

SUSSEX AUDIT GROUP

Peer Review of Chichester District Council (Final)

Undertaken By:

***Tom Davies, Head of Internal Audit
Hastings Borough Council***

Completed on 6th July 2018

**Based upon the 2017-18 compliance
questionnaire update**

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Introduction

1. The Quality Assurance and Improvement Programme (QAIP) is a requirement of the Public Sector Internal Audit Standards (PSIAS) which came into force on 1st April 2013. It is intended to raise standards across the public sector. This programme is intended to:
 - Facilitate identification of actions for continuous improvement;
 - Facilitate evaluation of progress with improvement plans; and
 - Provide an approach to both internal reviews and External Quality Assurance reviews which is not “tick box” and which goes beyond compliance with the Standards alone.
2. The QAIP is intended to apply to all internal audit services where compliance with the PSIAS is required. The definition of an internal audit service will vary depending on the arrangements in place for the particular organisation.
3. The internal audit service and therefore the scope of any review should be clearly defined before the review is carried out and agreed by the reviewer and the CAE.
4. Where an internal audit service includes work procured from a third party supplier, this should form part of the overall assessment. Where this is precluded within existing third party contracts this limitation should be noted in the report.
5. The term Chief Audit Executive (CAE) is used throughout the PSIAS to refer to the head of the internal audit service.

The Approach

6. This Framework has four sections reflecting four questions that the evaluation should seek to address:
 - Purpose and positioning - Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?
 - Structure and resources - Does the internal audit service have the appropriate structure and resources to deliver the expected service?
 - Audit execution - Does the internal audit service have the processes to deliver an effective and efficient internal audit service?
 - Impact - Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation?
7. Each section is divided into several sub-sections covering key elements of an effective internal audit service as follows:

Purpose & positioning	Structure & resources	Audit execution	Impact
<ul style="list-style-type: none"> • Remit • Reporting lines • Independence • Risk based plan • Other assurance providers 	<ul style="list-style-type: none"> • Competencies • Technical training & development • Resourcing • Performance management • Knowledge management 	<ul style="list-style-type: none"> • Management of the IA service • Engagement planning • Performance of audit work • Reporting 	<ul style="list-style-type: none"> • Standing and reputation of internal audit • Impact on organisational delivery • Impact on governance, risk and control

8. For each sub-section a series of statements of good practice are provided as a guide in determining the performance of the service. Against this an assessment should be made as to the degree of conformance using the following scale, aligned with the Public Sector Internal Audit Standards:
 - **Fully Conforms** means the reviewer concludes that the internal audit service fully complies with each of the statements of good practice.
 - **Generally Conforms** means the reviewer has concluded that the relevant structures, policies and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects. For the sections and sub-sections, this means that there is general conformance to a majority of the individual statements of good practice, and at least partial conformance to the others, within the sub-section. As indicated above, general conformance does not require complete/perfect conformance.
 - **Partially Conforms** means the reviewer has concluded that the internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit. Some deficiencies may be beyond the control of the service and may result in recommendations to senior management or the audit committee of the organisation.
 - **Does Not Conform** means the reviewer has concluded that the internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and good practice statements within the section or sub-section. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the audit committee.
9. An overall assessment of the performance of the internal audit service in conforming to good practice should be made using the same scale.

Performance of the evaluation

10. The framework for the review is premised on the assessment being performed by individuals with considerable recent experience of internal audit. It is expected that anyone involved in performing the evaluation will have operated at a senior level within an internal audit function and be professionally qualified (CCAB, CMIIA or equivalent).
11. The PSIAS require that a self-assessment evaluation be performed internally at least annually to provide on-going feedback on the quality of the internal audit service.
12. In addition, a formal external assessment should be independently carried out at least once every five years as set out in the Public Sector Internal Audit Standards. The chief audit executive must agree the scope of external assessments with an appropriate sponsor, e.g. the Chief Executive, the Section 151 Officer or chair of the audit committee, as well as with the external assessor or assessment team. The framework set out below should provide an adequate scope in most cases. Where any external assessment is likely to be subject to moderation, as in the case of peer review, then the less that the assessment differs from this framework the better.
13. In the case of peer review, it is recommended that an internal self-assessment is carried out in advance of the external review and that the external review will seek to validate the findings of the internal review.

