

Great Aycliffe Town Council

Internal Audit Code of Practice



Finance Section

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1.0 Purpose of the Internal Audit Code of Practice

1.1 The purpose of this Internal Audit Code of Practice is as follows:

- To set out the terms of reference for the undertaking of internal audit activity within the Town Council;
- To establish the purpose, powers, authority, responsibility and objectives of the Council's Internal Audit Service;
- To ensure compliance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards 2013; and
- To specify the expected processes, procedures and documentation to be used by the Internal Auditor in undertaking internal audit work.

2.0 Statutory Basis

2.1 Internal Audit is a service which must be provided to the Council as a statutory requirement of The Accounts and Audit Regulations 2015, which state that the Council must *'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'*.

2.2 The Accounts and Audit Regulations 2015 also require any officer or Member of the Council to *'make available any such documents or records, information and explanations as are considered necessary'* for the purposes of the internal audit.

2.3 The Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013, constitute current proper practices for internal audit.

2.4 The work of the Internal Audit Service also makes a significant contribution towards the statutory requirement in the Accounts and Audit Regulations 2015 for the Council to have in place a *'sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the Council is effective and includes effective arrangements for the management of risk'*.

2.5 The Council's Internal Auditor contributes towards the annual review of the effectiveness of the Council's governance arrangements and system of internal control which is reported every year within the Annual Governance Statement in the Annual Return.

2.6 The work of the Internal Auditor also makes a significant contribution in meeting the Council's statutory responsibilities in relation to the prevention and detection of fraud and ensuring it has in place sound arrangements for securing value for money in its use of resources.

2.7 The Council's Annual Internal Audit Report is independently reviewed by the external auditors, Mazars LLP, periodically to ensure that the Internal Audit Service is effectively meeting the above statutory requirements.

3.0 The Public Sector Internal Audit Standards (PSIAS)

3.1 The Public Sector Internal Audit Standards defines internal audit as:-

“An independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

3.2 The Public Sector Internal Audit Standards also set out a number of standards for internal auditors, broken down into Attribute Standards and Performance Standards.

3.3 The Attribute Standards are as follows:-

*1000 Purpose, Authority and Responsibility
1100 Independence and Objectivity
1200 Efficiency and Due Professional Care
1300 Quality Assurance and Improvement Programme*

The Performance Standards are as follows:-

*2000 Managing the Internal Audit Activity
2100 Nature of Work
2200 Engagement Planning
2300 Performing the Engagement
2400 Communicating Results
2500 Monitoring Progress*

3.4 Internal auditors are also expected to conform to the Code of Ethics set out in the Public Sector Internal Audit Standards.

3.5 The Code of Ethics aims to promote an ethical culture in the profession and practice of internal auditing, and is based around four key principles, each supported by rules of conduct that describe the behaviour norms expected of internal auditors.

3.6 The four principles are integrity, objectivity, confidentiality and competency.

3.7 A full copy of the Public Sector Internal Audit Standards is attached at Appendix 1, and provides much more information on the above Standards and the Code of Ethics.

3.8 This Internal Audit Code of Practice recognises the mandatory nature of the Public Sector Audit Standards and puts in place a framework to ensure that the Internal Auditor complies with the requirements of the above Attribute Standards, Performance Standards and Code of Ethics in the undertaking all internal audit activity.

