

REPORT TO: Audit Committee	DATE 14th December 2010	CLASSIFICATION	REPORT NO.	AGENDA NO.
REPORT OF: Corporate Director, Resources ORIGINATING OFFICER(S): Service Head Risk Management		Revised Internal Audit Plan for 2010/11 Ward(s) Affected: N/A		

1. SUMMARY

- 1.1. This report provides an update of audit activity planned for this financial year and reflects changes made to the original internal audit plan as a result of changing priorities of the authority and the resources available to perform audit work.

2. RECOMMENDATIONS

- 2.1 The Audit Committee is asked to endorse the revised 2010/11 internal audit plan and the supporting Audit Strategy and Terms of Reference.

LOCAL GOVERNMENT ACT 1972 (AS AMENDED) SECTION 100D
LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"

Name and telephone number of holder
And address where open to inspection

Minesh Jani, 0207 364 0738

3. Background

- 3.1 The original internal audit plan was prepared at the start of the current financial year and was presented to the Audit Committee for endorsement in March 2010. The internal audit plan was formulated using the governance model whereby four key areas were assessed for all operations of the Council and prioritised. Details of the governance based Audit Assessment methodology, Audit Strategy and Internal Audit Terms of Reference are attached at Appendix 3. The audit plan also made provision for review of key financial systems, proactive fraud work and reactive fraud work.
- 3.2 In line with the internal audit strategy, the plan has been refreshed and some changes made to the original annual audit plan. The reasons for this are as follows:
- Requests from officers to perform audits that were not originally planned;
 - Requests from officers to increase the scope of audits which has resulted in higher allocation of audit days;
 - Requests from Chief Officers to defer audits due to service restructuring and/or changes made to existing systems and the need to allow a period of bedding in;
 - Make use of days provided in the original plan that had not been allocated to specific audits;
 - To avoid duplication of work with either the external auditor or other assurance provider; and
 - Additional commitment to unplanned work.

4. Updated Internal Audit Plan for 2010/11

- 4.1 Appendix 1 summarises audits that have been added to or deferred from the original internal audit plan. Appendix 2 shows the updated internal audit plan following the changes and provides for provision of unallocated days which could be used for specific audits at the request of Directorates, thus retaining some flexibility in the plan. The summary below shows how the plan has changed.

Number of days originally planned	1,878
Plus: Additional audits added to the plan (Please refer to Appendix 1)	210
Less: Use of previously Unallocated days to specific audits	155
Less: Audits to be considered as part of 2011/12 Audit Plan (Please refer to Appendix 1)	55
Number of days per the amended plan	1,878

4. Comments of the Chief Financial Officer

- 4.1 Any financial implications arising from this report are contained within the body of the report.

5. Concurrent Report of the Assistant Chief Executive (Legal Services)

- 5.1. The Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required to maintain an effective system of internal audit of its system of internal control in accordance with proper practices. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

6. One Tower Hamlets Considerations

- 6.1 Each audit activity within the revised audit plan provides a link with the Council's corporate and strategic plan priorities including that of One Tower Hamlets.

7. Anti-Poverty Considerations

- 7.1 There are no specific Anti-Poverty issues arising from this report.

8. Risk Management Implications

- 8.1. The revised audit plan should pick up some of the key areas of risk exposure to the Council and audit reviews of these areas should provide a source of assurance to those charged with governance.

9. Sustainable Action for a Greener Environment (SAGE)

- 9.1 There are no specific SAGE implications.

A Summary of Changes to the Internal Audit Plan – 2010/11

Auditable Area	Directorate	No. of days
<i>Audits Added / Amendments to the Original Plan</i>		
Establishment Control	Corporate	15
Purchase Cards	Corporate	10
Registrars (additional days required to accommodate change of scope))	Assistant Chief Executive (Legal Services)	10
Grant Certification audits	CLC	15
Establishment Control	Adults, health and Wellbeing	10
Financial Systems (additional days)	Resources	12
Management Requests	All Directorates	138
Sub Total		210
<i>Audits to be considered as part of 2011/12 Audit Plan</i>		
Asset Management		15
Management of Overtime		20
Management of Members' Enquiries		10
Purchases of Library Books		10
Sub Total		55
Use of Unallocated days	Resources	20
Use of Unallocated days	Corporate	35
Use of Unallocated days	CLC	20
Use of Unallocated days	CSF	20
Use of Unallocated days	AHW	20
Use of Unallocated days	ACE	20
Use of Unallocated days	D&R	20
Sub Total		155

London Borough of Tower Hamlets 2010/11 Internal Audit Plan

	Audit Days	Pages
Corporate Systems and Council-wide reviews	175	6-8
Assistant Chief Executive's	60	9
Children, Schools and Families	325	10-12
Communities, Localities & Culture	80	13-14
Tower Hamlets Homes	145	14-17
Development & Renewal	95	17-19
Adult, Health and Wellbeing	90	20-21
Resources & core financial systems	210	22-24
Contract audit	50	25
Information Technology audits	100	25
VFM, Pro-active fraud and various Management Requests	198	26
Follow up, management and reactive fraud provision	350	26
Total Provision	1,878	-

