

## **Oxfordshire County Council – Assistant Head of Finance (Audit) Protocol**

### **The Post of Assistant Head of Finance (Audit)**

The requirement for an Internal Audit function is either explicit or implied in the relevant local government Legislation “Section 151 of the Local Government Act 1972”, specific requirements are detailed in the Accounts and Audit Regulations 2003, in that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”. The guidance accompanying the legislation states that, for principal local authorities, proper internal audit practices are those contained within the CiPFA 2003 Code of Practice for Internal Audit in Local Governments and set out the best practice role for the Head of Internal Audit

### **The requirements of the post holder**

The Head of Internal Audit (IA) should in accordance with the defined lines of reporting; advise the Council's Audit Committee on the content of the terms of reference (Annex 1) and should regularly consider whether any amendments are required. These terms of reference should be approved and routinely reviewed by the Council's Audit Committee.

The Head of IA should discharge his or her responsibilities in an independent manner and in a way, which will enhance the reputation of the Council. In doing so the Head of IA is expected to act in a positive manner and with determination.

It is therefore necessary to ensure that the Head of IA is a senior and experienced officer with the independence, standing and skills to properly carry out the role.

The Head of IA's ability to carry out the responsibilities of the post effectively also depends on excellent working relationships with Officers and Members and on securing access to information and debate particularly at the early stages of projects and policy developments.

The following arrangements and understandings between the Head of IA and colleagues and Members are designed to help ensure the effective discharge of his or her functions:

- The Head of IA will seek to develop a close working relationship with the Chairman of the Audit Committee, Members of the Audit Working Group and the External Auditor including the giving and receiving of relevant information whether confidential or otherwise.

*Rights of Access to papers/information, meetings, Senior Officers and Members*

The head of IA will have:

- advance notice of County Council Management Team meetings and direct access to all agendas and reports and have the right to attend and speak on matters, which in his or her opinion require his or her advice as Head of IA.
- advance notice of formal member meetings and agendas and reports including all meetings at which a binding decision of the Council may be made and have the right to attend and speak on matters which in his or her opinion require his or her advice as Head of IA.
- the right of access to all documents held by or on behalf of the Council;
- the right of access to any meetings of officers or members of the Council;
- the right to require the assistance of any officer of the Council;
- where he or she considers it necessary, direct access to the Chief Executive, Leader and Deputy Leader of the Council, Chairman of the Audit Committee and the Monitoring Officer without prior consultation with the S151 Officer and/or Director for Resources.

in undertaking his or her role of Head of IA.

*Confidentiality*

- Openness in the dissemination of information and decision-making should be the norm in the Council. However, the Head of IA must respect the confidentiality of the information to which he or she has access to at work and must not use it for personal gain or pass it on to others who might use it in this way.
- The Head of IA must not tell anyone inside or outside the Council who is not entitled to know for the purposes of their job, what goes on at Council meetings held in private or exempt sessions, nor about the contents of Council documents which are confidential or exempt.

*Notifying and Consulting the Head of IA*

- Members and Officers will notify the S151 Officer, Head of IA and Monitoring Officer of all emerging issues of fraud, corruption and impropriety.
- Members and Officers will also consult the Head of IA on any issues of the Council relating to, possible fraud, corruption, impropriety and probity issues, or general advice on internal control.
- Officers should also consult the Head of IA on the assurance of systems and processes to be included in the development and implementation of new policies and projects where these are likely to raise issues of probity.

*Resources*

- The Head of IA will make a report to the Audit Committee from time to time as necessary on the staff, accommodation and resources required to discharge his or her functions.

### *Reporting*

- Where the Head of IA becomes aware of any potentially reportable incident he or she will report the matter to the S151 Officer.
- The Head of IA will have the right, (following consultation with the Chief Executive, Monitoring Officer and the appropriate Director) to notify the Police and other regulatory bodies of concern in respect of any matter.
- Where the Head of IA has previously given advice or otherwise been involved in a potentially reportable matter in such a way that a conflict of interest would arise should he or she carry out their Head of IA function then the Head of IA will arrange for those functions to be carried out by an independent third party such as a Head of IA from another local Authority or someone external to the Council.

### *The Audit Committee*

- The Head of IA will act as an adviser to the Audit Committee.
- In carrying out any investigation (whether under Regulations or otherwise) the Head of IA and any person appointed to carry out an investigation on his or her behalf will have unqualified access to any information held by the Council and any employee who can assist in the discharge of their functions.
- The Head of IA will compile and present to the Audit Committee an annual report on work undertaken and investigations carried out during the year.

