

Checklist for Assessing Conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note

The Assessment was undertaken by Graham Herbert (Internal Audit Manager) and James Polanski (Auditor) for year ending 31/03/14.

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

Please tick to indicate Y = YES, P = PARTIAL, N = NO, N/A = NOT APPLICABLE. Evidence for each response must be provided and reasons for any partial or full non-conformance should be given, together with any compensating measures in place or actions in progress to address this.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
1	Definition of Internal Auditing					
1.1	Using evidence gained from assessing conformance with other Standards, is the internal audit activity:					
1.2	a) Independent?	Y				<p>The Audit Manager reports to the Chief Executive and the Audit Committee.</p> <p>An Audit Charter is in place that sets out Internal Audit's independence.</p> <p>Internal Audit has no executive responsibilities, thus protecting its independence of reporting and action.</p>
1.3	b) Objective?	Y				<p>Auditors must work towards membership of ACCA/CIMA/CMIIA and objectivity is a requirement in the code of ethics of these institutions.</p> <p>Three of the four members of the Internal Audit Section are qualified and one member of the team is part qualified.</p> <p>Evidence from Audit Reports.</p> <p>Audit review process – all audit reports and Risk Control</p>

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						Evaluation Matrices are reviewed by Audit Manager / Senior Auditor and one of the aims of this review is to determine whether reports provide a balanced view.
1.4	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	Y				An audit universe has been created by the Audit Manager and this is risk assessed and used to draw up the annual plan. Audit methodology requires a Risk Control Evaluation Matrix to be used for evaluating audit control objectives. COSO framework for risk based auditing applied where applicable to audits. Standardised audit templates used. Audit Manual in place providing guidance to auditors. Standard methodology in place for determining the ranking of risk issues and audit reports.
2	Code of Ethics					
2.1	Integrity Using evidence gained from assessing conformance with other Standards, do internal auditors: a) Perform their work with honesty, diligence and responsibility? b) Observe the law and make disclosures expected by the law and the profession? c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to	Y Y Y				Auditors are bound by their ethical standards. All work undertaken within the section is reviewed by the Audit Senior / Audit Manager Staff are assessed through Midlothian's appraisal process and feedback is sought from management. Responsibilities and duties are set out in detailed job descriptions. Auditors are bound by their professional ethical standards Declaration of interests required to be completed on recruitment by all audit staff. Auditors are bound by their professional ethical standards PVG checks required on recruitment of all audit staff.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	the organisation? d) Respect and contribute to the legitimate and ethical objectives of the organisation?					All auditors work in accordance with Midlothian Council's Code of Conduct and are required to sign declaration of interests when joining the Council.
2.2	Objectivity Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not: a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? b) Accepting anything that may impair or be presumed to impair their professional judgement? c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	Y Y Y				Declaration of interests required by all audit staff. Compliance with Midlothian Council's Code of Conduct. Adherence to requirements set out in Audit Charter and codes of ethics.
2.3	Confidentiality Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by: a) Acting prudently when using information acquired in the course of their duties and protecting that information? b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?	Y Y				Information Management MILO completed by all auditors. Audit review process will include a review of information used by auditor for testing. Auditors understand the requirement for prudence when using information in the course of their duties and the need to protect that information. This requirement is set out in the Audit Manual and all auditors have a copy of this. Adherence to code of conduct and professional membership code of ethics.
2.4	Competency Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by: a) Only carrying out services for which they have the necessary Knowledge, skills and experience? b) Performing services in accordance with the PSIAS?	Y Y				Audits allocated based on skills and experience of auditor and mentoring/training is in place. All auditors have a copy of the audit charter and are aware of the PSIAS requirements.

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	c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?	Y				Work related objectives agreed through Midlothian's appraisal process and training requirements agreed annually. Auditors must work towards ACCA/CIMA/CMIIA and have professional development requirements to comply with from their professional membership.
2.5	Do internal auditors have regard to the Standards of Public Life's Seven Principles of Public Life?	Y				Copy has been distributed to all audit staff and requirement to have regard for this is set out in the Audit Charter approved by the Audit Committee.
	Standards					
3	Attribute Standards					
3.1	1000 Purpose, Authority and Responsibility					
3.11	Does the internal audit charter include a formal definition of: a) the purpose b) the authority, and c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?	Y Y Y				Audit Charter
3.12	Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.	Y				Audit Charter
3.13	Does the internal audit charter also: a) Set out the internal audit activity's position within the organisation? b) Establish the Chief Audit Executive (CAE's) functional reporting relationship with the board? c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer	Y Y Y Y				Audit Charter

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	<p>and the head of paid service) with regards to internal audit?</p> <p>e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</p> <p>f) Define the scope of internal audit activities?</p> <p>g) Recognise that internal audit's remit extends to the entire control environment of the organisation?</p> <p>h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011?</p> <p>i) Establish the organisational independence of internal audit?</p> <p>j) Cover the arrangements for appropriate resourcing?</p> <p>k) Define the role of internal audit in any fraud-related work?</p> <p>l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?</p> <p>m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?</p> <p>n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?</p> <p>o) Define the nature of consulting services?</p> <p>p) Recognise the mandatory nature of the PSIAS?</p>	Y			N/A	Scottish Local Authority
3.14	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	Y				Audit Charter presented to the Audit Committee on 18 June 2013. Will be reviewed and presented again in 2014 to reflect update on self assessment process and new reporting structure (now reporting to Chief Executive).
3.15	Does the CAE attend audit committee meetings?	Y				Audit Committee minutes
3.16	Does the CAE contribute to audit committee agendas?	Y				Agenda agreed in consultation with Chief Executive and Chair of the Audit Committee.
3.2	1100 Independence and Objectivity					
3.201	Does the CAE have direct and unrestricted access to senior	Y				Regular meetings with Chief Executive, chair of the Audit

