

AUDIT COMMITTEE ANNEX AGENDA



Date: Tuesday 9 February 2010
Time: 1500
Place: Boardroom, Victory House, Histon

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EEDA's Corporate Risk Management Plans

EEDA Internal Audit Review

Report Rating - ● Reasonable Assurance

Final Report – February 2010

EXECUTIVE SUMMARY REPORT

Background

As part of EEDA's risk management strategy, the Agency maintains a corporate risk register, which is developed and updated through an annual corporate risk workshop with representatives from the Board and the Chief Executive's Team.

For 2009/10, EEDA's corporate risk register comprises 16 risks, categorised into strategic risks, reputational risks, external risk, delivery risk and risks to key business processes. Each corporate risk is owned by a member of the Chief Executive's Team, who is responsible for ensuring that a risk management plan is developed, to capture the sub-risks associated with the corporate risk, document the key controls in place to mitigate the risks, identify any further controls required to manage the risk exposure (likelihood and impact) to a tolerable level, and ensure periodic reviews are carried out to ensure that the key controls remain in place. The risks are designated as 'top-tier' or 'second-tier' risks, to determine the level of in-year review required by the risk owner; 'top-tier' risk management plans are subject to a quarterly review and 'second-tier' risk management plans to a mid-year review. The risk management plans are a key source of information in updating EEDA's assurance framework.

A key element of EEDA's Internal Audit strategy and plan for 2009/10 is to provide assurance that EEDA's corporate risk management plans are adequate to manage the risks and sub-risks identified, and that the key controls are operating in practice. This is undertaken by a range of assurance work, which includes detailed substantive audits, follow-up of issues raised previously and the facilitation of discussions to allow the completion of risk management plans.

The planned internal audit coverage with regards to each corporate risk is captured in annex 1, covering the reviews covered under this report and other work included in the internal audit plan for 2009/10.

Scope and Objectives

This review focussed on 12 out of the 18 eighteen corporate risks, as captured in annex 1a. The risk management plans reviewed covered strategic, reputation and external risks and key risks to business processes. Seven top-tier risk management plans and five second-tier plans were reviewed.

The audit was carried out through discussions with both the risk owners and key control owners, and through a review of evidence in support of the controls in operation and compliance testing as appropriate. A total of 226 key mitigating controls / management actions were reviewed, along with 85 planned actions for 2009/10 to manage the risk exposure further and 32 stated review and assurance arrangements.

As well as reviewing the extent to which corporate risks were being managed, the review considered the extent to which the risk management strategy for 2009/10 had been implemented by the executive, including the in-year review of the risk management plans, ownership of the controls and assurance arrangements on place to ensure that the controls remain appropriate and are working effectively. The Internal Audit reviews of these risk management plans also provided information for the risk owners in carrying out their six-monthly review of the corporate risk management plans in November and December 2009.

Conclusions

Through our review of the 12 corporate risk management plans covered under this report, we can provide positive assurance to the executive that the controls and management actions captured are being operated effectively in practice. The majority of controls considered to be in place when the risk management plans were drawn between March and June of 2009 were found to still be in operation at the time of the review in August to November 2009.

In a small number of cases, not unique to any specific risk, the following issues were identified:

- Circumstances had changed which impacted upon the appropriateness of the control, which had not been updated in the risk management plans.
- The control owner stated was not the right person in the organisation, or the person had left the organisation, and therefore a potential risk existed that the control was not being operated.
- The key control or management action overstated the degree of control in place, and the audit identified that some work was still required to improve the management of the sub-risk.
- The planned in-year further action to mitigate the residual risk exposure to a lower level had been deferred due to other priorities.

Through the discussions with the risk owners and key control owners it is evident that the risk management plans are in some cases being actively used to manage the corporate risks and reflect the key mechanisms for ensuring that EEDA continues to meet its corporate plan objectives in a consistent and concise place. Where specific issues were identified, these were discussed with the risk owner, and the changes required have been addressed through the recent in-year reviews of the risk management plans between November 2009 and January 2010. Whilst the introduction of formal, comprehensive in-year reviews in 2009/10 represents a significant improvement in the risk management arrangements of the Agency, these reviews could be completed on a timelier basis.

An area where the use of the risk management plans could be enhanced is in capturing not only the key review mechanisms relating to the risks or operation of key controls, but where the key assurances over the effectiveness of the management of the risks and operation of controls. This could include planned internal audits, external audits, reviews and inspections, evaluations or management review. In 7 out of the 12 risk management plans, review and sources of assurance were either not stated or were limited in scope.





In light of the new area based working arrangements and the recent introduction of programme boards to direct and oversee the implementation of the corporate plan, it is also important that the connections between the corporate risk management plans and risk registers maintained by the programme boards, and the respective roles and responsibilities for the management of risks and sub-risks, are clear.

The next section of the report draws out the themes identified above and provides a management response to take them forward.

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ISSUES GRADING


All audit reports are graded with an overall audit opinion, and any issues and associated recommendations are classified individually to denote their relative importance, in accordance with the definitions as follows:

Colour Code	Internal Audit Opinion	Recommendation Priority	Definitions
	High assurance	Minor points only are likely to be raised	The arrangements for risk management, control and governance provide a high level of assurance that material risks are identified and well managed and that business objectives will be achieved. No significant improvements are required.
	Reasonable assurance	Low / Medium priority	The arrangements for risk management, control and governance provide a reasonable assurance that material risks, which might threaten the achievement of the objectives, are identified and managed effectively. The audit has identified some scope for improvement in existing arrangements and appropriate action has been agreed to enhance the likelihood that business objectives will be achieved.
	Limited assurance	Medium / High priority	The arrangements for risk management, control and governance provide only a limited assurance that material risks are identified and managed effectively. The achievement of business objectives is therefore threatened. Action to improve the adequacy and effectiveness of the risk management, control, and governance arrangements has been agreed and timetabled.
	No assurance	High priority	The arrangements for risk management, control and governance provide no assurance that material risks are identified and managed effectively. There is therefore a substantial risk that business objectives will not be achieved. Immediate action is required to improve the situation.


Detailed Issues and Management Response

Issue Grade	Issue	Risk / Implication	Agreed Management Action / Responsibility / Due Date
1. Timeliness of in-year reviews of corporate risk management plans			
<p>● Medium</p>	<p>Whilst comprehensive in-year reviews of the risk management plans were completed by all risk owners, these were not in accordance with the times agreed initially at the risk workshop in January 2009 (top-tier risks) and subsequently by CET in October (all risks).</p> <p>Performance against the completion of risk management plans and the timeliness of the in-year reviews are reported as part of the <i>organisational performance</i> perspective on EEDA's balanced scorecard under the area of <i>managing governance processes effectively</i>.</p> <p>For 2009/10, to quarter 3, the element which captures the timeliness of the completion and review of risk management plans is reporting a rating of 1.</p>	<p>Risk management plans do not reflect the current organisational circumstances, including key control owners, the status of controls and further actions.</p> <p>The mechanisms to manage new sub-risks may not be appropriately considered.</p> <p>The perception of the effectiveness of EEDA's processes may be undermined, due to the low rating reported in the balanced scorecard.</p>	<p>Actions:</p> <p>The Governance Team will work with the risk owners to ensure that the risk management plans in 2010/11 are reviewed on a more timely basis.</p> <p>Corporate Services Management Team will consider the nature of the measures included in the balanced scorecard and whether they promote an appropriate management response.</p> <p>Due Date:</p> <p>Risk Management Plans - In accordance with timeframes agreed by the Audit Committee at its meeting on 9 February 2010, following proposals at the Corporate Risk Workshop on 20 January 2009.</p> <p>Balanced Scorecard – the measures will be reviewed for possible incorporation in the quarter four scorecard for 2009/10.</p>

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Issue Grade	Issue	Risk / Implication	Agreed Management Action / Responsibility / Due Date
2. Review and assurance arrangements			
<p style="text-align: center;"></p> <p>Medium</p>	<p>The corporate risk management plans are currently not being used by all risk owners to capture key review mechanisms and sources of assurance that key controls continue to be in place and working effectively in practice.</p> <p>In terms of EEDA's assurance framework, these can be:</p> <ul style="list-style-type: none"> • second line of defence - management review mechanisms and activities such as monitoring visits and external reviews or accreditations, including evaluations) • third line of defence –internal and external audits (where these are part of the agreed Internal Audit plan) <p>Where such arrangements were stated on the risk management plans, these were found to be operating in practice. However in 7 out of 12 plans reviewed, either no review and assurance arrangements were captured or these were limited in scope.</p>	<p>Key controls to manage the risks to EEDA's objectives may no longer be in place or operating effectively and as intended by the risk owner.</p>	<p>Action:</p> <p>The Governance Team will work with the risk owners to ensure that the risk management plans more comprehensively capture the review and assurance mechanisms in place for the 2010/11 corporate risk register.</p> <p>Responsibility:</p> <p>Risk Owners, with facilitation by the Governance Team</p> <p>Due Date:</p> <p>In accordance with timeframes agreed by the Audit Committee at its meeting on 9 February 2010, following proposals at the Corporate Risk Workshop on 20 January 2009.</p>

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Issue Grade	Issue	Risk / Implication	Agreed Management Action / Responsibility / Due Date
3. Connections between Corporate Risk Management Plans, Programme Board Risk Registers and Area Teams			
<p style="text-align: center;"></p> <p>Medium</p>	<p>During the time that the detailed audit work was being undertaken, significant changes were being made in how the Agency delivers and manages its corporate plan objectives, namely the new area based working arrangements and the recent introduction of programme boards to direct and oversee the implementation of the corporate plan.</p> <p>It is therefore important that the Agency's risk management arrangements reflect the new governance and organisational arrangements.</p> <p>In particular the connections between the corporate risk management plans and risk registers maintained by the programme boards needs to be considered, alongside clarity of the respective roles and responsibilities for the management of risks, sub-risks and controls.</p>	<p>The risk management arrangements do not reflect the corporate structures of the Agency, and risks and sub-risks may not be effectively managed due to a lack of clarity.</p>	<p>Action:</p> <p>As part of its planned advisory work for the latter part of 2009/10 and into 2010/11, internal audit will work with the corporate risk register risk owners, the programme boards and area teams to develop appropriate risk management arrangement and provide assurance that a consistent and comprehensive approach is being adopted.</p> <p>Responsibility:</p> <p>Risk Owners, Programme Boards and Area Directors, with facilitation by the Governance Team</p> <p>Due Date:</p> <p>In accordance with timeframes agreed by the Audit Committee at its meeting on 9 February 2010, following proposals at the Corporate Risk Workshop on 20 January 2009.</p>

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Risk Management Plans covered in this report

Annex 1a

<i>Reference and Description from EEDA's Corporate Risk Register 2009/10</i>		<i>Risk Owner</i>	<i>Risk Priority</i>
Strategic Risks			
1	Failure to influence regional and national partners to contribute effectively to RES implementation	Executive Director Strategy & Intelligence	Second-Tier
2	EEDA is not adequately prepared for SNR and its new role as the Regional Planning Body	Executive Director Spatial Economy	Top-Tier
3	Funding reductions and uncertainty impact upon the ability of EEDA to meet its objectives	Executive Director Corporate Services	Top-Tier
Reputational Risks			
4	Increased scrutiny or investigations, which may impact adversely on EEDA's reputation	Executive Director Communications	Top-Tier
7	Reputational risk / financial liabilities arising from the Centre for Integrated Photonics	Executive Director Innovation	Top-Tier
External Risks			
8	Failure by EEDA to influence key players to mitigate the effects of the economic downturn	Executive Director Strategy & Intelligence	Top-Tier
9	EEDA is unable to make an appropriate response to political changes or changes in Government	Chief Executive	Top-Tier
Risks to Key Business Processes			
12	Failure to Achieve Excellence and deliver the Area Working initiative (NB: audit focused on the risk management plan prior to the review in October 2009. Internal Audit facilitated the completion of a refreshed risk management plan to reflect the new focus of the risk in January 2010).	Chief Executive	Top-Tier
13	Internal management issues prevent EEDA from discharging its agreed agenda	Executive Director Corporate Services	Second-Tier
14	Management information is not sufficient to enable accurate and timely decision making	Executive Director Corporate Services	Second-Tier
15	Business continuity arrangements are not adequate to respond effectively	Deputy Chief Executive	Second-Tier
16	Failure to implement new data security measures	Senior Information Risk Owner	Second-Tier

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Risk Management Plans covered under separate internal audit activity

Annex 1b

<i>Reference and Description from EEDA's Corporate Risk Register 2009/10</i>		<i>Risk Owner</i>	<i>Risk Priority</i>	<i>Internal Audit Activity 2009/10</i>
Reputational Risks				
5	Partner relations and associated delivery are not managed adequately	Executive Director Communications	Second-Tier	Review of stakeholder engagement strategy. Consultancy work to include reference to the RMP. Planned for March 2010.
6	Poor public perception of EEDA delivery	Executive Director Communications	Second-Tier	Follow-up of 2008/09 audit.
10	Failure to deliver EEDA corporate objectives and programmes as set out in the Corporate Plan 2008-11 <ul style="list-style-type: none"> • Business Support • Regional Infrastructure • Sustainable Economy • Strategy and Intelligence • Partnerships, Advocacy and Communications • Science, Innovation and High-Level Skills • Economic Participation 	Relevant Executive Directors (ED)	Second-Tier	Advisory work to gain assurance that the programme management arrangements across EEDA are adequate, with reference to the risk management plans in place for each programme. Planned to start in March 2010.
11	EEDAs project management arrangements do not enable EEDA to deliver projects effectively	Executive Director Corporate Services	Second-Tier	Review of the adequacy of project management arrangements across EEDA, including reference to the risk management plan. The report for this work is currently being finalised.
17	EEDA is unable to achieve a 'Strong' performance rating in the Independent Supplementary Review (ISR)	Chief Executive	Top-Tier	New risk identified through the in-year review of EEDA's corporate risk register by the Chief Executive's Team in October 2009. Internal Audit is contributing in an advisory capacity to the challenge and critique of EEDA's submission currently being undertaken.

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<i>Reference and Description from EEDA's Corporate Risk Register 2009/10</i>		<i>Risk Owner</i>	<i>Risk Priority</i>	<i>Internal Audit Activity 2009/10</i>
18	Failure to deliver major business support procurements and subsequent implementation	Executive Director Enterprise & Skills	Top-Tier	New risk identified through the in-year review of EEDA's corporate risk register by the Chief Executive's Team in October 2009. Advisory work on the new governance and management arrangements for the new model of provision is included in the internal audit plan for 2009/10. Work is planned to start in February 2010.

Review carried out by:	Tina Handa, Ernst and Young Owen Garling, Compliance and Performance Officer Angela Mason-Bell, Compliance and Assurance Manager
Audit sponsors:	Corporate Risk Owners



EEDA Internal Audit Consultancy – Management Information

Final Report – January 2010

Background

The Internal Audit plan for 2009-10 includes time to undertake a piece of analysis work on the availability and use of management information at EEDA.

As part of the development of EEDA's new Performance Management Framework, a Performance and Evaluation Champions Group has been established. A paper taken to a meeting of the group by the Senior Executive – Business Development highlighted a number of issues that the Business Development team faced in collating information for submission to the RDA network and BIS. As a result of the paper it was agreed that a sub-group would meet to discuss possible management information issues with a view of identifying some potential solutions.

At the meeting of the sub-group it was agreed that the issues raised applied equally to a number of different types of requests for information, both internal and external, that are received by staff at EEDA on a regular basis.

As a result of this meeting it was agreed that the focus of the internal audit work relating to management information would be on the structures in place that both enable and inhibit the reporting of accurate information in a timely manner both internally and externally.

Included within the Corporate Risk Register for 2009-10 is a risk that "*Management information is not sufficient to enable accurate and timely decision making.*" A separate piece of audit review work has been undertaken to provide assurance on the operation of the controls identified in the associated Risk Management Plan.

Scope and Methodology

The objective of the work was to undertake a mapping exercise to identify where key data is stored within EEDA and the relationships between the data and the structures in place for managing and reporting on the data, both internally and externally.

The following areas have been covered in the review:

- where requests for information originate;
- how responses are co-ordinated; and
- how information is stored and disseminated.

At the outset of the review it emerged that a piece of work had been conducted in April 2009 by the Strategy and Intelligence Directorate to map directorate reporting arrangements. This piece of work has therefore not been duplicated. However, it is suggested that this piece of work is kept up-to-date and made available on EEDANet.

The review was conducted through the following steps:

- Interviews with members of staff responsible for receiving requests for information;
- Interviews with members of staff responsible for responding to requests for information; and
- An analysis of requests for information received through the Freedom of Information and Parliamentary Questions channels to identify any trends in requests received.

This report sets out an analysis of the current situation and suggests a number of possible solutions. The report also outlines the current position in relation to the implementation of the solutions along with any further work that may be required.

An analysis of the discussions held with colleagues is set out in Annex One. Annex Two sets out the analysis of requests received through the Freedom of Information and Parliamentary Questions channels. A list of those staff who have been interviewed is included at Annex Three.

Conclusions

The following key themes have emerged from the discussions that have been held with colleagues:

- The information requests that seem to cause the most problems are those which are received on an ad-hoc basis, for which there is no structured reporting process in place, and which are asking for information in a format that does not fit with how EEDA holds the information. The challenge for EEDA is to move away from responding to these types of query to actively 'pushing' the information that it wants stakeholders to be aware of, and that is structured in a way that suits EEDA.
- Those members of staff who regularly receive requests for information develop informal networks of colleagues who are able to assist them in responding to the queries. If these informal networks were formalised, they would be available for use by all staff at EEDA with the result that all staff would have more timely access to accurate information.
- Responses to requests for information are generally stored in EEDA's management information systems. However, it is not always clear to all staff where this information is kept and who is responsible for it. If this information was more widely published, and the ownership of the information was clear, staff would again have better access to information.

These issues have been discussed with the Performance and Evaluation Champions Group who *"agreed that a more formal, structured approach [to management information] needs to be in place. Access to accurate information needs to be made more available, understanding and training on systems, gatekeepers need to share what information they have."*

Following these discussions, this paper has been updated to reflect the work that has been done in relation to the availability of management information as part of the Achieving Excellence programme.

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Analysis of current situation	Possible Solutions	Current Status / Further Work
1. Classification of information		
<p>a. Types of information request</p> <p>Information requests can be categorised based on the frequency of the request and whether there are clear processes in place to provide the information. The categories that have been identified through discussions with staff are as follows:</p> <ul style="list-style-type: none"> • Regular and process driven; • Regular but no process; • Irregular but process driven; and • Irregular but no process. <p>The information requests that seem to be the most straightforward to answer are those that fall into the 'regular and process driven' category.</p>	<p>As information requests that fall into the 'regular and process driven' category appear to be the most straightforward to answer, efforts should be made to try and provide as much information through these channels.</p> <p>A possible solution would be to review the types of request received on a regular basis to ensure that they are answered using the most efficient method.</p> <p>For example, the analysis of Freedom of Information Act requests (see Annex 2) highlighted that 71 per cent of the requests received to date in 2009-10 have related to employees expenses and hospitality. If this information was published as part of EEDA's Publication Scheme, it would be more readily available, and could therefore reduce the number of Freedom of Information Act requests received.</p>	<p>Current Status: In line with the Freedom of Information Act EEDA has a Publication Scheme setting out what information it will publish as a matter of course.</p> <p>Included within the Publication Scheme is a Disclosure Log covering the period from January to July 2009, from which it is possible to access all of the responses made to FoI requests. The Disclosure Log is due to be updated quarterly and prior years' Disclosure Logs are available on request.</p>

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Analysis of current situation	Possible Solutions	Current Status / Further Work
<p>b. Location of information</p> <p>Information is either directly available to members of staff who receive requests for information or has to be obtained from a colleague within EEDA.</p> <p>Where information is not directly available to the member of staff who received the request for information, they either:</p> <ul style="list-style-type: none"> • know who to approach for the information; • have an idea who may have access to the information; or • are aware that the information is held within EEDA but are not sure where the information is held. <p>Information is easier to share if it is directly available to members of staff who receive requests for information.</p>	<p>It is suggested that staff could be signposted to where key information is held and who the owner of the information is.</p> <p>Alternatively, key information and messages could be made available from one central point on EEDANet.</p>	<p>Current Status: EEDANet has recently been re-organised to include a section called <i>EEDAinfo</i>.</p> <p><i>EEDAinfo</i> was launched at a staff session on 'EEDA in the Public Eye' on 14th October 2009, and staff present were asked to contribute to the information that is accessible from <i>EEDAinfo</i>.</p> <p>Further Work: The current focus of <i>EEDAinfo</i> is on the Key Messages, Case Studies and Forward Look sections. Further work is to be done on the Presentations and Briefings sections of the site to ensure that staff are able to access corporate presentations and briefings.</p> <p>A longer term aim is to 'tag' all of the information available on <i>EEDAinfo</i> so that information can be retrieved by theme, such as geographical area or skills etc.</p>
<p>c. Origin of the request for information</p>		

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Analysis of current situation	Possible Solutions	Current Status / Further Work
<p>Requests for information either originate from outside of EEDA or are generated internally.</p> <p>External requests can be categorised according to the relationship that the party asking for the information has with EEDA.</p> <p>Internal requests are either for information that will remain within EEDA or for information that will be passed to a third party.</p>	<p>For external requests, plans could be produced to identify different stakeholders information needs. Information could then be 'pushed' to different stakeholders.</p> <p>For internal requests staff should be signposted as to where key information is and who is the owner of the information.</p> <p>Alternatively, key information could be made available from one central point on EEDANet.</p>	<p>Current Status: Stakeholder management plans have been developed for key stakeholders identifying how they will be engaged with.</p> <p>EEDA<i>info</i> is seen to be the first point of call for all staff to access information when communicating with suppliers.</p> <p>Further Work: The following further work is planned:</p> <ul style="list-style-type: none"> • The RBSiS system is to be used to capture engagements with key stakeholders and is due to be rolled out across EEDA; • the list of key stakeholders is to be added to EEDA<i>info</i>; • the East of England regional website is to be developed into a regional portal for information on the region. Part of the website will be an extranet where key information can be shared between partners; and • A single 'Forward Look' is being developed as part of EEDA<i>info</i>. It is hoped to move to an Outlook based system so that the Forward Look can be sorted by different parameters and viewed in different formats.
<p>2. Roles of individuals</p>		

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Analysis of current situation	Possible Solutions	Current Status / Further Work
<p>Requests for information which cannot be answered directly by an individual generally involve a 'receiver' who receives the initial request and a 'provider' who provides the information for the receiver.</p> <p>Members of staff who regularly act as 'receivers' build up informal networks of colleagues who act as information 'providers'. The existence of these networks is generally only known to the 'receivers', and there is a risk that the networks could be lost if staff were to leave.</p>	<p>Informal networks could be made more formal, perhaps using the Who's Who facility on EEDA, so that other members of staff become aware of who can provide them with information.</p>	<p>Current Status: EEDA<i>Info</i> does not currently hold information in relation to subject area experts.</p> <p>Further Work: The following suggestions were made:</p> <ul style="list-style-type: none"> • A list of experts and their areas of expertise could be added to EEDA<i>Info</i>; and • A thumbnail sketch of the roles of each team within EEDA could be added to EEDA<i>Info</i> along with a link to their own webpage.
<p>3. Information storage</p>		
<p>Responses to information requests are stored in EEDA's management information systems. It is not always clear to other members of staff where the information is stored.</p> <p>Equally, members of staff who have provided information do not always receive a copy of the information that has been issued.</p>	<p>Reports and requests for information should be saved in an accessible location that can be viewed by any members of staff who may be interested in the information that has been provided. To ensure that any queries on the information can be answered, each piece of information should have a clear 'owner'.</p>	<p>Current Status: EEDANet has recently been re-organised to include a section called EEDA<i>Info</i>.</p> <p>EEDA<i>Info</i> was launched at a staff session on 'EEDA in the Public Eye' on 14th October 2009, and staff present were asked to contribute to the information that is accessible from EEDA<i>Info</i>.</p> <p>Further Work: The following work further</p>

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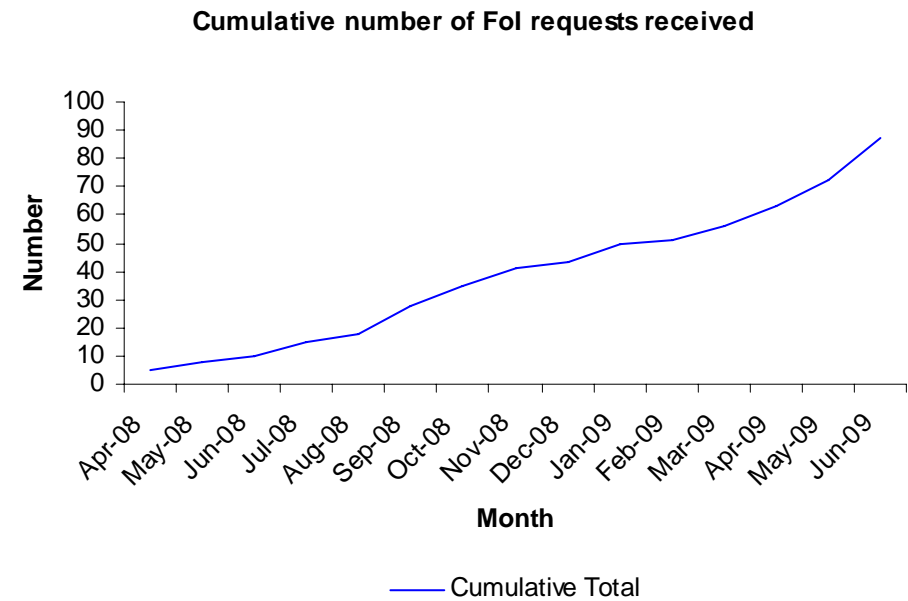
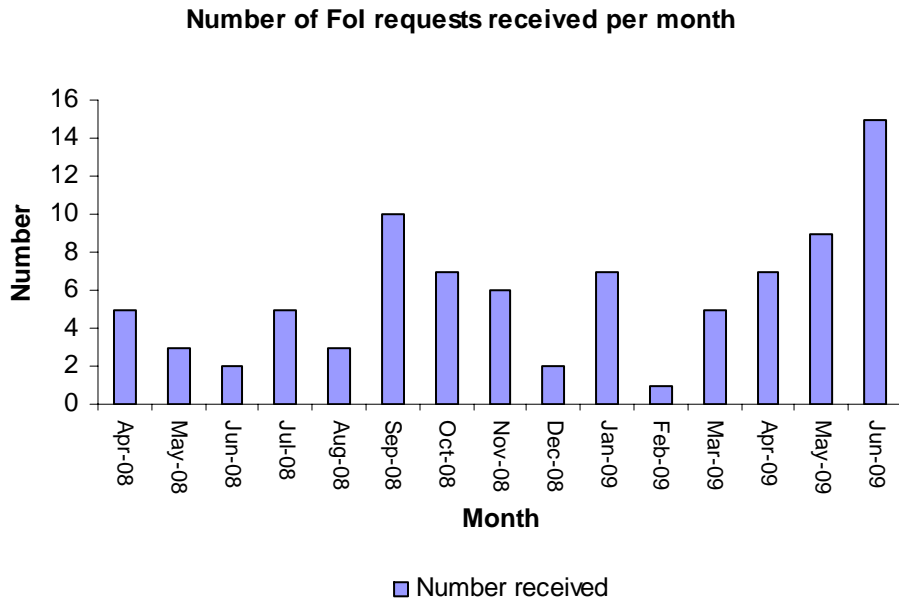
Analysis of current situation	Possible Solutions	Current Status / Further Work
		<p>work is planned:</p> <ul style="list-style-type: none">• Presentations and briefings are to be added to <i>EEDAinfo</i> along with the date of the presentation, who made the presentation and who the presentation was made to. Only the final version of presentations will be added to <i>EEDAinfo</i> and out-of-date presentations and briefings will be deleted.• Templates are being prepared for briefings to ensure that a consistent format is used. Guidance on how to prepare a briefing is also being developed; and• Feedback from board members, the Chair and Chief Executive is being encouraged on briefings that have been prepared for them.