- 14.** In performing the evaluation, the individuals completing the external assessment need to consider the evidence that exists to support the assessment as to whether the internal audit service being reviewed conforms to the statements of best practice. This evidence needs to be documented and space is provided for this on the following pages. Sufficient evidence should be documented such that another competent reviewer considering the same evidence would come to the same conclusion.
- 15.** In each case a judgment call is required keeping in mind the definitions above, based on evidence collected during the course of the assessment undertaken. The existence of opportunities for improvement, or better alternatives, does not in itself reduce a Generally Conforms rating.
- 16.** It is expected that the evidence gathered will be a combination of:
 - Interviews with stakeholders, such as Chief Executive and/or Section 151 Officer and/or chair of the audit committee;
 - A review of a sample of completed audit files;
 - A questionnaire to be completed by the 'customers' and staff of the internal audit service (see section 4); and
 - Review of any other supporting evidence, including Audit Committee minutes, Head of Internal Audit Report, Annual Governance Statement and any audit policies and procedures.
- 17.** The individuals interviewed, the number of files selected and the number of questionnaire participants (both invites and responses) should be clearly set out in the report.
- 18.** Where there is insufficient evidence to demonstrate the application of statements of best practice, actions should be identified which will help address the deficiencies. These should be documented as per the template below with each action being given a target date for completion and an identified individual with responsibility for ensuring its completion.
- 19.** The assessment rating for each sub-section should be summarised in the Summary Assessment.
- 20.** The reviewer should provide an overall assessment based on the ratings for each section and their judgement as to the extent to which the internal audit service addresses the four questions set out in paragraph 6 above. The rationale for the overall assessment should also be documented.

Summary assessment

		Does not conform	Partially conforms	Generally conforms	Fully conforms	Comments
Purpose & positioning						
•	• Remit			✓		
•	• Reporting lines			✓		
•	• Independence		✓			
•	• Risk based plan			✓		
•	• Other assurance providers					N/A - None
Structure & resources						
•	• Competencies				✓	
•	• Technical training & development			✓		
•	• Resourcing		✓			
•	• Performance management				✓	
•	• Knowledge management				✓	
Audit execution						
•	• Management of the IA service			✓		
•	• Engagement planning				✓	
•	• Performance of audit work			✓		
•	• Reporting			✓		
		Do not agree	Partially agree	Generally agree	Fully agree	Comments
Impact						
•	• Standing and reputation of internal audit		2	16	18	
•	• Impact on organisational delivery		4	18	23	
•	• Impact on Governance, Risk and Control		9	28	34	1 un-answered
Does not conform		Partly Conforms		Generally conforms		✓ Fully conforms

1) Purpose and positioning

Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?

Remit			
Statements of good practice	Assessment		Evidence
<p>i. An internal audit Charter defines the purpose, authority and responsibility within the organisation, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards, including a definition of the Board</p> <p>ii. The internal audit Charter is approved by the Board and regularly reviewed and communicated to all senior management and other relevant people</p> <p>iii. The Charter defines the nature and scope of the assurance and consulting services provided to the organisation (including any assurances provided to parties outside of the organisation) and is such that it can provide independent and objective assurance and is not part of the direct control framework</p> <p>iv. The Charter clearly defines internal audit's role in evaluating and contributing to the development of risk management, control and governance processes. Internal audit's role in relation to any fraud-related / investigations work is clearly defined within the Charter.</p>		Fully conforms	(i) Yes, see attached. ..\Evidence\Internal Audit Charter V2.docx
	✓	Generally conforms	
		Partially conforms	(ii) Reviewed and dated in July 2017.
		Does not conform	Next review due July 2018. Not approved by the CGAC.
	Associated references PSIAS: Code of Ethics 1000 Purpose, Authority and Responsibility 1110 Organisational Independence 1210 Proficiency 2110 Governance 2120 Risk Management 2130 Control		(iii) Yes, see attached, as above (iv) Yes, see attached, as above

Remedial actions	Target date	Responsibility
A. The next review in July 2018 will be reported to the CGAC	Sept 2018	S James – Audit Manager