### *Corporate Governance*

- The Head of IA will play a leading role in assisting the Monitoring Officer in developing, monitoring and maintaining a system of good Corporate Governance

Responsible Person: Head of Internal Audit

Date: June 2006

Review Date: June 2007

SIGN OFF:

\_\_\_\_\_ Signed

\_\_\_\_\_ Date

Joanna Simons  
Chief Executive

\_\_\_\_\_ Signed

\_\_\_\_\_ Date

Peter Clark  
County Solicitor and Head of Legal Services

\_\_\_\_\_ Signed

\_\_\_\_\_ Date

Sue Scane  
Head of Finance and Procurement

**Annex 1****Internal Audit Services – Terms of Reference****Introduction**

These Terms of Reference set out the framework within which Internal Audit Services (IAS) discharges its responsibilities, to the Council and S151 Officer. It is supplemented at an operational level by the Charter with Director and Heads of Service and the Internal Audit Services Quality Manual.

**Responsibilities and Objectives**

Internal Audit Services is an assurance service that provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating the effectiveness in achieving the organisation's objectives. We objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The Section 151 Officer (Head of Finance and Procurement) has responsibility for ensuring there are arrangements in place for the proper administration of the financial affairs of the Council. This is made more specific in relation to internal audit by the Accounts and Audit Regulations 2003, which state that the Council must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices."

Due priority is therefore given in the audit planning and Internal Audit Services work programme to the need to provide an annual independent assurance to the Head of Finance and Procurement on the key financial system controls.

**Reporting Lines and Relationships**

Internal Audit Services is accountable to the Head of Finance and Procurement (Section 151 Officer) for the terms of reference, scope and coverage of its audit activities. In addition there is a responsibility to those charged with corporate governance being the Council (through the Audit Committee and Audit Working Group) and the Head of Paid Service to give an annual opinion on the whole system of internal control and to support the Monitoring Officer in respect of matters of standards/legality

<p><b><u>Independence</u></b></p>	<p>To be effective Internal Audit Services must be independent of the activities it audits. To ensure this Internal Audit Services will operate within a framework that allows:</p> <ul style="list-style-type: none"> <li>♦ Unrestricted access to senior management</li> <li>♦ Reporting in its own name</li> <li>♦ Segregation from line operation</li> <li>♦ Freedom to determine its priorities.</li> </ul> <p>Every effort will be made to preserve objectivity by ensuring that all members of staff are free from any conflicts of interest and do not undertake any non-audit duties.</p> <p>All Internal Audit Services activity is carried out in accordance with Section BB of the Constitution, Financial Procedure Rules 27, 28, 29 and 30.</p> <p>The existence of Internal Audit Services does not diminish the responsibility of management to establish systems of internal control, including risk management, to ensure that activities are conducted in a secure, efficient and well-ordered manner. However, the work of Internal Audit Services will support and inform managers when discharging their responsibilities.</p> <p>As far as is practicable, Internal Audit Services will not participate in the day-to-day operation of any systems of internal financial control. However, in strict emergency situations only, Internal Audit Services personnel may be called upon to carry out non-audit work in accordance with agreed protocols.</p>
<p><b><u>Statutory Responsibilities</u></b></p>	<p>Section 151 of the Local Government Act 1972 requires that authorities “make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs.” In Oxfordshire County Council, that officer is the Head of Finance and Procurement.</p>

<b><u>Accounts and Audit Regulations 2003 (Regulation 6)</u></b>	<p>This Statutory Regulation says that “A relevant body (i.e. the Council) must maintain an adequate and effective system of internal audit of its accounting records and accounting control systems in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body requires</p> <ul style="list-style-type: none"> <li>• make available such documents of the body which relate to its accounting or other records as appear to that body to be necessary for the purpose of the audit; and</li> <li>• shall supply the body with such information and explanation as the body considers necessary for that purpose”.</li> </ul>
<b><u>CIPFA Code of Practice</u></b>	<p>The Accounts and Audit Regulations state that Internal Audit must work in accordance with the ‘proper audit practices’. These ‘proper audit practices’ are in effect ‘the Standards’ for local authority internal audit. The guidance accompanying the Accounts and Audit Regulations makes it clear that for principal local authorities proper practices are those contained within ‘The Code of Practice for Internal Audit in Local Government in the UK’ published by CIPFA (updated 2003).</p>
<b><u>Scope of Internal Audit Services Work</u></b>	<p>The scope for Internal Audit Services is ‘the control environment comprising risk management, control and governance’. This means that the scope of Internal Audit Services includes all of the Council’s operations, resources, services and responsibilities in relation to other bodies. This description shows the very wide potential scope of Internal Audit work. In order to turn this generic description into actual subjects for audit some prioritisation is required.</p> <p>The external auditor (KPMG) relies on Internal Audit Services to undertake a continuous programme of audits of key corporate controls. Also, due priority needs to be given to the key strategic risks of the council including the requirements of the Section 151 officer. Then review work is included to ensure an opinion can be given on the whole of the control environment. These priorities constitute most of the Strategic Plan the balance being risks identified by Internal Audit Services.</p>