Detailed analysis of Freedom of Information Act requests and Parliamentary Questions

1. Freedom of Information Act requests

As a public body, EEDA is required to release information in line with the Freedom of Information Act (Fol). With the increased level of scrutiny into the work of public bodies, the number of Fol requests received has increased over the last two financial years.

The following graphs shows the number of requests received per month and the cumulative number of requests received:



From these graphs it can be seen that the number of requests received per month has increased through the first part of this financial year.

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Detailed analysis of Freedom of Information Act requests and Parliamentary Questions

The types of request received have also been analysed for the 2008-09 Financial Year and the first three months of 2009-10.

Type of request	2008-09		2009-10 (April, May, June)		Combined	
	Number	Percentage	Number	Percentage	Number	Percentage
Costs	19	35%	16	52%	35	41%
Project / Programme-specific	14	26%	9	29%	23	27%
Procurement	8	15%	1	3%	9	11%
Study / Information / Publication	4	7%	1	3%	5	6%
Area-based / Sector-specific	4	7%	1	3%	9	6%
Organisational	5	9%	3	10%	8	9%
Total	54	100%	35	100%	89	100%

From this it can be seen that the largest proportion of FoI requests that have been received have related to details of expenditure incurred by EEDA. A particular focus of these requests has been on the expenses incurred by employees, particularly at a senior level. A further analysis of the FoI requests received so far in 2009-10 relating to costs has demonstrated that 71 per cent of the requests received related to employees expenses and hospitality.

2. Parliamentary Questions (PQs)

MPs can ask the Government questions to be answered in person by a Minister (Oral questions) or in writing (Written questions). Oral Questions are dealt with in the chamber of the House of Commons. Written Questions can be tabled anytime when the House is sitting. All PQs have to be treated as a priority as they usually have a deadline of between 24 and 48 hours depending on the specific type of question. These deadlines are set by Parliament and are not flexible.

PQs can be received by EEDA through a number of different channels. If the PQ being asked relates to the RDA network, the RDA National Secretariat are responsible for co-ordinating an answer and will provide some guidance to the RDA network as to how it should be answered. If the PQ relates solely to EEDA, it is routed via GO-East. Of the 56 PQs received in this calendar year, 49 (88 per cent) have been routed through the RDA National Secretariat, six (11 per cent) have been routed through GO-East, and one has come directly from BIS.

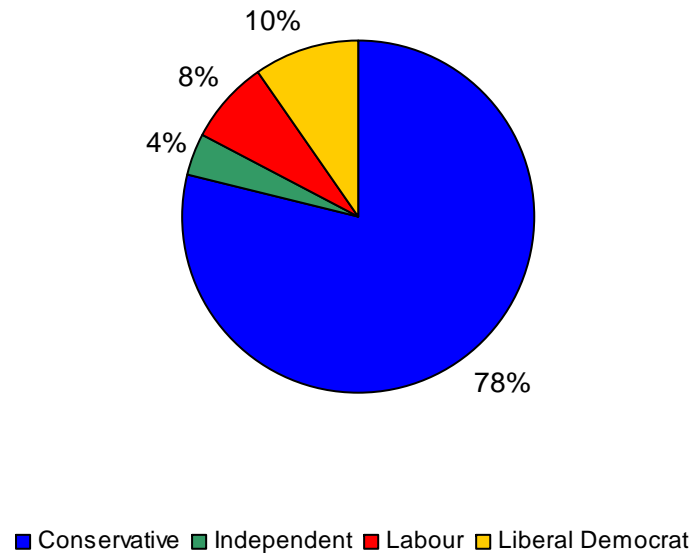
EAST OF ENGLAND DEVELOPMENT AGENCY

Detailed analysis of Freedom of Information Act requests and Parliamentary Questions

Of the 52 PQs asked by MPs in the House of Commons*, 20 (38 per cent) have been asked by MPs with constituencies in the region, with the remaining 32 (62 per cent) being asked by MPs with constituencies outside of the region.

The political affiliations of the MPs asking PQs is as follows:

Party political sources of Parliamentary Questions



From this it can be seen that the majority of PQs asked of RDAs have been asked by Conservative MPs.

* Four PQs have been asked by members of the House of Lords

Members of staff interviewed

Lizzie Ashley-Webb, Public Affairs Executive

Tim Burton, Senior Executive – Business Development

Charlie Kitchen, Communications Manager

Steve Denman, Regional Observatory Executive (GIS)

Bridgette Hall, Board and External Relations Executive

Irene Malic, Programme Monitoring Manager

Chris Mead, Knowledge Applications Development Manager

Tim Morgan, Procurement Manager

Ian Richardson, Senior Executive, Business Development

Julie-Ann Roszkowski, Programme Management Executive

Steven Thain, Business Link Contract & Partnership Manager

Fei-Ni Toole, Equality and Diversity Manager

Peter Vousden, Manager – Business Information

EAST OF ENGLAND DEVELOPMENT AGENCY

Terms of Reference

1. Introduction

- 1.1 The Internal Audit plan for 2009/10 includes time to undertake a piece of 'analysis' work on the availability and use of management information at EEDA.
- 1.2 As part of the development of EEDA's new Performance Management Framework, a Performance and Evaluation Champions Group has been established. A paper taken to a meeting of the group by the Senior Executive – Business Development highlighted a number of issues that the Business Development team faced in collating information for submission to the RDA network and BIS. As a result of the paper it was agreed that a sub-group would meet to discuss possible information system harmonisation issues with a view of identifying some potential solutions.
- 1.3 At the meeting of the sub-group it was agreed that the issues raised applied equally to a number of different types of requests for information, both internal and external, that are received by staff at EEDA on a regular basis.
- 1.4 As a result of this meeting it was agreed that the focus of the internal audit work relating to management information would be on the internal and external structures in place that both enable and inhibit the reporting of accurate information in a timely manner both internally and externally.
- 1.5 Included within the Corporate Risk Register for 2009-10 is a risk that "*Management information is not sufficient to enable accurate and timely decision making.*" A separate piece of audit 'review' work will be undertaken to provide assurance on the operation of the controls identified in the associated Risk Management Plan.

2. Objectives and scope of the review

- 2.1 The objective of the work is to undertake a mapping exercise to identify where key data is stored within EEDA and the relationships between the data and the structures in place for managing and reporting on the data, both internally and externally.
- 2.2 It is proposed that the following areas will be covered:
 - Identification of the key sources of data within EEDA, including the data pertaining to EEDA's key contracts (eg Business Link East), and the linkages between them;
 - Mapping of the internal structures – such as the Corporate Plan Programmes, Budget Coding, and Performance Management Framework – that define how data is structured within the different key sources of data, and any linkages between the internal and external structures;
 - Mapping of the external structures – such as the Tasking Framework, the Solutions for Business Product Portfolio, Freedom of Information Act requests and Parliamentary Questions – that define EEDA's external reporting requirements, and how they map onto the internal structures in place.
- 2.3 The audit will be performed through the following key steps:
 - Interviews with members of staff responsible for responding to requests for information, both externally and internally;
 - Interviews with 'owners' of the key sources of data; and
 - Analysis of requests for information that have been received to identify any trends in requests received.



EAST OF ENGLAND DEVELOPMENT AGENCY

NOTES

Audit performed by:	Owen Garling , Compliance and Performance Officer
Audit sponsor:	Systems Harmonisation Sub-Group

2008-09 Audits	Responsible Body / Manager
RDPE - Waveney Valley (January 2010)	Head of Sustainable and Rural Development / Norfolk County Council
RDPE - Norfolk County Council (January 2010)	Head of Sustainable and Rural Development / Norfolk County Council
RDPE - Landskills East (January 2010)	Head of Sustainable and Rural Development / Norfolk County Council
RDPE - Bedfordshire Rural Communities Charity (January 2010)	Head of Sustainable and Rural Development / Bedfordshire Rural Communities Charity
RDPE - EEDA Core Systems (January 2010)	Head of Sustainable and Rural Development
Use of Credit Cards (November 2009)	Executive Director, Corporate Services
Key Financial Controls - Status Report (November 2009)	Head of Finance

Status - 30 October 2009		
High	Medium	Low
Reported to the Audit Committee via the e-mail protocol		
Reported to the Audit Committee via the e-mail protocol		
Reported to the Audit Committee via the e-mail protocol		
Reported to the Audit Committee via the e-mail protocol		
Reported to the Audit Committee via the e-mail protocol		
Reported to the November 2009 Audit Committee meeting		
Reported to the November 2009 Audit Committee meeting		

Status - 19 January 2010		
High	Medium	Low
No recommendations made		
	4	
	1	2
	1	
		1
2	2	
	1	
	6	1

2008-09 Audits	Responsible Body / Manager
East of England International (September 2009)	Chief Executive of EEI / Head of Business and Enterprise
Project Management (September 2009)	Head of Major Projects
Recruitment (September 2009)	HR Manager
Regional Business Support Information System (September 2009)	Head of Business ICT and Intelligence
Internal Communications (May 2009)	Executive Director, Communications
Key Financial Controls (May 2009)	Head of Finance
Capital Expenditure (May 2009)	Head of Finance
Access to Finance (March 2009)	Access to Finance Manager
Customer Service (February 2009)	Executive Director, Communications
Renewables East (December 2008)	Renewables East
Various Audit Reports	Various

Status - 30 October 2009		
High	Medium	Low
	3	5
		1
	3	3
	2	
3	5	4
	3	
	1	
	3	
	1	1
	1	
		1
	1	1
	2	1
	1	
16	42	12

Status - 19 January 2010		
High	Medium	Low
	3	5
		1
	3	3
	2	
3	5	2
		2
	3	
	1	
	4	1
	1	
		2
	1	
1	1	
1	1	
	2	1
	1	
16	42	12

2007-08 Audits	Responsible Body / Manager
East of England International (Light Touch Review) (September 2008)	Chief Executive of EEI / Head of Business and Enterprise
Project Management (September 2008)	Head of Major Projects
Investing in Communities - Management Report (April 2008)	Essex County Council / Head of Economic Participation
Various Audit Reports	Various

Status - 30 October 2009		
High	Medium	Low
	3	1
	1	
	1	1
	1	
6	25	18
	1	1
7	42	26

Status - 19 January 2010		
	3	1
	1	
	1	1
	1	
6	25	18
	1	1
7	42	26

National Audit Office Reports	Responsible Body / Manager
NAO 2008-09 Management Letter (September 2009)	Corporate Services Management Team
NAO 2007-08 Management Letter (September 2008)	Head of Finance and Head of Major Projects
NAO 2006-07 Management Letter (September 2007)	Head of Finance

Status - 30 October 2009		
	1	
	9	
	12	
	1	
	17	
	1	

Status - 19 January 2010		
	1	
	9	
	12	
	17	

Key

The audit has High priority actions that are overdue
The audit has Medium priority actions that are overdue
All agreed actions have been implemented since the last Audit Committee meeting

Work has not yet started on implementation and the action is now overdue
Work is underway on implementing the agreed action
The agreed action has been completed and verified
Work on implementing the agreed action is not yet due



Risk Management Strategy

2010/11



CONTENTS

- 1. Introduction**
- 2. Strategy Objectives and Principles**
- 3. Risk Management Overview**
- 4. EEDA's Risk Management Arrangements**
- 5. EEDA's Monitoring, Reporting and Escalation Arrangements**
- 6. Partnerships and Stakeholders**
- 7. Assurance Arrangements**

Appendix – EEDA's Key Risk Management Processes

- Risk identification, evaluation and mitigation
- Risk matrix template
- Risk reporting and review arrangements
- Risk management plan template

1. INTRODUCTION

Risk is inherent within the activities of EEDA, the nature of EEDA's business means that it must remain at the forefront of developing pioneering schemes to influence the region's economies and communities. The Agency is facing increasing pressure and scrutiny to actively demonstrate the value that we add to the economic health of the region. Therefore we must ensure that as an organisation we are risk aware rather than risk averse. An organisation that avoids risks is unlikely to be innovative in service delivery and less likely to be regarded as an 'excellent' performer. Risks must be managed but not controlled to an extent that flair and innovation is stifled.

Risks can be apparent in EEDA on several different levels. Strategic risk management is concerned with managing those exposures to corporate objectives and priorities that could have a critical impact on EEDA as an organisation. In addition to strategic risks the Executive also has to consider operational, programme and project risks that might affect the activities underpinning those objectives.

Effective risk management is an important element of good corporate governance. It is a key part of strategic planning, a cornerstone of sound management practice and can contribute to improved performance through:

- More effective management of change
- Better service delivery
- Supporting innovation through increased awareness of potential pitfalls
- Improved project management
- Minimising waste and poor value for money
- Protection of EEDA's reputation

There is an ongoing requirement from HM Treasury that a Statement of Internal Control (SIC) is included in our annual accounts, setting out the processes we have in place for managing the most significant risks to the achievement of our objectives.

EEDA's risk management strategy is to implement policies, procedures and processes in the identification, evaluation, mitigation, monitoring and reporting of risks, to ensure that EEDA's exposure to risk is reduced to an acceptable level that is aligned to EEDA's risk appetite.

This document sets out EEDA's Risk Management Strategy for 2010/11. It is a high level statement of the Agency's risk management framework and how it will be developed during the year. The Risk Management Strategy is updated annually.

2. RISK MANAGEMENT STRATEGY – OBJECTIVES AND PRINCIPLES

The objectives of the strategy are to:

- Ensure risk management is an integral part of strategic, operational, programme and project management decision making, planning and implementation.
- Ensure risks are managed in accordance with good practice, as part of good corporate governance.
- Respond to risk in a balanced way, mindful of the risk level, risk reduction potential, cost/ benefit and particularly resource constraints.
- Ensure that EEDA's staff have appropriate knowledge and training in risk management.
- Establish EEDA's framework for reporting and escalation of risk exposure and mitigation.
- Ensure that EEDA has the correct insured protections to cater for financial risk exposures, in line with Treasury guidance.

The principles underpinning the Risk Management Strategy are:

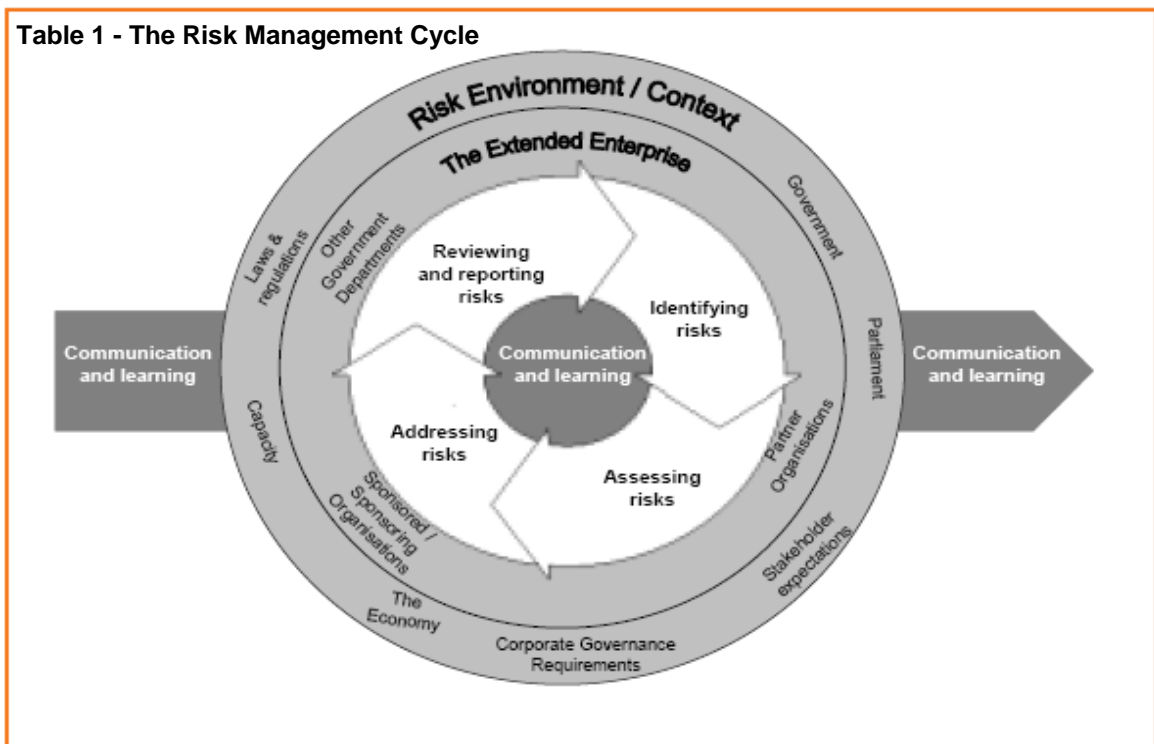
- *Co-ordinated:* In order to achieve effective and embedded risk management, the processes need to be integrated with existing management arrangements and provide a planned mechanism for assurance over the management of key risks. There are a number of interdependences between strategic and operational objectives, management processes and governance requirements that form the basis of the Statement on Internal Control.
- *Transparency and shared understanding:* Through an open approach to risk management, staff, partners and stakeholders understand our strategy for risk management and are aware of the risks that EEDA faces.
- *Flexible:* EEDA is likely to undergo significant change in order to respond to the fast moving economic and political environment. As such risk management needs to be flexible to react quickly to change thereby continuing to manage risk in an efficient and cohesive manner.

3. RISK MANAGEMENT OVERVIEW

HM Treasury defines risk as “the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events.”¹ Each risk has to be assessed in respect of the combination of the probability of something happening, and the impact which arises if it actually does happen. Risk management includes:

- Identifying and assessing risks (the “inherent risks”)
- Responding to risks through controls and mitigating actions
- Reassessing the impact and likelihood after controls have been implemented (the “residual risks”)
- Monitoring and reviewing progress.

There are a wide range of risk management techniques, but they share a basic generic risk management process which is illustrated in Table 1.



The management of risk at strategic, programme, project and operational levels needs to be integrated so that the levels of activity support each other. In this way the risk management strategy of EEDA will be led from the Audit Committee and Chief Executive’s Team and embedded in the normal working routines and activities of the organisation. All staff should be aware of the relevance of risk to the achievement of their objectives and training to support staff in risk management should be effective.

¹ This definition is contained within the publication “Management of Risk – Principles and Concepts, October 2004” commonly referred to as “The Orange Book.”

Effective monitoring and review arrangements ensure that:

- Risks already identified and assessed are still the right ones, and remain adequately managed and controlled.
- Timely corrective action if the risk exposure to EEDA increases to an unacceptable level.
- Timely identification, assessment and management of emergent risks.

4. EEDA'S RISK MANAGEMENT ARRANGEMENTS

EEDA's risk management arrangements form part of the Agency's performance management framework and are embedded at the strategic level in policymaking, planning and delivery.

Corporate Risks

EEDA undertakes an annual risk management workshop in which Board members and the Chief Executive's Team (CET) identify and assess EEDA's corporate risks, followed by a management and reporting process. Risk Owners are assigned to each risk and prepare Risk Management Plans to identify sub-risks, controls and mitigating actions to manage the risks. Horizon scanning for emergent risks is carried out by the Chief Executive's Team.

Programme Risks

EEDA's activities are also managed at the programme level with appropriate risk management arrangements developed at an operational management level.

Project Risks

A risk-based approach has been established in consultation with the Programme Management and Monitoring Team, to determine the level of monitoring and review required for projects. Detailed project risk management guidance for EEDA's project managers is in place, particularly in the Business Case guidance and Project Management Training delivered by the Major Projects Team in partnership with Ernst and Young.

Information Risk

The international standard for Information Security (ISO27001) and the Cabinet Office both require that EEDA prepares a detailed risk management plan covering the Agency's overarching arrangements for information security and data handling, along with an annual assessment of key risks and controls in each of its main systems and those of key suppliers.

EEDA's Senior Information Risk Owner (SIRO) is responsible for periodically reviewing the status of risk management plans and the organisation's response to any failures in the information and data handling systems

Risk Management Mechanisms

The key mechanisms for risk management within EEDA are detailed in Appendix1:

- Identification, assessment and types of mitigation
- Risk scoring matrix
- Risk management plan template

A risk management manual is available to managers to facilitate the identification and assessment of key risks and the development of corporate risk management plans. The project sponsor pages on EEDAnet provide detailed guidance on project risk management.

5. MONITORING, REPORTING AND ESCALATION ARRANGEMENTS

The Board ensures that EEDA has in place adequate and effective arrangements for the management of risk and that an annual review is conducted to assess the effectiveness of risk management.

The Audit Committee ensures that the processes for management of risk are effective, efficient and robust and approves the risk management strategy.

The Accounting Officer (EEDA's Chief Executive) ensures that a strategy on risk is established and approved by the Audit Committee.

The Chief Executive's Team ensures that the risk management strategy and framework is implemented throughout EEDA and their Directorates. CET is the corporate group at which the risk profile of the Agency is reviewed, risk management plans are scrutinised and where emergent risks are captured and arrangements for their management discussed.

The Chief Executive's Team reviews the risk management plans periodically through the year and considers emergent risks half-way through the year.

