

## **MEMBER REPORTING PROTOCOL FOR INTERNAL AUDIT REPORTS**

### **1. Core Principles**

- 1.1 Internal Audit is an independent appraisal function of the system of internal control and is supportive of the management process. It is therefore essential that there is full engagement by management in the audit process including the commissioning of internal audit assignments.
- 1.2 Internal Audit reports should be considered as vehicles for improvement and any recommendations emanating from audit work are intended to support managers in enhancing the good management of the organization.
- 1.3 The results of internal audit work should not be misinterpreted and seen as a criticism of management rather than its correct purpose as an improvement vehicle as this could foster a blame culture, discouraging management from engaging in the audit process and leading to a deterioration in the internal control environment.
- 1.4 Internal Audit reports are primarily written for managers and often contain detailed, technical information relating to systems and processes which needs to be summarized and interpreted to be helpful to members.
- 1.5 Senior managers are responsible for managing risk within their areas of responsibility. Internal Audit makes recommendations to enhance levels of internal control but the decision to accept or reject those recommendations ultimately lies with management.
- 1.6 The Governance Committee's key purpose is to hold Directors / Heads of Service and therefore the Cabinet to account on internal control matters by ensuring their full engagement in the audit process.
- 1.7 Governance Committee is independent of Cabinet and is the only member reporting line for the Head of Internal Audits
- 1.8 Directors / Heads of Service should therefore appraise their portfolio holders of any emerging internal control issues emanating from internal audit work and provide copies of audit reports if that is helpful to them.
- 1.9 The differing responsibilities of elected members and Directors / Heads of Service for strategic and detailed operational matters should be understood and observed.

### **2. Member Reporting Arrangements**

- 2.1 Interim Audit Reports are presented to Governance Committee during the course of each financial year showing:
  - progress against the Annual Internal Audit Plan;
  - summaries of audits completed in the period;
  - the controls assurance rating of each audit completed;
  - a summary of the key control issues identified.
- 2.2 Following their receipt of an Interim Audit Report, the Committee may elect to receive any audit report in full and consider whether it should be included on a subsequent agenda for discussion. The relevant Director or Head of Service may also be asked to attend to respond to questions.

2.3 Following the issue of audit reports, the Committee will be informed of any unreasonable delays in the implementation of agreed management actions where the officer escalation process has been exhausted.

2.4 An Annual Internal Audit Report is presented to the June meeting of the Governance Committee showing:

- out-turn against the Annual Internal Audit Plan;
- summaries of audits completed in the year;
- the controls assurance rating of each audit completed;
- a summary of the key control issues identified.

2.5 The Head of Shared Assurance Services will also give an opinion on the adequacy of the overall control environment within the Council taking into account the totality of audit work completed during the previous financial year and other available sources of assurance.

### **3. Clarifications to Member Reporting Arrangements**

3.1 All final internal audit reports are issued to:

- the Lead Officer
- the Director / Head of Service
- External Audit

3.2 Arrangements are also made to discuss key issues arising from final internal audit reports with the Chief Executive.

3.3 Directors / Heads of Service are required to provide their portfolio holder with any internal audit reports in their area and to arrange a discussion with them on their content.

3.4 Portfolio holders will provide copies of internal audit reports in their area to their Cabinet colleagues.

3.5 Internal Audit reports will continue to be provided to Governance Committee in summary format at their regular meetings.

3.6 Any final internal audit reports containing a red controls assurance rating are issued to the Chair of Governance Committee.

3.7 At the Chair's discretion any final internal audit report containing a red controls assurance rating may be included as a separate agenda item at the next meeting of the Governance Committee (unless this is prejudicial to any ongoing enquiries).

3.8 Where time is of the essence a special meeting of the Governance Committee may be called to discuss a final internal audit report containing a red controls assurance rating.

3.9 The relevant Director/Head of Service will be required to attend Governance in respect of red rated reports.

3.10 Where the subject matter reported requires it, meetings to discuss full audit reports will be held in closed session.

Garry Barclay  
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