

# External Quality Assessment

## Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note

### How to use this checklist

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and external 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 ensure a comprehensive assessment of conformance.

The checklist is split into 4 sections: Section A – Definition of Internal Auditing, Section B – Code of Ethics, Section C – Attribute Standards, Section D – Performance Standards. As the assessment of Sections A and B are dependent on the outcome of the assessments of Sections C and D, they should be completed at the end of the assessment process.















Where appropriate, each test on the checklist provides suggested primary and other evidence that might be used to support the self-assessment and the external validation exercise. Primary evidence would generally be expected, other evidence is considered to be alternative or supplementary to the primary evidence. However, the absence of suggested evidence, either primary or other does not necessarily mean that there is non-conformance. The assessment team must use its judgment of all evidence provided in support of the area being assessed.

The assessment section of each test should be used to document the evidence relied upon and the outcome of each test.

Each assessment area has an overall conclusion. The assessment team is required to conclude whether in overall terms the internal audit activity being assessed either fully conforms, generally conforms, partially conforms or does not conform for that assessment area. Further guidance on these categories is provided in the External Quality Assessment Framework Guidance document. Areas of good practice and areas requiring improvement identified by the assessment should be listed within the designated sections of the checklist. The areas requiring improvement should already feature in the Quality Improvement Plan for the internal audit activity being assessed. However, where this is found not to be the case, recommendations will be made as appropriate and cross referenced to the final report.

Name of the Council being assessed:	Midlothian Council
Name and title of the designated Chief Audit Executive:	Graham Herbert, Internal Audit Manager
Date of self assessment:	31/03/15
Name of the Committee that is responsible for audit matters:	Audit Committee
Name of the Chair of the Committee that is responsible for audit matters:	Peter Smail
Name and designation of the administrative reporting line for the Chief Audit Executive:	Direct report to Chief Executive
Name, designation and Council of the assessment team lead:	N/A Self Assessment
Date of external assessment:	N/A Self Assessment
Signed by assessment team lead:	Graham Herbert Internal Audit Manager
Signed by Chief Audit Executive:	Graham Herbert Internal Audit Manager

## Summary of Assessment

Reference	Page	Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
<a href="#">Section A</a>	1	<a href="#">Definition of Internal Auditing</a>				
<a href="#">Section B</a>	2	<a href="#">Code of Ethics</a>				
<a href="#">Section C</a>	4	<a href="#">Attribute Standards</a>				
<a href="#">1000</a>	4	<a href="#">Purpose, Authority and Responsibility</a>				
<a href="#">1100</a>	7	<a href="#">Independence and Objectivity</a>				
<a href="#">1200</a>	13	<a href="#">Proficiency and Due Professional Care</a>				
<a href="#">1300</a>	16	<a href="#">Quality Assurance and Improvement Programme</a>				
<a href="#">Section D</a>	19	<a href="#">Performance Standards</a>				
<a href="#">2000</a>	19	<a href="#">Managing the internal Audit Activity</a>				
<a href="#">2100</a>	26	<a href="#">Nature of Work</a>				
<a href="#">2200</a>	29	<a href="#">Engagement Planning</a>				
<a href="#">2300</a>	33	<a href="#">Performing the Engagement</a>				

<a href="#"><u>2400</u></a>	36	<a href="#"><u>Communicating Results</u></a>				
<a href="#"><u>2500</u></a>	42	<a href="#"><u>Monitoring Progress</u></a>				
<a href="#"><u>2600</u></a>	44	<a href="#"><u>Communicating the Acceptance of Risks</u></a>				

Section A		Definition of Internal Auditing		
There are key areas within the standards that contribute towards the assessment of whether or not the Internal Audit activity meets the definition of Internal Auditing. Principally, these are Attribute Standards 1000 Purpose, Authority and Responsibility and 1100, Independence and objectivity.				
	Test	Primary Evidence	Other Evidence	Assessment
A.1	<p><b>Definition of Internal Auditing</b></p> <p>Using evidence gained from assessing conformance with other Standards conclude as to whether the internal audit activity complies with the definition of internal auditing.</p>	<p>The definition is contained within the Audit Charter (Ref: A) and the rest of the charter shows how Internal audit function complies with this definition and is evidenced in the detail below.</p> <p>Evidence of meeting the definition of Internal audit is contained within sections 1000 and 1100 below.</p>		Satisfactory
<b>Overall Conclusion</b>	<p><b>Definition of Internal Auditing Assessment</b></p> <p>Fully conforms <input checked="" type="checkbox"/></p> <p>Generally conforms <input type="checkbox"/></p>	<b>Good practice</b>	<b>Areas for improvement</b>	

	<b>Partially conforms</b> <input type="checkbox"/>		
	<b>Does not conform</b> <input type="checkbox"/>		