INTERNAL AUDIT PLAN – 2010/11

Auditable System	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Corporate Cross-Cutting Systems</u>					
Core Management Processes <i>(Scheduled in quarter 4)</i>	This audit will review core people management processes such as managing attendance, managing performance, managing conduct and managing learning and development. The objective is to provide assurance that corporate people management processes are being complied with resulting in good governance.	M	20	Management request	One Tower Hamlets Working efficiently and effectively as One Council
Management of Efficiency Programme <i>(Scheduled in quarter 4)</i>	This review will provide assurance that efficiency programmes to take account of the likely reduction in future funding have been developed and controls are in place to monitor their delivery across the Council.	H	20	Strategic Risk Register ref. RSB0011	One Tower Hamlets Working efficiently and effectively as One Council
National Performance Indicators <i>(Completed)</i>	The objective of this work will be to audit and verify data quality of a sample of high risk national performance indicators prepared by the Council for submission to the Audit Commission.	H	40	Working with the Council's External Auditors	One Tower Hamlets Working efficiently and effectively as One Council

INTERNAL AUDIT PLAN – 2010/11

Auditable System	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Corporate Cross-Cutting Systems</u>					
Recruitment <i>(Scheduled in quarter 3)</i>	This audit will review systems for recruiting staff to established posts ensuring that corporate procedures are complied with and that satisfactory pre-recruitment checks are carried out.	H	20	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One Council
Management of Leavers <i>(Completed)</i>	This audit will evaluate systems for managing and controlling leavers to ensure that staff who leave the service of the Council are promptly notified to HR and Payroll to mitigate risks.	H	15	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One Council
Financial Regulations and Waivers <i>(Completed)</i>	This review will examine the Council's Financial Regulations to provide effective financial control and monitoring. The system for controlling Waivers to the Regulations will be reviewed.	M	10	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One Council
RIPA Compliance <i>(Scheduled in quarter 4)</i>	To provide assurance over the Council's arrangements for compliance with the Regulation of Investigatory Powers Act 2000	H	15	Management Request	One Tower Hamlets Working efficiently and effectively as One Council

INTERNAL AUDIT PLAN – 2010/11

Auditable System	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Corporate Cross-Cutting Systems</u>					
Corporate Governance <i>(Completed)</i>	This generic review will incorporate the preparation and validation of the Annual Governance Statement and provide assurance on the progress made in improving controls around those specific governance issues reported within the AGS.	H	10	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One Council
Establishment Control <i>(Completed)</i>	To review systems and controls for controlling establishment levels.	H	15	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One Council
Purchase cards <i>(Completed)</i>	To carry out compliance testing on the use and monitoring of corporate Purchase cards.	M	10	Management Request	One Tower Hamlets Working efficiently and effectively as One Council

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Assistant Chief Executive's</u>					
Registrars <i>(Completed)</i>	This will be a regularity audit to the Registrars office to provide assurance that systems for controlling income, expenditure, controlled stationery, assets and information are sound and secure.	M	20	Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council
Information Security Incident Management <i>(Scheduled in quarter 3)</i>	The objective of this audit will be to review the systems in place for reporting, investigating and managing incidences of breaches in information security procedures.	H	10	Strategic Risk register RSC0004 and Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council
Local Area Agreements <i>(Completed)</i>	This audit will review the Council's and its partner's arrangements for delivering the outcomes of the Local Area Agreements	H	15	Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council
Performance Management <i>(Scheduled in quarter 4)</i>	The objective of this audit is to provide assurance over the Council's systems for managing and monitoring performance of its key services to ensure that the delivery of the strategic priorities of the Council are managed and monitored effectively.	H	15	Directorate Risk register CSF0003 and Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Children, Schools and Families</u>					
Youth Service Contract Monitoring <i>(In progress)</i>	This audit will review systems for managing and monitoring the youth service contracts to ensure that the contracts deliver value for money and outcomes required by the Council.	H	20	Audit needs analysis	A Prosperous Community Support lifelong learning opportunities for all.
Offending Youth <i>(Scheduled in quarter 3)</i>	This review will focus on the Council's 'Reducing re-offending programme' arrangements to prevent and reduce youth re-offending. In addition systems for issuing Rehabilitation orders and for preparing and monitoring 'supervision plans' will also be audited.	M	15	Directorate Risk register CSC0002	A Safe and Supportive Community Tackle and prevent crime
Implementation of Laming Recommendations <i>(Scheduled in quarter 4)</i>	This audit will provide assurance over the implementation of recommendations arising from Laming Review	H	15	Strategic Risk register CSD0009 and CH&AD0001	A Safe and Supportive Community Focus on Early Intervention Empower older and vulnerable people and support families

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Children, Schools and Families</u>					
Prevention and Early Intervention Strategy <i>(Scheduled in quarter 3)</i>	This audit will review systems and procedures for prevention and early intervention to provide assurance that the key objectives of the Council's Strategy are being achieved and monitored.	M	15	Audit needs analysis	A Safe and Supportive Community Focus on Early Intervention
Schools' Regularity Audit <i>(Ongoing)</i>	School visits are undertaken using a risk based approach to review mainly the arrangements for school governance, budget planning and control, accounting and financial control, purchasing, personnel/payroll administration and control, IT Security and asset management.	H	150	From Audit Needs Assessment	A Prosperous Community Support lifelong learning opportunities for all. One Tower Hamlets Working efficiently and effectively as One Council
Financial Management Standards for Primary and Secondary Schools <i>(Ongoing)</i>	We plan to visit the respective number of primary schools during the year and integrate the DCFS's financial management standards into our audit programme for schools.	H	75	DCFS regulation on financial management standards at schools in line with the DCFS toolkit.	A Prosperous Community Support lifelong learning opportunities for all. One Tower Hamlets Working efficiently and effectively as One Council.