Reporting lines			
Statements of good practice	Assessment		Evidence
i. The Board reviews and approves the appointment of the Chief Audit Executive (CAE) ii. The CEO and the Chair of the Audit Committee contribute to the CAE's appraisal iii. Reporting lines for the CAE support independence, with functional reporting to the Board iv. The Board agrees the strategy/plans of the internal audit service v. The CAE or their representative attend all Board and/or senior management meetings, particularly where key issues are discussed relating to governance, risk management or control across the organisation vi. The CAE meets regularly with the Section 151 Officer vii. The Board routinely see and considers the outputs of the internal audit service viii. The Board is routinely updated with internal audit status and activity reports		Fully conforms	(i) The CAE role was previously split but is now the sole responsibility of the Audit Manager who has been in this position for nearly 20 years so there is no evidence of this being approved by the CGAC that was not in place at that time. (ii) No input from the CGAC does, or CEO *see comments below* (iii) The Audit Manager reports directly to the S151 Officer, and in their absence the Deputy S151 Officer, the Monitoring Officer and Chief Executive Officer. Discussion on this structure confirmed adequate measures in place for independence in accordance with Chartered institute of Internal Auditors position statement on the matter: https://www.iaa.org.uk/resources/delivering-internal-audit/position-paper-independence-and-objectivity/ (iv) Yes, at the CGAC meeting in March each year. (v) Yes, every CGAC meeting which are held 5 times per annum. (vi) Yes, the S151 is currently the line manager of the CAE. (vii) Yes, all IA reports go to CGAC (viii) Yes, progress reports are produced for each CGAC meeting, (5/52)
	✓	Generally conforms	
		Partially conforms	
		Does not conform	
	Associated references PSIAS: 1100 Independence and Objectivity 1110 Organisational Independence 1111 Direct Interaction with the Board 2010 Planning 2060 Reporting to Senior Management and the Board		

Remedial actions	Target date	Responsibility
B. None. The CEO and Chair of CGAC is not likely to ever contribute to the CAE's appraisal*	NA	NA

Independence			
Statements of good practice	Assessment		Evidence
<p>i. Internal audit's position within the organisation is clearly established, including authorisation for access to records, personnel and physical properties relevant to the performance of engagements</p> <p>ii. The internal audit service is free of executive responsibilities such that it can provide independent and objective assurance</p> <p>iii. Conflict of interests are identified, appropriately managed and avoided, including those transferring to internal audit from elsewhere in the organisation</p> <p>iv. Audit personnel are routinely rotated on assignments</p> <p>v. Audit personnel do not have any conflicting operating responsibilities or interests</p> <p>vi. All internal audit staff are aware of and comply with the Code of Ethics and the Nolan principles</p> <p>vii. Consultancy work that internal audit may undertake is clearly defined and agreed in advance by the Audit Committee when required by the PSIAS</p> <p>viii. Areas which have been the recipient of internal audit 'consultancy' work are subject to audit review by personnel independent of the consultancy work</p> <p>ix. The CAE, at least annually, confirms to the Board the organisational independence of the internal audit activity</p> <p>x. The CAE notifies the appropriate parties if independence or objectivity is impaired in fact or appearance</p>		Fully conforms	<p>(i and ii) IA has a clearly defined position and ID cards contain the authorisation to any property, place and records etc. Yes the CAE has no executive responsibilities.</p> <p>(iii) Yes, eg the SA was not allowed to audit areas that she was responsible for in Finance previously.</p> <p>(iv) Rotation is considered when allocating the audits. However, this is becoming increasingly difficult as sometimes difficult to achieve the section is reducing and made up part time staff.</p> <p>(v) See (i)-(iii) above. Only interests declared are: the IAM (CAE) undertakes IA work for the Chichester City Council and one auditor has a daughter in Elections. No other known conflicts.</p> <p>(vi) Yes, all are experienced auditors</p> <p>(vii and viii) No consultancy work undertaken by IA.</p> <p>(ix) No, organisational independence of the IA activity not reported to the CGAC, but agreed that this will be completed going forward.</p> <p>(x) No issues to date.</p>
		Generally conforms	
	✓	Partially conforms	
		Does not conform	
	Associated references PSIAS: Code of Ethics 1100 Independence and Objectivity 1110 Organisational Independence 1120 Individual Objectivity 1130 Impairment to Independence or Objectivity		

Remedial actions	Target date	Responsibility
C. Rotation will be aimed for.	Immediately	S James/S Shipway
D. Need to report annually to CGAC on the organisational independence of IA (ix) above	31.03.2019	S James – Audit Manager
E. Declare that the Finance Service Manager has also line management responsibilities as part of the above	31.03.2019	S James – Audit Manager