4.0 System of Internal Control

- 4.1 The Accounts and Audit Regulations 2015 require the Council to have in place a 'sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the Council is effective and includes effective arrangements for the management of risk'.
- 4.2 The system of internal control refers to the strategies, policies, management systems and structures, procedures and controls that are in place within the Council, which together control the way the Council manages its business, formulates its priorities and objectives, manages risk, and delivers its services in a way that meets those objectives.
- 4.3 The system of internal control is based on a framework including the proper establishment of the Council's priorities and objectives, effective performance management, compliance with financial regulations, standing orders and supporting financial procedures, appropriate segregation of duties, management supervision, internal audit, and a system of delegation, authorisation and accountability.
- 4.4 The system of internal control helps to ensure the effective exercise of the Council's functions in compliance with all relevant laws, acts, regulations and proper practices, promotes the economic, efficient and effective use of public resources, safeguards the Council's assets and interests, and puts in place proper arrangements for the management of risk.
- 4.5 The Finance Manager, supported by the Internal Auditor, is responsible for establishing the overall system of internal control, reviewing its effectiveness, and monitoring and ensuring compliance by officers of the Council.
- 4.6 It is the responsibility of service managers to ensure sound internal control arrangements are in place and being followed in relation to their individual service areas, and that these meet the requirements of the Financial Regulations and supporting financial policies and procedures.
- 4.7 The Accounts and Audit Regulations 2015 also require the Council to carry out an annual review of the effectiveness of its system of internal control and report the outcome of this review within the Annual Governance Statement in the Annual Return.
- 4.8 The annual review of the effectiveness of internal control is significantly informed by the work of the Internal Auditor, who is responsible for ensuring all of the major services, systems and processes of the Council are reviewed annually in order to ensure the internal financial controls are in place and operating effectively.
- 4.9 The Internal Auditor will make comments where necessary in relation to identified weaknesses in internal control arrangements during audit reviews, and will make recommendations for improvements in audit reports.

5.0 Links to Strategic Aims

- 5.1 This code of practice contributes to the Council's Strategic Aim: *"To manage the Council's finances and assets in a responsible manner"*.

6.0 Objectives of the Internal Audit Service

- 6.1 The primary objective of the Internal Audit Service is to provide independent, objective, reasonable, evidence based assurance on the effectiveness of the Council's risk management, internal control and governance arrangements, and to report this to the Council's Audit Sub Committee on a regular basis.

- 6.2 In achieving the above, it is the responsibility of the Internal Auditor to undertake audit examinations of all major services, activities, systems and processes, on an annual basis, and to review, appraise and report on the following key factors:-

- The adequacy of risk identification, assessment and mitigation;
- The adequacy and application of internal controls to mitigate identified risks;
- The adequacy and extent of compliance with the Council's corporate governance framework;
- The completeness, accuracy, quality, integrity and reliability of financial management information, accounts and other records;
- The extent of compliance with relevant legislation and regulations;
- The extent of compliance with the Council's established and approved financial regulations, standing orders, and supporting policies and procedures;
The extent to which the organisation's assets and interests are accounted for and safeguarded from losses including fraud, waste, extravagance, inefficient administration and poor value for money;
- The securing of value for money in the delivery of services; and
- An assessment of the measures and controls in place to ensure the prevention and detection of fraud.

- 6.3 The Internal Audit function will be competent, objective, independent of the financial operations of the Council and free from any conflicts of interest.

- 6.4 The Internal Auditor will therefore have no involvement in the financial decision making, management and control of the Council and will not, under any circumstances, perform any operational duties for the Council, initiate or approve any financial transactions, or direct the activities of any Council employee.

- 6.5 The annual opinion of the Internal Auditor in relation to the above objectives will be reported to the Council's Audit Sub Committee and included in the Annual Internal Audit Report which forms part of the Council's audited and published Annual Return.

7.0 Outcomes of the Internal Audit Service

- 7.1 The main outcome of an effective Internal Audit Service is the provision of independent assurance to “those charged with governance”, i.e. the Council, via its Audit Sub Committee, on the effectiveness, or otherwise, of the Council’s risk management, internal control and governance arrangements.
- 7.2 In doing so, the Internal Audit Service will contribute towards the following improvements:-
- Improved identification and management of risks contributing to better performance management and the successful achievement of the Council’s strategic aims and targets;
 - Improved corporate governance through helping to support compliance with relevant legislation, financial regulations, standing orders, policies, plans and procedures;
 - Improved accountability, safeguarding of assets and interests and better use of public resources;
 - Improved quality and reliability of financial and other management information used to support informed decisions