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Children, Schools and Families</u>					
Procurement of supplies and provisions for Central Kitchen <i>(Completed)</i>	This audit will examine systems for procurement of supplies and provisions for Central Kitchen to ensure that best value is obtained from the procurement and the use of provisions is controlled and monitored effectively.	M	15	Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council
Procurement <i>(Completed)</i>	The Council's Procurement procedures make provision for the Directorate to make arrangements for obtaining and accepting competitive offers and quotes for goods, services and works below EU Thresholds. This audit will examine and evaluate systems at the Directorate level.	M	10	Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Communities, Localities and Culture</u>					
Commercial Waste <i>(Scheduled in quarter 4)</i>	This audit will examine systems for managing commercial waste by the contractor to ensure that controls over income and expenditure are sound and adequate and the contract is robustly monitored.	M	15	Audit needs analysis	A Great Place to Live Improve the environment and tackle climate change
Environmental Protection <i>(Scheduled in quarter 4)</i>	This audit will review compliance with the Council's statutory requirements in relation to environmental protection and pollution control.	M	15	Audit needs analysis	A Great Place to Live Improve the environment and tackle climate change
Grant certification – Illegal Money Laundering and Olympics <i>(Completed)</i>	To provide assurance work and certification of grant claims	H	15	Certification work	One Tower Hamlets Working efficiently and effectively as One Council
CCTV Control Room and Management <i>(Completed)</i>	This audit will provide assurance that systems and procedures around the efficient and effective operation of the CCTV room are sound and secure.	M	10	Directorate Risk register CL0017 and Audit needs analysis	A Safe and Supportive Community Tackle and prevent crime
Leisure Management – Contract monitoring <i>(In progress)</i>	This audit will review systems and controls for managing and monitoring the contract to ensure that contractor's performance is monitored.	M	15	Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Communities. Localities and Culture</u>					
Procurement <i>(Completed)</i>	The Council's Procurement procedures make provision for the Directorate to make arrangements for obtaining and accepting competitive offers and quotes for goods, services and works below EU Thresholds. This audit will examine and evaluate systems at the Directorate level.	M	10	Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council
<u>Tower Hamlets Homes</u>					
Gas Repairs and Maintenance <i>(Completed)</i>	This audit will seek to provide assurance over the systems and controls in place around gas repairs and maintenance repairs ensuring that key contract objectives are achieved and works paid for are carried out efficiently and effectively.	M	15	THH Risk register THH010017 and Audit needs analysis	A Great Place to Live Provide affordable housing and develop strong neighbourhoods

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Tower Hamlets Homes</u>					
Leaseholder Income Collection <i>(Completed)</i>	This audit will examine systems and controls in place for collecting and recovering income due from Leaseholders.	M	10	Audit needs analysis	A Great Place to Live Provide affordable housing and develop strong neighbourhoods
Financial Systems <i>(Scheduled in quarter 4)</i>	This audit will review the key financial systems as part of the annual assurance over the soundness of financial control across THH.	H	15	Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council
Caretaking Service <i>(Completed)</i>	The scope of this audit will be to examine systems for managing and monitoring caretaking services ensuring that the services are well planned, managed and controlled to achieve the key objectives.	M	15	THH Risk register THH010028 and Audit Needs analysis risk register	A Great Place to Live Provide affordable housing and develop strong neighbourhoods
Implementation of the Service Improvement Plan <i>(Scheduled in quarter 4)</i>	This review will seek to provide assurance that systems and procedures for effective implementation of the Service Improvement Plan are sound.	H	10	Audit Needs analysis and Risk register THH 010022	A Great Place to Live Provide affordable housing and develop strong neighbourhoods

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Tower Hamlets Homes</u>					
Systems Development work <i>(On-going)</i>	The objective of this work will be to advise management on procedures and controls during the systems development stages.	H	10	Audit Needs analysis risk register	One Tower Hamlets Working efficiently and effectively as One Council
Contract Audits <i>(On-going)</i>	A sample of building contracts will be selected to test the arrangements for administering and managing these contracts to provide assurance on cost and programme control.	H	15	Audit Needs analysis	A Great Place to Live Provide affordable housing and develop strong neighbourhoods
Health and Safety <i>(Completed)</i>	This audit will provide assurance that there are sound systems and procedures for management of Health and Safety at work across THH.	H	10	Audit Needs analysis and Risk Register THH010009	One Tower Hamlets Working efficiently and effectively as One Council
Effectiveness of Probationary Tenancies <i>(Scheduled in quarter 4)</i>	This audit will provide assurance over the effectiveness of the current systems and controls over the granting of probationary tenancies.	M	10	Management Request	A Great Place to Live Provide affordable housing and develop strong neighbourhoods
Management of garages, sheds and estate parking spaces <i>(In progress)</i>	This audit will examine systems and controls for managing and monitoring income and expenditure relating to garages, sheds and estate parking spaces in all Housing areas to ensure that systems are sound and secure.	M	15	Audit Needs analysis and Management request.	A Great Place to Live Provide affordable housing and develop strong neighbourhoods

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Tower Hamlets Homes</u>					
Follow Up Audits <i>(On-going)</i>	We will carry out follow up audits to ensure that recommendations made are progressed and implemented.	H	20	Audit Needs analysis	One Tower Hamlets Working efficiently and effectively as One Council
<u>Development and Renewal</u>					
Housing Property Buy Back <i>(Completed)</i>	The objective is to provide assurance over the management and control of the buy back scheme to ensure that the systems are efficient, effective and achieve the objectives of the Council.	H	10	Audit needs analysis	A Great Place to Live Provide affordable housing and develop strong neighbourhoods
Planning fees and charges <i>(Completed)</i>	This audit will examine systems for managing and controlling the collection and banking of planning fees.	H	10	Audit Needs analysis and Directorate Risk Register DRP0005	One Tower Hamlets Working efficiently and effectively as One Council.