Risk based plan			
Statements of good practice	Assessment		Evidence
<p>A risk based internal audit plan has been developed which:</p> <ul style="list-style-type: none"> i. considers the relative risk maturity of the organisation ii. considers the risk appetite as defined by management iii. includes an assessment of optimal resources and skills required to deliver both the audit assurance and consultancy work, including identification of specialist skills, which may be required iv. is clearly designed to enable the CAE to deliver an annual opinion on the effective of Governance, risk management and the system of control has been approved by the Board v. has been promulgated to all relevant parties vi. is subject to regular review to ensure that it remains appropriate and current vii. Either the audit plan or a separate audit strategy document should: <ul style="list-style-type: none"> • include an assessment of risks that the audit service itself faces in delivering the plan and plans for controlling and mitigating the risks identified • include consideration of if, and how, internal audit will rely on the assurance provided by other assurance providers • include an assessment of the range of audit techniques that have been selected as the most effective for delivering the audit objectives • set out how the internal audit service will measure its performance, quality assure itself and seek continuous improvement 		Fully conforms	(i and ii) Yes, a 3 year plan exists, which is reviewed annually for new and emerging risks
	✓	Generally conforms	(iii) CDC perform an assessment of optimal resource/skills required to complete the plan. They then prioritise the audits according to risk to fit in to thee number of audit days available and this has been reduced going forward as 400 audit days
		Partially conforms	(iv) Yes, all KFS and high risk audits are delivered every year.
		Does not conform	(v) The CGAC approve the Audit Plan each year.
			(vi) Yes, it is circulated to all relevant parties.
	Associated references PSIAS: 2010 Planning 2020 Communication and Approval 2030 Resource Management		(vii) Yes, the audit plan is considered a live document which can be changed depending on changing and new risks as they emerge.
			(viii) <ul style="list-style-type: none"> • No assessment of IA service risks are formally considered, although resourcing issues are discussed at the planning stage. • We rely on any inspections/assessments taking place such as PSN for IT if relevant to the plan. • Indirectly yes, we have a workflow chart based upon control based auditing techniques. • This area has been recently reviewed and updated to introduce an electronic survey in order to encourage a higher return rate and promote improvement in the service provided.

Remedial actions	Target date	Responsibility
F. IA service risks will be formally recorded and reported to management and/or the CGAC as appropriate.	Completed for 2018/19 by 31.3.18	S James – Audit Manager

Integration with other assurance providers			
Statements of good practice	Assessment		Evidence
i. The internal audit service effectively co-ordinates with appropriate assurance providers to reduce the duplication and minimise gaps in the assurance framework ii. Internal audit promote co-operation between internal and external audit iii. When auditing shared service functions, consideration is given to audit work being performed by other audit services such that duplication is minimised iv. When internal audit needs to work with other internal auditors from another organisation, the respective roles and responsibilities of the involved parties have been clearly defined and agreed in advance		Fully conforms	(i) Not entirely, CDC is more likely to provide assurance to the External Auditors (EY) on the KFS, thus avoiding duplication of effort. (ii) Yes, every year EY can rely on the work of IA and report accordingly. (iii and iv) Not applicable to date.
		Generally conforms	
		Partially conforms	
	✓	Not Applicable	
	Associated references PSIAS: 2050 Coordination		

Remedial actions	Target date	Responsibility
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2) Structure & resources

Does the internal audit service have the appropriate structure and resources to effectively deliver the internal audit remit?

Competencies to deliver IA remit			
Statements of good practice	Assessment		Evidence
i. The CAE holds a professional qualification (i.e. CMIIA, CCAB or equivalent professional membership) and is suitably experienced ii. The audit function has access to the appropriate skills (technical expertise, qualifications, experience) required to ensure assurance can be provided in all areas of the business, for example in relation to fraud and knowledge of IT risks and controls iii. Where there is a contracted out or partnership arrangement there is ongoing monitoring to ensure that contractors have the skills required for designated audit assignments		Fully conforms	(i) SJ (CAE) Does not hold any formal professional audit qualifications apart from the DMS, but is suitably qualified by experience. (ii) Yes, all auditors are experienced and keep up to date with technical issues. The Corporate Counter Fraud Officer is also part of the IA team, who specialist expertise can be called upon. No specific IT auditor but all have a good knowledge of IT systems and expected controls within these. In the event of an IT auditor being required, a suitably qualified person would be brought in. (iii) NA
	✓	Generally conforms	
		Partially conforms	
		Does not conform	
	Associated references PSIAS: Code of Ethics 1210 Proficiency 1220 Due Professional Care		
Remedial actions	Target date	Responsibility	