The designated risk owner is responsible for developing risk management plans, including contingency and business continuity arrangements should a risk materialise.

Risk Management Plans in respect of the corporate risks are reviewed by the Chief Executive's Team on a six-monthly basis.

The Head of Governance is responsible for building a risk aware culture in the Agency, establishing risk management processes and structures and preparing reports on risk for the Audit Committee. Any emergent risks or changes to the risk profile of the Agency are reported to the Audit Committee as part of the routine Risk Management Report.

In respect of project risks, the internal Major Projects Group, chaired by an Executive Director, meets regularly to review progress and monitor risks for all projects in excess of £500,000 in value. The Group can escalate risk issues directly through to the Chief Executive Team for attention and where necessary directly to the Board.

6. PARTNERSHIPS AND STAKEHOLDERS

The majority of EEDA's work is delivered in partnership and success is reliant upon other organisations and third parties; the extent of dependencies upon other parties varies.

Each partnership will have its own risk relationship, and therefore give rise to a need for assurance to be provided that risk is being managed in that relationship both appropriately and as planned. Provision for obtaining that assurance is an integral part of the relationship. It is therefore important that the Agency communicates with partners about the way in which they are managing risk and our own approach.

7. ASSURANCE ARRANGEMENTS

It is necessary to ensure that our risk management processes are effective and meet good practice and the standards which are set by HM Treasury. The Accounting Officer is also required to review the effectiveness of risk management annually as part of the Statement of Internal Control.

A number of arrangements are in place in EEDA to provide assurance on the adequacy of risk management arrangements and comfort that risks have been identified and controls are operating as intended.

Governance Team

Primary responsibility for reviewing the effectiveness of our risk management process rests with the Governance Team. The Team in particular facilitates the annual corporate risk assessment and monitors the completion of the risk management plans.

Internal Audit

Internal Audit has a key role to play in assessing the effectiveness of risk management. This is reflected in the standards for Internal Audit laid down by HM Treasury, which state that *“the work of Internal Audit primarily provides an independent and objective opinion to the Accounting Officer on risk management, control and governance.”*

In EEDA, it is the role of the Internal Audit Team to provide assurance to the Accounting Officer and Audit Committee, on behalf of the Board, that the Risk Management framework in EEDA is adequate, fit for purpose and working effectively across the Agency. Its role also encompasses that of an advisory service, working with management to develop new solutions and appropriate but robust frameworks of governance and control.

Major Projects Team

The Major Projects Team reviews risk assessments of projects to determine the level of monitoring, escalation and further mitigating action that is appropriate.

The mechanisms for programme and project risk management and escalation are to be further developed during 2010/11, particularly in light of the new area based working structures and as EEDA's Programme Boards become more established.

Information Security Leaders Group

The Information Security Leaders group sets policy on security issues affecting EEDA. The role includes ensuring appropriate controls are in place to address security risks in terms of people, physical, procedural, information and technical protection. The group approves risk criteria for information security and approves risk assessments. The group also reviews major security breaches and helps to develop protective strategies to prevent their reoccurrence.

Appendix 1 – EEDA's Key Risk Management Processes

IDENTIFICATION, EVALUATION AND TYPES OF MITIGATION

1. Identification of Risks

Risks are evaluated and prioritised in relation to objectives.

A statement of a risk encompasses the cause of the impact, and the impact to the objective (cause and consequence) that might arise. Risks are identified at a level where a specific impact can be identified and specific actions to address the risk can be put in place.

All risks need an assigned owner who has responsibility for ensuring that the risk is managed and monitored over time.

The risk owner should have sufficient authority to ensure that the risk is effectively managed.

2. Evaluation of Risks

EEDA adopts a five-by-five matrix, to assist in the evaluation of the relative likelihood and impact of the Agency's risks. A structured process is used to evaluate each risk, in which the likelihood / probability and impact of the risk are considered.

The likelihood / impact evaluation is undertaken at the residual level, i.e. taking account of the processes and controls currently in place.

EEDA has set parameters to assist in the evaluation of each risk.

3. EEDA's Measurement Criteria for Risk Evaluation

LIKELIHOOD / PROBABILITY

<i>Description</i>	<i>Rating</i>	<i>Definition</i>	<i>Criteria – chance of occurring in the next 12 months</i>
Almost certain	5	Risk has started to materialise as a issue	More than 80% chance
Likely	4	Likely that the risk will occur	More than 50% chance (less than 80%)
Possible	3	Some chance that the risk will occur	More than 25% (less than 50%)
Unlikely	2	Unlikely that the risk will occur	More than 10% (less than 25%)
Rare	1	Very unlikely that the risk will occur	Less than 10%

IMPACT

Description	Rating	Criteria 1 Financial % of project spend to EEDA's total budget*	Criteria 2 Strategic Added Value Impact upon strategic objectives	Criteria 3 Reputation Impact with external stakeholders
Critical	5	<i>Greater than 15%</i>	Risk results in failure to achieve one or more strategic objectives	Potential intervention from external stakeholders. Public confidence in EEDA is undermined.
Major	4	<i>Between 8% and 15%</i>	Risk results in failure to deliver one or more planned projects and causes significant delay or deviation to achieving a strategic objective	Serious concern from external stakeholders / national media awareness / sustained adverse publicity
Moderate	3	<i>Between 5% and 7%</i>	Risk results in significant delay to the delivery of one or more projects and causes some delay or deviation to achieving a strategic objective	General awareness by external stakeholders / national media
Minor	2	<i>Between 2% and 5%</i>	Risk results in some delay to the delivery of one or more projects and causes a slight delay or deviation to achieving a strategic objective	Some awareness by external stakeholders / local media
Insignificant	1	<i>Less than 2%</i>	Risk results in slight delay to the delivery of one or more projects, but causes no delay or deviation to achieving a strategic objective.	Very minor awareness by external stakeholders / local media

* The ranges in this banding may be flexed from time to time to reflect the range of the materiality of projects being funded in a given year.

4. EEDA's Risk Matrix and Review Arrangements

The results of the likelihood and impact evaluation for each risk are plotted on EEDA's risk matrix to capture the relative severity of each risk.

Risk severity can be low, medium, high or significant. The risk severity is used to determine priorities for attention, action and deployment of resources.

EEDA's Risk Matrix

5 Critical					
4 Major					
3 Moderate					
2 Minor					
1 Insignificant					
Impact	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
	Likelihood				

Risk Severity

Significant Risk
High Risk
Moderate Risk
Low Risk

Risks are categorised as 'Top-tier' or 'Second-tier' risks, which determines the level of in-year review and monitoring required.

'Top-tier' are primarily those risks where the severity is rated as significant and may also include high severity risks where the Board or Chief Executive's Team have particular concerns.

'Top-tier' risks are reviewed on a quarterly basis by the risk owner. Second-tier risks are reviewed on a six-monthly basis by the risk owner with regular reports to Chief Executive's Team.

On a six-monthly basis the Agency also considers emergent risks and the appropriate risk owner and review arrangements.

5. Controlling / Mitigating Risks

By managing risks appropriately, threats can be constrained and opportunities can be taken advantage of. There are five key ways in which to address a risk:

- **Terminate** – some risks will only be treatable, or containable to acceptable levels, by terminating the activity. This option can be particularly important in project management if it becomes clear that the projected cost/benefit relationship is in jeopardy.
- **Transfer** – for some risks an option may be to transfer them. This may be done by conventional insurance or by contracting with a third party to take responsibility for the risk. It is important to note that some risks are not fully transferable. In particular, it is generally not possible to transfer reputational risk even if the service delivery is contracted out.
- **Treat** – by far the greatest number of risks will be addressed in this way. The purpose of treatment is that whilst continuing with the activity giving rise to the risk, action is taken to constrain the risk to an acceptable level.
- **Tolerate** – the exposure may be tolerable without any further action being taken, or the cost of taking action disproportional to the potential benefit gained. Contingency planning for handling the impacts that will arise if the risk is realised could supplement this option.

6. EEDA's Risk Management Plans

For each risk, a risk management plan needs to be developed by the risk owner. This is used to capture:

- sub-risks associated with the high-level risk
- gross impact and likelihood scores for each sub-risk
- controls and mitigating actions in place for each sub-risk
- residual impact and likelihood scores for each sub-risk
- any further action required to bring the risk profile to a more tolerable level
- review and assurance arrangements in place to ensure that the risk continues to be managed and that the controls to each sub-risk remain in place and operating effectively

A consistent risk management template is used to capture the above information.

EEDA'S RISK MANAGEMENT PLAN TEMPLATE

Sub risk	Gross Risk Scores		Key mitigating controls / actions already in place	Ownership of controls	Residual Risk Scores		Further controls/ actions to be implemented / timeframe	Review and assurance arrangements
	Impact	Likelihood			Impact	Likelihood		

EEDA's Corporate Risk Register 2009/10 - Status of Risk Management Plans (RMPs)

Ref.	Risk	Risk Owner	Risk Type	Likelihood	Impact	Overall Score	RMP Approved	First in-year review completed	November review (signed off by Risk Owner) completed
Top Tier Risks									
2	EEDA is not adequately prepared for SNR and its new role as the Regional Planning Body	Executive Director Spatial Economy	Strategic Risk	3.3	3.8	12.5	Y	Y	Y
3	Funding reductions and uncertainty impact upon the ability of EEDA to meet its objectives	Executive Director Corporate Services	Strategic Risk	4.3	4.1	17.6	Y	Y	Y
4	Increased scrutiny or investigations, which may impact adversely on EEDA's reputation	Executive Director Communications	Reputational Risk	4.3	3.8	16.3	Y	Y	Y
7	Reputational risk / financial liabilities arising from CIP	Executive Director Innovation	Reputational Risk	4.2	3.6	15.1	Y	Y	Y
8	Failure by EEDA to influence key players to mitigate the effects of the economic downturn	Executive Director Strategy & Intelligence	External Risk	3.4	3.7	12.6	Y	Y	Y
9	EEDA is unable to make an appropriate response to political changes or changes in Government	Chief Executive	External Risk	3.5	4.1	14.4	Y	N/A	Y
12	Failure to Achieve Excellence and deliver the Area Working initiative	Chief Executive	Risk to Key Business Processes	3.0	3.7	11.1	Y	Y	Separate risk management plans for the achieving excellence programme and area working are being finalised.
17	EEDA is unable to achieve a 'Strong' performance rating in the Independent Supplementary Review (ISR)	Chief Executive	Reputational Risk	4.0	4.3	17.2	New Risk	N/A	Risk management plan developed, ready for sign off by the risk owner
18	Failure to deliver major business support procurements and subsequent implementation	ED Enterprise & Skills	Risk to Key Business Processes	3.3	3.8	12.5	New Risk	N/A	Y
Second Tier Risks									
1	Failure to influence regional and national partners to contribute effectively to RES implementation	Executive Director Strategy & Intelligence	Strategic Risk	2.6	3.4	8.8	Y	N/A Reviews of second tier RMPs by CET are due to be carried out in November 2009	Y
5	Partner relations and associated delivery are not managed adequately	Executive Director Communications	Reputational Risk	3.1	3.6	11.2	Y		Y
6	Poor public perception of EEDA delivery	Executive Director Communications	Reputational Risk	2.9	2.8	8.1	Y		Y
10	Failure to deliver EEDA corporate objectives and programmes as set out in the Corporate Plan 2008-11	Executive Directors - see below	Delivery Risk	3.2	3.5	11.2			
	Business Support	Executive Director Enterprise & Skills		Y	Y				
	Regional Infrastructure	Executive Director Spatial Economy		Y	Y				
	Sustainable Economy	Executive Director Innovation		Y	Y				
	Strategy and Intelligence	Executive Director Strategy & Intelligence		Y	Y				
	Partnerships, Advocacy and Communications	Executive Director Communications		Y	Y				
	Science, Innovation and High Level Skills	Executive Director Innovation & Executive Director Enterprise & Skills		Y	Y				
	Economic Participation	Executive Director Enterprise & Skills		Y	Y				
11	EEDA's project management arrangements do not enable EEDA to deliver projects effectively	Executive Director Corporate Services	Delivery Risk	2.6	3.4	8.8	Y		Y
13	Internal management issues prevent EEDA from discharging its agreed agenda	Executive Director Corporate Services	Risk to Key Business Processes	3.3	3.6	11.9	Y		Y
14	Management information is not sufficient to enable accurate and timely decision making	Executive Director Corporate Services	Risk to Key Business Processes	3.2	3.6	11.5	Y		Y
15	Business continuity arrangements are not adequate to respond effectively	Deputy Chief Executive	Risk to Key Business Processes	2.6	3.6	9.4	Y		Y
16	Failure to implement new data security measures	Senior Information Risk Owner	Risk to Key Business Processes	3.0	3.6	10.8	Y		Y

New Risk
Refocused Risk
Change of Risk Owner
New Scores

East of England Development Agency

Terms of Reference for the Audit Committee

Constitution

1. As of 1 September 2003 the Board has resolved to establish a committee of the Board to be known as the Audit Committee.

Membership

2. The committee shall be appointed by the Board, and shall consist of at least five Board members, but shall not include members of the Strategy or Resources Committee. The committee shall be chaired by a Board member and have a designated deputy chair elected annually at the first meeting of the committee.
3. A quorum of the committee shall be three members, all of whom to be Board Members.
4. Board members who are not members of the Audit Committee shall have the right of attendance where appropriate.
5. The committee shall have the power to appoint a co-opted member of the committee who will be a suitably qualified accountant. The co-opted member will have no voting rights and will not count towards the quorum of the committee.

Attendance at Meetings

6. The Deputy Accounting Officer and the Head of Governance will attend the meetings and the Chief Executive, as Accounting Officer will attend as appropriate. The National Audit Office will be invited to observe at meetings of the committee. Other EEDA employees and EEDA's contracted internal audit service provider will be invited to attend as appropriate. The Chair of the committee may authorise the attendance of outside guests where appropriate.

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Frequency of Meetings

7. Meetings shall be held not less than four times a year. The Chair of the Audit Committee may call additional meetings if circumstances make it advisable. A schedule of meeting dates in the year shall be agreed at the first meeting of the financial year.

Authority

8. The committee is authorised by the Board to investigate any activity within its duties. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the committee.

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9. The committee is authorised by the Board to obtain outside legal or other independent professional advice at EEDA's expense and to secure the attendance of outsiders with experience and expertise if it considers this necessary. The Board shall be informed if this is done.
10. The committee may ask any or all of those who attend the meeting but are not members, to withdraw to facilitate open and frank discussion of particular matters.
11. The Head of Governance and the National Audit Office have free and confidential access to the Chair of the committee.

Duties

12. The duties of the committee shall be:

- 12.1 To report to the Board annually on the adequacy of EEDA's risk management process.
- 12.2 On behalf of the Board, to consider the audit strategy and audit plans and advise the Chief Executive on its contents, receive reports arising from audit reviews and make recommendations to management and the Board.
- 12.3 On behalf of the Board, to consider the annual risk management strategy, the annual risk management review, endorse the strategic risk register and receive quarterly updates on action taken to manage risk across the agency.
- 12.4 To review EEDA's statement of internal control and underlying assurances, prior to endorsement by the Board.
- 12.5 To review the Annual Report and Accounts, including information on outputs and outcomes, before submission to the Board.
- 12.6 To consider the annual Management Letter from the Controller and Auditor General and to bring any significant matters to the Board's attention.
- 12.7 On behalf of the Board to monitor and ensure the compliance of with EEDA's Accountability and Financial Framework, and bring any significant matters to the Board's attention.
- 12.8 To advise the Accounting Officer and Board on assurances relating to corporate governance requirements for the organisation.
- 12.9 To advise the Accounting Officer on proposals for tendering for internal audit services or the purchase of non-audit services from contractors who provide audit services.

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12.10 To agree and monitor the procurement framework and practice, including the engagement of consultants.

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12.11 To consider the major findings of internal investigations and management's response, and to receive reports from the Director of Communications regarding complaints from third parties against the Agency and to monitor the approved complaints procedure.

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Reporting Procedures

13. Information papers can be emailed to Committee members for comment and decision in between scheduled Committee meetings. The use of this procedure must be authorised by the appropriate Head of Service, and the documents will be uploaded and published on the EEDA website along with all the papers for the next scheduled meeting of the Committee, unless such papers are marked as confidential.

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14. A summary of the decisions of the Audit Committee will be reported to the Board directly following the meeting. The minutes of the Audit Committee will be reported to the next meeting of the Board.

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15. Hard copies of papers for the Committee will be distributed to all board members on the Committee and electronic copies will be emailed to all other board members for their information. A paper will be submitted, listing the papers circulated for comment in between formal Committee meetings and where relevant, board members' comments.

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Terms of Appointment

16. Board members shall be appointed to the Audit Committee for fixed terms not exceeding three years in the first instance. Rotation of membership shall apply with the board member being eligible for immediate re-election for a maximum of three years

Chair's Action

17. The Chair shall be authorised to deal with matters of an urgent nature on behalf of the Audit Committee, and any decisions taken will be reported to the next meeting of the committee

Review

18. The Committee shall review these Terms of Reference at least annually and update them as required.

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External

EEDA's customer charter

We will:

- treat you politely, courteously and respectfully
- treat everyone equally
- provide high quality services and information for all our customers
- **listen** to you and hold regular customer satisfaction surveys to help us measure external perceptions, evaluate our performance and identify areas for improvement
- **keep you informed**, providing details of who is dealing with your enquiry so that you know who to get back to and how
- ensure our staff are trained to do their jobs effectively and efficiently
- **welcome your feedback**, ensure that all comments are considered and will review our service in light of them
- **measure our performance** against the standards we have set
- **regularly review** our processes and systems to identify where we can do things more efficiently and where we can provide a better service to our customers
- **publish** our customer responsiveness performance information on our website
- deal with all complaints **efficiently** and **effectively** and where things have gone wrong, we will put them right soon as we can.

Our aim is to:

- get things right first time and promote excellence by continually seeking to improve our service to the people of the East of England
- answer 80% of all telephone calls within five rings
- return phone messages within two working days
- keep the use of voicemail during office hours to a minimum
- respond to, or acknowledge, emails within 48 hours
- respond to, or acknowledge, letters within 10 days and where possible, sooner
- be on time for pre-arranged appointments and let you know beforehand if we need to cancel or rearrange.

Please comment on our service

We want to hear from you about your experiences when you deal with us. If we have done something that has exceeded your expectations or a member of staff has gone that extra mile to assist you, then please let us know. It is also important that you are able to tell us when something has gone wrong or you have a suggestion about our services that you would like us to consider.

You can provide your feedback in a number of ways:

- telephoning the Customer Service Manager on 01223 200827
- emailing: customer.service@eeda.org.uk
- writing to: Customer Service Manager, Victory House, Vision Park, Chivers Way, Histon, Cambridge, CB24 9ZR

Comments and complaints policy

The East of England Development Agency (EEDA) is committed to delivering an efficient and effective service at all times and are always interested in the views of businesses and members of the public about our initiatives and how we develop and manage them. Complaints, as well as compliments and suggestions for improvement, are a free source of feedback and help us provide and maintain the level of services we aspire to. EEDA needs to react quickly and positively to expressions of dissatisfaction about our service to ensure that we identify any obstacles to improving performance. If we can do better we want to do so.

Service commitment

When you contact us with a comment or complaint, you can expect us to:

- make things as easy as possible for you
- listen carefully to any views that are put forward
- acknowledge good service and share good practices
- where problems are identified take remedial action and apologise when we are at fault
- keep you informed about the progress, and let you know the outcome of, your feedback
- monitor any recommendations made following your feedback to ensure that, where possible, your comments have helped us to improve our services
- record complaints, comments, and compliments and publish anonymous information about the feedback we receive
- treat the matter seriously from the outset
- provide details of who is dealing with your enquiry so that you know who to get back to and how.

What is a complaint?

For the purposes of this procedure a complaint is one which relates to the standard of service EEDA provides. It could, but not exclusively, relate to:

- the quality of service provided
- the way we treat people
- how quickly we respond
- providing misleading or inaccurate information.

A complaint is an expression of dissatisfaction with our service, for whatever reason.

A complaint is not...

A complaint is not about the merits of a decision we take on a particular issue or case as these will be dealt with through the relevant procedures eg procurement, Freedom of Information request (see 'Freedom of Information' <<link to section>>). Not all our decisions will please everyone but it is still

important to convey our decisions in an open and businesslike way. It is understandable that some people may complain about our policy and

casework decisions but our complaints procedure relates to standards of service only.

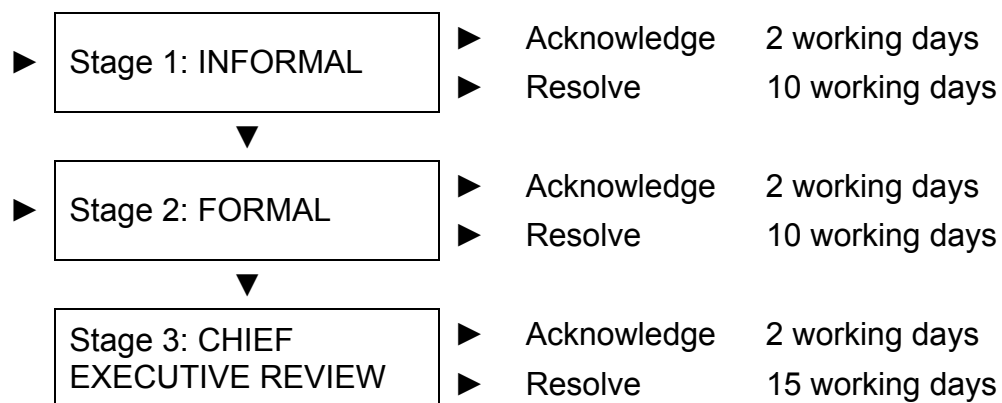
Contacting EEDA

We welcome compliments, comments and suggestions as these help us to improve our service and, where appropriate recognise staff contributions and share good practice. We try to make it easy to provide feedback and you can do so in a number of ways:

- by phone: 01223 200827
- by email: customerservice@eeda.org.uk
- in writing:
 - Customer Service Manager, East of England Development Agency,
 - Victory House, Vision Park, Chivers Way, Histon, Cambridge, CB24 9ZR

EEDA's complaints process

EEDA aims to handle all complaints in a fair, objective and consistent way, and as such each complaint will be dealt with in line with the following process.



Stage 1: INFORMAL

Where possible, complaints about our services should be dealt with in the first instance by the EEDA member of staff with whom you have been dealing, who will attempt to put things right quickly and informally.

We aim to acknowledge complaints within 2 working days and resolve the complaint within 10 working days. If it is not possible to meet these timescales we will advise you of the reason for the delay and provide you with a revised timescale for conclusion.

If it is not appropriate to contact the EEDA staff member in the first instance or you are not satisfied with the response you have received at Stage 1, you can progress your complaint to Stage 2.

Stage 2: FORMAL

If it is not appropriate to contact the EEDA staff member in the first instance or you are not satisfied with the response you have received at Stage 1, you should contact the Customer Service Manager:

- by phone: 01223 200827
- by email: customerservice@eeda.org.uk
- in writing:
Customer Service Manager, East of England Development Agency,
Victory House, Vision Park, Chivers Way, Histon, Cambridge, CB24 9ZR

Your complaint will be referred for investigation to the Executive Director of Communications. If there is a conflict of interest an independent Executive Director will be asked to conduct the review.

We will keep you informed of the progress of your complaint and aim to conclude our investigation and respond to you within 10 working days. If it is not possible to meet these timescales we will advise you of the reason for the delay and provide you with a revised timescale for conclusion.

If you are dissatisfied with the response you have received at Stage 2 you can refer your complaint to the Chief Executive of EEDA for review.

Stage 3: CHIEF EXECUTIVE REVIEW

If you are dissatisfied with the response you have received at Stage 2 you can refer your complaint to the Chief Executive of EEDA for review. If there is a conflict of interest the Deputy Chief Executive will be asked to conduct the review. Complaints at this stage should be in writing:

- The Chief Executive, East of England Development Agency, Victory House, Vision Park, Chivers Way, Histon, Cambridge, CB24 9ZR
- by email: chiefexecutive@eeda.org.uk

In conducting their review, the Chief Executive will:

- ensure that they understand the nature of the complaint
- investigate whether the Stage 1 and 2 reviews have been completed satisfactorily, and review, with the people who dealt with the original approaches, the reasons for their response, as applicable
- independently review the complaint afresh and report their findings
- outline any improvements in processes or standards that may be required as a result of the complaint.