8.0 Independence, Objectivity and Authority

- 8.1 To be effective, the Internal Auditor must operate independently and in an unbiased manner, both in terms of organisational status and personal objectivity.
- 8.2 In order to achieve this, the Internal Auditor must be completely independent of the services and systems which they audit, and also free to determine their own objectives and priorities.
- 8.3 The Internal Auditor must also have unrestricted access to all information deemed necessary in the course of their work.
- 8.4 The Internal Auditor therefore has direct and unrestricted access to any employee or Elected Member of the Council in the undertaking of internal audit reviews, and the freedom to report the conclusions and recommendations from individual audits to senior officers and members of the Council’s Audit Sub Committee.
- 8.5 The Internal Auditor, with strict accountability for confidentiality, is authorised unrestricted access to all records, assets, and premises, in order to obtain such information and explanations as they consider necessary to fulfil their responsibilities.
- 8.6 The Internal Auditor should operate with an objective attitude of mind, and must be free from any conflict of interest arising from personal or professional relationships, pecuniary or other interests, or any other undue influences.

- 8.7 They should be free from interference and able to exercise judgement, express opinions, and present recommendations with complete impartiality. They should also be free from direct management responsibility for the development and implementation of any of systems relating to the services being audited.
- 8.8 For day to day audit activities the Internal Auditor will report to the Finance Manager, Town Clerk and relevant service managers as required, and will maintain independence by reporting all internal audit work to the Council's Audit Sub Committee on a regular basis.

9.0 Working Relationships and Due Care

- 9.1 The Internal Auditor is responsible for developing and maintaining a wide range of constructive relationships with Members, service managers, other officers, external agencies and the Council's external auditors.
- 9.2 In particular, the relationship between the Finance Manager and Internal Auditor and the external auditor, must be focussed on co-operation in order to achieve the best results and outcomes. The external auditors place reliance on the work of the Internal Auditor when forming their annual audit opinion.
- 9.3 It is also important that the Internal Auditor actively encourages and promotes co-operation between themselves and service managers in order to make best use of the available audit resources and deliver the best audit outcomes.
- 9.4 The Internal Auditor must be tactful and exercise discretion in carrying out their duties, and must offer assistance and advice to clients when requested. The Internal Auditor must ensure that any sensitive matters arising from their audit work are treated with the utmost confidentiality.
- 9.5 It is the responsibility of the Internal Auditor to ensure that the elected members are kept aware of the role, responsibilities and completed and on-going internal audit work, by reporting to the Council's Audit Sub-Committee on a regular basis.
- 9.6 The Internal Auditor is expected to perform their work with the necessary diligence, competence, and skill in order to demonstrate due care. They are also bound to act with integrity, and to discharge their duties in an honest, fair, and truthful way. In order to demonstrate this, the Internal Auditor must be able to evidence that their work has been performed in a way that is consistent with the relevant professional standards i.e. The Public Sector Internal Audit Standards (PSIAS).
- 9.7 The Internal Auditor must be beyond reproach in the execution of their duties, free from bias, prejudice and undue influence and never place themselves in a position where personal interests conflict with their professional duties. Any such interests must be declared. Gifts and other rewards should never be accepted

10.0 Scope of Internal Audit Work

- 10.1 The work of the Internal Audit Service will cover all functions, activities and services for which the Council is responsible, and include all major financial systems, internal controls and procedures operated within those services.
- 10.2 In addition, Internal Audit will also provide support, advice and guidance on managing risk and implementing or improving internal controls and financial procedures for current and new systems or services, and will lead on the investigation of any suspected instances of fraud or corruption.

11.0 Audit Planning and The Annual Audit Plan

- 11.1 The level of internal audit resources required to deliver an effective internal audit service that meets statutory requirements and the needs of the Council, will be determined by the Finance Manager and Internal Auditor in consultation with the Council's external auditors and approved and agreed by the Audit Sub Committee, Policy and Resources Committee and Council.
- 11.2 The Council currently employs a part time Internal Auditor working 18 hours per week. This provides internal audit coverage amounting to 108 days per year and is considered to be an appropriate level of coverage, relevant to the size of the Council and the current scope of its services and activities.
- 11.3 A risk based approach will be applied to annual audit planning to allow sufficient work to be undertaken each year in respect of each service area and financial system so as to draw reasonable conclusion and assurance on the effectiveness of the whole of the Council's risk management, control and governance arrangements.
- 11.4 The Council's Corporate Risk Registers will be used to inform the audit planning process.
- 11.5 Priority will be given to those risks where controls have been identified as the means of managing the risk and where the effective management of the risk is heavily dependent on the identified controls, and there is little or no other source of assurance.
- 11.6 In order for audit work to be effective, it is essential that the Internal Auditor, in accordance with the Public Sector Internal Audit Standards, plans, controls, and records their work via an annual audit plan.
- 11.7 The Annual Internal Audit Plan is produced in advance of each financial year, and involves matching and balancing the audit work that is required to be carried out following the assessment of risks and controls against the staffing hours that are available.