Technical training & development										
Statements of good practice	Assessment	Evidence								
i. All new staff receive induction training including both into the internal audit service and induction into the organisation ii. Arrangements are in place to ensure that new staff receive an early assessment of their development needs and appropriate guidance, and training to address these needs iii. All internal auditors undertake Continuing Professional Development (CPD) and have a training and development plan approved by their line manager iv. Audit planning includes a sufficient time provision for training (including CPD) for all staff	<table border="1"> <tr> <td></td> <td>Fully conforms</td> </tr> <tr> <td>✓</td> <td>Generally conforms</td> </tr> <tr> <td></td> <td>Partially conforms</td> </tr> <tr> <td></td> <td>Does not conform</td> </tr> </table>		Fully conforms	✓	Generally conforms		Partially conforms		Does not conform	<p>(i) Yes, there is an organisational checklist, see at link ..\Evidence\New Starter Induction Checklist (FOR USE BY MANAGER)-September 2016.doc. Plus IA training is given depending on the experience of the person being inducted.</p> <p>(ii) All new members of staff are put on a six month probation period. During this time any training needs are identified and addressed. Once probation period has been passed, the appraisal system kicks in and training needs are continuously being assessed.</p> <p>(iii) Yes, however, only one auditor currently has an ongoing CPD.</p> <p>(iv) Training budgets in terms of both funds and time are tight. These are considered annually and amended accordingly if the need arises.</p>
		Fully conforms								
	✓	Generally conforms								
		Partially conforms								
		Does not conform								
Associated references PSIAS: Code of Ethics 1230 Continuing Professional Development										
Remedial actions	Target date	Responsibility								

Resourcing			
Statements of good practice	Assessment		Evidence
i. Internal audit is sufficiently resourced (in terms of staff and budget available) and deployed effectively to deliver the approved plan ii. There is a recruitment strategy that sets out the recruitment standard to ensure that all staff have the appropriate intellectual qualities, personal attributes, skills, knowledge and qualifications iii. A succession plan exists to ensure that senior vacancies are filled promptly by appropriately qualified staff		Fully conforms	(i) CDC internal Audit has been in a state of uncertainty for the past 2 years, due to a possible Shared Service. This did not go ahead but Service reviews are predicting a reduction in staff. Consequently there has been a recruitment freeze and IA has not replaced a PT leaver or someone on maternity leave. As a result the audit plan has been reduced to reflect the changes. (ii) Yes. JD's, Specs and Competencies are set for each level of audit staff. (iii) Not specifically for IA, however, this will need to be considered in due course.
		Generally conforms	
	✓	Partially conforms	
		Does not conform	
	Associated references PSIAS: 2030 Resource Management		

Remedial actions	Target date	Responsibility
G. Succession Plans – need to be considered.	31.3.2018	S James – Audit Manager

Performance management			
Statements of good practice	Assessment		Evidence
Appropriate personnel management and development procedures are in place within internal audit including: <ul style="list-style-type: none"> i. Written job descriptions ii. Required competency frameworks iii. Recruitment procedures iv. Training and continuing education arrangements v. Personal objectives setting and performance appraisal 	✓	Fully conforms	(i) Yes, although these are currently being updated due to an organisational Pay Review
		Generally conforms	(ii) Yes
		Partially conforms	(iii) Yes
		Does not conform	(iv) Yes
			(v) Yes, via an appraisal system

Remedial actions	Target date	Responsibility
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Knowledge management			
Statements of good practice	Assessment		Evidence
i. The internal audit service has systems in place to facilitate knowledge and sharing of best practice/organisational learning ii. All staff attend regular team meetings to ensure that they remain up to date on knowledge of the organisation, the internal audit service and audit practices	✓	Fully conforms	(i) Yes, both internally through informal team meetings and externally via networking with other CAE/Audit Managers within the Sussex Audit Group (SAG)
		Generally conforms	
		Partially conforms	(ii) Yes, via team meetings, staff briefings and attending SAG meetings
		Does not conform	

Remedial actions	Target date	Responsibility
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3) Audit execution

Does the internal audit service have the processes to deliver an effective and efficient internal audit service?