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Development and Renewal</u>					
Building Schools for the Future <i>(Scheduled in quarter 3)</i>	Building contract audits will be carried out on the building works at the non-sample schools in the BSF programme to provide assurance that cost and programme controls are adequate during the currency of the contract. Post contract audits will be carried out on completed sample schools to provide assurance that objectives of the building programme have been achieved, final accounts audited and lessons learnt are factored into the future development work.	H	25	Strategic Risk register CSG0005 and Audit needs analysis	A Prosperous Community Support lifelong learning opportunities for all.
Programme and Project Management <i>(Scheduled in quarter 3)</i>	This audit will review the Directorate's compliance with the Corporate Programme and Project Management procedures. A sample of strategic projects will be selected to test compliance.	H	10	Directorate Risk register DRC0003 and Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council
Community Building Portfolio Management <i>(Scheduled in quarter 4)</i>	The objective is to provide assurance over the management and control in relation to the Council's Community Building Portfolio.	M	15	Directorate Risk register DRD0001	One Tower Hamlets Working efficiently and effectively as One Council

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Development and Renewal</u>					
Procurement <i>(In progress)</i>	The Council's Procurement procedures make provision for the Directorate to make arrangements for obtaining and accepting competitive offers and quotes for goods, services and works below EU Thresholds. This audit will examine and evaluate systems at the Directorate level.	H	10	Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council
Repairs and Maintenance of Administrative Buildings <i>(Scheduled in quarter 4)</i>	To review systems for procuring, ordering, paying and contract managing repairs and maintenance contracts	M	15	Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Adults, Health and Wellbeing</u>					
Community Equipment Store <i>(Scheduled in quarter 3)</i>	The objective of this audit is to provide assurance over the systems and procedures in place for ordering, paying and controlling OT equipment.	M	10	Audit needs analysis	A Safe and Supportive Community Empower Older and Vulnerable People and support Families
Contract management and monitoring <i>(In progress)</i>	This audit will examine systems for managing and monitoring a sample of contracts awarded by the Directorate to ensure that there are sound and secure contract monitoring arrangements in place at the Directorate level.	H	15	Audit needs analysis	A Safe and Supportive Community Empower Older and Vulnerable People and support Families
Integrated Commissioning of Mental Health <i>(Scheduled in quarter 4)</i>	This audit will review the systems and controls for commissioning mental health services for adults using the integrated commissioning approach.	H	15	Directorate Risk register AH0014	A Healthy Community Support Mental Health services to improve mental health

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Adults, Health and Wellbeing</u>					
Implementation of Personalisation Agenda <i>(Scheduled in quarter 3)</i>	This audit will provide assurance that there are sound systems in place for implementing the personalisation agenda.	H	15	Strategic Risk Register AH0009 and AH0010	A Safe and Supportive Community Empower Older and Vulnerable People
Out of Hours Social Care <i>(Scheduled in quarter 3)</i>	To examine systems and procedures for managing and controlling out of hours social care, ensuring that systems are sound and secure.	M	15	Audit needs analysis	A Safe and Supportive Community Empower Older and Vulnerable People and support Families
Quality Assurance <i>(In progress)</i>	This audit will review the Directorate's quality assurance systems to ensure that the procedures are sound and secure and recommendations made by the team are implemented.	M	10	Audit needs analysis	One Tower Hamlets Working efficiently and effectively as One Council
Establishment Control <i>(Completed)</i>	To review systems and procedures for controlling and monitoring establishment levels.	M	10	Management Request	One Tower Hamlets Working efficiently and effectively as One Council

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Resources</u>					
Housing and Council Tax Benefit <i>(Scheduled in quarter 4)</i>		H	15	}	One Tower Hamlets Working efficiently and effectively as One Council
General Ledger incl. Budgetary Control <i>(Scheduled in quarter 3)</i>		H	10		
Cashiers / Cash income <i>(Scheduled in quarter 3)</i>		H	10		
Council Tax <i>(In progress)</i>		H	10		
Sundry Debtors including Recovery and Write offs (testing) <i>(Scheduled in quarter 3)</i>	Reviews of key financial systems to provide assurance to management in preparing in the annual statement of accounts and to support the authority's "managed" audit approach.	H	15		

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
Creditors and R2P (Full systems) <i>(Scheduled in quarter 4)</i>		H	20		
Capital Accounting <i>(Scheduled in quarter 3)</i>		H	7		
Pensions <i>(Scheduled in quarter 3)</i>		H	8		
N.N.D.R. <i>(In progress)</i>		H	10		
Personnel/Payroll (Systems) <i>(Scheduled in quarter 4)</i>		H	15		
Housing Rents (testing) <i>(Scheduled in quarter 4)</i>		H	10		
Treasury Management (systems) <i>(Scheduled in quarter 4)</i>		H	10		
Competitive tendering <i>(In progress)</i>	This review will seek to provide assurance over the soundness and adequacy of the Council's competitive tendering arrangements for procuring works, goods and services.	H	20	Audit Needs analysis	One Tower Hamlets Working efficiently and effectively as One. Council

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
Grant Claim - Teachers Pensions Return <i>(Completed)</i>	This is an annual audit which will examine the deduction, processing and payment of teachers' pensions contribution to provide assurance to the Audit Commission certifying the Grant Claim.	H	15	Audit Commission requirement	One Tower Hamlets Working efficiently and effectively as One Council
Payments by CHAPS <i>(Completed)</i>	To provide assurance that these systems for making and approving these payments are sound and secure to protect Council's assets and interests.	M	10	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One Council
Payments By BACS <i>(Completed)</i>	To provide assurance that these systems for making and approving these payments are sound and secure to protect Council's assets and interests.	M	10	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One Council
Out of Hours Emergency Service <i>(Completed)</i>	This audit will provide assurance that the out of hours emergency service is operating efficiently and effectively to achieve the objectives and priorities of the Council.	H	15	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One Council

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Contract Audit</u>					
Contract Audit Reviews <i>(On-going)</i>	These audits will examine sample capital and revenue contracts to ensure that required works/services are carried out and provided and that payments made were in line with the contract obligations.	H	50	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One Council
<u>Information Technology Audits</u>					
To be determined from operational risk analysis / management consultation	A separate Computer Audit Plan will be devised following the review of the computer audit strategic plan. The plan will include application reviews encompassing the key financial systems.	-	100	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One Council.