- 11.8 The main objectives of the Annual Internal Audit Plan are as follows:-
- Providing a means of matching internal audit staffing resources to audit priorities;
 - Ensuring that audit work is concentrated in high risk areas and to determine high priority work areas;
 - Setting audit objectives and enabling the Internal Auditor to plan their workload;
 - Setting a performance target and a basis for monitoring and controlling internal audit work;
 - Ensuring that audit work is completed in accordance with predetermined targets; and
 - Providing a method of communicating audit plans and justifying the use of audit resources to management and Members.
- 11.9 The Annual Internal Audit Plan is prepared by the Internal Auditor and is submitted to the Council's Audit Sub-Committee for approval.
- 11.10 The Plan is monitored on a monthly basis and a quarterly progress report is taken to the Audit Sub-Committee.
- 11.11 The Plan is updated at the end of every year and an indicative three year rolling programme of work is also now in place. A copy of the current three year rolling Audit Plan is attached at Appendix 2.
- 11.12 The plan is prepared by calculating the man hours available, taking into account annual leave and bank holidays, training, and a contingency for unplanned issues, and then prioritising the required audit work according to the following criteria:-
- Outstanding audits carried forward from the previous year;
 - A review of the Council's Corporate Risk Register;
 - An assessment of the level of risk in respect of each individual audit review, considering issues such as the number of controls in place, risk of fraud and error, and whether the service area is a major source of income or expenditure for the Council;
 - Past experience; and
 - The recommendations and follow up of previous audits.
- 11.13 All key systems and service areas are audited annually.
- 11.14 A formal risk assessment exercise is not currently undertaken to prioritise audit work, although the Council does have a Risk Management Strategy and a corporate risk register is in place, and reliance is placed upon these in planning audit work each year.
- 11.15 Any necessary amendments to the plan e.g. as a result of additional work arising during the year, are made towards the end of a financial year and some audits may then be rolled forward into the next years' plan as a result. All amendments are approved by the Audit Sub-Committee.

11.16 The work of the Internal Auditor is also incorporated into the Finance Service Plan, which defines the role of the Finance Service and how it contributes towards the Council's Strategic Aims and Targets and monitors the performance of the Finance Service including Internal Audit.

12.0 Conducting an Internal Audit Review

12.1 The following section of the Audit Manual provides detailed guidance on the conducting of an audit, from the original planning of the systems and audit testing, through to the reporting of audit conclusions and recommendations. The conducting of an audit is broken down into the following areas:-

- Audit Programmes
- System Notes
- System Based Audits
- Regularity Audits
- Audit Testing
- Audit Working Papers and Evidence
- Audit Files

Audit Programmes

12.2 Prior to the commencement of each audit, the manager of the service area should be informed in advance of the audit, and of the work to be carried out. This will be achieved by issuing an Audit Programme which will summarise the following:-

- The scope and objectives of the audit;
- The key areas and controls that will be reviewed;
- The nature of the audit tests planned for each area of the audit;
- The planned dates of the audit and estimated number of days;
- The action plan from the previous audit with any outstanding issues that need to be followed up.

12.3 At this stage the service manager can also suggest to the Internal Auditor any areas which they would like to be looked at in addition to the scheduled audit work. However, the likely impact of any additional work requested on the Annual Internal Audit Plan will need to be assessed.

12.4 The objectives for each audit and the specific audit testing that must be carried out are documented in an Audit Programme. The Internal Auditor should acquaint themselves with the Audit Programme before commencing the audit.

