

**APPENDIX 2**

**London Borough of Bromley  
Review of CIPFA Code of Practice  
Self-Assessment**

**UPDATE from 19 May 2009 Report**

2. **RISK ASSESSMENT AND RECOMMENDATIONS**

	<b>FINDINGS</b>	<b>RECOMMENDATION (Officer's comments on agreed action and implementation timescale)</b>	<b>PRIORITY</b>	<b>AGREED/ DISAGREED</b>	<b>COMMENTS</b>	<b>Update</b>
2.1.	<p><b>Section 1: Scope of Internal Audit</b></p> <p>The code states that the purpose, authority and responsibility of Internal Audit must be defined by the Council in a terms of reference consistent with the code. Currently, a variety of documents capture the essential information. However, it is not all in one Terms of Reference.</p>	<p>Using the Code of Practice Section 1.1 as a guide a single Terms Of Reference document should be agreed by the Audit Sub-Committee and this should be subject to review on a regular basis</p>	Medium	Agreed	<p>The terms of reference document will be consolidated and submitted to a future Audit Sub Committee</p>	<p>Submitted to Audit Sub Committee June 2009</p>

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2.2.	<p><b>Section 2: Independence</b></p> <p>The Code states that the position of the Head of Internal Audit in the management structure should reflect the influence they have on the control environment and they should not report to or be managed at a lower organisational level than the corporate management team. Internal Audit Reports in Bromley are issued in the name of the Assistant Director (Audit &amp; Technical), who reports to the Director of Resources. There is a lack of clarity over the role of Chief Internal Auditor and Head of Audit. This leads to some confusion as to whether the Head of Internal Audit is managed by a member of the corporate management team. There could also be issues arising when audits are carried out on aspects of the work of the Technical Section. (This could be part managed by reserving the right to report formally to the Director of Resources for those tasks).</p>	<p>The role and responsibilities of the Assistant Director (Audit &amp; Technical) and Head of Audit should be reviewed to ensure that all aspects of the Code of Practice, paragraph 2.2.3 and 2.3.1. are complied with as far as possible, or alternative safeguards are introduced to preserve the status and independence of the Internal Audit function.</p>	Medium	Agreed	<p>The role of Chief Internal Auditor stays with the Assistant Director. The role of the Head of Audit will be the lead manager of the service and renamed the Deputy Chief Internal Auditor.</p> <p>An informal protocol already exists whereby any audits which are carried out in the technical area involve a direct reporting line to the Director of Resources to avoid any conflict. However, at a practical level these services are managed by a Technical Accountant who responds to any audit findings..</p>	<p>The Director of Resources receives all audit reports in the technical areas.</p>

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2.3.	<p><b>Section 3: Ethics for Internal Auditors</b></p> <p>The code requires the Head of Internal Audit to plan the allocation of audit work to avoid the risk of conflicts of interest. Whilst there are organisational rules the Head of Internal Audit may wish to take into consideration more localised conflicts of interest than that governed by the Council wide scheme. Examples could include a personal relationship with an officer subject to audit or children of auditors attending a particular school subject to audit.</p>	<p>A process for confidential declaration of conflicts of interest in relation to audit assignments should be devised and operated on a regular basis.</p>	Medium	Agreed	<p>Any conflict of interest actual or potential is already addressed by the CIA.</p> <p>A new form will be filled in for all audit staff and updated annually.</p>	Conflicts forms have been filled in.

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2.4.	<p><b>Section 4: Audit Committees</b></p> <p>The Code states that objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility until a suitable time period has elapsed. No time period has been set at present, and judgement on each case is made. The Code suggests that a set time period should be established.</p>	A standard time period should be considered for all such circumstances.	Low	Agreed	Two years to be the norm unless approved change by Assistant Director of Resources	Immediate implemented

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2.5.	<p><b>Section 10: Reporting</b></p> <p>The Code states that the Head of Internal Audit should develop escalation procedures where agreed actions have not been effectively implemented by the date agreed. A formal policy has not yet been introduced.</p>	<p>Procedures should be formalised for such circumstances. These procedures should ensure that the risks of not taking action have been understood and accepted at sufficiently senior management level.</p>	Low	Agreed	A new procedure will be adopted	Submitted to Audit Sub Committee June 2009

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2.6.	<p><b>Section 11: Performance, Quality &amp; Effectiveness</b></p> <p>The Head of Internal Audit should have in place a performance management and quality assurance framework.</p> <p>There were some areas where the self assessment considered only partial compliance to have been achieved mainly due to problems with the performance management software.</p>	<p>Work should be undertaken with the software supplier to resolve the issues as a matter of priority.</p>	High	Agreed	<p>The software supplier is working on a new version which will provide better Management Information.</p> <p>The team will review current reports and see if enhancements can be made.</p>	<p>An update version has been installed. Management reports are now fully available but there is still a degree of manual intervention required to tailor the reports for performance details</p>