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	management and the board?					committee and S95 officer. Attends Corporate Management meetings as required. Periodic meetings with Heads of Service to discuss internal control and risks to contribute to audit plan.
3.202	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	Y				As above.
3.203	Are threats to objectivity identified and managed at the following levels: a) Individual auditor? b) Engagement? c) Functional? d) Organisation?	Y Y Y Y				Declaration of interests completed and signed by all auditors. The Audit Manager considers at the start of each engagement if there are any threats to independence and objectivity. Internal Audit has no executive responsibilities, thus protecting its independence of reporting and action. Although a small team, staff are rotated where possible to help ensure independence and objectivity. All Internal audit staff are aware to raise any potential threats to objectivity with the audit Manager.
3.204	1110 organisational Independence					
3.205	Does the CAE report to an organisational level equal or higher to the corporate management team?	Y				The Audit Manager reports directly to the Chief Executive and regularly meets with the chair of the Audit Committee. Audit plans are agreed with CMT and the audit committee. Audit reports are issued to the relevant Director and Head of Service.
3.206	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	Y				As above.
3.207	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority.	Y				As above.
3.208	Does the CAE's position in the management structure: a) Reflect the influence he or she has on the control environment? b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?	Y Y				As above.

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	c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	Y				
3.209	<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p> <p>The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity: The board:</p> <p>a) approves the internal audit charter b) approves the risk-based audit plan c) approves the internal audit budget and resource plan</p> <p>d) receives communications from the CAE on the activity's performance (in relation to the plan, for example) e) approves decisions relating to the appointment and removal of the CAE</p> <p>f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.</p>	Y Y Y Y Y Y				<p>This is considered in the annual report by the Audit Manager presented to the Audit Committee.</p> <p>Approved June 2013 by the Audit Committee Audit Committee annually approves plan Budget responsibility for Internal Audit is the responsibility of the Chief Executive. The Audit Committee can recommend to Cabinet to consider the need for more resource.</p> <p>Regular updates on the audit plan throughout the year.</p> <p>This is carried out by the Chief Executive with support from senior management. Additionally, the Chair of the Audit Committee may be consulted. The decision will go to Audit Committee for noting.</p> <p>Audit Committee Minutes</p>
3.210	Does the chief executive or equivalent undertake, Countersign, contribute feedback to or review the performance appraisal of the CAE?	Y				The Chief Executive is the reporting manager for the Audit Manager.
3.211	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Y				Feedback and comments from the chair of the Audit Committee are considered as part of this process.
3.212	<i>1111 Direct Interaction with the Board</i>					

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3.213	Does the CAE communicate and interact directly with the board?	Y				Audit Committee minutes
3.214	<i>1120 Individual Objectivity</i>					
3.215	Do internal auditors have an impartial, unbiased attitude?	Y				Feedback from Chief Executive / Chair of Audit Committee.
3.216	Do internal auditors avoid any conflict of interest, whether apparent or actual?	Y				Auditors are advised to report any potential conflict of interest to the Audit Manager as per the audit manual.
3.217	<i>1130 Impairment to Independence or Objectivity</i>					
3.218	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?				N/A	There have been no impairments to independence.
3.219	Have internal auditors assessed specific operations for which they have been responsible within the previous year?				N/A	No members of the audit service have had previous operational responsibilities in the Council.
3.220	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?				N/A	No members of the audit service have had previous operational responsibilities in the Council.
3.221	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	Y				Although the team is small, efforts are made to ensure that audits of core systems are rotated throughout the team.
3.222	Have internal auditors declared interests in accordance with Organisational requirements?		P			Auditors sign declaration of interest forms. This is only completed on recruitment and is not annual. <u>Recommendation</u> Auditors will be required to sign an annual declaration.
3.223	Where any internal auditor has accepted any gifts, hospitality, Inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?	Y				All gifts must be declared and signed off by the Director, Resources or the Chief Executive.
3.224	Have any instances been discovered where an internal auditor			N		

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	has used information obtained during the course of duties for personal gain?					
3.225	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	Y				(See above recommendation in relation to annual declaration).
3.226	Have internal auditors complied with the Bribery Act 2010?	Y				All auditors are aware of policy and the Audit Manager drafted and published the Council policy.
3.227	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?				N/A	There have been no real or apparent impairments to independence or objectivity related to audit consultancy. The Audit Manager has produced a protocol on consulting engagements and this was approved by the Audit Committee in 2013.
3.228	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?				N/A	Contingency is available in the plan for consultancy work. No consultancy work above the contingency set in the plan has been accepted. The Audit Manager has produced a protocol on consulting engagements and this was approved by the Audit Committee in 2013.
3.3	1200 Proficiency and Due Professional Care					
3.301	1210 Proficiency					
3.302	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	Y				Audit Manager post split 50/50 between a CIMA and a CMIIA.
3.303	Is the CAE suitably experienced?	Y				Both Audit Managers have significant internal audit experience.
3.304	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	Y				Manager fully responsible for recruitment.