Management of the internal audit service		
Statements of good practice	Assessment	Evidence
i. The CAE has established policies and procedures (typically in the form of a manual) to guide the internal audit activity ii. Audit methodologies have been developed and are regularly reviewed and updated to ensure they are in line with current practice iii. Policies in respect of document confidentiality, retention requirements and the release to internal and external parties have been developed and are consistent with the organisation's guidelines and any pertinent regulatory or other requirements iv. Quality assurance procedures are defined and cover all aspects of the internal audit activity including: <ul style="list-style-type: none"> Supervision and review QA procedures and checklists including periodic internal quality reviews Compliance with applicable laws, regulations and government or industry standards Auditee / customer satisfaction surveys Periodic self-assessments against the PSIAS are performed and actions taken to address weaknesses 	✓	(i) There are processes in place to ensure that guidance and continuity through audits is maintained. (ii) Yes, IA reviews and updates their methodologies if and when required to keep up to date with current practices. (iii) Yes, and this is becoming the focus of the review on the GDPR, CDC have a lead on this and will be reviewing such documents as the retention and maintenance of structured and unstructured documents. (iv) No formal QA procedures in place although: <ul style="list-style-type: none"> each audit is supervised and reviewed The Audit Manager responds to any issues that may arise as a result of audit reviews and deals with them as required. QA procedures need reviewing regularly and feedback is essential. As previously mentioned the QA process has just been reviewed, updated and agreed and has been in place from 1.9.2017 PSIAS is reviewed normally on an annual basis. However, this was not completed in 2016-17, due to an anticipated peer review, which was deferred until 2017-18, because of potential shared service arrangements.
	Fully conforms	
	Generally conforms	
	Partially conforms	
	Does not conform	
	Associated references PSIAS: 1310 Requirements of the Quality Assurance and Improvement Programme 1311 Internal Assessments 2040 Policies and Procedures 2330 Documenting Information	

Remedial actions	Target date	Responsibility
H. QA procedures have been improved together with feedback in order to continually improve standards.	Completed	S James - Audit Manager

Engagement planning				
Statements of good practice	Assessment		Evidence	
i. Detailed plans are developed and documented setting out the scope, limitations, objectives, resources, timing and reporting lines for each engagement ii. Engagement plans are agreed with relevant management prior to the start of the fieldwork iii. Engagement plans include consideration of the relevant systems, records, personnel, and physical properties including those under the control of third parties iv. Plans include consideration of the risks to the area under review and the organisation's risk management and controls processes v. Time budgets are developed for each engagement plan and are appropriate to the review scope and degree of associated risk vi. Where areas require, particular specialist knowledge subject matter experts are identified and included as part of the audit team	✓	Fully conforms	(i – iv, vi) Yes, see the workflow/process followed for every audit.	
		Generally conforms		
		Partially conforms	Operational Risk Assessments are completed between the auditor and relevant managers.	
		Does not conform		
		Associated references PSIAS: 2200 Engagement Planning 2210 Engagement Objectives 2220 Engagement Scope 2230 Engagement Resource Allocation		Budgets are dictated by the Plan and contingency days can be used if agreed by the CAE.
				The Scope of the Audit is agreed by the Head of Services/Service Manager prior to commencement.

Remedial actions	Target date	Responsibility
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Performance of audit work / audit delivery			
Statements of good practice	Assessment		Evidence
i. Work programmes that will achieve the engagement objectives are developed and approved prior to use and include procedures for identifying, analysing, evaluating and documenting information during the engagement ii. Internal auditors use standard documentation to ensure that evidence and findings are adequately documented iii. Work papers are clear, concise, and appropriately cross-referenced to work programmes so as to enable independent review and comprehension. iv. There is evidence that internal auditors are identifying, analysing, evaluating and documenting sufficient information to support the audit conclusions and opinions v. There is evidence to confirm that all engagements are led or supervised by suitably competent individuals vi. Audit findings are discussed and confirmed with auditees prior to report drafting vii. Automated tools (e.g. data interrogation) are used appropriately to undertake testing as efficiently as possible		Fully conforms	(i) Yes, the Audit Scope does this. See at link
	✓	Generally conforms	(ii - iv) Yes, there is a template for every audit, which ensures continuity. All working papers are electronically filed and hyperlinks to supporting working papers are used whenever possible. A testing summary is completed for each test performed and conclusions recorded together with actions required.
		Partially conforms	
		Does not conform	
	Associated references		
	PSIAS:		
	2240 Engagement Work Programme 2310 Identifying Information 2320 Analysis and Evaluation 2330 Documenting Information 2340 Engagement Supervision		
		(v) The SA supervises the audit team on a daily basis. She has years of both internal and external audit in the public sector.	
		(vi) Yes, once a report is in draft format, although discussions of audit findings would have been raised prior to this, the draft report just formalises these.	
		(vii) Not really. Sample sizes are based upon the frequency of the control, this has been approved by external audit and samples are randomly selected from the population data to cover as much of the year as possible, spreadsheets are used to do this. Access to IDEA would have been possible under the shared service option, but this did not go ahead.	