We will keep you informed of the progress of your complaint and aim to conclude our investigation and respond to you within 15 working days. If it is not possible to meet these timescales we will advise you of the reason for the delay and provide you with a revised timescale for conclusion.

If you are dissatisfied with the response you have received from the Chief Executive you can ask your member of parliament to put your complaint to the

Parliamentary Ombudsman (see 'Where can I get help if I am not satisfied?' <<link to section>>).

Closing your complaint

If we have not heard from you within 10 days of our response to your complaint at any stage of the process we will close your complaint for the purposes of our records.

Content of the response

When we respond to your comment or complaint we will ensure that we provide:

- a full explanation
- an apology, where appropriate, and assurances for the future
- details of any action we will take as a result of your comment or complaint.

Vexatious or persistent complaints

Persistent and vexatious complaints are becoming an increasing problem for public sector bodies and difficulties in handling such complaints can place strain on time and resources and can be stressful for staff who have to deal with these complex and challenging issues. In order to counter this, EEDA has introduced guidelines to enable staff to make an informed decision on whether a complaint is vexatious or persistent.

If a complaint is considered vexatious or persistent EEDA reserve the right to refuse to respond. If this is the case, we will advise the complainant of this and the reasons we have deemed their complaint vexatious or persistent.

Threatening, violent or abusive behaviour

EEDA do not tolerate threatening, violent or abusive behaviour against their members of staff, this includes abuse of a verbal nature. EEDA therefore reserve the right to refuse to respond to a complaint in which the complainant is being threatening, violent or abusive.

Where can I get help if I am not satisfied?

If you are not satisfied with the response you have received from the Stage 3 review you can ask your member of parliament to put your complaint to the Parliamentary Ombudsman. The Parliamentary Ombudsman will not normally consider a complaint that has not first been through EEDA's complaints procedure.

Further information about the Parliamentary Ombudsman can be obtained at www.ombudsman.org.uk or from the following address: The Parliamentary and Health Service Ombudsman, Millbank Tower, Millbank, London, SW1P 4QP

Your personal information

If you use our complaints procedure you are agreeing that we can use any personal information you send us for purposes connected with your complaint. We may also disclose your personal information to other individuals and organisations if we are legally required or permitted to do so under the Data Protection Act 1998 or the Freedom of Information Act 2000.

Equal opportunities monitoring

We may use complaints about discrimination to review our policies and procedures to ensure that we offer equality of opportunity.

To help us ensure that we promote and maintain this commitment we would appreciate it if you could complete an equal opportunities monitoring form [<<link to form>>](#). All information provided will be treated as confidential.

Equal Opportunities Monitoring

The East of England Development Agency (EEDA) is committed to promoting diversity and equality of opportunity in the way we manage and deliver our services to our customers. Questions on gender, ethnic origin and disability help in monitoring the effectiveness of this strategy. The Equal Opportunities Commission, the Commission for Racial Equality and the Disability Rights Commission support this policy. We may also use complaints about discrimination to review our policies and procedures to ensure that we offer equality of opportunity.

To help us ensure that we promote and maintain this commitment we would appreciate it if you would complete this form by ticking or filling in the boxes, which apply to you. The information you provide will be treated in the strictest confidence and will be used for monitoring and evaluation purposes only. Thank you in anticipation for your co-operation.

GENDER

Male Female

ETHNIC ORIGIN

ASIAN	
Bangladeshi	<input type="checkbox"/>
Indian	<input type="checkbox"/>
Pakistani	<input type="checkbox"/>
Any Other Asian background (specify if you wish)	<input type="checkbox"/>
CHINESE	
Chinese	<input type="checkbox"/>
Any Other Chinese background (specify if you wish)	<input type="checkbox"/>
BLACK	
African	<input type="checkbox"/>
Caribbean	<input type="checkbox"/>
Any Other Black background (specify if you wish)	<input type="checkbox"/>
MIXED ETHNIC BACKGROUND	
Asian and White	<input type="checkbox"/>
Black African and White	<input type="checkbox"/>
Black Caribbean and White	<input type="checkbox"/>
Any other Mixed Ethnic Background (specify if you wish)	<input type="checkbox"/>
WHITE	
White Background (specify if you wish)	<input type="checkbox"/>
ANY OTHER ETHNIC BACKGROUND	
Any Other Ethnic Background (specify if you wish)	<input type="checkbox"/>

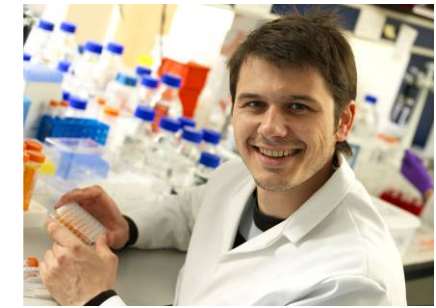
DISABILITY

The Disability Discrimination Act 1995 defines a person as disabled if they have a physical or mental impairment which has a substantial and long-term (ie has lasted or is expected to last at least 12 months) adverse effect on the person's ability to carry out normal day-to-day activities. Adverse effects may arise from external barriers experienced by people with impairments. Taking this into account, do you consider yourself to be a disabled person?

Do you consider that you have a disability?

Yes No

2009 Complaints					
Stage	EEDA member of staff who deal with the complaint	Volume of complaints received in 2009	Breakdown of the common themes	Volume in each common theme	% in each common theme
Stage 1	EEDA officer / member of staff dealing with organisation	14	complaints relating to our partners that we help fund	3	10%
			general funding complaints	2	7%
			specific funding decision / process	2	7%
			various other, with no common theme	7	24%
Stage 2	Customer Service Manger / Deputy Chief Exective	14	specific funding decision / process	7	24%
			relate to procurement decision / process	5	17%
			with no common theme	2	7%
Stage 3	Chief Executive	1	specific funding decision / process	1	3%



Audit Committee Self-Assessment

11th November 2009

Audit Committee Self-Assessment

Objectives of the workshop:

- To conduct a self-assessment against HM Treasury's Audit Committee Handbook "*Key Questions for an Audit Committee to ask*"
- Verbal feedback to Audit Committee

Audit Committee Self-Assessment



"NEXT ITEM - CARRYING OUT OUR OBJECTIVE SELF-ASSESSMENT"

taken from "Improving your audit committee", Independent Audit Limited

Audit Committee self-assessment

The *Key Questions* have been grouped into five themes:

- Risk Management
- Statement on Internal Control
- Internal and External Audit
- Accounting policies, annual report and accounts
- Work of the Audit Committee

Risk Management

How do we know:

- that the risk management culture is appropriate?
- that the organisation's processes incorporate effective risk management?
- that there are effective arrangements for managing risks with partners?
- if risk management contributes to achieving outcomes?

How do we know that the risk management culture is appropriate?

How do we know:

- that risk management is carried out in a way that really benefits the organisation or is it treated as a box ticking exercise?
- how senior management support and promote risk management?
- that the organisation as a whole is aware of the importance of risk management and of the organisation's risk priorities?
- how well people are equipped and supported to manage risk well?

Evidence:

- Regular reports to Chief Executive's Team and the Audit Committee on risk management;
- Development / review of risk management plans monitored as part of the Performance Management Framework;
- Risk management training;
- Internal audit review of Risk Management
- Board members involvement in risk management workshop
- Board review of Risk Management including changing the priority level of one Risk Management Plan
- ISO27001 – Business Continuity
- External reports from the NAO on Project Management

How do we know that the organisation's processes incorporate effective risk management?

How do we know:

- that there is a clear risk strategy and policies?
- that there is a comprehensive process for identifying and evaluating risk, and for deciding what levels of risk are tolerable?
- that the Risk Register is an appropriate reflection of the risks facing the organisation?
- that appropriate ownership of risk in place?

Evidence:

- Risk Management Strategy endorsed by the Audit Committee;
- Annual Risk Management Workshop involving the Executive Team and Board members;
- Risk owners assigned at CET level
- Sign-off of Risk Management Plans by Chief Executive's Team
- Internal audit review of Risk Management
- Reporting of the management of the Essex and Peterborough Economic Participation programme



How do we know that there are effective arrangements for managing risks with partners?

How do we know that there are effective arrangements for managing risks with partners?

- Local Authorities;
- IDP's;
- Sister Organisations

Evidence:

- 'Three lines of defence' model
- Assurance Framework – work with Local Authorities
- Internal Audits of partnership's governance arrangements;
- Programme Management and Monitoring Team;
- Contract Management
- Change in SREP funding

How do we know if risk management contributes to achieving outcomes?

How do we know:

- if risks are handled well?
- if risk management contributes to achieving outcomes?

Evidence:

- Balanced Scorecard
- Internal Audit activity
- Risk Management Plans
- Programme Delivery
- No surprises!
- Evaluation programme – impact on GVA

Statement on Internal Control

How do we know:

- that the Accounting Officer's annual 'Statement on Internal Control' is meaningful and what evidence underpins it?
- that the Statement on Internal Control realistically reflects the assurances on which it is premised?
- That management has an appropriate view of how effective internal control is?

How do we know that the Accounting Officer's annual 'Statement on Internal Control' is meaningful and what evidence underpins it?

How do we know:

- that the SIC appropriately discloses action to deal with material problems
- that the Board is appropriately considering the results of the effectiveness review underpinning the SIC?

Evidence:

- Statements on Internal Control by Executive Directors;
- Annual Report of the Head of Governance;
- Results of Internal and External Audit

How do we know that the Statement on Internal Control realistically reflects the assurances on which it is premised?

How do we know:

- that the range of assurances available is sufficient to facilitate the drafting of a meaningful Statement on Internal Control?
- that assurances are 'positively' stated (ie – premised on sufficient relevant evidence to support them) and draw appropriate attention to material weaknesses or losses which should be addressed?
- that those producing the assurances understand fully the scope of the assurance they are being asked to provide, and the purpose to which it will be put?
- what mechanisms are in place to ensure that assurances are reliable?

Evidence:

- Annual Report of the Head of Governance;
- External Audit
- Assurance Framework
- Assurance of Executive Directors
- Formally endorsed by the Accounting Officer



How do we know that management has an appropriate view of how effective internal control is?

How do we know:

- that the system of internal control will provide indicators of things going wrong?

Evidence:

- Statements on Internal Control from Executive Directors
- Risk Management Plans
- Internal Audit Reports
- NAO Management Letter
- Performance Scorecard
- Scheme of delegation



Internal and External Audit

How do we know:

- that the Internal Audit strategy is appropriate for delivery of a positive reasonable assurance on the whole of risk, control and governance?
- Internal Audit has appropriate resources and that the quality of their work is adequate?
- that issues raised by Internal and External Audit are being appropriately addressed and implemented?

How do we know that the Internal Audit strategy is appropriate for delivery of a positive reasonable assurance on the whole of risk, control and governance?

How do we know:

- that the periodic audit plan will achieve the objectives of the Internal Audit strategy, and in particular is it adequate to facilitate a positive, reasonable assurance?

Evidence:

- Internal Audit Strategy presented to Audit Committee for approval;
- Regular updates on the delivery of the audit plan made to Audit Committee
- External Audit opinion
- Internal Audit reports
- Five year internal audit plan to meet EU requirements
- Internal Audits rights of access included in Internal Audit Charter

How do we know that Internal Audit has appropriate resources and that the quality of their work is adequate?

How do we know:

- that Internal Audit has the skills, to deliver its objectives?
- that the quality of Internal Audit work is adequate?
- what does application of the Internal Audit Quality Assessment Framework tell us about the quality of the Internal Audit service?

Evidence:

- Self-assessments
- Results of the IAQAF presented to the Audit Committee
- Resource levels explicit in the Internal Audit Strategy
- Peer Review – by Government departments
- Professional Qualifications and Continuing Professional Development
- Evidence of challenge of audit partners
- Delivery of internal audit plan
- NAO place reliance on the work of internal audit



How do we know that issues raised by Internal and External Audit are being appropriately addressed and implemented?

How do we know:

- that Internal Audit recommendations that have been agreed by management are actually implemented?
- that the implementation of recommendations is monitored and followed up?
- that issues raised by the External Auditors are given appropriate attention?
- that there are suitable resolution procedures in place for cases when management reject audit recommendations which the auditors stand by as being important?
- that any issues arising from line management not accepting Internal Audit recommendations are appropriately escalated for consideration?
- that there is appropriate co-operation between the internal and external auditors?

Evidence:

- All audit reports presented to Audit Committee
- Agreed Actions 'Dashboard' presented to the Audit Committee on a quarterly basis
- External audit place reliance on the work of internal audit
- Regular meetings held between Head of Governance and National Audit Office
- External Audit opinions
- Monthly Chairs meeting
- Open access to National Audit Office



Accounting Policies, Annual Report and Accounts

How do we know:

- that the accounting policies in place comply with relevant requirements?
- that there are suitable processes in place to ensure accurate financial records are kept?
- That there are appropriate anti-fraud arrangements in place?

How do we know that the accounting policies in place comply with relevant requirements?

How do we know:

- that the accounting policies in place comply with the Financial Reporting Manual?
- that financial control, including the structure of delegations, enables the organisation to achieve its objectives with good value for money?

Evidence:

- NAO Management Letter;
- Scheme of Delegation presented to the Board for approval;
- Letters of Delegation in place;
- Attendance and active involvement of the NAO at Audit Committee meetings



How do we know that suitable processes are in place to ensure accurate financial records are kept?

How do we know:

- there has been due process in preparing the annual report and accounts and is that process robust?
- that the annual report and accounts have been subjected to sufficient review by management and by the Accounting Officer and / or Board?
- that when new or novel accounting issues arise, appropriate advice on accounting treatment gained?
- if there are any issues likely to lead to qualification of the accounts?

Evidence:

- NAO Management Letter;
- Suitably qualified and experienced staff;
- Executive review and sign off
- External Audit opinion
- Public accounts laid before Parliament
- EERA – Scrutiny process
- Active involvement of NAO



How do we know that there are appropriate anti-fraud arrangements in place?

How do we know:

- that there is an appropriate anti-fraud policy in place and are losses suitably recorded?
- that suitable processes are in place to ensure fraud is guarded against and regularity and propriety is achieved?

Evidence:

- Anti-Fraud Policy in place agreed by Audit Committee
- Fraud Response Plan
- Awareness briefings
- Losses and fraud reported
- Project and Programme Management arrangements



The work of the Audit Committee

How do we know:

- that we have an appropriate level of understanding of the purpose and work of the organisation?
- that we are being effective in achieving our terms of reference and adding value to corporate governance and control systems of the organisation?
- what impact we are having on the organisation?

How do we know that we have an appropriate level of understanding of the purpose and work of the organisation?

How do we know:

- that we have the appropriate skills mix?
- that we have sufficient time to give proper consideration to our business?
- that our individual members are avoiding any conflict of interest?

Evidence:

- Induction process
- Declaration of Interests
- Additional Independent Non-executive Member provides professional expertise
- Briefings and workshops
- Quarterly meetings
- Chairs monthly meetings with the Head of Governance
- Attendance of National Audit Office and Ernst & Young



Overall Impact of the Audit Committee

How do we know:

- That we are being effective in achieving our terms of reference and adding value to corporate governance and control systems of the organisation?
- What impact we are having on the organisation?

Overall Impact of the Audit Committee

Conclusion

- Generally the members of the Audit Committee were content with the level of information provided to enable them to effectively achieve their terms of reference and add value to the corporate governance and control systems of the organisation.
- There are a number of areas where improvements have been identified to ensure that the Audit Committee continue to have a positive impact on the organisation

Issue raised	Action arising from the workshop
1. Risk Management	
<p>a. Escalation and reporting of risks</p> <p>Members of the Audit Committee were not clear how risks are escalated and reported within the organisation to ensure that decisions can be taken at the appropriate level.</p>	<p>Action: The revised Risk Management Framework, including the agreed escalation procedure, is to be sent for information to the members of the Audit Committee, even if at draft stage.</p> <p>Responsible Officer: Head of Major Projects</p> <p>Due by: March 2010</p>
<p>b. Presentation and consideration of risks as part of the Board decision-making process</p> <p>Members of the Audit Committee felt that papers presented to the Board for decision or approval did not present risks to EEDA in a consistent manner.</p> <p>It was suggested that a Red Amber Green (RAG) methodology could be adopted to enable Board members to fully understand the risks associated with each paper.</p>	<p>Action: A methodology for presenting risk as part of the board decision-making pack should be developed to ensure that the Board are able to make fully informed decisions.</p> <p>Responsible Officer: Head of Relationship Management</p> <p>Due by: Spring 2010</p>
<p>b. Whistleblowing ‘champion’</p> <p>Members of the Audit Committee agreed that it would be useful for a named individual at Board level to be seen by the organisation as the ‘champion’ for the Whistleblowing Policy.</p>	<p>Action: The Chair of the Audit Committee is to suggest to the Chair of the Board that a named individual at non-executive level is nominated as a ‘champion’ for the Whistleblowing policy.</p> <p>Responsible: Chair of the Audit Committee</p> <p>Due by: Spring 2010</p>

Issue raised	Action arising from the workshop
2. Statement on Internal Control	
<p>a. Assurance over the Executive Directors' Statement on Internal Control questionnaires</p> <p>The workshop agreed that the Statement on Internal Control questionnaires completed by Executive Directors were a key piece of evidence supporting the Accounting Officer's Statement on Internal Control.</p> <p>To ensure that reliance could be placed on the Statement on Internal Control questionnaires, the Audit Committee requested further assurances in relation to their content and completion.</p>	<p>Action: It was agreed that members of the Audit Committee would undertake a number of 'scrutiny reviews' of the Statement on Internal Control questionnaires completed by Executive Directors before the Accounting Officer's Statement on Internal Control is presented to the Audit Committee.</p> <p>Responsible Officer: Executive Directors / Head of Governance</p> <p>Due by: May 2010</p>
<p>b. Framework of policies and procedures</p> <p>Members of the Audit Committee were concerned whether there is an appropriate framework of policies and procedures in place.</p> <p>Members noted the Executive's planned piece of work with regards to EEDA's policy management, to be carried out by Internal Audit.</p>	<p>Action: An internal audit of policies and procedures to be included in the audit plan on a cyclical basis.</p> <p>The internal audit review of EEDA's policy management will be reported to the Audit Committee as part of the usual reporting mechanisms.</p> <p>Responsible Officer: Head of Governance</p> <p>Due by: Spring 2010</p>
3. Internal and External Audit	
<p>No issues requiring further action were noted by the Audit Committee members.</p>	<p>No further actions are required</p>
4. Accounting policies, annual report and accounts	
<p>No issues requiring further action were noted by the Audit Committee members.</p>	<p>No further actions are required</p>

Issue raised	Action arising from the workshop
5. Work of the Audit Committee	
<p>a. Development of Audit Committee members</p> <p>The Audit Committee were keen to ensure that they were able to keep up to date through ongoing training and Board development.</p> <p>It was also suggested that a 360 degree review of the effectiveness of the work of the Audit Committee could be undertaken involving the Chief Executive’s Team, the Board and the National Audit Office.</p>	<p>Action: The Head of Governance is to continue to identify and circulate training opportunities to Audit Committee members.</p> <p>The Head of Governance is to consider how a 360 degree review of the effectiveness of the work of the Audit Committee could be developed.</p> <p>Responsible Officer: Head of Governance</p> <p>Due by: Summer 2010</p>
<p>b. Review of Terms of Reference</p> <p>The Audit Committee agreed that they should review their terms of reference on an annual basis to ensure that they focus on the right things and continue to perform effectively.</p>	<p>Action: A review of the terms of reference of the Audit Committee is to be included in the forward look as an agenda item at one meeting each year</p> <p>Responsible Officer: Board Support Team</p> <p>Due by: February 2010</p>
<p>c. Self-assessment process</p> <p>The Audit Committee felt that the self-assessment process had been a useful process to undertake and felt that other Board committees may benefit from undertaking a similar exercise.</p>	<p>Action: The Chair of the Audit Committee to suggest to the Chair of the Board that the other Board committees could undergo a similar self-assessment process.</p> <p>Responsible Officer: Chair of the Audit Committee</p> <p>Due by: Spring 2010</p>



National Audit Office

2009–10 DRAFT AUDIT STRATEGY

HELPING THE NATION SPEND WISELY

The National Audit Office scrutinises public spending on behalf of Parliament.

The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the National Audit Office, which employs some 880 staff. He, and the National Audit Office, are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

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East of England Development Agency

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Introduction

1. The purpose of this strategy is to provide the Audit Committee, the Accounting Officer and the management of the East of England Development Agency (EEDA) with a clear understanding of how we plan to carry out the audit of the Agency's financial statements for the year ending 31 March 2010.
2. The sections below outline the respective responsibilities of EEDA and the National Audit Office (NAO), the audit scope and objectives, the audit approach and our assessment of areas of audit emphasis.

Respective responsibilities

3. The Chief Executive as Accounting Officer is responsible for preparing EEDA's annual accounts and for ensuring the regularity of financial transactions. The accounts should be prepared in accordance with the accounts direction issued by the Secretary of State.
4. The Comptroller and Auditor General (C&AG) is the appointed independent external auditor of EEDA under Section 15 of the Regional Development Agencies Act 1998. He is responsible for auditing the accounts and reporting the results to Parliament. The audit certificate provides an opinion on the truth and fairness of EEDA's accounts, their proper presentation as directed and the regularity of the underlying transactions.

Audit scope and objectives

5. We carry out our audit of the financial statements in line with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. The terms of our audit engagement and our respective responsibilities are

contained in our letter of understanding dated 15 October 2008, agreed between Neil Sayers (on behalf of the C&AG) and Deborah Cadman (on behalf of EEDA).

6. We have a professional responsibility to report if the financial statements do not comply in any material respect with the standards issued or adopted by the International Accounting Standards Board or with relevant guidance issued by HM Treasury.
7. Our audit procedures are designed primarily to provide an opinion on whether the financial statements provide a true and fair view of the activities reported for the year ended 31 March 2010 and that the expenditure and income have been applied to the purposes intended by Parliament and that the transactions conform to the authorities which govern them (regularity).
8. As part of our audit we will review the financial information contained in EEDA's Annual Report to ensure that it is consistent with the financial statements. We will also review the Director's Report, the Remuneration Report and the Statement on Internal Control to ensure they have been prepared in accordance with HM Treasury guidance and that they are consistent with the financial statements and other information gained during the audit.
9. During the course of the audit, we will report any issues, as we identify them, to relevant EEDA staff, in an effort to resolve them at the earliest opportunity. To avoid "surprises" during the audit process we will record all issues (including potential errors) in an Issues Log, which we will discuss with the finance team as

the audit progresses. To avoid receiving multiple versions of the financial statements we recommend that any adjustments to the financial statements are left until towards the end of the final audit process.

10. Once we have completed our audit procedures we will present a management report to those charged with governance in which we will detail the initial audit findings and all non-material, non-trivial errors, for which we have not pressed for adjustment. This is in accordance with International Standard on Auditing (UK & Ireland) 260, '*Communication of audit matters with those charged with governance*'. This report will also include all those significant audit issues and recommendations that we believe should be brought to the attention of the Accounting Officer and the Audit Committee.

Audit approach

11. Our approach is primarily risk based and tailored to EEDA and its business environment. We will review the accounting systems and management

controls operated by the Agency in order to determine those on which we can place reliance and those where we need to direct more audit effort.

12. The International Standards on Auditing (UK & Ireland) require that auditors:

- assess the design and implementation of controls, regardless of whether they plan to adopt a substantive approach; and
- look at an organisation's ability to identify risk and assess the impact which this may have on the financial statements.

13. We determine the extent to which we can rely on EEDA's detailed control procedures and monitoring activities to prevent or detect specific material misstatements and address potential errors. Our audit opinion does not comment on the effectiveness of this control environment, but our management report will include our conclusions on specific aspects of the control environment to the extent we have reviewed them, as set out in the following table.

The Control Environment	
Management aspect	Comment
Financial control systems	These are the individual systems that process financial data. We will review the Sun Accounting System, covering controls over purchases and income, the Project Management System (Artemis), and controls over fixed assets and payroll. Our review will cover controls surrounding the processing of these transactions including those over completeness and accuracy of data.
Financial management information systems	This is the IS/IT control environment. This includes such things as: <ul style="list-style-type: none"> • IS/IT strategic planning • Disaster recovery provisions • Data integrity • Access controls • Programme change controls • Physical security of hardware and software
Financial management control environment	These are the upper level controls and include such things as: <ul style="list-style-type: none"> • Financial management policies and procedures • Internal Audit • The work of the Audit Committee • Budgeting processes

14. We will supplement this work by undertaking substantive testing. Such testing is designed to provide assurance on the completeness, accuracy and validity of the information contained in the accounting records and financial statements. We carry out detailed tests of transactions and balances, as well as analytical procedures that examine relationships between data and test whether they are plausible.