12.5 The Audit Programme should be reviewed and updated at the conclusion of each individual audit, to take into account any changes to the system or service area, any identified weaknesses in internal controls, key staff changes, risk assessments, specific problems etc.

System Notes

- 12.6 All major systems audits should have a set of System Notes or a Systems Flowchart which describe the system and its key internal controls.
- 12.7 System Notes should be in place for the following major systems audits:-
- Payroll
 - Accounts Payable
 - Accounts Receivable
 - Cash Book and Bank Reconciliation
 - Nominal Ledger

System Based Audits

- 12.8 System based audits focus on an individual system and testing and evaluating the controls in place. The definition of a system for audit purposes is *“a series of procedures, processes and controls aimed at achieving a specific objective”*.
- 12.9 One of the key outcomes in undertaking systems based audits is that it allows the Internal Audit Service to form an opinion on the overall internal control environment operating within the Council as required under the Account and Audit Regulations 2015.
- 12.10 All systems based audits carried out by the Internal Audit Service will be undertaken in accordance with the Public Sector Internal Audit Standards, and undertaken in accordance with the following criteria:-
- Carry out an initial evaluation of the full extent of the system;
 - Compile detailed system notes recording the system structure, processes, procedures and document flow;
 - Undertake an assessment of risk;
 - List the control objectives and identify the internal controls;
 - Assess the internal controls;
 - Draw up compliance and substantive testing programmes;
 - Carry out analytical review;
 - Carry out compliance testing to confirm controls exist;
 - Carry out substantive testing to confirm controls are effective and consistently applied;
 - Give a considered opinion on the reliability and effectiveness of the system;
 - Report any recommendations to the relevant service manager, Town Clerk, Finance Manager and Audit Sub Committee.

Regularity Audits

- 12.11 A regularity audit is carried out in addition to a system based audit and its purpose is to examine individual transactions to ensure that they are lawful, accurate, valid and authorised, and help to provide assurance that internal controls within services and systems are working effectively.
- 12.12 The level of checking and testing required will depend upon the service area or system under review, the risk, and the level of internal control in place and will be detailed in the Audit Programme.
- 12.13 All regularity audits carried out by the Internal Audit Service will be undertaken in accordance with the Public Sector Internal Audit Standards

Audit Testing

- 12.14 Before any detailed audit testing is carried out the Internal Auditor should complete an analytical review exercise which involves comparing key data and statistics from current and prior periods. Any significant fluctuations between periods should be identified and investigated. This exercise also covers budgetary control and the investigation of material variations between budgeted and actual income and expenditure.
- 12.15 Audit testing is designed to evaluate the effectiveness of internal controls and mitigate risks through substantive testing and / or compliance testing.
- 12.16 Compliance testing will confirm if a control actually exists, while the testing of individual transactions and balances is known as substantive testing and provides assurance that the control is effective and consistently applied.
- 12.17 The degree of testing to be carried out will depend on how sound the internal controls are, and will be relative to the impact and likelihood of a risk occurring due to a control weakness.
- 12.18 Actual audit testing will generally be carried out in accordance with the Audit Programme, and informed by the auditor's assessment of risk and the outcome of the analytical review.
- 12.19 An appropriate sample size will need to be chosen for each individual audit test, in order for the auditor to be satisfied as to the accuracy and efficiency of the system and internal controls under review. It is rarely necessary to test check every transaction i.e. the entire population.
- 12.20 The Internal Auditor should always form a judgement on the most appropriate way to approach audit testing i.e. evidence gathering, for each individual audit. The Internal Auditor does not need to adhere to existing audit programmes if circumstances suggest an alternative or supplementary approach is necessary.

12.21 The test checks carried out should generally conform to the following principles:-

- Test checks should normally be applied to all areas of the audit programme, unless there are clear reasons as to why testing should not be carried out;
- A sufficient number of transactions should be tested to provide reasonable assurance of the accuracy or otherwise of the entire population;
- The sample to be tested should be chosen to include transactions from across the entire audit period under review, unless there is good reason to concentrate audit activity in one particular period;
- The sample size, level of coverage, and sampling method should be justified and should take into consideration exceptional and material items; and
- Where errors are found in a sample, consideration needs to be given to extending the testing, depending on the number and significance of the errors.