INTERNAL AUDIT PLAN – 2010/11

Audit Name	Broad Scope	Priority	Audit Days	Source of Audit	Link with Corporate Priorities
<u>Value for Money Audits</u>					
Translation Service <i>(Scheduled in quarter 4)</i>	Directorates of the Council use various providers to deliver translation services. Our review will focus on the present arrangements for translation services and whether these provide value for money	M	20	Audit Needs Analysis	One Tower Hamlets Working efficiently and effectively as One. Council
<u>Proactive Fraud Work</u>	A provision of fraud awareness and anti-fraud activities. A separate anti-fraud plan has been devised.	H	50		One Tower Hamlets Working efficiently and effectively as One.
<u>Management Requests</u>	A provision for servicing various management requests for advice and other systems development work.	H	138		One Tower Hamlets Working efficiently and effectively as One.
<u>Follow Ups</u>	Follow-up of reviews carried out in 08/09 to ensure implementation of audit recommendations.	H	150		One Tower Hamlets Working efficiently and effectively as One.
<u>Management Time</u>	This is a provision for management time required to direct, control and monitor the work of the audit team.		100		
<u>Reactive Fraud</u>	A provision for work carried out on investigating and reporting upon reported irregularities and fraud	H	100		

Governance-based Audit Assessment Methodology

Assessment Categories

The Risk Assessment model takes account four assessment categories to produce a risk index for each auditable area. The auditable area is scored in each category using assessment criteria to gauge the degree of risk or materiality associated with the particular area. The table below summarises the proposed four assessment categories and what each is intended to measure.

Assessment Category		Measure
A	Corporate Importance – Objectives/Priorities	Corporate materiality
B	Corporate Sensitivity – Impact	Reputational materiality
C	Inherent Risk	Inherent vulnerability
D	Control Risk	Control effectiveness

The full definition for each category and the scoring criteria are described below.

Assessment Process

Assessment was based on professional judgement after careful consideration of the key risks to the authority with the Executive Directors and other key officers, a review of current and previous audit plans and strategic issues facing the authority. The following steps were followed in performing the risk assessment:

Step	Action
1	Select the System and Corporate Controls to be risk assessed, to ensure a clear and unambiguous understanding of the area under review. This is normally called the Auditable Area
2	Select the most appropriate assessment criterion and therefore the score in each assessment category
3	Record the scores.
4	Compute the risk index by reference to the following section

Calculation of the Audit Risk Index

Internal Audit risk is the product of risk and materiality. In valuing materiality it is appropriate to add the constituent assessments of Corporate Importance and Corporate Sensitivity to generate a Materiality Factor on a scale of 100.

Total Risk is the product of inherent and control risk. For the purposes of simplicity in this model Inherent Risk is assessed on a scale of 5-10 and Control Risk on a scale of 2-10. The minimum Risk Factor is produced by multiplying these components is therefore 10% (2 x 5).

The Audit Risk Index for each auditable area is, therefore, the Materiality Factor multiplied by the Risk Factor.

Results of the Audit Risk Assessment

The structured list of auditable areas with illustrative assessment scores is recorded and the summarised scores used to give the Risk Factor and Materiality Factor and the resultant Audit Risk Index.

The list of auditable areas is then ranked by reference to the Audit Risk Index and grouped as high, medium or low priority. The top third are considered to be high priority, the next medium priority, and the bottom third low priority.

Internal Audit Risk Assessment Matrices

A CORPORATE IMPORTANCE This aspect considers the effect on an organisation of any inability to achieve management defined service objectives should the system or process fail. This aspect also takes into account the financial exposure or materiality of the area. The consequential impact, either directly or indirectly, on other systems and processes is also relevant to the assessment. Overall it is a measure of the extent to which the organisation depends on the correct running of the system to achieve its strategic objectives.

Score	Risk to Department, Corporate and/or Service Objectives		Operational Risk Exposure		Financial Risk Exposure
10	Negligible impact on achievement of service objectives. This would still be achieved with minimum extra cost or inconvenience.	or	Minor inconvenience	or	Under 2% of total operating income or net assets.
20	Service objectives only partially achievable without compensating action being taken or reallocation of resources.	or	Difficult to recover	or	Between 2% and 10% of operating income or net assets.
30	Unable to achieve service objectives without substantial additional costs or time delays or adverse effect on achievement of national targets / performance indicators.	or	Permanent loss of data	or	Between 10% and 30% of operating income or net assets.
40	Unable to achieve service objectives resulting in significant visible impact on service provision such as closure of facilities.	or	Unable to restore system	or	Between 30% and 50% of operating income or net assets.
50	Unable to achieve service objectives, resulting in inability to fulfil corporate obligations.	or	Organisation unable to function	or	Over 50% of total operating income or net assets

Internal Audit Risk Assessment Matrices

B Corporate Sensitivity This aspect takes into account the sensitivity / confidentiality of the information processed, or service delivered by the system, or decisions influenced by the output. It also assesses any legal and regulatory compliance requirements. The measure should also reflect any management concerns and sensitivities.