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3.305	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	Y				Audit Manager and Senior Auditor job descriptions have recently been reviewed as part of a restructure (2013). Auditor job description is currently being reviewed and updated.
3.306	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	Y				Three professionally qualified staff and one part qualified.
3.307	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	Y				Advice is available from the Scottish Local Authority Internal Auditors' Group which Midlothian Council is a member of. Informal sharing of audit reports and test plans is in place with East Lothian's Audit Service. The Internal Audit Manager periodically meets with the Council's External Auditor and knowledge shared. Advice can be purchased externally if necessary. One member of the Internal Audit team regularly attends the Scottish Local Authority Computer Audit Sub Group.
3.308	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Y				Audit Manager and Senior Auditor are both experienced in the evaluation of anti-fraud measures.
3.309	Do internal auditors have sufficient knowledge of key information technology risks and controls?	Y				<p>Although a dedicated IT auditor is not employed, IT risks are reviewed during the audit planning stage. Additionally, some members of the audit team have knowledge of IT through experience in IT audits and IT qualifications.</p> <p>The Audit Manager meets regularly with the Information Security Officer throughout the year to discuss IT risks.</p> <p>An auditor attends the Computer Audit Sub-Group of SLACIAG and reports back to the Audit Manager on IT risks that have been audited by other Councils and how they could be applied in Midlothian.</p> <p>The Internal audit Manager also liaises with Grant Thornton who have specialist IT support.</p>

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3.310	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	Y				Audit manager is experienced in applying CAATs and other audit team members have applied CAATs on various occasions during audits.
3.311	1220 Due Professional Care					
3.312	Do internal auditors exercise due professional care by considering the: a) Extent of work needed to achieve the engagement's objectives? b) Relative complexity, materiality or significance of matters to which assurance procedures are applied? c) Adequacy and effectiveness of governance, risk management and control processes? d) Probability of significant errors, fraud, or non-compliance? e) Cost of assurance in relation to potential benefits?	Y Y Y Y Y				The Audit manager or Senior Auditor discusses scope and control objectives with the auditor and approves every terms of reference before submission to the auditee. Guidance, information and advice are available to auditors when designing test plans from the Audit Manager. Audit Terms of Reference follow a template that requires the auditor to document in detail the scope, exclusions, risks and timescales of the audit. All work is subject to a quality assurance review by the Audit Manager or the Senior Auditor. Audit Universe in place. Audit Plan considers time/cost/complexity/materiality of each audit during the planning stage and the Audit Committee receives regular updates on the plan.
3.313	Do internal auditors exercise due professional care during a consulting engagement by considering the: a) Needs and expectations of clients, including the nature, timing and communication of engagement results? b) Relative complexity and extent of work needed to achieve the engagement's objectives? c) Cost of the consulting engagement in relation to potential benefits?	Y Y Y				These requirements are considered in detail during the planning stages of all consultancy work. All substantial consultancy engagements have a terms of reference authorised by a head of service or Director that details the scope, exclusions, risks, timescales and reporting of the requested consultancy work. Requests for consultancy within the consultancy budget for the year are assessed against the audit plan by the Audit Manager. Requests for consultancy outside the consultancy budget must be approved by the audit committee.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
						A number of Internal Audit reviews have been re-scheduled where management have indicated that the timing is not appropriate.
3.314	1230 Continuing Professional Development					
3.315	Has the CAE defined the skills and competencies for each level of auditor?	Y				Audit Manager and Senior Auditor job descriptions have recently been reviewed as part of a restructure (2013). Auditor job description is being finalised.
3.316	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	Y				Annual appraisal process in place with relevant work related objectives.
3.317	Do internal auditors undertake a programme of continuing professional Development?	Y				Each auditor is responsible for their own CPD requirements in order to main their professional memberships (e.g. with ACCA/CIMA/CMIIA). Personal objectives are also agreed at the planning meetings and tracked for completion through the annual appraisal process.
3.318	Do internal auditors maintain a record of their professional development and training activities?	Y				All relevant training events attended by audit staff are recorded.
3.4	1300 Quality Assurance and Improvement Programme					
3.401	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	Y				All audits are quality assured and subject to review by the Audit Manager or Senior Auditor. Evidence of review is kept on audit file.
3.402	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	Y				All audits are quality assured and subject to review by the Audit Manager or Senior Auditor. Evidence of review is kept on audit file.
3.403	Does the CAE maintain the QAIP?	Y				

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
3.404	If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?				N/A	Scottish Local Authority
3.405	1310 Requirements of the Quality Assurance and Improvement Programme					
3.406	Does the QAIP include both internal and external assessments?	Y				On 18 March 2013 the Audit Committee will be presented with a paper recommending being part of SLACIAG's independent validation framework for external assessments. The Internal audit section has a further 4 years to have an external assessment undertaken.
3.407	1311 Internal Assessments					
3.408	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	Y				This is part of the annual audit planning process. The Audit Manager and Senior Auditor are available to support staff auditing more complicated areas.
3.409	Do internal assessments include ongoing monitoring of the internal audit activity such as: a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	Y Y				All audit work is subject to review by the Audit Manager or Senior Auditor. More work has been carried out this year in relation to compliance with PSIAS given the requirements are new, but this is anticipated to reduce to an annual review in future years.
3.410	Does ongoing performance monitoring include comprehensive performance targets?		P			Work related objective targets are set in individual plans as part of the appraisal process. Every audit is quality assured by the Audit Manager or Senior Auditor and feedback provided to the relevant auditor. Reporting dates are set in the Terms of Reference submitted to senior management. Additionally the Audit Committee receives regular updates on the audit plan and the available audit days. SLACIAG have developed draft performance reporting (balanced scorecard) for Scottish Local Authority audit departments. These have been reviewed and will be applied once agreed by