Remedial actions	Target date	Responsibility
I. Automated tools such as IDEA, are to be considered but the budget is not currently sufficient to purchase such tools.	31.12.2017	S James / Helen Belenger / John Ward

Reporting				
Statements of good practice	Assessment		Evidence	
<p>i. Communications are accurate, objective, clear, concise, constructive and timely</p> <p>ii. Audit reports convey appropriate audit scopes, limitations of scope, results, recommendations and an opinion on the adequacy of controls</p> <p>iii. Audit evidence is reviewed by a senior member of the audit function to ensure that the audit has been carried out in sufficient depth and to the function's quality standards prior to the audit findings being distributed to the auditee</p> <p>iv. Internal audit recommendations help the organisation address the risk in a way that does not create unnecessary control and the recommendations are practical</p> <p>v. Draft audit reports are issued for consideration by the auditee within a reasonable, pre-agreed, timescale before they are finalised</p> <p>vi. Audit issues are reported to appropriate levels of management and to the Audit Committee</p> <p>vii. The CAE informs the Audit Committee if he/she believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation</p> <p>viii. There is a procedure for follow-up that ensures agreed recommendations are implemented effectively or that senior management has accepted the risk of not taking action</p> <p>ix. Unresolved or outstanding audit issues are reported to senior management in accordance with pre-agreed timescales and escalation procedures</p> <p>x. The CAE presents to the Board at least annually, a report of internal audit activity containing an opinion of the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes</p> <p>xi. The annual report also states if</p>		Fully conforms	(i – v) Yes, and all reports are reviewed and agreed with the Service, CAE and Head of Corporate Governance.	
	✓	Generally conforms		
		Partially conforms		
		Does not conform		
		Associated references PSIAS: 2410 Criteria for Communicating 2420 Quality of Communications 2440 Disseminating Results 2500 Monitoring Progress 2600 Communicating the Acceptance of Risks		(v) IA are currently looking to improve the turnaround time for reporting, as reports are sometimes held up by the lack of timely responses. Update: June 2018. New targets set & Exception Reporting introduced, thus reducing the turnaround.
				Recommendations are based on a traffic light scoring system: Red = Significant, Amber = Important and Green = Minor. IA try to keep the recommendations to be constructive and required to improve controls.
				(vi and vii) All final reports are presented at the CGAC meetings 5/52. Each report has an Action Table attached, this shows agreed actions to be taken by the auditees together with a timetable for achieving them. There is also opportunity for auditee comments to be made.
				(viii and ix) A follow up process has been established and audits are followed up periodically depending on the nature of the recommendations, ie significant recommendations will be reviewed between 3-6 months, but others are normally 6 monthly.
				A follow up report will identify any recommendations which have not been actioned, then the report will be escalated to senior managers (Heads of Service) and again presented to the CGAC.
				(x) Yes, annual report, see link to the 2016-17 report. Link
				(xi) PSIAS compliance has not been reported on in the past but will be from 31.3.2019

the function conforms to the PSIAS and report any results of the QAIP		
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Remedial actions	Target date	Responsibility
K. Reporting Timescales are being considered in order to improve the time it takes to turnaround audit reports.	Now completed	S James – Audit Manager
L. PSIAS compliance has not been reported on in the past but will be in future.	31.3.2019	S James – Audit Manager

4) Impact

Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation(s)?

The impact of the internal audit service is best assessed by obtaining the views of a wide range of 'customers', combined with tangible evidence of impact and comparing this to the internal audit management's corporate view of the internal audit service they provide.

The full range of customers of internal audit vary according to the organisation but will include Chief Executive, Section 151 Officer, Members of the Corporate Management Team, Chair of the Audit Committee and other senior management directly involved in the areas subject to internal audit review. In order to obtain the full range of views from customers, the following questions should form the basis of a questionnaire to be distributed to all parties and can be supplemented by a sample of interviews.