Score	Risk to Public Image		Risk of Adverse Publicity		Risk to Accountability		Risk of non-legal Compliance
10	Negligible consequences					or	No regulatory requirements
20	Some public embarrassment but no damage to reputation or standing in the community	or	Information would be of interest to local press			or	Minimal regulatory requirements and limited sensitivity to non-compliance
30	Some public embarrassment leading to limited damage	or	Information would be of interest to local MPs			or	Modest legal and regulatory requirements
40	Loss of credibility and public confidence in the service concerned	or	Incident of interest to National Press	Or	Incident potentially leading to the dismissal or resignation of the responsible functional manager	or	Extensive legal and regulatory requirements with sanctions for non-compliance
50	Highly damaging with immediate impact on public confidence	or	Incident of interest to the Audit Commission, government agencies	Or	Incident potentially leading to the resignation or dismissal of a Chief Officer	or	Possible court enforcement order for non-compliance

Internal Audit Risk Assessment Matrices

C Inherent Risk This aspect considers the inherent risk of the system, service, process or related assets to error, loss, irregularity, inefficiency, illegality or failure. The particular service sector, nature of operations and the pace of change will also affect the level of inherent risk. Similarly the relative complexity of the system will influence the inherent risk or error. The inherent vulnerability of a system, service or process cannot be altered, only mitigated by the quality of controls considered in section D.

Score	Inherent Risk – Vulnerability		Risk of Error due to System Complexity		Risk resulting from Pace of Change		Risk to Asset Security
5	Low vulnerability		Simple system with low risk of error	or	No changes planned	or	Undesirable low value assets not at risk of fraud or loss
6	Medium or low inherent risk	or		or	Limited changes planned with reasonable timescale		
7	Medium vulnerability	or	Moderately complex system with medium risk of error	or	Moderate level of change over medium term		
8	Medium to high inherent risk	or		or	Significant level of change with restricted timescale		
10	Highly vulnerable	or	Complex system with high risk of error	or	Extensive changes planned with short timescale	or	Highly desirable assets exposed to high risk of fraud or loss

Internal Audit Risk Assessment Matrices

D Control Risk This aspect assesses the level of control risk based upon the results of past audits of the control environment under review. This aspect also takes into account of the operating history and condition of systems and processes and knowledge of management controls to minimise exposure to risk. CRSA and extensive Control Risk Workshops under the leadership of the Council's Risk Manager could support evaluation.

Score	History of Risk Management Success		Management Risk and Control Environment		Condition of Risk Management Controls
2	No history of control weakness	or	There is effective risk management in place and adequate controls operated by risk-aware management	or	Effective controls and robust attitude to the management of all material risks. Embedded risk management culture
4	No history of significant weakness	or	Good management risk and control environment	or	Stable system with history of reliability and controls. Risk management issued considered regularly.
6	No high risk issues outstanding from the previous audit/investigation/best value/external review	or	No knowledge of management risk and control environment	or	Risk management and system controls not validated.
8	Some significant problems were identified and are known to be outstanding from the previous audit/review	or	Some significant concerns have been expressed by management (through Controls Risk Workshops)	or	Technical health of system of risk management and controls in doubt.
10	Major weaknesses in risk management and controls were identified and are known to be outstanding	or	Major concerns have been expressed by management (through Controls Risk workshops)	or	Obsolete system with history of problems and ineffective control. Little or no work undertaken on risk management.

Internal Audit Strategy

Introduction

What is Internal Audit?

Internal Audit is a review function within an organisation. Essentially it exists to perform the following roles:

- review systems of risk management, internal control and governance to ensure that these are sound and effective.
- to provide an assurance opinion on the soundness of the organisation's risk management and internal control frameworks.
- to add value to the organisation's operational activities by recommending enhancements to systems and identifying potential efficiencies.

Perhaps the most succinct definition of Internal Audit is provided by the Institute of Internal Auditors – UK and Ireland (IIA-UK), as follows:

Internal auditing is 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.

The Authority's Internal Audit Charter defines the function of Internal Audit, with specific reference to its role within the Authority, in the following way:

Internal Audit is an independent review function established as a service to Members, the Audit Committee and all levels of management. The Internal Audit Service is responsible for the independent assessment of the adequacy and effectiveness of the procedures and controls within systems operating within all of the Council's activities. It also has a responsibility to provide assurance to management that the Authority's risk management and corporate governance arrangements are satisfactory.

Why do we need an Internal Audit Strategy?

An Internal Audit Strategy outlines the means by which Internal Audit seeks to achieve its stated aims and objectives. The strategy is the plan for the effectively delivery of the Internal Audit service.

This document sets out Internal Audit's strategic approach, which should facilitate:

- on an annual basis, the provision to the S151 officer of an overall opinion on the Authority's risk management, control and governance, to support the preparation of the Statement of Internal Control;
- audit of the Authority' risk management, control and governance processes through periodic audit plans in a way which affords suitable priority to the Authority's objectives and risks;

- improvement of the Authority's risk management, control and governance by providing line management with recommendations arising from audit work;
- the identification of audit resources required to deliver an audit service which meets the CIPFA Code of Practice 2006 for Internal Audit in Local Government;
- effective co-operation with external auditors and other review bodies functioning in the Authority; and
- provision of assurance and consultancy services by Internal Audit.

The Role and Purpose of Internal Audit

The role of Internal Audit is to understand the Authority's key risks, and to review and evaluate the adequacy and effectiveness of the systems of internal control, risk management and corporate governance that are in operation at the Council, to ensure that they are sufficient for the purposes of mitigating risk.