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
						SLACIAG. <u>Recommendation</u> SLACIAG balanced scorecard to be introduced in 2014/15.
3.411	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Y				Timescales, staff time and information requirements are agreed in the Terms of Reference. The Terms of Reference is authorised at Head of Service level.
3.412	Does the CAE measure, monitor and report on progress against these targets?	Y				The Audit Manager and Senior Auditor are aware of every audit in progress and receive regular updates on progress. Regular updates are provided to the Audit Committee on progress with the plan.
3.413	Does ongoing performance monitoring include obtaining stakeholder feedback?		P			Feedback is obtained informally through the audit manager's discussions with senior management and positive feedback has been received from the chair of the audit committee and senior managers. A formal end of audit stakeholder feedback form is not used. <u>Recommendation</u> Development of feedback form for HOS to complete at the end of each audit.
3.414	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.	Y				Midlothian has elected to be a part of SLACIAG's independent validation framework. This is being kept under review as formal sign off is required through SLACIAG. External Audit assessments
3.415	Does the periodic assessment include a review of the activity	Y				Periodic self assessments include a review of the activity against

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	against the risk-based plan and the achievement of its aims and objectives?					the risk based plan and achievement of its aims and objectives. It is anticipated that the external assessments coordinated through SLACIAG's framework will also include this.
3.416	1312 External Assessments					
3.417	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	Y				Midlothian has elected to be a part of SLACIAG's independent validation framework.
3.418	Has the CAE considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	Y				This has been discussed and agreed with the Chief Executive and the Chair of the Audit Committee and it was agreed that SLACIAG's framework was the best way forward. A report on this was submitted to 18 March 2014 Audit Committee.
3.419	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	Y				Report on external assessments presented on 18 March 2014 to the Audit Committee.
3.420	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CEO or the chief executive?	Y				Report on external assessments to be presented on 18 March 2013 to the Audit Committee. Report discussed and agreed with Chair of Audit Committee and Chief Executive.
3.421	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?		P			External assessor has not yet been appointed. However the proposal is to facilitate this through SLACIAG at which point scope will be agreed.
3.422	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a) experience gained in organisations of similar size b) complexity c) sector (i.e. the public sector) d) industry (i.e. local government), and e) technical experience. Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.		P P P P P			SLACIAG's framework will ensure that the assessor is adequately qualified to carry out the assessment. SLACIAG are in the process of agreeing a framework for undertaking these reviews. This will provide the necessary competence in professional practice of Internal audit and the external assessment process. These assessments have not yet taken place.

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3.423	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?		P			SLACIAG's framework will ensure that the assessor is adequately qualified to carry out the assessment. However the assessment process has yet to be finally agreed and implemented.
3.424	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.		P			SLACIAG's framework will ensure that the assessor is independent and that there are no conflicts of interest (e.g. two councils will not be each other's auditor and auditee in the same reviewing period). However the assessment process has yet to be finally agreed and implemented.
3.425	1320 Reporting on the Quality Assurance and Improvement Programme					
3.426	Has the CAE reported the results of the QAIP to senior management and the board? Note that: a) the results of both external and periodic internal assessment must be communicated upon completion b) the results of ongoing monitoring must be communicated at least annually c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS	Y				The results of the internal assessment will be reported to the Audit Committee in May 2014. An internal assessment will be undertaken each year. The external assessment has not yet been undertaken but will be performed within the required timescales.
3.427	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	Y				Recommendations arising out of this review are included in the annual report.
3.428	1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'					
3.429	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	Y				This will only be used if supported by the results of the QAIP.
3.430	1322 Disclosure of Non-conformance					
3.431	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	Y				Some minor areas of non-compliance were noted in the report submitted to the Audit Committee in June 2013. The majority of

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						these were addressed in the revised Audit Charter. A small number of recommendations are raised following this assessment and these will be reported to the Audit Committee in May 2014.
3.432	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?				N/A	There are no significant deviations.
4	Performance Standards					
4.1	2000 Managing the Internal Audit Activity					
4.101	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	Y				This is demonstrated by the Audit Universe, the Audit Plan and the end of year annual Internal Audit report.
4.102	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the Standards	Y				The Internal Audit function conforms to the code by being independent, provides objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes This can be evidenced by: <ul style="list-style-type: none"> • Reporting lines • Audit Charter • Audit Manual • Audit Universe • Audit Plan • Audit Reports • Working Papers
4.103	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i>	Y				All auditors have a copy of the Councils Code of Ethics, the standards, the audit charter and the audit manual. Individual