The table below should be used to aggregate responses from both the customers and to capture the internal audit management's corporate view.

Aggregated Questionnaire Responses	Customers				Internal audit				Evidence and Comments	
	Do not agree	Partially agree	Generally	Fully agree	Do not agree	Partially agree	Generally	Fully agree		
Standing and reputation of Internal Audit									Customers	Internal audit
1 The internal audit service is seen as a key strategic partner throughout the organisation		1	5	3				√	Reports to CG&AC, audit plan based on risk, HOS take responsibility for audit recommendations Whilst internal audit is respected I do not feel that it is seen as part of the process of providing strategic direction or leadership role, rather I would say it is seen as being a reviewing partner. I have not personally seen training to managers on the audit role to set the audit role in the organisation	The Internal Audit Manager has a good working relationship with senior officers and members. Not sure that IA is completely valued throughout the organisation, sometimes not seen to be supporting/driving improvement
2 Senior managers understand and fully support the work of internal audit			5	4				√		
3 Internal audit is valued throughout the organisation			7	2						
4 The internal audit service is delivered with professionalism at all times		1	1	7				√		

Aggregated Questionnaire Responses	Customers				Internal audit				Evidence and Comments	
	Do not agree	Partially agree	Generally	Fully agree	Do not agree	Partially agree	Generally	Fully agree		
Impact on organisational delivery									Customers	Internal audit
5 The internal audit service responds quickly to changes within the organisation		1	5	3				√	<p>The Chair of CGAC has been made aware of changes. Will respond to new demands where identified and has access to any information</p> <p>Subject to changing staffing levels. Will respond to new demands where identified and has access to any</p>	<p>The IAM aims to keep abreast of changes and ensures that these are responded to. Resources have been cur to the bear minimum, which impacts upon the level of service it can provide. All findings and</p>
6 The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate		2	3	4		√				
7 The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes		1	3	5				√		
8 The internal audit service ensures that recommendations made are commercial and practicable in relation to the risks identified			3	6				√		

Aggregated Questionnaire Responses	Customers				Internal audit				Evidence and Comments	
	Do not agree	Partially agree	Generally	Fully agree	Do not agree	Partially agree	Generally	Fully agree		
9 There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service			3	6			√		<p>information</p> <p>Q6 1 don't know</p> <p>The team is small with a reduction in the number of audits per annum is a concern – the intended outcome that audits are stronger where they are.</p> <p>The team is small with a reduction in the number of audits per annum is a concern – the intended outcome that audits are stronger where they are</p> <p>A risk based approach is used</p>	<p>recommendations are discussed and agreed with the HoS.</p>
Has internal audit had a positive impact on Governance, Risk and Control?									Customers	Internal audit
10 The internal audit service includes consideration of all risk areas in its work programme			4	4				√	<p>Audit plan based on risk.</p>	
11 Internal audit advice has a positive									Q10 unanswered.	

Aggregated Questionnaire Responses	Customers				Internal audit				Evidence and Comments
	Do not agree	Partially agree	Generally	Fully agree	Do not agree	Partially agree	Generally	Fully agree	
impact on the governance, risk, and the system of control of the organisation			3	6			√		<p>The work of IA is understood and valued throughout the organisation. Yes governance issues are considered for new areas of work. There is generally a high understanding of control issues. IA has open access to all of management team</p> <p>Yes IA are engaged in new activities</p>
12 Internal audit activity has enhanced organisation-wide understanding of governance, risk, and control		2	4	3			√		
13 The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas			4	5			√		
14 The internal audit service raises significant control issues at an appropriate level in the organisation		1	3	5				√	
15 The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives		2	3	4		√			
16 Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation		1	4	4			√		
17 Internal audit activity promotes appropriate ethics and values within the organisation		3	3	3			√		

Aggregated Questionnaire Responses	Customers				Internal audit				Evidence and Comments
	Do not agree	Partially agree	Generally	Fully agree	Do not agree	Partially agree	Generally	Fully agree	

Remedial actions	Target date	Responsibility
M. Discuss with relevant Officers areas of partial or do not agree with statements. Agree actions to improve on these areas	ASAP	Satisfaction surveys have been read by AM and discussed with relevant officers have/will take place to secure improvement where needed.
N.		
O.		
Associated references PSIAS: 2110 Governance 2120 Risk Management 2130 Control		