It is a statutory requirement for Local Authorities to have an internal audit function, under S151 of the Local Government Act 1972. The Act also stipulates that Internal Audit should have unrestricted access to all information and records retained by the Authority. This enables Internal Audit to comprehensively review, appraise and report on the authority's functions as outlined in the Audit Charter.

Strategic Aims

Internal Audit exists to support the Council in the achievement of its corporate objectives. In particular:

- Internal Audit will support the Authority's aim to provide quality public services, by evaluating and reporting on the standard of systems of internal control in Council service areas;
- Internal Audit will support the Authority in working to the values set out in its corporate plan by providing the Head of Risk Management, the Director of Resources and the Audit Committee with reports on the extent of compliance with the Authority's Code of Corporate Governance;
- Internal Audit will contribute to the delivery of the Authority's community aims through professional audit reviews and effective recommendations for improving systems that support the Council's organisational aims;
- Internal Audit will assist the Director of Resources in the discharge of his statutory responsibilities for ensuring the proper administration of the Authority's financial affairs and will contribute to the Authority's aim of maximising and making best use of its financial resources through:
 - Risk based reviews of financial systems;
 - Advice on the adequacy and effectiveness of controls in new and developing systems;
 - Promotion of best practice across the Authority;
 - Advice on the prevention and detection of fraud affecting the Authority and investigation of waste or abuse within the Council systems.

Internal Audit & Risk Management

Risks are potential events or occurrences that may have an adverse effect on the organisation's ability to achieve its objectives. Risk Management is the process of identifying, evaluating and responding to risks in order to mitigate them. Risk Management is not the responsibility of Internal Audit. However, Internal Audit will use the authority's risk management framework to focus its work by concentrating on those areas that are most critical to the authority. Consequently, Internal Audit will review the authority's risk registers on a six monthly basis and where necessary amend the internal audit plan to ensure audit resources are continually focused on areas identified by management where the objectives may not be achieved.

Dimension 4 from the CIPFA/SOLACE report on good governance highlights Risk Management as being an integral part of good governance. Internal Audit will therefore also examine the authority's risk management arrangements annually and in so doing, also fulfil the requirements of the CIPFA Code of Practice 2006 for Internal Audit in Local Government to report formally on the authority's arrangement for Risk Management.

Identifying Audit Coverage

In order to identify the auditable systems and establish the areas of risk or specific importance within the authority, Internal Audit will adopt an approach involving discussion and review of the current position. Information will be gathered by meeting key officers within the authority including Corporate Directors and Finance Managers, the Chief Executive and other key officers within the authority. Internal Audit will also discuss the requirements of the External Auditors and the requirements of the "managed audit" approach to ensure those areas upon which our external auditors would seek to place reliance on the internal audit work are included within the internal audit programme. Details of the "Governance" Based Strategic Planning are attached to this paper for information.

In compiling its work programme, Internal Audit will make use of information available within the authority to identify auditable systems, such as

- the authority's risk registers, to ensure risks are being managed properly;
- background information obtained from previous audits and our discussions to date with the authority;
- experience of issues raised at other public sector organisations after carefully considering key risks to the authority; and
- current and previous audit plans and strategic issues facing the authority.

For each auditable system, Internal Audit will classify the systems into one of three risk bands according to the system's significance to the authority: High (H), Medium (M) or Low (L). It is recognised and appreciated that Internal Audit cannot review all auditable systems within the authority each year as both financial and human resources are limited. Internal Audit will therefore seek to use the resources available to review those auditable systems that are most significant to the authority. Hence, all systems highlighted as being highly significant will always be included within the annual audit plan. A proportion of medium significance audits will also be included in the plan. In deciding which medium-significance auditable system to review, we will use our assessment of the system and discuss with management those areas that will add value. It is highly unlikely the resources will permit the inclusion of auditable units that are of low significance to the authority and therefore these auditable units will feature on the Internal Audit plan unless specifically requested by management.

Delivering the Strategy

The strategic internal audit plan will be compiled annually for each financial year and only comprise those systems due for review in that year. The strategic plan will therefore relate to one financial year and be subject to a formal six monthly review.

Internal audit will primary perform risk based audits, all exceptions to this will require prior agreement from the Head of Risk Management. The risk based approach entails examining the objective of the auditable system, the risks relating to the delivery of those objectives and an assessment of the adequacy and effectiveness of the control framework to achieve the desired objectives.

Audit Reporting

The reporting arrangements for Internal Audit are detailed in the Internal Audit Charter under “Reporting”.

Quality

All internal audit work will be subject to rigorous review and quality assurance procedures. This will entail:-

- planning the scope of the audit to ensure focus on areas of risks and concerns;
- supervision of audit work by the Audit Managers;
- a formal review and sign off of the audit report and audit file by the Audit Managers;
- further formal reviews of all reports and sign off for issue to auditee by the Partnership Manager;
- obtaining feedback and comments from the auditees and Directors;
- seeking feedback from the external auditors; and
- bench marking Internal Audit quality control procedures with other similar organisations.