15. We will undertake audit procedures on specific key account areas and evaluate the results in order to support our audit opinion.

16. To assist with the efficient conduct of this work we will discuss a specific list of documentation requirements with the finance team. We hope this will also minimise any disruptions the audit process might cause. There may, however, be additional supporting document requirements which arise during the course of audit.

The auditor’s responsibility to consider fraud

17. The primary responsibility for the prevention and detection of fraud rests with those charged with the governance and management of EEDA.

18. Under ISA 240 – ‘*The Auditor’s responsibility to Consider Fraud in an Audit of Financial Statements*’, auditors are required to consider the risk of fraud affecting the financial statements and to maintain an attitude of professional scepticism recognising the possibility that a material misstatement due to fraud could exist. To meet these requirements we will carry out a range of procedures as part of our audit approach. We will review EEDA’s systems to prevent and detect fraud. We will make enquiries of management regarding their assessment of the risk that the financial statements may be materially misstated due to fraud and review the processes in place for managing the risks of fraud in the Agency.

19. This does not detract from the fact that it is not the auditor’s function to prevent and detect fraud and error. It remains a responsibility of management to put appropriate processes and controls in place to prevent and detect fraud.

Materiality

20. No system of internal control or set of audit procedures guarantee that the financial statements are free from fraud or error. This is reflected in our audit work and accordingly our audit opinion only provides reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

21. In considering materiality it is important to note that this is the total level of error that can be tolerated in the financial statements before truth and fairness is called into question. This means that errors of lesser amounts may still be deemed material when they are considered in aggregate.

22. It is also important to note that some specific items in the financial statements will be considered material by their nature or by their context in the financial statements, for example senior staff salaries. Any error or discrepancy affecting these items will be deemed material, regardless of value.

Reliance on another Auditor

23. The external audit of EEDA’s subsidiary, the Centre for Integrated Photonics Ltd (CIP), is performed by Grant Thornton. In accordance with ISA 600 (Revised) *Placing Reliance on Another Auditor*, we intend to place reliance on their audit of CIP.

Reliance on Internal Audit

24. We will continue to liaise with your Governance Team and your internal audit function to ensure we minimise duplication of effort. We will review the internal audit work proposed or completed during our main planning visit to determine the extent of reliance we can place on the work performed. At present, we intend to place reliance on Internal Audit’s work on the following topics:

- Centre for Integrated Photonics (CIP);
- Programme management;
- Project management;
- EEDA's corporate governance and decision-making arrangements;
- Information security and control environment;
- Key financial systems and controls;
- Payroll and pensions; and

- Funding reductions/uncertainty.

Reporting the results of our audit

25. We will report the results of our audit of the 2009–10 financial statements on the completion of our audit. This will be done through:

- The audit certificate on the accounts; and
- A report to the Audit Committee on the conduct and outcome of our audit as required by ISA 260 – *communications on audit matters with those charged with governance*. This report will include recommendations, where appropriate, for improvements to governance, financial control and the preparation of the accounts.

Records to be provided for NAO inspection

26. To assist with the efficient conduct of the audit, we will discuss with the finance team and other relevant parties a specific list of the supporting documentation that we will require closer to the time of the final audit visit. Any amendments made to the trial balances after the close of books should be discussed with NAO staff and supported by a journal voucher and any other underlying documentation. Further adjustments may be required as a result of our audit findings.

27. The draft financial statements provided, and the supporting schedules, should be subject to stringent quality review prior to submission for audit. Management should ensure that the draft statements have been fully reviewed for accuracy and are of a standard appropriate to a final account. Along with the statements,

management should also provide a list of all adjustments they have considered not material and have therefore not made.

Data protection

28. We will comply fully with the Data Protection Act and the NAO's *'Statement on the Management of Personal Data'* sent to you in 2008.

29. We will require access to some personal data during the course of the audit to support our audit opinion, primarily in relation to employee contracts and payroll information. We will try to keep our requests for such data to a minimum, and will ensure that any personal data obtained will be stored in our electronic audit documentation system which is encrypted and password protected.

30. On completion of the audit we will return all hard copy information to EEDA and destroy all non essential data. We will report this to you as part of our management report.

Quality Assurance procedures

31. Quality is strongly embedded in the NAO culture and manifests itself through:

- Continued Professional Development (CPD): all staff are expected to meet a target of 10 days CPD per year across the range of professional, management and personal effectiveness training; and
- multi-disciplinary skills: our audit team can call as necessary on NAO in-house specialists, including IT auditors and experts in different sectors.

32. To ensure our independence, integrity and objectivity are not compromised, the

NAO has strict procedures in place. We follow the guidelines set out by the Auditing Practices Board, and ensure that all Directors and Audit Managers are rotated at least every 5 years. Team Leaders and below are usually rotated at least every 3 years.

33. All NAO staff sign a Code of Conduct every year, which confirms that no staff have relationships with any client bodies. Signature of the Code also confirms that all staff sign up to the APB Ethical Standards.
34. We have well-established review procedures to ensure that appropriate audit work is undertaken efficiently and in accordance with International Standards on Auditing. These include:
- all planning decisions and fieldwork are reviewed by NAO management and directorate;
 - all significant matters are dealt with promptly and are raised with client management as necessary; and
 - progress on the audit is monitored on a continuous basis to ensure that the work is completed efficiently, effectively, to time and within budget.
35. Each year, the NAO executes a programme of post-certification internal Quality Control Reviews. The objective of these reviews is to establish whether sufficient and appropriate evidence has been collected and evaluated and whether the NAO's financial audits comply with professional standards and internal policies. In order to seek an external view, NAO has invited the Audit Inspection Unit of the Professional Oversight Board to undertake an annual programme of post-certification reviews.

The results of these reviews are regularly brought to the attention of all our staff.

Areas of audit emphasis

36. During our preliminary audit planning work conducted to date we have highlighted the following key areas for audit consideration. As our audit planning and risk assessments are ongoing throughout the audit, this list is not exhaustive. We will report back to you in the Management Report our response on all key areas of audit emphasis we identify.

International Financial Reporting Standards (IFRS)

37. In common with other central government bodies, the Agency is required to prepare its 2009–10 financial statements under IFRS. To manage the transition process from UK accounting standards, the Treasury have set four Trigger Points for the implementation of IFRS.
38. Trigger Points 1 and 2 related to the preparation and audit of reporting entities' 1 April 2008 balance sheets in an IFRS compliant format, and were completed in late 2008. We issued our Trigger Point 2 audit report in January 2009. EEDA's financial statements incorporate its subsidiary CIP, but in the report we noted that EEDA had restated its balance sheet using values for CIP calculated under UK GAAP. We were unable, therefore, to give a clear audit opinion at that stage. We therefore recommended that EEDA arranged for an IFRS impact assessment/restatement exercise for CIP.

39. For Trigger Point 3, the Agency was required to prepare a complete set of IFRS shadow accounts by 10 September 2009. The accounts comprised a full set of primary financial statements and accompanying notes, including IFRS-compliant accounting policies. The Agency achieved this deadline. We issued a separate audit strategy setting out the work we planned to carry out on the IFRS shadow accounts.
40. The NAO completed its dry run audit of the Agency's 2008-09 IFRS compliant shadow accounts in December. Our report noted that we were unable to provide a clear audit opinion as information for CIP was still included using values calculated under UK GAAP.
41. The Agency needs to forward a copy of the NAO report, together with any management responses, to the Department for Business, Innovation and Skills, its sponsor Department, and the Financial Reporting Policy Team in HM Treasury by 29 January 2010.
44. CLG, as the ERDF Managing Authority, is responsible for developing national guidance for the 2007-13 ERDF Programme. However, we understand that CLG has still to resolve a number of issues, and has yet to issue a final and complete set of guidance. The failure to finalise guidance on key aspects of the eligibility criteria creates an inherent risk to RDAs when approving projects, with the subsequent risk of clawback.
45. In accepting responsibility for managing the programmes, the RDAs signed up to certain delivery targets (N+2). The Agency has a target to spend €6.6 million euro by December 2009. However, the value of the financial target is driven by the prevailing Euro/Sterling exchange rate and fluctuations in the rate can change the N+2 targets. Nevertheless, we understand that the Agency achieved these targets.
46. This risk is aggravated by the increasing concern across all RDAs that a combination of the current economic climate and tight public sector funding settlements are leading to increasing difficulty in obtaining the funds necessary to match ERDF contributions, which might in turn lead to a greater call on the Agency's already scarce Single Pot funds.

European Regional Development Fund (ERDF) 2007-2013

42. The Statutory Instrument which granted the Agency authority to administer the 2007-13 ERDF programme in the region came into force in January 2008. The total value of the programme is worth some £11 million to the Agency.
43. The Department for Communities and Local Government (CLG) requires the RDAs to use, or at least interface with, its Management Control Information System (MCIS) for processing and reporting expenditure and outputs. The Agency chose to fully adopt MCIS to administer the ERDF programme.
- ### Special Purpose Entities (SPEs)
47. The NAO will continue to treat special purpose entities as an area of audit emphasis across the RDAs. SPEs continue to be well used delivery vehicles for the RDAs.
48. As in previous years, EEDA will need to consolidate its accounts for 2009-10 with those of its subsidiary (CIP), before presenting the consolidated accounts for audit. We will liaise with the finance team

to ensure that effective reporting and monitoring procedures are in place and that the accounting treatment for CIP is in accordance with the IFReM.

RDA Funding

49. RDAs budgets have come under pressure in recent periods and this is likely to continue in 2009–10. In an environment where budgets are reducing, there are increasing risks to the effectiveness of management controls, particularly if an Agency needs to restructure its operations and staffing.

50. As part of the 2007 Comprehensive Spending review (CSR 07), the RDAs committed to deliver value for money savings that would release annual net cash savings of £349 million by 2010–11. The Operational Efficiency Programme launched by the Treasury in July 2008, will require the delivery of further savings as part of CSR 07.

51. The practical impact of this is that the Agency – in line with other RDAs – needs to reduce its expenditure in the period to 2010–11. In particular, the Agency will need to:

- Reduce its expenditure to cope with a reduction in Grant in Aid of £28.8 million; and
- Generate cash releasing savings of £11.6 million, for which it has prepared a value for money strategy.

52. There are risks that the sponsor Department may impose further cuts as Government seeks more savings.

The Economic and Political Climate

53. The changes in the economic climate have had an increasing impact on the

Agency's work. The Department for Business, Innovation and Skills (BIS) has asked the Agency to produce a Corporate Plan demonstrating its response to the economic downturn. The Agency has also agreed a new set of corporate objectives, with an additional set of recession key performance indicators to assess the effectiveness of its response. The Agency will need to manage carefully the process of providing additional support, to ensure that it has effective controls in place over the use of its scarce funds.

54. The economic problems may also have an increasing impact on EEDA's ability to deliver the expected level of outputs from its current programmes. In particular, private sector development partners are facing increasing difficulty in raising the funds necessary to develop sites or to dispose of finished units. This in turn may lead to developers being less willing to enter into agreements with the Agency or to seek to renegotiate existing agreements.

55. Our audit will consider the consequences to the financial statement of these issues. In doing this work we will focus on the following key audit areas:

- **Valuation of property assets** – as normal, EEDA will need to seek valuations of its property assets as at 31 March. The Agency suffered a significant drop in the value of its property assets in 2008–09, and the likely valuation for 2009–10 is currently uncertain.
- **Recoverability and valuation of debtors** – We will review EEDA's year end receivables, for example in respect of development activity, to ensure that there are no doubts about the recoverability of

the amounts and the valuation remains reasonable.

56. The date of the next general election is likely to be around the time the Agency is preparing its 2009–10 accounts. Depending on the outcome, there may be changes to the future role and responsibilities of all the RDAs.

Sub National Review

57. The Agency has continued its plans to implement the Government's Sub-National Review (SNR) of economic development and regeneration. The outcome of the review has been incorporated into the Local Democracy, Economic Development and Construction Bill which has received Royal assent.
58. The changes will entail the preparation of a Regional Strategy (IRS), which will incorporate the Regional Economic Strategy and the Regional Spatial Strategy. The IRS will be jointly managed and prepared by the new Local Authority Leaders Board and the EEDA Board. A Regional Strategy Board has been established to lead this, which will bring together eight EEDA Board members, with 16 Council Leaders, four delivery agencies and two stakeholder representatives. The IRS needs to set out policies in relation to sustainable economic growth and to development and land use in the region.
59. Whether the introduction of these changes impacts on our audit of the 2009–10 financial statements will depend on how quickly legislation and guidance are finalised. We will therefore keep a watching brief on developments and the Agency's response.

The Alignment Project

60. The accounts of Government Departments currently only contain the income and expenditure of the Department itself. They record funds given to arms length bodies such as the RDAs as "grants and grant in aid" and do not show how the arms length bodies spend the grants. Whilst the information exists in the accounts of the grant recipients, it can be difficult to see how a group of related central government bodies have spent taxpayers' money to achieve any given shared objective.
61. Under the Alignment Project, HM Treasury is planning to publish consolidated departmental accounts for 2011–12. These will require 2010–11 comparatives and a 1 April 2010 balance sheet. In line with other RDAs, EEDA will be included in the BIS consolidated account.
62. During 2009–10 the sponsor Department will need to review the accounting policies of the bodies it will consolidate and agree any changes that may be necessary. These changes are also likely to mean that the Agency will need to bring forward the timetable for preparing its accounts for 2010–11 and beyond.

Statement on Internal Control

63. We will review the Agency's Statement on Internal Control (SIC) to ensure it has been prepared in accordance with HM Treasury's guidance. We will also confirm that the SIC is consistent with the financial statements and other information gathered during the course of our audit, including the results of NAO VFM reviews, and work performed by Internal Audit. Our review of the SIC is conducted under ISA 720 and we will

include a specific reference to the SIC in our audit certificate.

64. In reviewing previous SICs prepared by a range of Government Department's and Agencies, the NAO identified a number of issues which we plan to address in our 2009–10 audits. Such issues include:

- Senior management may leave the preparation of the SIC, and consideration of the content, to relatively junior staff;
- The SIC may not be presented to Audit Committees in a timely fashion, which restricts the ability of Committees to influence the content;
- Some SICs tend to follow a “boilerplate” template and do not contain any meaningful analysis of the control issues and risks faced by the organisation.

65. To address the above issues, we recommend that management present a draft SIC to the Audit Committee some time before the accounts are prepared, to allow sufficient time to take on Committee members' comments. We will continue to review the corporate governance framework in place within the Agency and assess how assurance is obtained and verified to support the SIC, but seek earlier engagement with senior management to discuss the risks facing the organisation and the response to them.

66. We hope that an early and active joint-consideration of the content of the SIC should enable us to enter into an ongoing dialogue on control issues and risks as they arise, which will allow for the timely production and consideration of a complete and transparent Statement on Internal Control.

Whole of Government Accounts

67. We expect that 2009–10 will be the first year of publication for the Whole of Government Accounts (WGA). The accounts and audit opinion are expected to generate interest among stakeholders. The Agency is required to prepare WGA consolidation schedules for the year ending 31 March 2010 in accordance with instructions issued by HM Treasury. Guidance for the preparation of the 2009–10 WGA process is expected to be issued before the end of 2009. We are responsible for auditing the consolidation schedules and will agree an action plan for the submission and audit of the Agency's WGA return in due course.

68. Our work will be primarily directed at ensuring that the consolidation schedules are consistent with the statutory accounts and that transactions and balances with other government bodies in particular, are properly identified and agreed.

Electronic publication of financial statements

69. EEDA may wish to publish the financial statements, including our audit report, on its web site. It is the responsibility of the Agency to ensure that any such publication properly presents the financial information and any auditor's report. EEDA must advise us of any intended electronic publication before it occurs, and should seek our consent to the electronic presentation of our audit report.

70. We reserve the right to withhold consent to the electronic publication of our report if the audited financial statements or the auditor's report are to be published in an inappropriate manner.

71. EEDA is also responsible for the controls over, and the security of, its website. The examination of the controls over the maintenance and integrity of the Agency’s web site is beyond the scope of our audit of the financial statements.

NAO staffing

72. The following key NAO staff will be responsible for the audit of EEDA’s financial statements.

NAO Staffing		
Assignment Director	Neil Sayers (0207 798 7536) neil.sayers@nao.gsi.gov.uk	Overall responsibility for the audit. Final review of audit papers.
Assignment Manager	Stephen McEwan (0191 269 8850) Stephen.mcewan@nao.gsi.gov.uk	Management of the audit and review of audit papers.
Assignment Supervisor	Saba Sadiq (020 7798 7789) saba.sadiq@nao.gsi.gov.uk	Supervision of team
Neil Sayers and Saba Sadiq are located at: National Audit Office 157–197 Buckingham Palace Road, Victoria London SW1W 9SP		Stephen McEwan is located at: National Audit Office 1st Floor 89 Sandyford Road Newcastle-upon-Tyne NE1 8HW

EEDA’s 2009–10 financial statements. The increase reflects the additional audit work that will be required to audit a set of fully IFRS compliant accounts for 2009–10.

74. The fee also includes audit of EEDA’s Whole of Government Accounts return. We make no separate charge for any additional audit assistance or advice provided to RDAs collectively or EEDA.

75. As set out above, we will also audit EEDA’s restatement of its 2008–09 financial statements under IFRS. We propose to charge a fee for this work of £5,950 (£5,000 for Trigger Point Two) as notified in our IFRS Trigger Point Three Audit Strategy.

Provisional timetable

76. Provisional dates, including audit visits, are set out in the table below. We will discuss with the Audit Committee the co-ordination of the timetable with their schedule of meetings. Completion of the audit in line with this timetable is dependent upon the availability of a complete draft account in time for the start of our final audit visit.

Audit fee

73. We propose to charge a fee of £57,750 (£54,250 for 2008–09) for the audit of

Provisional Timetable	
ITEM	DATES
Interim audit visit	w/c 15 and 26 March 2010
Receipt of full draft Annual Report and Accounts	31 May 2010
Audit Committee	8 June 2010
Final audit visit	w/c 31 May to 11 June 2010 (tbc with client)
Receipt of final Annual Report and Accounts	18 June 2010
NAO informal clearance on draft accounts	25 June 2010
Accounting Officer signs accounts	tbc
C&AG signs accounts	by 9 July 2010
NAO Management Report	21 June 2010
– Draft	30 July 2010
– Final	

Value for Money programme

Independent Supplementary Review

77. In 2006, the NAO undertook an Independent Performance Assessment (IPA) of the eight Regional Development Agencies outside of London. In the 2009 Budget, HM Treasury announced that it wished to implement a supplementary review and invited the NAO to undertake this work.

78. The Independent Supplementary Review is intended to examine the following three issues:

- How effectively have the RDAs prioritised programmes and projects that offer high value added benefits for the region in the economic downturn and in preparation for the upturn;
- How effectively are the RDAs implementing improvement plans?
- How effectively have the RDAs implemented improvements in performance management processes and procedures to reflect the lessons of evaluation?

79. The work is to be undertaken between autumn 2009 and May 2010.

Regenerating the English Regions

80. This study is examining whether the Regional Development Agencies have been effective in helping to deliver the physical regeneration of their regions. It has looked at how effectively the RDAs have worked with the public and private sectors to achieve maximum impact for their investment. The report is due to be published in early 2010.



EEDA
Internal Audit Strategy
2010/11

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1. INTRODUCTION

The statutory basis for the provision of internal audit in Regional Development Agencies is laid out in the RDA Accountability and Financial Framework (October 2008). This requires that EEDA shall maintain effective arrangements for internal audit which accord with the objectives, standards and practices set out in the *Government Internal Audit Standards (GIAS)*.

GIAS specify that 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”.

HM Treasury have announced that they will be undertaking a fundamental review of the internal audit profession within central government with a view to transforming the current provision. The strategy may need to be adapted to reflect the findings of the HM Treasury review, once these are known.

The Internal Audit Strategy is a high level statement of how EEDA’s internal audit service will be provided and developed, it is updated annually.

Through the delivery of the Strategy and annual programmes of work, Internal Audit provides EEDA’s Accounting Officer and Audit Committee with assurance on individual activities, risks and processes, and agrees appropriate improvement actions with management.

On an annual basis, the Head of Governance provides an overall opinion on the adequacy and effectiveness of EEDA’s framework of governance, risk management and internal control.

The Head of Governance’s annual opinion is a key element of the framework of assurance that the Accounting Officer has available to inform the Statement on Internal Control.

2. INTERNAL AUDIT AND PROVISION OF ASSURANCE TO EEDA

EEDA’s Internal Audit service is managed and delivered by the Governance Team and an external partner (currently Ernst and Young), who contribute to the internal audit planning framework and the delivery of the internal audit programme of work.

The Internal Audit service seeks to deliver effective outcomes by:

- Understanding the organisation, its context and objectives.
- Being seen as embracing change and encouraging new, efficient and effective ways of working, whilst ensuring that a robust internal control environment is maintained.

- Adding value and assisting the organisation in achieving its objectives.
- Being aware of the national and regional context and their impact.
- Helping to shape the ethics and standards of the organisation.
- Sharing best practice and seeking opportunities for joint working.
- Aiming to minimise the regulatory burden on EEDA's partners and avoid duplication of audit activity wherever possible by seeking to place reliance upon other providers of assurance.

The Internal Audit Strategy focuses the available internal audit resource on the key risks to EEDA's corporate objectives, programmes and priorities, whilst ensuring adequate attention is directed at fundamental systems, controls and processes. Internal Audit also seeks to add value to the organisation by working alongside management in the development of frameworks, systems and procedures that support the business in meeting its objectives.

The Strategic Internal Audit Plan sets out a broad programme of Internal Audit work over a five-year period, to ensure appropriate coverage across the whole range of EEDA's programmes, activities and risks.

The Annual Internal Audit Plan sets out the detailed programme of work, based upon an assessment of the programmes, priorities and risks for the year ahead. Should these change significantly during the year, there may be a requirement to flex the audit plan to ensure that resources remain focused upon those risk areas that are most likely to impact upon EEDA's objectives.

3. INTERNAL AUDIT STRATEGY AND PLANNING APPROACH 2010/11

3.1 Scope of Internal Audit Coverage and Planning Framework

The whole range of activities undertaken by EEDA continues to fall within the remit of potential internal audit coverage (also referred to as the 'audit universe').

The Internal Audit Strategy aligns audit activity to EEDA's corporate programmes, along with a consideration of forthcoming priorities and the key risks to achieving the organisation's objectives.

The internal audit planning framework has been revisited to ensure that it reflects:

- The refresh of EEDA's Corporate Plan 2008-11, which was approved by the Department for Business, Innovation and Skills in June 2009.
- The changing organisational delivery mechanisms, in particular through area working and the associated changing focus of EEDA's central teams.

For 2010/11 the internal audit programme of work will be based around the following key themes:

1. Governance and Management of the Agency

Internal Audit activity directed at governance structures and management arrangements at the corporate level.

2. Corporate Programmes

Internal Audit activity directed at governance, management arrangements and internal control over specific corporate programmes and projects, encompassing delivering at regional and sub-regional levels.

3. Fundamental Processes and Systems

Internal Audit activity directed at how key systems and processes are operating across EEDA and providing assurance on how EEDA is meeting statutory requirements.

4. Area Working Arrangements

Consultancy and assurance work directed at ensuring that the new area working governance and operational management arrangements are operating effectively.

5. Follow-Up Activity

Resources dedicated to determining and reporting on whether agreed management actions arising from audit and assurance reports have been implemented within the expected timeframes.

6. Emergent Risks, Issues and Priorities

An allocation such that internal audit can provide a responsive assurance service with regards to emergent risks, issues and management priorities.

The diagram on the following pages summarises the areas of activity that are likely to fall within each theme.