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	and the <i>Standards</i> ?					performance is reviewed through the audit quality assurance process carried out by the Audit Manager or Senior Auditor. Each internal auditor is must also follow the code of ethics required by their professional institute.
4.104	Does the internal audit activity add value to the organisation and its stakeholders by a) Providing objective and relevant assurance? b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	Y Y				Midlothian's Audit Universe considers the Council's thematic priorities and risk registers as part of the planning process. Internal audit reports provide objective and relevant assurance Internal Audit reviews contain management action plans to improve governance, risk management and internal control processes. Every internal audit review will include an assessment of the adequacy of these areas in its terms of reference.
4.105	2010 Planning					
4.106	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	Y				Audit Universe. Each area of the Council is given a score based upon the likelihood and impact of the risk. Evidence for populating this database comes from the Council's risk management process, performance reporting, Internal Audit's own knowledge and experience and meeting with key Council officers.
4.107	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	Y				The audits selected are based on risk but also core systems and processes are included in the plan on a cyclical basis in order for the Audit Manager to provide an annual opinion. There is a specific section of the plan that details the requirement to provide an internal audit opinion.
4.108	Does the risk-based plan take into account the organisation's assurance framework?	Y				Risk registers and other assurance engagements in the year are taken into account in the Audit Universe.
4.109	Does the risk-based plan incorporate or is it linked to a strategic or high level statement of: a) How the internal audit service will be delivered? b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational			N N N		This is the first year of PSIAS. These requirements have been incorporated into the 2014/15 planning process.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	objectives and priorities?					
4.110	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	Y				The risk based plan includes a narrative against each review which highlights where there is a need to review local or and national issues and risks.
4.111	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	Y				Risk registers and other assurance engagements in the year taken into account in the audit universe.
4.112	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	Y				Where information is not available in the risk registers this approach is used. This is evidenced through meetings with Heads of Service by the Internal Audit Manager.
4.113	Does the risk-based plan set out the: a) Audit work to be carried out? b) Respective priorities of those pieces of audit work? c) Estimated resources needed for the work?	Y Y Y				Risk Based Audit Plan
4.114	Does the risk-based plan differentiate between audit and other types of work?	Y				Time for contingency / investigation set aside in the plan.
4.115	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	Y				The plan can be reviewed following any new risks / priorities with approval from the Audit Committee. Time is allocated in the plan for consultancy work which can be used for any emerging risks or direct requests for audit assistance from management or the Audit Committee.
4.116	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	Y				Plan reviewed throughout the year.
4.117	Is the internal audit activity's plan of engagements based on a documented risk assessment?	Y				Audit Universe which is risk assessed by the Internal Audit Manager.
4.118	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	Y				Audit Universe periodically updated. Full review occurs annually.
4.119	In developing the risk-based plan, has the CAE also considered the following: a) Any declarations of interest (for the avoidance for conflicts of interest)?	Y				No internal auditor has declared a conflict of interest with the audits on the plan.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	<p>b) The requirement to use specialists, eg IT or contract and procurement auditors?</p> <p>c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?</p> <p>d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?</p>	Y				<p>There are IT elements within the plan and an assessment will be made if there is a need for external support. Contact has already been made with External Audit who have IT audit resource.</p> <p>Time has been set aside for consultancy and investigations within the plan.</p> <p>Time has been built into the plan to allow for audit planning, manager attendance at audit committees, development of the annual summary and general internal audit management.</p>
4.120	Is the input of senior management and the board considered in the risk assessment process?	Y				Audit Manager will meet with each Head of Service to discuss risk and control issues as part of the audit planning process and update of the Audit Universe. The draft internal audit plan is submitted to the Corporate Management Team and the Audit committee for input.
4.121	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	Y				Annual Internal Audit opinion is presented to Corporate Management Team, the Chief Executive, Chair of the Audit Committee and the Audit Committee. Expectations of these individuals are part of these meetings and draft statement adjusted accordingly.
4.122	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	Y				The Internal Audit Manager will review the consulting engagement and determine whether there is merit in raising a formal internal audit report with recommendations for improved control.
4.123	Are consulting engagements that have been accepted included in the risk-based plan?	Y				Audit Plan
4.124	2020 Communication and Approval					
4.125	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	Y				Draft plan is submitted to Corporate Management Team and the Audit Committee.
4.126	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes	Y				The Audit Committee receives periodic updates throughout the year and any changes would be highlighted at this point.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	have arisen?					
4.127	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	Y				Only minor changes to plan in the year and these have been reported to the Audit Committee. Any significant change will also be reported.
4.128	2030 Resource Management					
4.129	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	Y				Included in annual report to the Audit Committee. There is a detailed summary of internal audit resource which supports the plan and this is discussed with the Chair of the Audit Committee and Chief Executive (only the plan is submitted to the Audit Committee). However Members would have an opportunity to challenge should they feel that there was insufficient coverage.
4.130	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	Y				Audit plan submitted to CMT for comment with the timings of audit suggested on the plan. Changes to this are made following feedback from CMT. Timing of internal audits can also be adjusted during the year to take account of management requests for delays.
4.131	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board? This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.	Y				Resource currently sufficient to deliver the plan. The team is however small at 3.7 FTE and there is a risk should key members of the team leave the organisation. Resilience will be kept under constant review.
4.132	2040 Policies and Procedures					
4.133	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Y				Audit Manual
4.134	Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	Y				Audit Manual Audit Charter explained to staff Standard templates in place to help staff complete audits All audits are quality assured and feedback is provided to auditors by the Senior Auditor or Audit Manager
4.135	Are the policies and procedures regularly reviewed and updated	Y				Audit Manual reviewed at least annually.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	to reflect changes in working practices and standards?					
4.136	2050 Coordination					
4.137	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance up on those sources?	Y				Audit Universe and audit plan takes into account other assurance activities in the year. Planning is undertaken with the External Auditors to avoid any duplication. Other regulator activity is reviewed as part of the planning process.
4.138	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?		P			<p>Will be considered going forward and could be incorporated into the audit universe. Audit universe already encompasses elements of this. However the Internal audit plan has been developed with a knowledge of the activities of other sources of assurance (External Audit, Audit Scotland, Information Commissioner's Office etc).</p> <p><u>Recommendation</u> To undertake a review of the technique of assurance mapping to determine if this can be used to show coverage by other service providers as part of the annual planning process (this is already undertaken by Internal Audit as part of the planning cycle but not using the technique of assurance mapping).</p>
4.139	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	Y				<p>Regular discussion with External Audit and other assurance activities in the year are noted to avoid duplication of effort. Internal Audit has also worked with the Housing Regulator / Information Commissioner where there has been elements of overlap.</p> <p>Meetings are also held with Heads of Service as part of the planning process to avoid any duplications.</p>
4.140	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	Y				Periodic meetings with external audit are in place. The audit plan is submitted to external audit to review to check for any duplication before submission to relevant committees.
4.141	2060 Reporting to Senior Management and the Board					
4.142	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority,	Y				Periodic updates on audit plan and internal audit activity submitted to audit committee.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	responsibility and performance relative to its plan?					
4.143	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	Y				All findings and risk exposures identified are reported to senior management and the audit committee.
4.144	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	Y				Internal Audit plan presented and agreed by Audit Committee and senior management which shows indicative times for reporting on audit work. All audit reports rate recommendations depending on their urgency (high, medium or low) and senior management and the Audit Committee must ratify any plans.
4.145	2070 External Service Provider and Organisational Responsibility for Internal Auditing					
4.146	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?				N/A	The internal audit service is fully in-sourced.
4.2	2100 Nature of Work					
4.201	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	Y				Audit Reports Management Action Plans
4.202	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	Y				Audit Plan Audit Reports Management Action Plans Annual report by Internal Audit Manager
4.203	2110 Governance					
4.204	Does the internal audit activity: a) Promote appropriate ethics and values within the organisation? b) Ensure effective organisational performance management and accountability?	Y Y Y				Audit Plan Audit Reports Management Action Plans Help-Desk