LONDON BOROUGH OF TOWER HAMLETS

INTERNAL AUDIT TERMS OF REFERENCE

1. Introduction

- 1.1 The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, requires that a “relevant body shall 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”. These regulations also require that provision for Internal Audit must be made in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006.
- 1.2 “Proper internal audit practices” is defined in the additional guidance to the Accounts and Audit Regulations as compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the CIPFA Code of Practice). Standard 1 of the Code of Practice refers to the scope of internal audit and the need to formally define this role in its Terms of Reference.
- 1.3 The CIPFA Code of Practice covers the following:
- Scope of internal audit
 - Independence
 - Ethics for internal auditors
 - Audit committees
 - Relationships
 - Staffing, training and continuing professional development
 - Audit strategy and planning
 - Undertaking audit work
 - Due professional care
 - Reporting
 - Performance, quality and effectiveness
- 1.4 Internal Audit activity at LBTH is carried out in accordance with the CIPFA Code of Practice, and the Borough’s Financial Regulations and Procedures. The Institute of Internal Auditors provides authoritative standards and guidance for the internal audit profession via its Professional Practices Framework, and these are used to supplement the CIPFA Code of Practice and Financial Regulations and Procedures as appropriate.

2. Definition

- 2.1 The CIPFA Code of Practice defines the internal audit function as, “an assurance function that provides an independent and objective opinion to the organisation on the control environment (comprising the systems of risk management, internal control and governance) by evaluating its effectiveness

in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources".

2.2 The control environment comprises the Council's systems of governance, risk management and internal control. The key elements of the control environment include:

- Establishing, and monitoring the achievement of, the Council's objectives;
- The facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- The financial management of the organisation and the reporting of financial management; and
- The performance management of the organisation and its reporting of financial management.

3. Independence and Scope

3.1 The Internal Audit Service is part of the Resources Directorate and operates independently of the activities that it audits in order for it to make impartial and effective professional judgments' and recommendations. In order to ensure that it can deliver on these terms of reference, an annual risk assessment is undertaken with input from all Directorates and the Council's External Auditors to determine a risk based programme of assurance and other work. This programme is compared to the resources available to deliver it, in order to ensure that it can be achieved within the approved level of Internal Audit resources.

3.2 The scope of Internal Audit allows full access to all of the Borough's activities, including both financial and non-financial systems of internal control. Internal Audit can also, where resources and skills exist, provide independent and objective services, including consultancy and fraud-related work.

3.3 Where Internal Audit staff have been consulted during system, policy or procedure development, they will be precluded from reviewing and making comments during routine or future audits in those areas.

4 Responsibilities and Objectives of Internal Audit

4.1 Internal Audit is responsible for:

- Agreeing an audit strategy with the Audit Committee;
- Agreeing an annual audit plan with the Audit Committee and carrying out the agreed work in line with appropriate professional standards;
- Providing assurances, advice, opinions and making recommendations to improve processes and systems where appropriate;
- Investigating as appropriate fraud and financial irregularities, whilst acknowledging that managing the risk of fraud and corruption is the responsibility of management;

- Reporting to the Audit Committee and the s151 Officer any significant business risks, serious control weaknesses, significant fraud or other major control breakdown;
- Complying with requests for information from the s151 Officer, Audit Committee, or the Borough's External Auditors;
- Liaising with External Audit and other external bodies as appropriate;
- Maintaining effective communication with the Borough's managers;
- Offering advisory services without assuming management responsibility or jeopardising achievement of the audit plan;
- Providing performance measures to demonstrate effectiveness of the Internal Audit service;
- Producing an annual report for the Audit Committee, giving an opinion of the Borough's control environment; and
- Contributing to the production of the Council's Statement of Internal Control.

4.2 The objective of Internal Audit is to provide a professional high quality and effective audit service that is responsive to the needs of all stakeholders. The work of Internal Audit will add value to the services provided by the Council by identifying areas for improvements and by offering advice and assistance to Management.

5. Access

- 5.1 There are no limitations in Internal Audit's right of access to Borough officers, records, information, or premises which it considers necessary to fulfil its responsibilities. These rights of access are set out in the Borough's Constitution.
- 5.2 The Head of Audit has a right of direct access to the Chief Executive and the Chair of the Audit Committee. In turn, Internal Audit agrees to comply with any requests from the External Auditors and other relevant external bodies for access to any information, files or working papers obtained or prepared during audit work that they need to discharge their responsibilities.
- 5.3 Where key services are to be provided to the Council by other contractors or through a partnership, in order for Internal Audit to form an opinion on the controls operating, a right of access to relevant information and documents should be included in contracts or agreements concerned. In order to obtain assurance regarding the control environment within each partnership that provides a key service, the Head of Audit in consultation with all relevant parties, whether Internal Audit staff conduct the work to derive necessary assurance or if reliance (or partial reliance) can be placed on the work of other auditors.

6. Approach

- 6.1 Internal Audit employs a risk-based, systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes by assessing the:
- Identification and management of business risks;
 - Soundness, adequacy and application of the internal control systems;
 - Reliability and integrity of financial and operational information;
 - Effectiveness and efficiency of operations;
 - Safeguarding of assets from fraud, irregularity or corruption; and
 - Compliance with laws, regulations, contracts and established policies, procedures and good practice.

6.2 The provision of the Internal Audit is managed by:

6.3 The provision of the Internal Audit is managed by:

- Preparing an audit plan for the Council's key financial systems and a risk-based annual audit plan for agreement by the Audit Committee;
- Ensuring audit work is supervised, recorded and reported; and
- Preparing an annual report on the work of internal audit for submission to the Audit Committee, giving an overall opinion on the reliability of the system of internal control.

7. Consultancy and Advice work

7.1 Internal Audit can provide support and advice to managers, particularly regarding the interpretation and application of Contract Standing Orders and Financial Regulations.

7.2 Internal Audit advice and recommendations are given without prejudice to the right of Internal Audit to review the relevant policies, procedures and operations at a later date.

8. Fraud

8.1 The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management.

8.2 Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

8.3 The Head of Internal Audit should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications for their opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.