1. Governance and Management of the Agency
<p><i>Roles and Responsibilities</i></p> <p><i>Programme Development and Management</i></p> <p><i>Reporting and Escalation Mechanisms</i></p> <p><i>Corporate Risk Management</i></p> <p><i>Resources and Capacity</i></p> <p><i>Policy Framework</i></p> <p><i>Achieving Excellence Programme</i></p>

2. Corporate Programmes		
<p>Business Support</p> <p>Economic Participation</p> <p>Partnerships, Advocacy and Communications</p> <p>Regional Infrastructure</p> <p>Strategy and Intelligence</p> <p>Science, Innovation and High-Level Skills</p> <p>Sustainable Economy</p>	Regional	<p><i>Programme Boards</i></p> <p><i>Reporting and escalation</i></p> <p><i>Relationship Management</i></p> <p><i>Oversight of Delivery Partners</i></p> <p><i>Programme Risk Management</i></p> <p><i>Assurance Frameworks</i></p> <p><i>European funding requirements</i></p>
	Area Teams	
		<p><i>Internal Audits of Delivery Partners</i></p>

3. Fundamental Processes and Systems		
<p><i>Key Corporate Risks</i></p> <p><i>Core Financial Systems</i></p> <p><i>Project Management</i></p> <p><i>Payroll and Pensions</i></p> <p><i>Management Information</i></p> <p><i>Information Security</i></p> <p><i>Health and Safety</i></p> <p><i>Customer Service</i></p>	Regional	<p><i>Recruitment and Retention</i></p> <p><i>Equality and Diversity</i></p> <p><i>Environmental Management</i></p> <p><i>Performance Management</i></p> <p><i>Business Continuity</i></p> <p><i>Corporate Risk Management</i></p> <p><i>Evaluation</i></p> <p><i>Procurement and Contracting</i></p>
	Area Teams	

4. Area Working Arrangements

*Transitional arrangements
Area Team governance arrangements
Reporting and escalation arrangements
Legacy project management and oversight*

5. Follow-Up Activity

*Status of agreed management actions arising from internal audit and external audit assurance activities.
Validation that key risks and issues arising from other sources of assurance have been addressed*

6. Emergent Risks, Issues and Priorities

*Input into work on organisational change
Engagement at the start of new initiatives or the implementation of new systems
Ad hoc requests for advice on procedures and controls
Advice on best practice in risk management and governance
Investigations into allegations of fraud and other suspected irregularities
Non-assurance work at the request of senior managers
(This work is subject to the availability of appropriate skilled resources and the proper consideration of any potential conflicts of interest that might arise.)*

The fast-moving environment in which EEDA is working and changing delivery structures and mechanisms, as well as professional best practice, requires that the five-year strategic plan and the internal audit risk assessment upon which it is derived, are revisited at least annually, to ensure that resources are directed appropriately.

To support this review, Internal Audit will:

- Review the Corporate Risk Register to ensure the plan covers each area appropriately.
- Consult with the Executive Directors and their Management Teams to determine:
 - Potential areas for inclusion in the plan, based upon key priorities, developments and their perceptions of existing and emergent risks
 - Possible external sources of assurance for the forthcoming year.
- Carry out an audit needs and risk assessment to each of the area in the 'internal audit universe'.

3.2 Delivery of Internal Audit Assurance

Internal Audit assurances will be provided through a combination of: strategic audits, to examine whether the risks, control and governance arrangements are well planned and directed; operational reviews, to examine whether risk management, control and governance is well executed throughout EEDA. The internal audit plans will also include annual assurances on those areas of key corporate activity required to meet the requirements of the Statement on Internal Control. These include the high-risk systems and processes underpinning delivery of EEDA's objectives.

The Internal Audit service will provide assurance through the following three routes:

- **Reviews:** This type of work encompasses the formal audit of risks, plans, systems, procedures and controls, with a view to provide an opinion on the control environment and make recommendations to management for improvement.

In undertaking reviews, internal audit will consider whether such systems and processes need to be fully and systematically audited or whether techniques such as key control testing or limited compliance testing will be adequate to form an opinion and provide assurance.

- **Advice:** Typically this involves engagement with management at the start of a significant programme of change or a new initiative, or the introduction of a new system.
- **Analysis:** This involves reviewing and assessing the data already available to management that can provide the basis of assurance to EEDA's Board, Committees and management over the effectiveness of key processes and controls.

In carrying out any activity, internal audit will seek to place reliance upon other sources of assurance where appropriate. For example:

- Economic participation programme - reliance is placed wherever possible upon the work of external inspectorates and local authority internal audit teams.
- European funded schemes - where internal audit work is required this tends to be at a particularly detailed level and adequate resource needs to be assigned to ensure that the Agency meets EU regulations for reimbursement. However, the assurances available are also extensive, including work of central government department internal audit teams and other certifying bodies such as the National Audit Office.

Following the consultations, risk assessment and identification of the appropriate type of audit activity and coverage, a draft internal audit plan is presented for consideration to the Accounting Officer and the Audit Committee prior to finalisation.

3.3 Reliance upon EEDA's Risk Management Arrangements

The audit plans will place reliance upon EEDA's risk management arrangements in determining the key areas on which to focus the plan. We will therefore seek evidence that:

- The risk identification process is complete
- Management have identified appropriate criteria for the valuation of risk (in respect of both impact and likelihood)
- The criteria have been applied consistently to the identified risks
- Management have identified and prioritised EEDA's principal risks
- An appropriate relationship exists between the Agency's objectives and the principal risks.
- Ownership of risks has been assigned at an appropriate management level.

- Management has the authority to apply resources to respond to the risks identified.
- Management has in place review arrangements for the risks identified.

Changes to the Corporate Risk Register for 2010/11 will be reviewed and any changes in principal risks reflected appropriately in the internal audit plan.

3.4 The Wider Assurance Framework

Internal Audit is a key independent and objective source of assurance for EEDA across the range of the Agency's activities. However, assurance can take several forms and by capturing the various existing and potential sources of assurance – within and external to the Agency – EEDA can gain a more comprehensive level of assurance and internal audit resources can be more effectively targeted.

The objective of an 'assurance framework' is to provide a comprehensive method for gathering information about the delivery of the EEDA's key priorities and the management of the principal risks to meeting those priorities. Assurance frameworks can be a tool underpinning evidence to support the Statement on Internal Control.

Internal Audit resource will be dedicated to facilitating the capturing of assurance frameworks in place for each of EEDA's corporate programmes, to ensure that risks are adequately managed, assurance 'gaps' addressed and issues identified remedied.

The Internal Audit service has taken the lead on developing EEDA's assurance frameworks through consultation with key stakeholders, drawing on the audit planning work in identifying the assurances required and mapping those to the sources from which the desired assurance can be obtained.

The internal audit service considers assurances provided by other internal and external providers of assurance and consulting services at both the audit planning stage and in the scoping of individual audit assignments.

The audit plan for 2010/11 will refer to those sources of assurance known to have already been provided within the last audit planning year or expected to be provided in the forthcoming year.

3.5 Statement on Internal Control (SIC)

The Accountability and Financial Framework for Regional Development Agencies (October 2008) requires that the Agency is responsible for ensuring that financial management is adequate and effective and it has sound systems of internal control which facilitate the effective exercise of EEDA's functions (including risk management).

HM Treasury guidance requires that the Agency should conduct a review, at least once a year, of the effectiveness of its systems of internal control and shall include a Statement on Internal Control in its financial statements.

The Head of Governance opinions contribute to the overall assurance framework that the Accounting Officer has to inform completion of her annual Statement on Internal Control.

4. DELIVERY OF INDIVIDUAL INTERNAL AUDIT ACTIVITIES AND COMMUNICATION OF RESULTS

Internal Audit will deliver the agreed programme of audit assignments that are individually scoped, planned and agreed with EEDA's managers. An appropriate audit methodology will be used, including risk-based or systems auditing, verification work, advice and consultancy or investigative techniques.

At the end of each audit, a report will be issued which will summarise the key results of the audit and, depending on the nature of the review, may include an overall opinion rating (High, Reasonable, Limited or No Assurance). Reports may also provide managers with suggested areas for improvement. Likewise, where good practice is identified, this will be noted and shared with other managers across the organisation as appropriate.

The final audit reports will be issued to the relevant Head of Service and copied to the appropriate Executive Director, the Accounting Officer and Deputy Accounting Officer.

All audit reports are usually reported initially to the Chair of Audit Committee, for discussion at the scheduled monthly meetings with the Head of Governance, and then the full Audit Committee for discussion at their next scheduled meeting.

Progress on the implementation of recommendations is part of EEDA's performance monitoring, which is reported to the Board.

The status of the implementation of audit recommendations and agreed management action plans are reported to every the Audit Committee meeting.

The Head of Governance will present a formal annual report to the Audit Committee. This report will present an opinion of the overall adequacy and effectiveness of the organisation's risk management, control and governance arrangements. The annual report will be timed to coincide with the presentation to the Audit Committee of the Statement on Internal Control. The Head of Governance also provides the Audit Committee with regular progress reports.

All audit reports, except those determined to be confidential under the Freedom of Information Act, are published on EEDA's external website.

5. RESOURCES

Internal Audit is provided through a mix of internal resource (within the Governance Team in the Corporate Services Directorate) and through a partnership (currently with Ernst and Young), who also contribute specialist audit services as required.

The Internal audit service is delivered by a range of skilled and experienced staff, in accordance with the Government Internal Audit Standards, which defines the minimum level of skill, knowledge and experience level required. Staff training needs are identified and addressed through EEDA's annual appraisal process and Learning and Development programme, including appropriate Continuing Professional Development.

6. QUALITY ASSURANCE

Internal Audit will deliver a quality service that demonstrably adds to the improvement of the organisation's risk management, control and governance arrangements.

The National Audit Office, as EEDA's external auditors, carry out an annual review of the effectiveness of internal audit, and seek to place reliance upon the work undertaken, particularly in respect of key financial systems.

The effectiveness of EEDA's Internal Audit service is periodically reviewed by other Government Departments and Agencies seeking to place reliance upon the work in providing assurance over funding streams. The resultant reports are routinely reported to the Audit Committee along with progress on the implementation of the action plans developed to address any issues raised.

The Head of Governance will make provision for an external quality review of EEDA's internal audit service on a periodic basis which accord with the standards and practices set out in the *Government Internal Audit Standards* (GIAS).

INTERNAL AUDIT STRATEGY 2010/11 - NEW PLANNING FRAMEWORK AND AUD

Ref.	Internal Audit Framework and Universe / Assurance Themes
1	Governance and Management of the Agency
1.1	Corporate Planning, Programme Development and Investment Planning
1.2	Resource and Capacity Planning
1.3	Programme Delivery and Business Planning
1.4	Corporate Governance and Decision-Making
1.5	Risk Management
1.6	Policy Framework Management
1.7	Achieving Excellence Programme
1.8	Internal Leadership, Management and Organisational Improvement
2	Corporate Programmes
2.1	PROGRAMME-WIDE CROSS-CUTTING ACTIVITY
2.1.1	Programme Boards and Management
2.1.2	Relationships between Programme Boards and Area Teams
2.1.3	Programme Assurance Frameworks
2.1.4	Performance, Risk and Financial Management
2.1.5	Active Industrial Policy (New Innovation New Jobs)
2.1.6	European Regional Development Fund (ERDF)
2.1.7	European Social Fund (ESF)
2.1.8	EU funding strategic engagement
2.2	BUSINESS SUPPORT PROGRAMME - Corporate Plan Objective 1
2.2.1	Business Link / Train To Gain (EEIDB Contract)
2.2.2	Manufacturing Advisory Service / Innovation Advisory Service / Designing Demand Service
2.2.3	Inward Investment (EEIDB)
2.2.4	TakeITon
2.2.5	East of England Tourism
2.2.6	Olympic Business Plan Delivery
2.2.7	Regional Business Support Information System (RBSiS)
2.2.8	Beyond 2010 Programme (includes ESF funding)
2.2.9	Enterprising Women Programme
2.2.10	New Skills Responsibilities (Skills Funding Agency)
2.3	SCIENCE, INNOVATION AND HIGH LEVEL SKILLS PROGRAMME - Corporate Plan Objective 2
2.3.1	Access to Finance
2.3.2	Key cluster, sector and technology programmes & networks / New Industry New Jobs (NINJ)
2.3.3	Knowledge transfer (innovation vouchers; KTP/KEEP)
2.3.4	Enterprise Hub Network
2.3.5	Science Park Programme
2.3.6	Higher Education Expansion / auee Network support
2.3.7	Centre for Integrated Photonics
2.4	REGIONAL INFRASTRUCTURE PROGRAMME - Corporate Objective 3
2.4.1	Regional Infrastructure Fund (RIF)
2.4.2	Integrated Spatial Investment Packages
2.4.3	Integrated Development Programmes / Multi-Area Agreements
2.4.4	ACEE Prospectus
2.4.5	Transport and planning 2009-11 deliverables

INTERNAL AUDIT STRATEGY 2010/11 - NEW PLANNING FRAMEWORK AND AUD

Ref.	Internal Audit Framework and Universe / Assurance Themes
2.4.6	SNR Change Management Programme (Single Regional Strategy Development and Delivery)

INTERNAL AUDIT STRATEGY 2010/11 - NEW PLANNING FRAMEWORK AND AUD

Ref.	Internal Audit Framework and Universe / Assurance Themes
	Local Delivery Vehicles
2.4.7	1st East (Great Yarmouth and Lowestoft) URC
2.4.8	Opportunity Peterborough URC
2.4.9	Renaissance Southend URC
2.4.10	Basildon Renaissance Partnership
2.4.11	Bedford Renaissance
2.4.12	Cambridgeshire Horizons
2.4.13	Harlow Renaissance
2.5	ECONOMIC PARTICIPATION PROGRAMME - Corporate Objective 4
2.5.1	Migrant Workers
2.5.2	Black Minority Ethnic (BME) Task force
2.5.3	Regional programme and third sector capacity building (MENTER, COVER, SEEE)
2.5.4	Economic Participation Sub-regional programmes (Local Authority Investment Plans)
2.6	SUSTAINABLE ECONOMY PROGRAMME - Corporate Objective 5
2.6.1	Rural Development Programme England (RDPE)
2.6.2	Building rural community capacity
2.6.3	Regional food infrastructure, marketing and logistics
2.6.4	Renewables East
2.6.5	Water Resource Management
2.6.6	Carbon Capture Storage
2.6.7	Developing EEDA as an exemplar carbon neutral organisation / EMAS
2.6.8	Resource Efficiency East
2.7	STRATEGY AND INTELLIGENCE - Corporate Objective 6
2.7.1	Insight East
2.7.2	Regional forecasting model
2.7.3	Revisions land use – sustainability model
2.7.4	Single Regional Strategy (SRS)
2.7.5	East of England Implementation Plan (EEIP)
2.7.6	Skills economic evidence study
2.8	PARTNERSHIPS, ADVOCACY AND COMMUNICATIONS - Corporate Plan Objective 7
2.8.1	Stakeholder relationship management framework (Advocacy)
2.8.2	Media and External Communications
2.8.3	Customer service, FOI and complaints handling
2.8.4	Internal Communications
2.8.5	Defra Lead
3	Fundamental Processes and Systems
3.1	Corporate Risk Register
3.1.1	EEDA's response to political changes or change of Government
3.1.2	Funding reductions and uncertainty
3.1.3	EEDA's response to regional economic situation (recession to growth)
3.1.4	Strategic Vision
3.1.5	Scrutiny and Inspection / Independent Supplementary Review
3.2	Project Management
3.2.1	Project Lifecycle

INTERNAL AUDIT STRATEGY 2010/11 - NEW PLANNING FRAMEWORK AND AUD

Ref.	Internal Audit Framework and Universe / Assurance Themes
3.3	Impact Evaluation and Performance Management
3.3.1	Impact Evaluation
3.3.2	Performance Management
3.4	Financial Management / Procurement and Contract Management
3.4.1	Budgetary Control and Monitoring (include corporate risk Financial Commitments & Liabilities)
3.4.2	Key Financial Systems & Controls
3.4.3	Payroll and Pensions
3.4.4	Procurement and Contract Management
3.4.5	Fraud Risk Management
3.4.6	Service Transformation / Value for Money Programme
3.5	Human Resource Management
3.5.1	Recruitment and Retention (includes Corporate Risk - Staff Turnover)
3.5.2	Operational systems and compliance with legislative requirements
3.5.3	Health and Safety
3.5.4	Equality and Diversity
3.5.5	Ethical Framework
3.6	Information Management
3.6.1	Management Information and Knowledge Management
3.6.2	Freedom of Information and Data Protection
3.6.3	IT Strategy and Systems Development
3.6.4	Information Security
3.7	Estate, Buildings and Facilities Management
3.7.1	Estate Management
3.7.2	Facilities Management and Building Services
3.7.3	Business Continuity Planning
4	Area Working Arrangements
4.1	Transitional Arrangements and migration to the new ways of working
4.2	Area Team Governance Arrangements
4.3	Reporting and Escalation
4.4	Legacy project management and oversight
5	Follow Up Activity
5.1	Status of agreed management actions arising from internal audit and external audit assurance activities
5.2	Validation that key risks and issues arising from other sources of assurance have been addressed
6	Emergent Risks, Issues and Priorities
6.1	Appropriate internal audit services to be considered in-year as required

INTERNAL AUDIT STRATEGY 2010/11 - NEW PLANNING FRAMEWORK AND AUDIT UNIVERSE

Ref.	Internal Audit Framework and Universe / Assurance Themes	Lead Directorate
1	Governance and Management of the Agency	
1.1	Corporate Planning, Programme Development and Investment Planning	Strategy & Intelligence
1.2	Resource and Capacity Planning	Corporate Services
1.3	Programme Delivery and Business Planning	Strategy & Intelligence
1.4	Corporate Governance and Decision-Making	Chief Executive
1.5	Risk Management	Corporate Services
1.6	Policy Framework Management	Corporate Services
1.7	Achieving Excellence Programme	Chief Executive's Office
1.8	Internal Leadership, Management and Organisational Improvement	Corporate Services
2	Corporate Programmes	
2.1	PROGRAMME-WIDE CROSS-CUTTING ACTIVITY	
2.1.1	Programme Boards and Management	Executive Directors
2.1.2	Relationships between Programme Boards and Area Teams	Executive Directors
2.1.3	Programme Assurance Frameworks	Executive Directors
2.1.4	Performance, Risk and Financial Management	Executive Directors
2.1.5	Active Industrial Policy (New Innovation New Jobs)	Executive Directors
2.1.6	European Regional Development Fund (ERDF)	Corporate Services / Executive Directors
2.1.7	European Social Fund (ESF)	Corporate Services / Executive Directors
2.1.8	EU funding strategic engagement	Corporate Services
2.2	BUSINESS SUPPORT PROGRAMME - Corporate Plan Objective 1	
2.2.1	Business Link / Train To Gain (EEIDB Contract)	Enterprise & Skills
2.2.2	Manufacturing Advisory Service / Innovation Advisory Service / Designing Demand Service	Enterprise & Skills
2.2.3	Inward Investment (EEIDB)	Enterprise & Skills
2.2.4	TakeITon	Enterprise & Skills
2.2.5	East of England Tourism	Enterprise & Skills
2.2.6	Olympic Business Plan Delivery	Enterprise & Skills
2.2.7	Regional Business Support Information System (RBSiS)	Enterprise & Skills
2.2.8	Beyond 2010 Programme (includes ESF funding)	Enterprise & Skills
2.2.9	Enterprising Women Programme	Enterprise & Skills
2.2.10	New Skills Responsibilities (Skills Funding Agency)	Enterprise & Skills
2.3	SCIENCE, INNOVATION AND HIGH LEVEL SKILLS PROGRAMME - Corporate Plan Objective 2	
2.3.1	Access to Finance	Innovation
2.3.2	Key cluster, sector and technology programmes & networks / New Industry New Jobs (NINJ)	Innovation
2.3.3	Knowledge transfer (innovation vouchers; KTP/KEEP)	Innovation
2.3.4	Enterprise Hub Network	Innovation
2.3.5	Science Park Programme	Innovation
2.3.6	Higher Education Expansion / auee Network support	Enterprise & Skills
2.3.7	Centre for Integrated Photonics	Innovation
2.4	REGIONAL INFRASTRUCTURE PROGRAMME - Corporate Objective 3	
2.4.1	Regional Infrastructure Fund (RIF)	Spatial Economy
2.4.2	Integrated Spatial Investment Packages	Spatial Economy
2.4.3	Integrated Development Programmes / Multi-Area Agreements	Spatial Economy
2.4.4	ACEE Prospectus	Spatial Economy
2.4.5	Transport and planning 2009-11 deliverables	Spatial Economy

INTERNAL AUDIT STRATEGY 2010/11 - NEW PLANNING FRAMEWORK AND AUDIT UNIVERSE

Ref.	Internal Audit Framework and Universe / Assurance Themes	Lead Directorate
2.4.6	SNR Change Management Programme (Single Regional Strategy Development and Delivery)	Spatial Economy

INTERNAL AUDIT STRATEGY 2010/11 - NEW PLANNING FRAMEWORK AND AUDIT UNIVERSE

Ref.	Internal Audit Framework and Universe / Assurance Themes	Lead Directorate
	Local Delivery Vehicles	
2.4.7	1st East (Great Yarmouth and Lowestoft) URC	Spatial Economy
2.4.8	Opportunity Peterborough URC	Spatial Economy
2.4.9	Renaissance Southend URC	Spatial Economy
2.4.10	Basildon Renaissance Partnership	Spatial Economy
2.4.11	Bedford Renaissance	Spatial Economy
2.4.12	Cambridgeshire Horizons	Spatial Economy
2.4.13	Harlow Renaissance	Spatial Economy
2.5	ECONOMIC PARTICIPATION PROGRAMME - Corporate Objective 4	
2.5.1	Migrant Workers	Enterprise & Skills
2.5.2	Black Minority Ethnic (BME) Task force	Enterprise & Skills
2.5.3	Regional programme and third sector capacity building (MENTER, COVER, SEEE)	Enterprise & Skills
2.5.4	Economic Participation Sub-regional programmes (Local Authority Investment Plans)	Enterprise & Skills
2.6	SUSTAINABLE ECONOMY PROGRAMME - Corporate Objective 5	
2.6.1	Rural Development Programme England (RDPE)	Enterprise & Skills
2.6.2	Building rural community capacity	Enterprise & Skills
2.6.3	Regional food infrastructure, marketing and logistics	Enterprise & Skills
2.6.4	Renewables East	Innovation
2.6.5	Water Resource Management	Innovation
2.6.6	Carbon Capture Storage	Innovation
2.6.7	Developing EEDA as an exemplar carbon neutral organisation / EMAS	Innovation
2.6.8	Resource Efficiency East	Innovation
2.7	STRATEGY AND INTELLIGENCE - Corporate Objective 6	
2.7.1	Insight East	Strategy & Intelligence
2.7.2	Regional forecasting model	Strategy & Intelligence
2.7.3	Revisions land use – sustainability model	Strategy & Intelligence
2.7.4	Single Regional Strategy (SRS)	Strategy & Intelligence
2.7.5	East of England Implementation Plan (EEIP)	Strategy & Intelligence
2.7.6	Skills economic evidence study	Strategy & Intelligence
2.8	PARTNERSHIPS, ADVOCACY AND COMMUNICATIONS - Corporate Plan Objective 7	
2.8.1	Stakeholder relationship management framework (Advocacy)	Communications
2.8.2	Media and External Communications	Communications
2.8.3	Customer service, FOI and complaints handling	Communications
2.8.4	Internal Communications	Communications
2.8.5	Defra Lead	Communications
3	Fundamental Processes and Systems	
3.1	Corporate Risk Register	
3.1.1	EEDA's response to political changes or change of Government	Deputy Chief Executive
3.1.2	Funding reductions and uncertainty	Corporate Services
3.1.3	EEDA's response to regional economic situation (recession to growth)	Strategy & Intelligence
3.1.4	Strategic Vision	Chief Executive's Office
3.1.5	Scrutiny and Inspection / Independent Supplementary Review	Communications
3.2	Project Management	
3.2.1	Project Lifecycle	Corporate Services

INTERNAL AUDIT STRATEGY 2010/11 - NEW PLANNING FRAMEWORK AND AUDIT UNIVERSE

Ref.	Internal Audit Framework and Universe / Assurance Themes	Lead Directorate
3.3	Impact Evaluation and Performance Management	
3.3.1	Impact Evaluation	Strategy & Intelligence
3.3.2	Performance Management	Strategy & Intelligence
3.4	Financial Management / Procurement and Contract Management	
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3.4.3	Payroll and Pensions	Corporate Services
3.4.4	Procurement and Contract Management	Corporate Services
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FINANCIAL
MANAGEMENT
AND GOVERNANCE
PRACTICE

JANUARY 2010

The Statement on Internal Control: A Guide for Audit Committees



Our vision is to help the nation spend wisely.

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The Statement on Internal Control: A Guide for Audit Committees

FINANCIAL MANAGEMENT AND GOVERNANCE PRACTICE
JANUARY 2010

In the current climate of fiscal restraint and declining availability of resources, it is important that central government bodies can demonstrate the resources that they are responsible for are appropriately managed and controlled.