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	c) Communicate risk and control information to appropriate areas of the organisation? d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	Y				
4.205	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?	Y				Audit reports
4.206	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives? of the organisation's ethics-related objectives, programmes and activities?	Y				Audit reports
4.207	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	Y				Through specific IT audits - IT is also normally a component of all internal audit reviews.
4.208	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan?	Y				Proportionality is considered through the Audit Universe and Audit Planning process and the times allocated to each internal audit review.
4.209	2120 Risk Management					
4.210	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: a) Organisational objectives support and align with the organisation's mission? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite? d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?	Y Y Y Y Y				Risk Management is on the 2013/14 audit plan. Risk and risk management is considered in every audit.
4.211	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:					As part of the Audit Planning process and through completion of specific audits.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	Y Y Y Y Y				
4.212	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Y				Fraud risk is considered through the audit planning process. Additionally, the audit service established the Council's Anti-Fraud and Corruption Strategy and Whistleblowing procedure.
4.213	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	Y				Risk is considered in terms of reference of all audit assignments. Staff are trained in a risk based audit methodology.
4.214	Are internal auditors alert to other significant risks when undertaking consulting engagements?	Y				Risk is considered in terms of reference of all audit assignments. Staff are trained in a risk based audit methodology.
4.215	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	Y				Auditors do not take any management responsibility and are not responsible for Risk Management.
4.216	2130 Control					
4.217	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	Y Y Y Y Y				As part of the Audit Planning process and through completion of specific audits.
4.218	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	Y				Knowledge from previous audits / consultancy is applied to future audits (example includes accounts receivable).
4.3	2200 Engagement Planning					

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
4.301	Do internal auditors develop and document a plan for each engagement?	Y				Risk Control Evaluation Matrix and Test Plan Summary completed for every audit.
4.302	Does the engagement plan include the engagement's: a) Objectives? b) Scope? c) Timing? d) Resource allocations?	Y Y Y Y				This is detailed in the audit Terms of Reference.
4.303	Do internal auditors consider the following in planning an engagement, and is this documented: a) The objectives of the activity being reviewed? b) The means by which the activity controls its performance? c) The significant risks to the activity being audited? d) The activity's resources? e) The activity's operations? f) The means by which the potential impact of risk is kept to an acceptable level? g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?	Y Y Y Y Y Y Y Y				Included in the Terms of Reference, Risk Control Evaluation and other related audit planning documentation.
4.304	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: a) Objectives? b) Scope? c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	Y Y Y				All work for organisations outside the Council will receive a full Terms of Reference. The audit work will only commence once it has been approved by the Audit Manager, the Director, Resources or Chief Executive, and the external Organisations Board. An investigation / consultancy protocol has been developed to cover these situations and was approved by the Audit Committee in 2013.
4.305	For consulting engagements, have internal auditors established an understanding with the engagement clients about the					This is detailed in the audit Terms of Reference.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	following: a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client and other client expectations?	Y Y Y				
4.306	For significant consulting engagements, has this understanding been documented?	Y				This is detailed in the audit Terms of Reference.
4.307	2210 Engagement Objectives					
4.308	Have objectives been agreed for each engagement?	Y				This is detailed in the audit Terms of Reference.
4.309	Have internal auditors carried out a preliminary risk assessment of the activity under review?	Y				Planning documentation requires auditors to review related reports and risk registers before commencing the audit. Additionally auditors must meet with management to discuss the area under review and risks will be discussed at this stage. This work is carried out before the audit Terms of Reference is drafted and approved by the Audit Manager and Head of Service.
4.310	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	Y				Planning documentation Audit Terms of Reference
4.311	Have internal auditors considered the probability of the following, when developing the engagement objectives: a) Significant errors? b) Fraud? c) Non-compliance? d) Any other risks?	Y Y Y Y				Risks are considered at the audit planning stage and documented in the Terms of Reference.
4.312	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	Y				Internal audits include monitoring and information and communication controls which would include managements self assessment against goals and objectives.
4.313	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	Y				Risk register, documented internal controls and KPIs reviewed where applicable to the area under review.
4.314	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop	Y				Lack of KPIs and/or inadequate risk register and documentation of internal controls would be reported as part of the

