demonstrate integrity in all aspects of their work and an environment of trust and confidence is established. Internal Auditors are objective, free from conflicts of interest and are regularly rotated. The CFO ensures that staff have sufficient knowledge and competencies to undertake their roles. Staff fully understand their obligations in respect of confidentiality.
- 4 Audit Committee or equivalent – there are specific mechanisms for reporting to members at overview level. An Audit Committee was introduced during 2006/07 and its contribution to the overall internal control system has been very effective and this continues to be developed.
- 5 Relationship with management, other auditors and other review bodies – the Council seeks to co-ordinate internal audit work with that of other review agencies. External audit relies on the work of Internal Audit for assurance purposes. Regular liaison meetings are held with external audit and the protocols are reviewed on a frequent basis.
- 6 Staff training and development – the establishment levels for staff are appropriate in terms of numbers, qualification levels and experience having regard to its objectives and to the Code. However, 2007/08 has been a period of change with the previous Partnership Audit Manager leaving and the partnership with Uttlesford been discontinued. A pilot partnership with North Herts DC commenced but that has been terminated with effect from 31 March 2008. The Council took a strategic decision that

in order to successfully manage the completion of the Audit Plan to the required standards, a full time Chief Internal Auditor was required. An appointment has been made with the person starting in May 2008.

- 7 Audit Strategy and Planning – the purpose, authority and responsibility of Internal Audit and how the service will be delivered are formally defined within the Terms of Reference and Strategy. The requirement to have such documents in place is contained within the Code. These documents were approved by the Council's Audit Committee in March 2008 and SHL's Audit Committee in February 2008. The work and resource of Internal Audit are allocated using a risk-based approach. This helps to ensure that the work undertaken by the Section is focused on the objectives and challenges faced by the Council and the related key risks as identified in the organisation's risk register. Interim additional resources are being used during early 2008/09 to assist in completing the planned audits which have slipped from the previous year. The annual Audit Plan is reported to and approved by strategic management and the Audit Committees of both the Council and SHL
- 8 Management of audit assignments – assignments are proposed, discussed and agreed with line managers. A risk-based, systematic approach is undertaken. Assignments are recorded and there are standards for documentation and working papers.
- 9 Due professional care – is appropriate to the objectives, complexity, nature and materiality of the audit being carried out. Care is ultimately achieved by adherence to the Code and quality assurance.
- 10 Reporting – audit assignments and their results are reported to those charged with governance and any third parties. Regular progress reports against the Audit Plan are presented to the Audit Committee of both the Council and SHL. The standard of work was largely satisfactory but there was significant slippage reported to both Audit Committees.
- 11 Quality assurance – the work of Internal Audit is controlled at each level of operation. The management of Internal Audit is planned and monitored through a service plan, audit manual, staff appraisals, performance measures and indicators. Internal Audit is subject to regular quality review by External Audit.