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Introduction

In the current climate of fiscal restraint and declining availability of resources, it is important that central government bodies can demonstrate the resources that they are responsible for are appropriately managed and controlled. High quality and proportionate internal control systems will help organisations achieve their aims. The Statement on Internal Control (SIC) is a public accountability document that describes the effectiveness of internal controls in an organisation.

This guide sets out the NAO's approach to considering the SIC as part of our annual audit of the financial statements. In particular, it provides guidance to Audit Committee members on how they can add value to the risk management, governance and internal control processes within their organisation through effective challenge of the disclosures made in the SIC.

As part of our audit approach, the NAO engages with senior executives early on in the reporting period and subsequently challenges the disclosures made in the SIC if these do not provide transparent information to Parliament, or the underlying processes are inadequate. Where we do not see appropriate disclosures in the SIC, we may make use of our powers to report to Parliament.

A wide variety of governance models exist within the central government sector and, although the principles detailed in this guide are intended to apply throughout, some flexibility in their interpretation will be necessary.

I hope you will find this guide useful and informative.

Andrew Baigent
Director General, Financial Audit

Part One

The purpose and content of the SIC

What does the SIC tell us?

The Statement on Internal Control (SIC) is the means by which the Accounting Officer declares his or her approach to, and responsibility for, risk management, internal control and corporate governance.¹ It is also the vehicle for highlighting weaknesses which exist in the internal control system within the organisation. It forms part of the Annual Report and Accounts.

Why do we have a SIC?

Public bodies must provide assurance that they are appropriately managing and controlling the resources for which they are responsible. The SIC is an important accountability document in communicating these assurances to Parliament and citizens.

The SIC is a mandatory disclosure for all central government entities that comply with the Financial Reporting Manual (FRoM). It is a primary accountability document. The external auditors do not provide an explicit audit opinion on the content, but it is subject to external audit review to ensure that it has been prepared in accordance with Government guidance and that it is consistent with the auditors' knowledge of the entity.

What does a SIC disclose?

The Financial Reporting Manual sets out the expected form and content of the SIC. This is a mix of prescribed text and sections where Accounting Officers are expected to describe the particular arrangements in their organisations.

¹ The Accounting Officer usually holds the post of Permanent Secretary or Chief Executive. The Accounting Officer is the senior official in the organisation and he or she may be called to account in Parliament for the stewardship of the resources within the organisation's control.

The SIC should contain disclosures under the following headings:

- Scope of responsibility;
- The purpose of the system of internal control;
- Capacity to handle risk;
- The risk and control framework; and
- Review of effectiveness.

More detail on the information to be disclosed under each heading is set out at Appendix One.

What are the roles and responsibilities?

The Audit Committee plays a key role in the production of the SIC. It supports the board and Accounting Officer by reviewing the comprehensiveness of assurances in meeting the board and Accounting Officer's assurance needs, and reviewing the reliability and integrity of the assurances. The Audit Committee also advises the board and Accounting Officer of any control issues that could be considered significant and are therefore appropriate for disclosure in the SIC. Fuller information on the roles and responsibilities involved in the production of the SIC is set out at Appendix Two.

Part Two

The NAO's approach to the audit of the SIC

To provide assurance to Parliament that public bodies are appropriately managing and controlling the resources for which they are responsible, the NAO reviews SICs to ensure they are supported by robust evidence and the underlying controls are sufficiently reliable.

Although we also have a professional responsibility to review the SIC under ISA 720 as it is information published with the audited accounts, our engagement will begin much earlier in the reporting period.² Assignment Directors and Managers will engage with senior executives, including the Accounting Officer, to discuss the risks facing the organisation, the adequacy of the underlying controls and the transparency of reporting in the prior year. We will also consider the governance processes in place over the production of the SIC.

We expect Accounting Officers to reflect weakness in internal control identified by other reports on their organisation published during the year within the SIC, for example, select committee reports or NAO VFM reports.

At the Audit Committee, we will discuss the disclosures made in the draft SIC and raise any concerns we have over the transparency of reporting or sufficiency of the underlying controls and assurances. In addition, our professional responsibilities require us to consider whether the SIC is:

- Produced in accordance with HM Treasury requirements; and
- Consistent with our understanding of the position based on the information that we are aware of from our work on the financial statements and other work.

In cases of non-compliance with HM Treasury requirements or where we consider that a significant issue has not been adequately reflected in the SIC, we will consider the implications for our audit opinion. In these instances, we modify our audit opinion and/or issue a separate report to Parliament.

To enable change and help audited bodies benefit from our cross-government perspective, we will publish digests of best practice from our work on SICs.

² International Standard on Auditing 720 (Revised) Section A – Other Information in Documents Containing Audited Financial Statements.

Part Three

How can the Audit Committee add value?

To assist Audit Committees in their challenge function we reviewed a wide range of SICs to identify good practice in corporate governance, risk management and internal controls, and the disclosure of these, within the SIC. The results are set out below broken down by key SIC heading. The table is not intended to be a comprehensive list, but a useful tool to help Audit Committee members identify where their organisation's processes and procedures could be strengthened or additional disclosure would be valuable. All good practice areas should be considered in two ways; first to see if there are appropriate policies and procedures in place and secondly to see if this is working in practice. Management should have evidence that these systems and processes are working, and may use internal audit or other assurance providers to give some of this assurance.

Capacity to Handle Risk

Key theme	Area	Good practice
Leadership	Risk management policy	<ul style="list-style-type: none"> • Sets out the commitment, processes and behaviours expected of the Board • Guidance is available on how to implement the policy
	Description of responsibilities	<ul style="list-style-type: none"> • Clear chain of accountability for risk from the Accounting Officer downwards • The responsibilities of the Executive, Board, Audit Committee and any other relevant groups/roles are clearly defined
	Communication	<ul style="list-style-type: none"> • Regular consultation with key stakeholders and partners on risk
Staff training	Risk management tools on intranet	<ul style="list-style-type: none"> • Risk management support and guidance made available to staff via intranet
	Senior management accountability	<ul style="list-style-type: none"> • Management clearly accountable for ensuring that appropriate guidance, support and training is available to their staff
	Risk management training	<ul style="list-style-type: none"> • Ongoing training to embed risk management concepts and tools into everyday business

Key theme	Area	Good practice
Other items	Independent review	<ul style="list-style-type: none"> Periodic review of the capacity to handle risk by internal audit
	Risk management maturity	<ul style="list-style-type: none"> Benchmarking of the organisation against a risk management model, with actions in place to achieve the next maturity level

Evidence of Effectiveness

- Evidence that the organisation has responded to changes in risk profile or specific events in a positive and effective way

Risk and Control Framework

Key theme	Area	Good practice
Risk management framework	Risk management strategy	<ul style="list-style-type: none"> Agreed and specifically signed-off at Executive/Board level Sets clear accountabilities for action Sets out a structured process for identifying, assessing, communicating, escalating and managing risks, which is dynamic and responsive to changing circumstances Staff are held accountable for risk management through the performance management system
	Reporting	<ul style="list-style-type: none"> Regular risk management reporting at various levels within the organisation
Risk identification	Upward reporting	<ul style="list-style-type: none"> Upward identification and reporting of risks
Risk evaluation	Risk registers	<ul style="list-style-type: none"> Clear ownership of risk at Executive/Board level Regular review of the corporate register Risk ranking consistently assigned to all entries
Control of risks	Framework of appropriate controls built into routine processes	<ul style="list-style-type: none"> Procedures in place to ensure appropriately skilled and experienced staff are responsible for business processes Documented procedures for all key business processes Management controls ensure quality processing Management information is available to assess the quality of processing and the level of activity
Risk appetites	Clearly defined risk appetites	<ul style="list-style-type: none"> Risk appetite is defined at a corporate level Risk appetite cascaded down within the organisation Evidence of risk appetite being tailored to reflect different risks

Key theme	Area	Good practice
Embedding risk management	Culture of risk management throughout organisation	<ul style="list-style-type: none"> • Every significant risk is assessed and ranked • A risk owner is assigned to each risk and has the authority to allocate risk management tasks to specific officers • Every employee is aware of their own responsibilities for managing risk • Executive decision papers contain a section on key risks

Evidence of Effectiveness

- No significant internal control failures occurred in year
- Evidence that the risk and control framework identified and managed changes in the risk environment effectively during the year

Review of effectiveness

Key theme	Area	Good practice
Review of Effectiveness	Executive/Board	<ul style="list-style-type: none"> • Considers the top risks faced by each part of the organisation • Discusses the effectiveness of internal controls related to key risks
	Audit Committee	<ul style="list-style-type: none"> • Regularly considers the effectiveness of internal controls • Considers the coverage of the Internal Audit programme • Reviews progress on implementing Internal Audit and External Audit recommendations
	Risk Manager/Committee (if applicable)	<ul style="list-style-type: none"> • Periodically reports on progress made and further improvements necessary
	Internal audit	<ul style="list-style-type: none"> • Annual work programme is risk-based. Progress and amendments are reported to the Audit Committee • Annual assurance statement provided to the Accounting Officer

Key theme	Area	Good practice
Other assurance mechanisms	Management Accounts	<ul style="list-style-type: none"> Monthly review by budget holders Quarterly re-forecasts Individual approval of capital expenditure projects
	Management assurance statements	<ul style="list-style-type: none"> Set out the governance, risk and control arrangements in each directorate/business area and any weaknesses identified The statements are collectively reviewed and challenged by the Audit Committee
	Capability Review	<ul style="list-style-type: none"> Review of progress in implementing recommendations

Evidence of Effectiveness

- Evidenced-based assurances over the effectiveness of internal controls and their coverage of risks (provided by senior management to support the SIC)
- The annual internal audit plan is flexed to address risks arising

Significant Internal Control Issues

Key theme	Area	Good practice
Significant Internal Control Issues	Current year issues	<ul style="list-style-type: none"> Full disclosure of all significant internal control issues and their impact on the organisation Includes action being taken to prevent recurrence and the timescales involved Anticipated future risks and actions to mitigate these are reported
	Prior year issues	<ul style="list-style-type: none"> Follow up reporting on all prior year significant internal control issues Includes explanations for any slippage against the original timescales

Evidence of Effectiveness

- Significant internal control issues have not arisen in subsequent years

Appendix One

Contents of the SIC

Based on the 2009-10 Financial Reporting Manual (FReM), Annex 2 (http://www.financial-reporting.gov.uk/documents/2009/2009_10_frem_full_version.pdf)

Scope of responsibility

- Reports the Accounting Officer's responsibility for maintaining a sound system of internal control. The Accounting Officer is required to sign the SIC in recognition of this.

NAO comment

It is essential that the Accounting Officer clearly identifies their responsibilities, and the interaction with any statutory board, where this applies.

The purpose of the system of internal control

- Explains that the system of internal control is designed to manage the risk of failure; it cannot eliminate all risk and therefore only provides a reasonable and not absolute assurance of effectiveness.
- Confirms whether the system of internal control was in place for the whole of year and accords with HM Treasury guidance. Material changes or the absence of an element of the risk management process for a material period should be disclosed.

NAO comment

It is important that this section includes a transparent consideration of areas where the system may not have been fully in place during the period. This would include where processes were temporarily suspended.

Capacity to handle risk

- Describes how leadership is given to the risk management process, how staff are equipped to manage risk and how the organisation learns from good practice.

NAO Comment

This section should provide details of how the organisation has adapted to changes in the risk environment.

The risk and control framework

- Describes the key elements in the risk management strategy, including how risk is identified, evaluated and controlled. **This section must explicitly include the management and control of information risk.**
- Describes how risk appetites are determined.
- Explains how risk management is embedded within the organisation.
- Describes how public stakeholders are involved in managing risks which affect them (where appropriate).

NAO Comment

Changes to the risk and control framework in year should be highlighted. Disclosure should cover how quickly and effectively the organisation embedded these changes within the day to day operations of the organisation.

Review of effectiveness

- Confirms that the Accounting Officer has responsibility for reviewing the effectiveness of the system of internal control.
- Provides assurance that the review is informed by the work of internal audit, executive managers and external audit.
- Provides assurance that the board and Audit Committee (and risk committee, if appropriate) have advised the Accounting Officer on the implications of the results of the review.
- Confirms a plan is in place to address weaknesses and ensure continuous improvement.
- Comments on the role of the board, Audit Committee, risk committee/managers (if relevant), internal audit and other explicit review/assurance mechanisms.
- Outlines actions taken or proposed to deal with any significant internal control issues.

NAO Comment

Organisations should demonstrate how they have been responsive in reacting to risks and that they are not tied to a process-driven mentality.

Significant internal control issues

As part of the review of effectiveness, Accounting Officers must disclose the actions taken/proposed to deal with any significant internal control issues. While it is for Accounting Officers to judge whether a matter is significant, *Managing Public Money*, suggests the following tests that might indicate a significant internal control weakness:³

- Might the issues seriously prejudice or prevent achievement of a PSA target?
- Could the issue have a material impact on the accounts?
- Could the issue divert resources from another important aspect of the business?
- Does the Audit Committee advise it is significant?
- Does internal or external audit regard it as significant?
- Could the issue, or its impact, attract significant public interest, or seriously damage the reputation of the organisation?

NAO Comment

Disclosure of significant internal control issues should be full and frank, covering how the issue arose and the remedial actions taken and planned. Progress against planned actions should be updated in subsequent years.

³ *Managing Public Money*, annex 4.15, http://www.hm-treasury.gov.uk/d/mpm_annex4.15.pdf

Appendix Two

Roles and responsibilities in preparing the SIC

The key roles and responsibilities surrounding the production of the SIC are as follows:

Accounting Officer

The Accounting Officer is responsible for maintaining a sound system of internal control, reviewing the effectiveness of the system and the preparation of the SIC. He/she must sign and date the SIC in acknowledgement of this.

Executive

Prepare and 'own' the SIC prior to submission to the Audit Committee.

Often senior executives are responsible for preparing assurance statements for the AO to support his/her review of the effectiveness of controls.

Internal Audit

Internal audit provides the Accounting Officer with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.⁴ The Head of Internal Audit usually provides this in an annual assurance statement.

Some IA functions do more than this, for example, conducting an evidenced-based review of the assurance statements received by the AO to support their review of effectiveness of the SIC.

External Audit

We engage with senior executives early to raise the issues we would expect to be reported in the SIC. We review the preparation and content of the SIC to ensure the disclosures are in line with HM Treasury guidance and consistent with our understanding of the organisation. Where reporting is not transparent or the underlying processes and controls are inadequate, we will draw this to the attention of the Audit Committee and Accounting Officer for amendment. If the SIC remains unadjusted, we may modify our audit opinion.

⁴ Taken from Government *Internal Audit Standards*, part 4 standards, attribute standards.

Audit Committee

The Audit Committee should support the board and Accounting Officer by reviewing the comprehensiveness of assurances in meeting the board's and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.⁵

The Audit Committee should also advise the board and AO of any control issues that it considers are significant and are therefore appropriate for disclosure in the SIC.

Audit Committees may rely on a variety of sources, e.g. internal audit, to support them in this work.

Board

The board supports the Accounting Officer in drawing up the SIC.

⁵ *Audit Committee Handbook, principle 1: The role of the Audit Committee*

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**Internal Audit
Strategic Improvement Plan -
Consultation**

Summary

Our proposals are based on one of the largest internal audit (IA) stakeholder surveys and reviews of leading IA practices ever undertaken in the public sector. We conclude that the current strategy, people and resourcing model and structure of internal audit are not well aligned to deliver cost effective assurance to Accounting Officers, Audit Committee Chairs and other senior stakeholders. Risks to public service delivery are becoming increasingly complex and interdependent and the current fiscal climate gives rise to new challenges for organisations; IA must recognise these developments and respond with efficient, high value assurance and trusted advice. This must be matched by management taking full responsibility for its risk management and assurance needs.

We propose:

- an internal audit **strategy** that is driven by strategic objectives, both within and across organisations, and delivers greater integration of assurance providers;
- a **people** and resourcing model that is designed to stimulate innovation and renewal and provide development and career opportunities;
- a **group structure** that enables the strategy and people and resourcing model to operate more effectively; and
- more **effective engagement with key stakeholders** on risk management and assurance to enable internal audit to operate with optimal effect, making a positive and tangible contribution to an organisation's success and delivery imperatives.

The Head of the Government Internal Audit Profession (HIAP) should support the implementation of our proposals, which are designed to spread best practice, drive up standards, promote consistency and deliver substantial improvements in internal audit's capability, efficiency and effectiveness.

The benefits to central government will be stronger governance and decision making arrangements and implementation processes to mitigate risks and support more cost effective delivery of its objectives, all within a significantly improved risk management and assurance framework for Accounting Officers.

Internal Audit Strategic Improvement Plan - Consultation

This Plan sets out the case for change for the central government Internal Audit Service (IAS) and proposes *a clear and consistent strategy, a new people and resourcing model and a new structure for internal audit*. It recognises the need for significant improvements in governance (including decision making arrangements), risk management and the system of internal control, so that the work of internal audit is driven by the risks and exposures that matter most to Principal and other Accounting Officers.

Purpose of this Consultation

The purpose of this consultation is to seek the views of Accounting Officers, Audit Committee Chairs, other senior stakeholders and the internal audit profession in central government on the benefits of our proposals. **The deadline for comments is 15 February 2010.** Please return your comments to Steve Barnes, Lead Audit Policy Adviser: steve.barnes@hmtreasury.gsi.gov.uk. We would welcome your views on all the proposals in this Plan. We have identified the following specific areas on which your views are sought:

1. Please comment on the proposal that an Internal Audit strategy aligned to departmental, cross cutting and other relevant strategic objectives, will maximise the impact of Internal Audit and enable a more efficient and effective assurance to be delivered to Accounting Officers and other senior stakeholders? Please state any alternative approaches that you would suggest.

2. Please comment on the need for better Accounting Officer, Audit Committee Chair and other senior stakeholder engagement in the mapping of strategic objectives, risks and sources of assurance to improve the cost-effectiveness of overall assurance arrangements and enhance the role of internal audit.

3. The fundamental proposal in the Strategic Improvement Plan is that a Group Internal Audit Service will enable Internal Audit resources to be used more efficiently and effectively? Do you agree and, if not, please state your reasons and any alternatives that you would suggest.

4. Please comment on the proposal that the larger critical masses of internal auditors provided by Group Internal Audit Services will enable resources, including the use of co-sourcing, to be used more flexibly and improve skills and career development opportunities, including identifying and developing the leaders of the future? Please state any alternatives that you would suggest to achieve the intended improvements in quality, impact and cost effectiveness, including possible outsourcing arrangements.

5. Please comment on the role we propose for the Head of the Government Internal Audit Profession and whether you agree that it will improve the quality and consistency of internal audit services and attract high calibre entrants to the IA service. If you do not agree, please state your reasons and any alternative approaches that you would suggest.

1. The Case for Change

Internal Audit is an independent, objective assurance and consulting activity, designed to add value and improve an organisation's performance. In central government, its main purpose is to provide assurance to accounting officers and boards that the controls used by management are adequate and operating effectively. This includes the systems of governance and risk management, as well as financial and wider controls. Reviews by Internal Audit do not in any way relieve management of its absolute responsibility to ensure that the controls on which it relies are robust.

Internal Audit in central government has evolved over many years into a large and wide ranging service. There are now around 2,000 auditors in over 300 organisations, with an estimated annual cost of around £200 million.

Risks within the public sector are becoming increasingly complex and interdependent, placing particularly challenging demands on Principal Accounting Officers (PAOs) in delivering core and cross cutting services. The tight fiscal environment is giving rise to new risks, as departments are challenged to improve their service delivery, but with fewer resources. These developments require ever more effective assurance arrangements. An increased focus by the National Audit Office on the accuracy and usefulness of the Statement on Internal Control means that the systems on which the Statement is reporting have to be robust – management and internal audit will have to rise to this challenge.

The IAS must play a full and strategic part in identifying where assurance is most needed and in delivering high value from its finite resources. It must also respond itself to the need for efficiency gains.

HM Treasury has undertaken one of the largest reviews ever of public sector internal audit. This has included: over 150 interviews with Accounting Officers (AOs), Audit Committee Chairs, Senior Operational and Finance Directors and Heads of Internal Audit; interviews with large private sector organisations; reviews of best practice research; and an on-line survey of Heads of Internal Audit. We have found a number of examples of emerging good practice that are consistent with the proposals we are making later in this Plan. However, the general story is that within organisations there are multiple sources of assurance that are not well harnessed by senior stakeholders, nor cost effectively aligned to key strategic risks. These misalignments include the role of internal audit. Assurances should be better arranged to provide improved value for money in meeting the assurance needs of Accounting Officers (AOs) and other senior stakeholders.

The way the IAS currently works across departments and their arm's length bodies differs greatly in terms of planning, delivery and reporting. We have identified disparity in the views of HIAs and key stakeholders, both on their expectations and understanding of the role of internal audit and on the quality of the service being delivered. It is not clear that stakeholders understand what they should expect from the IAS. There is no coherent people development programme in place across the IAS. This compromises the ability of the IAS to attract, develop and retain the high calibre people it needs to interact credibly with top management.

In parallel, the Treasury is undertaking a review of corporate governance in central government. This review is addressing issues that are complementary to those identified in this Plan, including the need to improve the performance of boards and to clarify the governance relationship between departments and their arm's length bodies.

Our overall conclusion is that the current delivery model for Internal Audit is not well placed to meet the significant challenges faced by central government. The key risks across delivery chains and the wide range of assurances being provided make it difficult for AOs and other stakeholders to know if there is adequate assurance over governance, risk management and internal control. Stakeholders are not currently deriving maximum benefit from the IAS.

The objective of this Plan is to drive transformation in the IAS, so that it makes a positive and tangible contribution to an organisation's success and delivery imperatives. It should be recognised at senior levels in organisations as a strategic partner, with people positioned and equipped to give high quality and strongly valued assurance in a cost effective and professional way. This requires an improved understanding by stakeholders of the IAS, with raised expectations and levels of engagement, and with the IAS mandate aligned to the real assurance needs of PAOs, AOs and other key stakeholders.

2. The Goal: A High Performing Internal Audit Service

A high performing IAS will work collaboratively with AOs, boards, audit committees, non executive board members and senior management, will be perceived as a trusted adviser and make a big difference in the effective delivery of public services. It will provide proportionate, high quality, timely, objective and, where necessary, up-front assurance to top management on the effectiveness of governance, risk management and internal controls across departments and arm's length bodies, and on wider cross cutting activities. A high performing IAS should exemplify strong governance and leadership, with effective stakeholder engagement, coherent and integrated audit strategies, and people with the right knowledge, skills and understanding to make a real contribution to strategic issues. It will use highly skilled people in flexible ways to deliver new insights and innovation in order to improve organisational effectiveness and efficiency.

An IAS will not be able to perform at this level without strong backing and a clear mandate from PAOs, AOs, audit committees and boards. A pre-requisite is that these stakeholders must understand all major risks and their related assurance needs, and actively support an integrated assurance process to increase focus, reduce duplication and eliminate unnecessary over assurance. This requires a comprehensive understanding and awareness of all assurance needs in order to avoid creating potentially damaging gaps or overlaps in the level of assurance.

Management must fulfil its own risk management and assurance responsibilities, so that the IAS can use its skills and resources to optimum effect to provide independent assurance that the system of internal control is robust, adequate and complete and in line with the relevant organisation's risk appetite.

3. What are the benefits to public service delivery?

Increasing organisational effectiveness and efficiency:

Stronger Delivery Mechanisms – PAOs and AOs will receive better assurances on the management of risks across their delivery group, with an early warning of issues likely to impact on public service delivery.

Stronger Implementation Mechanisms – All central government bodies, whether departments, executive agencies or NDPBs, will be more certain that, in implementing new projects and programmes, the delivery risks have been properly assessed and mitigated and that leadership, resourcing and capabilities have been adequately considered. Internal Audit will leverage its knowledge from across its delivery group to provide practical advice to developers of policy.

Stronger Governance – Assurance mapping and scrutiny of the interfaces across and between delivery groups will clarify and strengthen governance arrangements.

Better Value for Money - An integrated approach to risk management and assurance, driven by strategic objectives, will provide improved information and analysis and deliver better overall value for money.

A stronger Central Government Control Environment – This will be achieved through aligning assurance more clearly to strategic objectives, and through a greater sharing of best practice.

Increasing efficiency and effectiveness of Internal Audit and other assurance providers:

Cost effective assurance – A comprehensive understanding and reshaping of all assurance activities will reduce audit activity, provide a more transparent and aligned approach to annual assurance opinions, and allow the IAS to focus its efforts on assurance gaps and avoiding duplication.