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	appropriate evaluation criteria?					management action plan.
4.315	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	Y				Audit Reports
4.316	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	Y				This is detailed in the audit Terms of Reference.
4.317	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	Y				This is detailed in the audit Terms of Reference. Internal audit involvement with consulting engagements is defined within a protocol.
4.318	2220 Engagement Scope					
4.319	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	Y				Audit Terms of Reference. Scope subject to review by Audit Manager and HOS.
4.320	Does the engagement scope include consideration of the following relevant areas of the organisation: a) Systems? b) Records? c) Personnel? d) Premises?	Y Y Y Y				This is detailed in the audit Terms of Reference where relevant to the review being undertaken.
4.321	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate: a) Systems? b) Records? c) Personnel? d) Premises?	Y Y Y Y				This is detailed in the audit Terms of Reference where relevant to the review being undertaken.
4.322	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?				N/A	
4.323	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant				N/A	

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	consulting Standards?					
4.324	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	Y				This is detailed in the audit Terms of Reference.
4.325	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?				N/A	No reservations over a consulting engagement occurred during the year. Internal audit involvement with consulting engagements is defined within a protocol which was approved by the Audit committee in 2013.
4.326	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	Y				Control objectives as set out in the terms of reference are reviewed and reported on.
4.327	During consulting engagements, were internal auditors alert to any significant control issues?	Y				Testing of control issues is the core purpose of most consultancy engagements.
4.328	2230 Engagement Resource Allocation					
4.329	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on: a) The nature and complexity of each individual engagement? b) Any time constraints? c) The resources available?	Y Y Y				This is considered at the Audit Planning stage and then elaborated on further in the Audit Terms of Reference which is approved by the Audit Manager and HOS.
4.330	2240 Engagement Work Programme					
4.331	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	Y				Standard templates in place.
4.332	Do the engagement work programmes include the following procedures for: a) Identifying information? b) Analysing information? c) Evaluating information? d) Documenting information?	Y Y Y Y				Standard documentation for Risk Control Evaluation Matrix & Test Schedules. Meeting notes and walkthrough notes are all included in the audit file.
4.333	Were work programmes approved prior to implementation for each engagement?	Y				Reviewed by Senior Auditor or Audit Manager.
4.334	Were any adjustments required to work programmes approved	Y				Changes to test plan discussed with Senior Auditor or Audit

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	promptly?					Manager. All audit files are subject to quality assurance review.
4.4	2300 Performing the Engagement					
4.401	Have internal auditors carried out the following in order to achieve each engagement's objectives: a) Identify sufficient information? b) Analyse sufficient information? c) Evaluate sufficient information? d) Document sufficient information?	Y Y Y Y				Risk Control Evaluation Matrix Audit Files – Test Schedules and Meeting/Walkthrough notes Audit Reports Quality assurance reviews by Audit Manager and Senior Auditor
4.402	2310 Identifying Information					
4.403	Have internal auditors identified the following in order to achieve each engagement's objectives: a) Sufficient information? b) Reliable information? c) Relevant information? d) Useful information?	Y Y Y Y				Risk Control Evaluation Matrix Audit Files – Test Schedules and Meeting/Walkthrough notes Audit Reports Quality assurance reviews by Audit Manager and Senior Auditor
4.404	2320 Analysis and Evaluation					
4.405	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	Y				Risk Control Evaluation Matrix Audit Files – Test Schedules and Meeting/Walkthrough notes Audit Reports Quality assurance reviews by Audit Manager and Senior Auditor
4.406	Have internal auditors remained alert to the possibility of the following: a) intentional wrongdoing b) errors and omissions c) poor value for money d) failure to comply with management policy, and e) conflicts of interest When performing their individual audits, and has this been documented?	Y Y Y Y Y Y				Risks considered and documented at the planning stage then elaborated on further in the Risk Control Evaluation Matrix. All internal auditors are aware to look for concerns in areas a) to e) in any audit undertaken.
4.407	2330 Documenting Information					
4.408	Have internal auditors documented the relevant information required to support engagement conclusions and results?	Y				Risk Control Evaluation Matrix Audit Files – Test Schedules and Meeting/Walkthrough notes

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
						Audit Reports Quality assurance reviews by Audit Manager and Senior Auditor
4.409	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	Y				Risk Control Evaluation Matrix Audit Files – Test Schedules and Meeting/Walkthrough notes Audit Reports Quality assurance reviews by Audit Manager and Senior Auditor
4.410	Does the CAE control access to engagement records?	Y				Files adequately secured by the Audit Manager.
4.411	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	Y				Legal advice obtained before release of documents.
4.412	Has the CAE developed and implemented retention requirements for all types of engagement records?	Y				Retention policy in place and applied.
4.413	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	Y				Retention policy consistent with central guidance.
4.414	2340 Engagement Supervision					
4.415	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	Y				Mentoring in place and all audits are quality assured.
4.416	Is appropriate evidence of supervision documented and retained for each engagement?	Y				Evidence of management supervision and quality assurance review kept on file.
4.5	2400 Communicating Results					
4.501	Do internal auditors communicate the results of engagements?	Y				All audits submitted to audit committee and relevant senior managers.
4.502	2410 Criteria for Communicating					
4.503	Do the communications of engagement results include the following: a) The engagement's objectives? b) The scope of the engagement? c) Applicable conclusions? d) Recommendations and action plans, if appropriate?	Y Y Y Y				Audit Reports