12.22 The Internal Auditor should also maintain a sense of proportion and context with regards to audit findings. A distinction must be made between those queries which indicate system weaknesses and those which relate to trivial or isolated errors.

Audit Working Papers and Evidence

12.23 Each audit test should be supported by a working paper detailing the type of test carried out, reasons for the test, sample size, supporting records and evidence and the key results and any important findings.

12.24 All working papers should be numbered and cross referenced to the main audit report.

12.25 It is the responsibility of the Internal Auditor to ensure that the evidence used in support of any audit conclusions reached is sufficient, relevant and reliable.

Audit Files

12.26 In order to evidence the fact that each internal audit has been completed from the planning stage through the audit testing to the conclusions, recommendations and final audit report, an audit file should be set up for each individual area of audit activity.

12.27 Audit files should contain the following documentation:-

- A Systems Note documenting the main features of the system being reviewed;
- An Audit Programme detailing the audit testing to be carried out;
- Copies of previous Audit Reports and Action Plans;
- Current Audit Report and Action Plan; and
- All Audit Working Papers and Evidence

13.0 Audit Reporting

13.1 Each annual audit will be the subject of a formal report and will include an audit opinion.

13.2 The primary purpose of issuing audit reports is to provide management with an opinion on the adequacy or otherwise of the internal control environment and to inform management of the significant audit findings, conclusions and recommendations.

13.3 It is important that the Internal Auditor ensures that audit reports are clear, concise, and based on sufficient, relevant, reliable evidence.

13.4 Every audit report will follow a standard format, as summarised below:-

- An introduction highlighting the scope, purpose and extent of the audit;
- The audit objectives highlighting the key objectives of the audit and the testing that will be carried out;
- The overall audit opinion summarising the main conclusions and recommendations from the audit and indicating the strength of the internal controls in place, and the level of risk which the findings were deemed to pose i.e. low, medium, or high;
- The findings from the previous audit, detailing any recommendations from the previous audit requiring action to be taken, whether they have been implemented, and any follow up work required;
- The findings from the current audit, detailing all audit testing carried out and the findings from this testing broken down by each audit objective and cross referenced to working papers;
- The conclusions and recommendations from the audit, summarising the degree of reliability which can be placed on the internal controls in place and the recommendations for improvement which logically flow from these conclusions.

13.5 A copy of the audit report should be sent to the manager of the service area or system being audited, immediately following the conclusion of the audit and a follow up meeting arranged to discuss and agree the report. The discussion will seek to eliminate any inaccuracies in the audit findings so that these can be resolved before the final report is issued.

- 13.6 Management responses to recommendations made in the draft report will be incorporated into the audit report which will then be reissued as the final version.
- 13.7 Following agreement of the final audit report with the relevant manager an action plan should be agreed with the manager which should have details of the date the recommendations were agreed, the proposed date for implementation, and the officer responsible for implementation.
- 13.8 It is the responsibility of management to address the audit findings and implement audit recommendations.
- 13.9 In the event of a service manager refusing to recognise or implement a significant audit finding or recommendation, the issue will be brought to the attention of the Finance Manager and the Town Clerk, and ultimately the Audit Sub Committee. The issue should be resolved either by the implementation of the recommendation, or recognition and acceptance by the Finance Manager and Town Clerk and Audit Sub Committee of the risks involved in not implementing the recommended action.
- 13.10 The Internal Auditor will ensure that arrangements are in place to monitor the progress made with the implementation of significant audit recommendations set out in audit reports. Internal Audit follow up work will be geared towards reviewing management action. The timing and extent of any follow up work will depend on the importance and nature of the recommendations made.