<b><u>Responsibilities in respect of other organisation</u></b>	<p>Where key systems are being operated, or key services provided by other organisations on behalf of the Council, then Internal Audit Services in conjunction with the relevant Head of Service, will seek assurance. The assurance sought will be that the system of internal control operated by the third party is working effectively. Internal Audit Services in conjunction with the Head of Service will then form an opinion as to whether further audit work is required.</p>
<b><u>Internal Audit Resources</u></b>	<p>Internal Audit Services must be appropriately staffed in terms of numbers, grades, qualification levels and experience. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.</p> <p>A new structure is in place for Internal Audit Services in 2006/07, with an increase in the number of full time equivalent in-house staff. The structure includes a mix of professionally qualified staff, and those who are currently unqualified but are to embark on professional training. The structure also includes funding for buying in expertise from external providers on a contracted basis where a resource or skills gap is identified.</p>
<b><u>Fraud and Corruption</u></b>	<p>Managing the risk of fraud and corruption is the responsibility of management and the Anti Fraud and Corruption Strategy, which has been widely circulated and is available on the intranet, sets out those responsibilities in more detail. However, Internal Audit Services is alert during all its work to the risks and exposures that could allow fraud and corruption. In addition time has been allowed in the Strategic Plan to check areas where fraud and corruption is likely to occur.</p> <p>Should an investigation be required then the responsibilities, investigation stages and reporting are set out in the Protocol for the Investigation of Financial Irregularities which is attached to the Anti Fraud and Corruption Strategy.</p>

<p><b><u>Reporting Accountabilities</u></b></p>	<p>Internal Audit Services reports regularly throughout the year to the Audit Working Group. Issues requiring further action are then referred to the Audit Committee. This includes the Strategic Plan, recommendations tracking, on going performance and an Annual Report. The arrangements for managing audits including reporting and escalation if necessary are contained within the Charter with Directors and Heads of Services.</p>
<p><b><u>Relationship with the External Auditor</u></b></p>	<p>Internal Audit Services is a continuous independent internal appraisal function of internal control within the County Council. The external auditor KPMG has a statutory responsibility to express an independent opinion on the year-end financial statements, stewardship, legality, management and corporate governance of the County Council.</p> <p>The external auditor will annually review the Internal Audit Services plans and activities to assess their effectiveness. The extent to which the external auditor obtains assurance from Internal Audit Services work, relationship meetings and the scope for joint working is set out in a separate Internal Audit Services/KPMG protocol.</p>
<p><b><u>Relationships with other review agencies</u></b></p>	<p>Relationships will be established with other review agencies either directly or through the appropriate Head of Service to obtain any necessary reports/information to enable Internal Audit Services to prioritise its work and form the opinion on the system of internal control. These review agencies may be internal or external to the Council.</p>



<p><b><u>Performance Management</u></b></p>	<p>The Head of Internal Audit carries out a continuous review of the development and training needs of all audit personnel, and arranges in-service training where appropriate including both internal and external courses.</p> <p>Annual objectives are set for Internal Audit Services. Audit standards are maintained through annual updates of the Quality Manual. Plan and objective implementation is monitored through monthly audit managers meetings and relationship meetings with the partnership provider. There are also regular meetings (usually monthly) with the directorate contact points.</p> <p>Internal Audit Services is subject to an annual review by the external auditor and the Audit Working Group and the Section 151 officer review the outputs from audit reports. Performance Indicators are produced to measure quality and monitor progress on the plan.</p> <p>The setting of staff objectives and assessment of performance is through an on-going staff appraisal with participation in CPD to identify training and development needs. In this respect there will be an on-going staff appraisal and participation in CPD.</p>
<p><b><u>The Audit Committee and Audit Working Group</u></b></p>	<p>The Audit Committee monitors the performance and effectiveness of Internal Audit Services, including receiving the annual work plan and reports. It also monitors arrangements for the prevention and detection of fraud and corruption.</p> <p>The Audit Working Group acts as an informal working group of the Audit Committee and is the forum for detailed consideration of the Strategic Plan, reports produced by Internal Audit Services and monitoring progress with recommendations which may include calling in managers. It also considers the quality and plan performance of Internal Audit Services.</p>

**Due Professional  
Care**

As an Internal Audit Service we are professional in the way that we work and apply the principles of good customer relationships. We abide by the standards of our professional bodies including the appropriate codes of ethics. In all our communication we are polite and honest and give a positive but professional view. Whenever possible we will respond promptly to any request.

The essential features of good customer service that we apply are:-

- Regular audit planning meetings;
- Meetings with client manager prior to, during and at the end of audits;
- Ready access to the Internal Audit Services team by verbal, written or electronic means.
- Customer satisfaction questionnaires.
- Plan progress reports to senior managers and the Audit Working Group.

Responsible Person: Head of Internal Audit

Date: June 2006

Review Date: June 2007