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
4.504	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	Y				The content of all reports and all actions/recommendations must be discussed with relevant managers. Process in place to submit draft reports to CMT if the report is rated as limited assurance or if the audit crosses services. This is documented in the Audit Charter.
4.505	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	Y				Priority rating attached to recommendations.
4.506	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	Y				Timescales included on all recommendations. Audit report notes recommendations that have already been implemented after the issue has been identified to management when the report is ready to be submitted to audit committee. Adequate evidence must be obtained that the recommendation has been completed.
4.507	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	Y				This practice is applied.
4.508	Do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?	Y				All material facts relevant to the control objectives are disclosed.
4.509	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	Y				All internal audit reports include an opinion supported by the audit findings.
4.510	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	Y				Opinion of management is considered. Final opinion of the audit report is the auditor's opinion.
4.511	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	Y				Audit reports Audit File and relevant documentation
4.512	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in	Y				Audit reports

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	question?					
4.513	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	Y				The majority of Internal audit Reports are public documents. Where they are not the relevant section for non disclosure is added to the final report issued to the Audit Committee.
4.514	If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services?				N/A	Midlothian's audit service has not been required to provide assurance to partnership organisations.
4.515	2420 Quality of Communications					
4.516	Are communications: a) Accurate? b) Objective? c) Clear? d) Concise? e) Constructive? f) Complete? g) Timely?	Y Y Y Y Y Y Y				All Audit Reports, Risk Control Evaluation Matrices and Terms of Reference Quality Assured by the Audit Manager or Senior Auditor. The audit service aims to achieve all these objectives for the quality of audit communications.
4.517	2421 Errors and Omissions					
4.518	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	Y				This has not occurred. However, should this occur, this process would be followed.
4.519	2430 Use of ' <i>Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing</i> '					
4.520	Do internal auditors report that engagements <i>are 'conducted in conformance with the PSIAS'</i> only if the results of the QAIP support such a statement?	Y				Full deceleration provided to the Audit Committee.
4.521	2431 Engagement Disclosure of Non conformance					
4.522	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved?	Y				No engagement has been identified as not conforming to PSIAS. However, should this occur, this process would be followed.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?	Y Y				
4.523	2440 Disseminating Results					
4.524	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	Y				Reporting requirements are set out in Audit Charter and Audit Manual and this process is followed. Confidentiality and exclusions are considered as per the documented process.
4.525	Has the CAE communicated engagement results to all appropriate parties?	Y				See above.
4.526	Before releasing engagement results to parties outside the organisation, did the CAE: a) Assess the potential risk to the organisation? b) Consult with senior management and/or legal counsel as appropriate? c) Control dissemination by restricting the use of the results?	 Y Y Y				See above.
4.527	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	Y				See above.
4.528	Has the CAE delivered an annual internal audit opinion?	Y				Annual Internal Audit Report
4.529	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	Y				Annual Internal Audit Report
4.530	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	Y				Annual Internal Audit Report
4.531	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	Y				Annual Internal Audit Report
4.532	Does the communication identify the following: a) The scope of the opinion, including the time period to which the opinion relates? b) Any scope limitations? c) The consideration of all related projects including the reliance on other assurance providers?	 Y Y Y				Annual Internal Audit Report

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	d) The risk or control framework or other criteria used as a basis for the overall opinion?	Y				
4.533	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	Y				If an unfavourable opinion this would be fully explained in the annual internal audit report.
4.534	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	Y				Annual Internal Audit Report
4.535	Does the annual report incorporate the following: a) The annual internal audit opinion? b) A summary of the work that supports the opinion? c) A disclosure of any qualifications to the opinion? d) The reasons for any qualifications to the opinion? e) A disclosure of any impairments or restriction in scope? f) A comparison or work actually carried out with the work planned? g) A statement on conformance with the PSIAS? h) The results of the Quality Assurance Improvement Programme? i) Progress against any improvement plans resulting from the QAIP? j) A summary of the performance of the internal audit activity against its performance measures and targets? k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	Y Y Y Y Y Y Y Y Y Y				Annual Internal Audit Report This is a new requirement and has been applied from 2013/14.
4.6	2500 Monitoring Progress					
4.61	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	Y				Annual follow-up review of audit recommendations carried out. This is part of the annual audit plan.
4.62	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?	Y				A revised action plan with further recommendations will be submitted to the audit committee if necessary. If the follow up review identified major concerns this would be used to inform the annual opinion.
4.63	Do the results of monitoring management actions inform the	Y				All findings in the year inform the annual risk based audit plan.

Ref	Conformance with the Standard	Y	P	N	N/A	Evidence
	risk-based planning of future audit work?					
4.64	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	Y				These are tracked in the same way as audit recommendations for all substantial consultancy engagements.
4.7	2600 Communicating the Acceptance of Risks					
4.71	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?				N/A	The Audit Manager has not concluded this.
4.72	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?				N/A	The Audit Manager has not concluded this.