14.0 Investigation of Fraud

- 14.1 The Council has an approved Anti-Fraud and Corruption Policy and a Confidential Reporting Policy, which are designed to help prevent and detect fraud and corruption. These policies are supported by a Fraud Reporting and Investigation Procedure which outlines the mechanism for reporting fraud and the procedures to be followed in the event of a suspected fraud.
- 14.2 The Internal Auditor will ensure that they are familiar with this policy and the procedures to be followed if they are involved in the investigation of a suspected fraud.
- 14.3 The Internal Auditor will be expected to assist in the investigation of cases of suspected fraud, working alongside the Town Clerk, Finance Manager, and the relevant service manager, in consultation with the Chairman of Policy and Resources Committee, as part of the Fraud Investigation Group.

- 14.4 The Internal Auditor will usually lead on any investigative work and evidence gathering on a day-to-day basis. The Internal Auditor will open a file to record chronologically:
- Telephone conversations;
 - Face to face discussions and interviews;
 - Evidence received and reviewed;
 - Records and documents reviewed;
 - Tests undertaken and their results; and
 - Conclusions of the investigation.
- 14.5 The Internal Auditor will ensure that the correct form of evidence is obtained and appropriately retained, witnessed and corroborated that may include:
- Prime documents;
 - Certified copies;
 - Physical items;
 - Secondary evidence;
 - Circumstantial evidence; and
 - Hearsay.
- 14.6 The Internal Auditor will also ensure that all interviews are conducted in the right manner and in particular that the requirements of the Police and Criminal Evidence Act are complied with when undertaking any interviews with suspects.
- 14.7 At the end of the investigation, a report should be produced which will set out the findings of the investigation, the conclusions drawn from those findings, and this will be the definitive document on which management (in a disciplinary situation) and possibly the police (in a criminal situation) will base their initial decisions.
- 14.8 The format of the final report will not always be the same, as each case is unique, but will frequently set out the following information:-
- How the investigation arose;
 - Who the suspects are;
 - The suspects' position in the Council;
 - How the investigation was undertaken;
 - The facts and evidence that were identified;
 - Summary of findings and recommendations; and
 - Additional work required on system or internal control weaknesses identified during the investigation.
- 14.9 Further details on fraud prevention, detection and investigation can be found in the Anti-Fraud and Corruption Policy and Reporting Procedure.

15.0 Service Reviews and Value for Money Studies

- 15.1 The achievement of economy, efficiency and effectiveness, or 'value for money' in the use of resources is one of the key priorities of the Council.
- 15.2 The Internal Audit Service has an important role to play in the area of value for money and the Internal Auditor should be aware that this is an area where there is scope for the audit service to play an active role.
- 15.3 The Internal Audit Service in the conduct of its work is ideally placed to suggest areas of potential improvement to management. When carrying out audit work the Internal Auditor should report any areas that warrant further investigation as a potential value for money study to the Finance Manager and / or Town Clerk.
- 15.4 The Internal Audit Service may also, from time to time, be requested to contribute towards service reviews undertaken by the Council's Service Review Working Group.

16.0 Risk Management

- 16.1 The Accounts and Audit Regulations 2015 require the Council to put in place effective arrangements for the management of risk.
- 16.2 It is therefore essential that the Council has a robust risk management system in place for identifying and evaluating all significant operational and financial risks to the Council. This includes regularly re-assessing risks arising from existing services and activities, as well as undertaking new risk assessments for all new initiatives and activities.
- 16.3 The Council has in place a Risk Management Strategy and Policy and Corporate Risk Register which records all significant operational and strategic risks which could affect the delivery of its strategic aims.
- 16.4 Risk management is closely linked to the system of internal control, which provides the means by which risks are managed and mitigated.
- 16.5 The Internal Audit Service will review the Council's risk management arrangements on an annual basis as part of the overall audit plan, and will use the principles of risk assessment in preparing the annual audit plan ensuring that audit resources are focussed on specific risk areas.

17.0 Audit Resources, Skills and Service Quality

- 17.1 It is the responsibility of the Town Clerk and Finance Manager to maintain a staffing structure which allows the fulfilment of Internal Audit Plan. As highlighted earlier, the Council currently employs one part time Internal Auditor, working 18 hours per week, providing an internal audit coverage amounting to 108 days per year.

