

Internal Audit Process

1

Audit Planning

The Audit Manager will agree the scope and date for internal audit to take place. The service / school will have a one month's notice to allow the key contact to prepare and plan for the visit.

2

Fieldwork

The auditor will hold an opening meeting with the key contact and other relevant stakeholders.

The auditor will review processes by interviewing staff, examining documents, observing how systems operate and by testing a sample of transactions.

At the end of the visit, the auditor will hold an exit meeting, highlighting key findings arising from the visit.



4

Follow-up

Between 6-12 months from the issue of the final report, the auditors will check the agreed actions have been implemented and report on progress.

3

Audit Reporting

The auditor will issue a draft report within 15 working days of the exit meeting. The report will set out the auditor's findings and the overall assurance over the systems of control in operation.

The auditor will need a written response from the key contact within 10 days of the issue of the draft report including completion in full of the action plan.

The auditor will issue the final report incorporating comments from the key contact as appropriate.

Internal Audit Visit

This guide is intended to give information on how internal audit carries out its work, to help you understand the role of internal audit and what you need to do to prepare for the audit visit. Throughout the audit process, the auditors will engage with you by asking questions, seeking information and explanations, updating you on how the audit is progressing and highlighting any material findings. Please support the audit process by responding promptly to requests from the auditors. This will allow the auditors to complete their work in a timely manner, and to give you prompt feedback.

Role of Internal Audit

Internal audit is an essential part of the Council's governance arrangements and its purpose is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. It achieves this by providing an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. The work of internal audit is set out in the audit charter and strategy, which can be found at <http://intranet/service-areas/corporate-governance/audit-and-risk-management/audit-and-risk-management>.

Who are the Internal Auditors?

The Council's internal audit service is provided by Mazars who specialise in audit, accountancy, tax, legal and advisory services and the contract is overseen by the Head of Audit and Risk Management. Mazars have a large public sector practice delivering internal audits all over the country. At Haringey, Mazars carry out internal audits for the Council and Homes for Haringey. The type of audits can vary considerably, though most are designed to provide assurance risks being managed.



The frequency and type of audit is dependent on risk. Before the start of an audit, a risk assessment is carried out, which is based on a number of factors such as the importance of the audit area, its inherent risk, when it was last audited, previous last assurance rating, whether there have been any key changes in staffing or legislation, management concerns etc.

Internal Audit Planning and Performance

Every year, Head of Audit and Risk Management prepares an annual internal audit plan showing the areas that will be audited. The plan is ratified by the Corporate Board and the Audit Committee. The expectation is for all areas to be audited in the year. Quarterly progress reports are produced and any delay has to be reported to the Chief Executive and the Chair of the Audit Committee.



Before the Audit

Notice of Audit & Pre-Work

The programme of audits is determined in Jan/Feb of each year. Audits are then split across the four quarters. You will usually be contacted during the month prior to the quarter in which your audit will occur to agree the scope of the audit and arrange a mutually convenient start date for the on-site audit work.

Once the scope and a start date is agreed, you will receive an audit brief which details:

- The risks the service is managing;
- The scope of audit
- A list of proposed project milestones, and
- Reporting arrangements

For schools, the audit brief will list of the main documents that the auditor is likely to want to see when they visit – it would be helpful if you can have them to hand when the auditor first visits.

It is worth noting the list can never be exhaustive because of the nature of the work.

During the Audit

On site Fieldwork

Usually, the audit will start with a meeting between the auditor and the key contact on the first morning. This will allow the auditor to explain the audit process, to plan the approach to minimise service disruption, and to establish the key logistics in terms of relevant contacts, access arrangements and work space for the audit as well as to explore any material issues or concerns the service has, and to initially assess arrangements in place to mitigate key risks.

The audit will progress with the auditor undertaking testing across the areas mentioned in the audit brief. This will take the form of interviews with staff, examination of documentation, observation of processes and sample testing of transactions. Any queries arising or significant findings will be discussed with the relevant person during this time. As the auditor has limited time to complete the audit, we ask that information is provided as soon as possible.

Exit meeting

Before the auditor commences the fieldwork the auditor will arrange an exit meeting for the last day on site with the Assistant Director, Head of Service and/or other nominated officers. At the meeting, the auditor will set out his/her findings and ensure the findings are factually accurate. The meeting also provides an opportunity for the Assistant Director/ Head of Service to provide details of any actions already taken and any extenuating circumstances that should be considered. Please note that at this point the auditor will not be in a position to give any overall audit opinion, as the findings are subject to quality review and moderation by the Mazars' Senior Audit Manager. Accordingly, some findings and recommendations might change during the review process but any new issues will be communicated to the key contact prior to any report being issued.

After the Audit

Reporting

The auditor will draft the report and the Manager will review the report before the report is issued to management. The draft report will be emailed to the agreed contacts within 15 working days of the exit meeting unless additional information is required arising from the exit meeting or quality assurance review. The report is draft at this stage and sent to the Head of Service and other key contacts so that they

can consider the issues raised and check for factual accuracy before the report is circulated more widely as a Final report. Where appropriate, the auditor will raise recommendations. The recommendations are prioritised as:

Priority 1 – Major issues for the attention of senior management that need urgent attention

Priority 2 – Important issues to be addressed by management in their areas of responsibility

Priority 3 – Minor issues resolved on site with local management or suggestion of best practice

The draft report includes an overall assurance opinion over the governance, controls and management of risk. There is no hard and fast rule as to how the assurance level is determined - it is dependent on the number, priority and nature of issues identified and the quality assurance process ensures consistency across audits.



Assurance ratings range from SUBSTANTIAL ASSURANCE - where everything is in place and operating as it should, to NO ASSURANCE - where processes are weak and controls are not functioning that leaves the service open to significant error or abuse. The most common assurance levels are ADEQUATE ASSURANCE - where some weaknesses in processes have been found and/or some controls aren't being complied with and LIMITED ASSURANCE – where process weaknesses and controls not being complied with are significant enough to cause concern. The report will also include a 'travel of direction' view to indicate whether the service has improved since it was last audited.

The key contact is asked to provide a written response within 10 days of receipt of the draft report. This will include agreement to the recommendations raised, including the actions taken/proposed, by whom and by when.

The response will be incorporated into a final report which will be issued to the key contacts. A copy of the final report will be sent to the relevant Director of service, the Director of Finance and Chief Executive. For schools, the final report is sent to the Head Teacher, Chair of Governors and the Local Education Authority. A digest of the report will be reported to Audit Committee.

Follow up

Within twelve months of issue of the final report, Internal Audit will make contact with the service to ask for an update of actions taken in response to the recommendations made. As appropriate, additional evidence will be requested and the auditor may choose to visit the service to undertake brief follow up testing.

Arising from the follow up work, a report may be made indicating if satisfactory progress has been made since the audit visit.

Feedback

I am keen to hear from you about the audit and whether there is anything that we could do differently to improve the audit process. The Senior Internal Audit Manager will send a satisfaction survey after the final report, please send your response to me with your feedback.



Contact

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