Efficient and flexible use of IA resources – By directing its people and specialist skills to where assurance is most needed, by improving value for money in procuring and using private sector resources and specialisms, and through larger critical masses, the IAS will deliver improved economies of scale and value for money.

Greater confidence in the quality of Internal Audit work – The deployment of IA resources across delivery groups, with strong leadership and collaboration from all HIAs and staff, working flexibly and understanding the need for proportionate and risk based assurance, will deliver better engagement, trust and respect, making a positive and tangible contribution to an organisation's success and delivery imperatives.

The benefits to the Internal Audit Service

The IAS will be an attractive place in which to work and develop. It will be an acknowledged springboard for launching successful careers in other areas of government, as well as offering careers itself for top talent. The IAS will be highly

valued by AOs and senior management, thereby increasing its morale and enabling it to become a natural first choice for high potential staff to begin or develop their careers.

4. How will this goal for internal audit be delivered?

Successful delivery will require strong leadership, a common purpose, greater consistency in achieving best practice, economies of scale and a clearer role for the Head of the Government Internal Audit Profession (HIAP).

To realise this goal we propose:

1. A clear and consistent internal audit strategy
2. A new people and resourcing model
3. A new internal audit structure

5. A clear and consistent internal audit strategy

Integrated audit planning will operate across organisational boundaries, including at department level for cross cutting activities, with a full sharing of audit strategies and objectives and collaborative working to meet the assurance needs of PAOs and other AOs.

Internal audit will work with departmental and other boards and audit committees to review their risk management processes and to help them establish appropriate management assurance frameworks. Leveraging assurance mapping, HIAs will ensure strong alignment between the strategic objectives and priorities of the organisation and the focus and thrust of their internal audit work. This will include an assessment of the reliance they can place on management and other assurances.

The HIAP will work more widely with AOs and Audit Committee Chairs to raise awareness of how Internal Audit can assist in improving the effectiveness of risk management arrangements.

The HIAP will also ensure that lessons are learnt, best practice is shared and appropriate benchmarking is developed.

6. A new people and resourcing model

Internal audit is a demanding role. It calls for well-developed technical and analytical skills, as well as highly developed leadership, communications and behavioural capabilities to foster trust and provide constructive challenge. Inadequate people skills can damage relationships with stakeholders. There is evidence that gaps in capability are affecting the quality of internal audit's outputs and outcomes. Added to this, the 'churn' of people in the IAS is low, which does not fuel innovation, refreshment and new ideas.

The size of the IAS in central government provides opportunities to attract and develop new talent and make effective use of co-sourcing. However, its fragmented nature has meant that opportunities to improve have not been exploited systematically, unlike some other professions in government.

The new people and resourcing model will create a more dynamic service and profession, capable of meeting the assurance needs of its stakeholders by:

- offering varied and challenging roles to those with high potential, spanning multiple organisations in order to develop them into well-rounded and strongly performing professionals, whose next career moves will not usually be in internal audit;
- increasing the movement in, out and between internal audit services to foster new understandings, gain greater insights, promote innovation and promulgate a greater awareness of governance, risk and control across government as a whole;
- maximising the efficient allocation of internal audit resources, including those drawn from the private sector;
- raising the profile of HIAs to ensure they are equipped fully to engage with senior stakeholders and give more effective and upfront delivery of assurance;
- developing future leaders; and
- developing the role of the HIAP to be a more effective facilitator across government.

The HIAP will work with human resources specialists and HIAs, building on lessons learned from other professions across government, to deliver this people and resourcing model.

7. A new internal audit group structure

The current structure of Internal Audit is a barrier to transformation. Larger internal audit groupings would facilitate better alignment of assurances to strategic objectives, with improved people development, including career opportunities through secondments between organisations, greater knowledge management and increased economy and efficiency. Fewer units in total would also help to achieve a more consistent application of best practice. Although there are already some good examples of integrated approaches to internal audit across departmental families, the diversity in approach creates barriers to the transfer of knowledge and is not efficient or economic. Also, it may not be sufficiently effective.

How the IAS is organised will depend on the commonality of public service delivery objectives and the related risk environment. For example, it may reflect a departmental led group, where risks and assurances can be mapped across the group (department, executive agencies and NDPBs). Alternatively, it could reflect groups of entities performing similar or related functions or cross cutting

activities, or those which do not have sufficient critical mass as individual bodies to maximise the efficient and effective delivery of the internal audit service.

The assurance requirements of individual bodies will have to be reconciled with those of the group, for example how an NDPB Accounting Officer obtains sufficient assurance across the NDPB risks when these are set in the context of the group risks. Different groupings and risk considerations will apply to arm's length bodies depending on their actual and perceived autonomy in the context of central government delivery, but the aim should be to deliver effective assurance across central government.

It follows that for these arrangements to work effectively, there must be an aligned management assurance framework, which also is organised appropriately around cross cutting activities. The Group HIA will therefore need to operate at senior levels in the organisation and be seen as a key strategic partner in the successful delivery of central government services. Where there is an aligned management assurance framework, most internal audit groups will be able to achieve efficiency gains through a top down assessment of risks.

There are other possible ways within existing structures of delivering improvements in audit assurances across central government, including through a more flexible use of co-sourcing arrangements and better talent management. This Plan has not explored these incremental approaches in any great detail, as we do not believe that, in themselves, they would lead to a sufficiently radical improvement in governance, risk management, control and assurance across central government. However, these alternative ideas are complementary to our proposals and could be used as an integral part; for example, co-sourcing to fill specialist skill gaps.

There are risks attached to the proposals in this Plan, but we believe that they are worthwhile as they will drive substantial improvements in performance, value for money and internal control. Mitigations will include management rising to the challenge to take full responsibility for gaps in management assurances, internal audit acquiring the skills to operate effectively at a strategic level, and a continued independent assurance by internal audit on lower level risks, where this is essential to the overall system of internal control.

8. What this will mean in practice

Management has the primary responsibility for assurance. Governance, risk management and the internal control system should be well understood and embedded by management, so that controls operate effectively, within strong operational and financial frameworks. AOs and boards will continue to take overall responsibility and, on a continuing basis, should ensure that control requirements are being met. The annual Statement on Internal Control will continue to report on the effectiveness of the system of internal control, but with substantially increased scrutiny by the NAO. Internal audit is not responsible for putting in place these control arrangements, but it is responsible for providing assurance to accounting officers that the arrangements are operating efficiently and effectively.

To fulfil its role, internal audit needs to test the adequacy and completeness of management assurances, from whatever source. It should therefore ensure management's mapping of assurances is complete, map them itself where the mapping is insufficient, and test their effectiveness against the risk profile of the organisation, reporting to management for it to take any corrective action where the assurance is insufficient.

It follows that:

- i. the system of internal control must be understood at board level;
- ii. internal audit must provide independent assurance on the system of internal control. This assurance should be given at a sufficiently high level and have sponsorship from the top, including a direct relationship with the PAOs and other AOs, as the primary recipients of the independent assurance. The HIA must understand the quality and extent of management assurances and be strong enough to report to, and effect change from, the top to fill the assurance and internal control gaps;
- iii. internal audit's prime focus should be on the key strategic risks to delivery and control, including across cohesive delivery groups;
- iv. internal audit must have the necessary leadership and skills to be credible and sought after at Board level;
- v. there will need to be a significant cultural change in many parts of central government in the way management assurances operate and internal audit services are delivered.

The HIAP will work with each department and other central government bodies to identify coherent assurance and internal audit groups, to review and agree implementation plans and help address the barriers to achieving them. Sustainability will be achieved through continuing quality assurance of the performance of the IAS across central government.

The proposals in this Plan will result in:

An Internal Audit Service driven by risks to strategic objectives:

- Internal audit's drive will be on the risks to delivery that matter most and in the context of groups not individual organisations.
- The focus of internal audit work will be to ensure that adequate management assurances are in place and operating effectively. The assurances will be driven from the top of the organisation and mapped across the group. As far as possible, the IAS will rely on these management assurances and not duplicate them. The IAS will aim to identify any significant and material gaps in management assurances and report accordingly.

- Lower risk areas and organisations will be monitored by internal audit through reviews of management controls and assurances. There should be no expectation of internal audit continually providing assurance on routine risks.
- The application of the fundamental components of the corporate governance framework will be scrutinised on an ongoing basis.
- There will be consistency in approach and reporting to provide clear and integrated assurance on governance, risk management and controls.

Strong governance and stakeholder engagement to promote effective use of Internal Audit:

- The governance, risk and control frameworks of central government organisations will be sufficiently mature and satisfactory to enable IAS to work efficiently.
- Boards will review periodically the system of internal control, and this will include the way in which individual board members are held accountable for the systems of internal control in their areas of responsibility. Risks flowing across boundaries must be understood by all parties and responsibilities agreed with the relevant counterparties.
- HIAs will have active endorsement and sponsorship (driven top down from the PAO and other AOs within the relevant groups) and the leadership capability required to engage with senior management and influence necessary improvements in management controls and assurances and in the way that the IAS is delivered.
- The HIA will operate at a sufficiently senior level to engage fully with the AO and the board.

Modernised Group Internal Audit Services, offering credible and effective leadership:

- The Group HIA, in conjunction with AOs, Audit Committee Chairs and other senior stakeholders will take the lead in establishing consistency and efficiency in the planning and delivery of the IAS across their group.
- The IAS grouping will reflect departmental and other relevant groupings, and single internal audit units will not be matched to individual organisations (including wholly outsourced arrangements). Depending on the group, staff other than the Group HIA may fulfil the role of HIA for individual organisations.
- The Group HIA will drive continuous improvement and consistency across the internal audit group, and ensure effective collaboration with other groups, in order to allocate the right resources to the right audits and to address cross cutting risks and issues.
- HIAs will resource their audits through the group; auditors will be assigned to assurance requirements based on their skills, knowledge and development needs. All public sector audit staff will be employed in the group.

Group Internal Audits delivering efficient and effective assurance:

- Internal Audit will be, and be seen to be, a lean, efficient service, with the right people and the right skills to provide optimal assurance to AOs and other senior stakeholders.

An effective resource capability, offering development opportunities and attractive career options for auditors and others:

- IAS will facilitate a healthy churn and acceleration of people development in governance, risk management and control and other particular specialisms. This movement will equip people for wider career opportunities in government and bring innovation and refreshment to the IAS.
- Skill sets for IAS people will include core professional skills and high quality relationship, influencing, presentational and leadership skills.
- Skills will be augmented through secondments in and out of the IAS and through the strategic use of co-sourcing arrangements (including with the private sector).

A smaller, more effective IAS:

- With management meeting its full control and assurance responsibilities and providing internal audit with a strong and ongoing leadership mandate from the top, we would expect internal audit to operate at the level and with the strategic focus and the capabilities described in this improvement plan. As a result, we would expect the IAS as a whole to be significantly smaller, relying more fully on management assurances, which are developed as an integral part of normal operations and therefore more efficient.

The HIAP will help drive continuous improvement:

- The HIAP will help increase stakeholder awareness of the role of internal audit in improving governance, risk and control frameworks.
- The HIAP will facilitate the management of top internal audit talent and liaise with other professions to provide entry and exit routes into the IAS.
- The HIAP will ensure that best practice is shared, lessons are learnt and appropriate benchmarking data can be used effectively.
- The HIAP will assist with the recruitment of Group HIAs and advise on other recruitments, as necessary.
- The HIAP will ensure that arrangements are in place for the continuous quality assurance of the performance of the IAS.

LOCAL AUTHORITY ASSURANCES

Improvement from the previous year	Lower rating than the previous year / areas of concern	Improvement areas for EP Team / PMMT to follow up
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Known as at 21 January 2010

Source of Assurance			Level of Assurances provided						
Source	Provider	Timing	Cambridgeshire CC	Essex CC	Hertfordshire CC	Norfolk CC	Peterborough CC	Suffolk CC	
THIRD LINE OF DEFENCE ASSURANCES									
Organisational Assessment	Audit Commission	2009	Performs well	Performs adequately	Performs well	Performs well	Performs adequately	Performs well	
Managing Performance			3	2	3	3	2	3	
Use of Resources			3 (4 in 2008)	3	3	3	3	3	3
- Managing Finances									
- Governing the business									
- Managing resources									
- Overall									
Red Flags for the area	none		Planning for new housing				Rural economic inequality & Learning and skills outcomes		
Green Flags for the area		Response to the recession		Strategic partnership		Developing 'green' technologies			
Statement of Accounts - Independent Auditors Report	External Audit	2008/09	'Present fairly'	'Present fairly'	Qualified opinion arising from limitation of scope. 'Present fairly' with the exception below.	'Present fairly'	'Present fairly'	'Present fairly'	
Annual Governance Statement	Included with the Statement of Accounts. Signed by Local Authority Chief Executive and Leader of the Council	2008/09	"Satisfactory level of assurance". Areas for improvement include the further embedding of risk management within standard business processes, and a review of programme governance to ensure it remains fit for purpose.	"Overall, the systems of internal control were adequate and operated effectively". Performance management will be further strengthened in 2009/10, following a review. A new corporate tracking mechanism for the reporting of significant audit issues is to be established, and improved data and information monitoring arrangements.	The accounts were qualified due to inadequate evidence to support operational and non-operational land and buildings.	"There were no significant governance issues reported during the year". Action continues to be taken to ensure that risk management is fully embedded in to business activity.	Areas for improvement include better alignment of performance and risk management and a review of corporate governance arrangements.	The main issues arising from the review of governance related to the corporate monitoring of partnership risks and the need for a single risk register within the council, and the need for consistency in service planning and performance target setting.	
Independent Accountants' Reports	External Auditors	2008/09	Qualification letter relating to the lack of an asset register, contrary to the requirements of the funding agreement.	Qualification letter relating to adequacy of project monitoring and several areas where appropriate documentation was not available to support expenditure incurred.	Signed auditor's statement awaited.	Auditor's statement signed such that the statement of grant usage is fairly stated and the conditions of the funding agreement were met.	Auditor's statement signed such that the statement of grant usage is fairly stated and the conditions of the funding agreement were met.	Signed auditor's statement awaited	

LOCAL AUTHORITY ASSURANCES

Improvement from the previous year	Lower rating than the previous year / areas of concern	Improvement areas for EP Team / PMMT to follow up
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Known as at 21 January 2010

Source of Assurance			Level of Assurances provided					
Source	Provider	Timing	Cambridgeshire CC	Essex CC	Hertfordshire CC	Norfolk CC	Peterborough CC	Suffolk CC
SECOND LINE OF DEFENCE ASSURANCES								
Substantive internal audit 2008/09	Local Authority Internal Audit	Q3 / Q4 2008/09	Internal audit to be undertaken in 2010/11.	Limited Assurance	Reasonable Assurance	Reasonable Assurance	Limited Assurance	Reasonable Assurance
Substantive internal audit 2009/10	Local Authority Internal Audit	Q3/Q4 2009/10		Next follow up audit planned for May 2010.	Internal audit due to take place in February 2010	Next full audit planned for 2010/11	Six-monthly follow up completed. Next full audit to be undertaken in 2010/11.	Next full audit planned for 2010/11
Claim validation and monitoring visits (risk assessed)	Project Management & Monitoring Team	2009/10	No monitoring visit planned 2009/10	Monitoring visit planned for 1 January 2010	No monitoring visit planned 2009/10	Monitoring visit planned in quarter 4, 2009/10	No monitoring visit planned 2009/10	No monitoring visit planned 2009/10
Issues for delivery of the programme by partners, where applicable	EEDA's Economic Participation Team	January 2010	Update to be provided by EEDA's economic participation team.					
Impact evaluations	Economic Participation Team	2009/10	An evaluation of the economic participation programme is in progress, the outcome of which will be fed into the assurance framework.					

LOCAL AUTHORITY ASSURANCES

Improvement from the previous year

Lower rating than the previous year / areas of concern

Improvement areas for EP Team / PMMT to follow up

Known as at 21 January 2010

Source of Assurance			Level of Assurances provided				
Source	Provider	Timing	Luton BC	Southend-on-Sea BC	Thurrock C	Bedford BC	Central Bedfordshire
THIRD LINE OF DEFENCE ASSURANCES							
Organisational Assessment	Audit Commission	2009	Performs adequately	Performs well	Performs adequately	These local authorities were newly constituted from April 2009, no assessment ratings are available from the audit commission website or independent auditors' opinions.	
Managing Performance			2	3	2		
Use of Resources							
- Managing Finances			2	3	2		
- Governing the business			2	3	2		
- Managing resources			2	2	2		
- Overall	2 (3 in 2008)	3	2				
Red Flags for the area			Lack of available housing		Community cohesion & Improving educational standards and aspirations		
Green Flags for the area							
Statement of Accounts - Independent Auditors Report	External Audit	2008/09	'Present fairly'	'Present fairly'	'Present fairly'		
Annual Governance Statement	Included with the Statement of Accounts. Signed by Local Authority Chief Executive and Leader of the Council	2008/09	"The overall framework of governance appears to be working effectively". Specific areas requiring further improvement included performance management and business continuity arrangements.	Areas for improvement include key partnership arrangements, risk management, project management, data quality and value for money.	Areas for improvement include corporate governance arrangements, including those with partners, value for money, performance management.		
Independent Accountants' Reports	External Auditors	2008/09	N/A - these local authorities did not receive funding for the economic participation programme until 2009/10.				

LOCAL AUTHORITY ASSURANCES

Improvement from the previous year

Lower rating than the previous year / areas of concern

Improvement areas for EP Team / PMMT to follow up

Known as at 21 January 2010

Source of Assurance			Level of Assurances provided				
Source	Provider	Timing	Luton BC	Southend-on-Sea BC	Thurrock C	Bedford BC	Central Bedfordshire
SECOND LINE OF DEFENCE ASSURANCES							
Substantive internal audit 2008/09	Local Authority Internal Audit	Q3 / Q4 2008/09	N/A - these local authorities did not receive funding for the economic participation programme until 2009/10.				
Substantive internal audit 2009/10	Local Authority Internal Audit	Q3/Q4 2009/10	Internal audit due to commence 15/02/10	Internal audit due to commence 01/03/10 (Ernst and Young)	Internal audit in progress	Internal audit in progress	Internal audit in progress
Claim validation and monitoring visits (risk assessed)	Project Management & Monitoring Team	2009/10	November 2009: 4 recommendations were made regarding the need for more robust verification of project expenditure and paper files, plus signed claim forms for projects. Potential capital expenditure of £200,000 is at risk.	November 2009: 6 recommendations were made. The issues identified related to the need for offer letters to be signed by someone with delegated authority, signed business cases and minutes of approvals plus the need for monitoring visits to be completed during the year. £700,000 capital budget awaiting allocation.	December 2009: 2 recommendations were made relating to signatures on key documents, namely appraisal and internal delegation on offer letters.	November 2009: 4 recommendations were made, all relating to strengthening documentation to support key processes, including the resolution of issues identified through appraisal.	November 2009: 4 recommendations were made relating to the need for signed claim forms and contractual acceptance before claims were paid, and the improvement of file documentation to support approval decisions.
Issues for delivery of the programme by partners, where applicable	EEDA's Economic Participation Team	January 2010	Luton have developed a number of contingency projects to deal with the £200,000 at risk and Luton Borough Council and the EP lead are confident that the full allocation will be spend this financial year.	January 2010: of the £761,000 unallocated capital highlighted in November 2009 as of 21/1/10 £697,458 has now been allocated to activities which have been endorsed by the respective EEDA Executive Director. A further intervention totalling £60,000 is in the process of being endorsed by EEDA	January 2010: Thurrock Council have highlighted a risk of £224,557 Revenue and £108,234 Capital. Thurrock Council have been asked to confirm that this funding will be handed back to EEDA and a revised funding agreement issued. The underspend will be highlighted at the Regional EP Capital meeting on 21/1/09	Update to be provided by EEDA's economic participation team.	
Impact evaluations	Economic Participation Team	2009/10	An evaluation of the economic participation programme is in progress, the outcome of which will be fed into the assurance framework.				

Local Authority Assurances – Explanatory Notes

Organisational Assessment

An annual organisational assessment is undertaken on all local authorities as part of the Comprehensive Area Assessment (CAA). This assessment covers key activities alongside performance management and Use of Resources.

From 2009, new key lines of enquiry have been introduced for the Use of Resources assessment:-

- Managing finances - focusing on sound and strategic financial management.
- Governing the business - focusing on strategic commissioning and good governance.
- Managing resources - focusing on the effective management of natural resources, assets and people.

Ratings of between 1 and 4 are assigned for all of the areas:

4 - An organisation that significantly exceeds minimum requirements, Performs Excellently

3 - An organisation that exceeds minimum requirements, Performs Well

2 - An organisation that meets only minimum requirements, Performs Adequately

1 - An organisation that does not meet minimum requirements, Performs Poorly

In addition, for the area under review, red and green flags are identified, the former to facilitate the sharing of good practice and the latter to focus effort and resource in the area.

Annual Statement of Accounts

The Statement of Accounts includes the Independent Auditor's opinion. EEDA is looking for confirmation that the financial statement 'present fairly' the accounts of the Authority and are unqualified.

Annual Governance Statement

This is a statutory requirement on local authorities, included in the annual Statement of Accounts. It is signed off by the Chief Executive and Leader of the Council. In preparation, it entails a review of sources of assurance received during the year and the identification of areas for improvement.

Gillian Beasley
Chief Executive
Peterborough City Council



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Dear Gillian,

I am writing to let you know that the agenda at EEDA's Audit Committee last week included a review of progress made against Peterborough City Council's (PCC) audit of the 2008-9 Economic Participation (EP) programme funded by EEDA.

As you will probably remember, we changed the delivery model for the EP programme in 2008/9 to place greater reliance upon external sources of assurance, where available, in order to minimize duplication and the regulatory burden on our partners involved in delivery of the EP programme. With regards to the EP programme a key source of assurance is now provided by the local authority internal audit teams.

In August 2009 PCC's Internal Audit team provided 'Limited Assurance' for the 2008-09 EP programme and identified a number of key risks requiring follow-up action. The subsequent improvement plan was discussed at EEDA's September 2009 Audit Committee and a review of any outstanding actions were discussed at the November Audit Committee meeting.

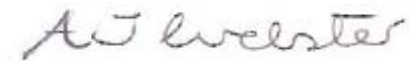
At EEDA's Audit Committee meeting last week, we were able to report that the PCC EP programme management team has addressed all of the actions identified in the audit report. It was also recognized that significant and pro-active progress has been made to improve procedures and reporting for the programme in 2009-10. I also advised that I had met personally with you and Marco and am pleased that you are both showing personal leadership of the EP programme in Peterborough which gives me comfort.

The Audit Committee discussed the fact that a number of projects planned for delivery this year remain high risk, particularly given that this is the final year of capital funding within the EP programme. The Audit Committee have therefore requested that we continue to work closely with you on the delivery of projects such as the Recognition Centre and Women's Enterprise Centre, so that we can remain confident that the funding allocation for Peterborough will be fully spent in Peterborough, and that no funding will need to be returned to EEDA at the end of the financial year.

Could I ask therefore, that you make arrangements for me to receive the ongoing assurances I need? EEDA's next Audit Committee will be on 9th February and I want to be able to demonstrate that we have continued to work closely together to oversee what I'm sure will be a successful programme of delivery this year.

With best wishes,

Yours sincerely



Alison Webster
Executive Director, Enterprise and Skills

Risk factors associated with local authority sources of assurance

- Typically assurances drawn from independent external audits and inspections tend to be broad and general in their conclusions over the effectiveness of governance, risk management and control in operation at a particular local authority.
- The external audit and inspection reports tend to be issued publicly a significant time after the period to which their conclusions and opinions relate.
- Similarly, annual assessments such as the statutory Statement of Governance (formerly Statement on Internal Control) and Head of Internal Audit Opinion tend to be quite general in their conclusions and do not draw out specific departments or activities in the accompanying action plans.
- Specific independent assurances tend to be available through the detailed work of the local authority internal audit teams, but this is undertaken as part of their cyclical planned internal audit activity. Given the relative materiality of EEDA programmes to local authorities, these audits are likely to take place at most once every two years.
- Specific assurance on whether programmes have been delivered in accordance with the terms and conditions of the funding agreement and that appropriate mechanisms of internal control are operating can be taken from independent accountant's reports, although these are received several months after the period to which the funding related.
- The most current assurances and insights would therefore necessarily come from EEDA management's day to day operational and risk management activities and liaison with contacts delivering the programmes, along with the outcomes from the review of grant claims and monitoring visits undertaken during the year. Therefore it is important that 'intelligence' gathered through these mechanisms and the actions taken to manage risks and issues are captured in a robust manner and shared appropriately across the Agency.