Section B		Code of Ethics		
<p>There are key areas within the standards that contribute towards the assessment of whether or not individual auditors comply with the Code of Ethics. Principally, these are Attribute Standards 1000 - Purpose, Authority and Responsibility, 1100 - Independence and Objectivity, 1200 - Proficiency and Due Professional Care, and Professional Standards 2000 - Managing the Internal Audit Activity and 2300 - Performing the Engagement.</p>				
	Tests	Primary Evidence	Other Evidence	Assessment
B.1	<p><b>Integrity</b> Using evidence gained from assessing conformance with other Standards, are internal auditors adequately supported by the organisation and Internal Audit management to perform their work with honesty, diligence and responsibility.</p>	Evidence provided in sections 1000 / 1100 / 1200 / 2000 and 2300.		Satisfactory
B.2	<p><b>Objectivity</b> Using evidence gained from assessing conformance with other Standards, are internal auditors adequately supported by the organisation and Internal Audit management to perform their work objectively.</p>	Evidence provided in sections 1000 / 1100 / 1200 / 2000 and 2300		Satisfactory
B.3	<p><b>Confidentiality</b> Using evidence gained from assessing conformance with other Standards, are internal auditors adequately supported by the organisation and Internal Audit management to respect the confidentiality of the information they acquire in the performance of their work objectively.</p>	Evidence provided in sections 1000 / 1100 / 1200 / 2000 and 2300		Satisfactory

B.4	<p><b>Competency</b></p> <p>Using evidence gained from assessing conformance with other Standards, are internal auditors adequately supported by the organisation and Internal Audit management to apply the required knowledge, skills and experience in the performance of their work.</p>	<p>Evidence provided in sections 1000 / 1100 / 1200 / 2000 and 2300</p>		Satisfactory
B.5	<p><b>Nolan Principles</b></p> <p>Using evidence gained from assessing conformance with other Standards, are internal auditors adequately supported by the organisation and Internal Audit management to have regard to the Standards of Public Life's <i>Seven Principles of Public Life (not already specifically mentioned above)</i>?</p>	<p>The Audit Charter requires that Internal auditors have regard to the Standard Seven Principles of Public Life (Ref: A 23). Internal Auditors are also required to sign a declaration each year that requires them to declare that they are aware of the Seven Principals (Ref: N).</p>		Satisfactory



<b>Overall Conclusion</b>	<b>Code of Ethics Assessment</b>	<b>Good practice</b>	<b>Areas for improvement</b>
	Fully conforms	<input checked="" type="checkbox"/>	
	Generally conforms	<input type="checkbox"/>	
	Partially conforms	<input type="checkbox"/>	
	Does not conform	<input type="checkbox"/>	

<b>Section C</b>		<b>Attribute Standards</b>		
<b>1000</b>	<b>Purpose, Authority and Responsibility – The standard sets out that the purpose, authority and responsibility of the internal audit activity must be defined in an Internal Audit Charter. It should define the nature of assurance services and consulting activities as well as internal audit’s position in the organisation and relationships between the Chief Audit Executive and the Board.</b>			
	<b>Tests</b>	<b>Primary Evidence</b>	<b>Other Evidence</b>	<b>Assessment</b>
1000.1	<b>Purpose, Authority and Responsibility</b> Obtain a copy of the Internal Audit Charter and confirm that it contains the following:  1. A definition of the purpose, authority and	Evidence provided through Audit Charter which was approved by the Audit Committee in June 2013 and again in October 2014.  1. Defined in audit Charter see ref A 1 (a/b/c).		1. Satisfactory.

	<p>responsibility of the internal audit activity;</p> <p>2. A definition of the terms 'Board' and 'senior management', for the purposes of the internal audit activity;</p> <p>3. The internal audit activity's position within the organisation;</p> <p>4. The CAE's functional reporting relationship with the Board;</p> <p>5. The accountability, reporting line and relationship between the CAE and those to whom the CAE reports to administratively;</p> <p>6. The responsibility of the Board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit;</p> <p>7. 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>8. A definition of the scope of internal audit activities;</p> <p>9. Recognition that internal audit's remit extends to the entire control environment of the organisation;</p>	<p>2. Defined in Charter – see ref A 2.</p> <p>3. Defined in audit Charter see ref A 3.</p> <p>4. Defined in Charter see ref A 4.</p> <p>5. Defined in audit charter see ref A 5.</p> <p>6. Defined in Audit Charter see ref A 6.</p> <p>7. Defined in audit Charter see ref A 7.</p> <p>8. Defined in Audit Charter see ref A 8.</p> <p>9. Defined in audit Charter see ref A 9.</p>		<p>2. Satisfactory</p> <p>3. Satisfactory</p> <p>4. Satisfactory</p> <p>5. Satisfactory</p> <p>6. Need to add section in relation to monitoring officer in relation to Internal Audit within the audit Charter (Complete).</p> <p>7. Satisfactory</p> <p>8. Satisfactory</p> <p>9. Satisfactory</p>
--	--	---	--	---

	<p>10. The organisational independence of internal audit;</p> <p>11. Arrangements for appropriate resourcing;</p> <p>12. A definition of the role of internal audit in any fraud-related work;</p> <p>13. The organisations arrangements for anti-fraud and anti-corruption policies;</p> <p>14. A requirement for internal audit to be notified of all suspected or detected fraud, corruption or</p>	<p>10. Defined in the Audit Charter see ref A 10.</p> <p>11. The Internal audit Manager will report on resourcing of the section as part of the annual report to the audit committee. This inclusion is mentioned in the Audit charter as one of the duties of the Audit Manager. See ref A 11.</p> <p>12. Defined in audit Charter see ref A 12. Note that there is mention throughout the charter of responsibilities in relation to fraud (see A 12 a / b / c / d /e/f/</p> <p>13. Audit Charter details that management have responsibility for anti fraud and anti-corruption Ref A 13).</p> <p>14. Included in Audit Charter – see ref A 14.</p>		<p>10. Satisfactory</p> <p>11. Satisfactory</p> <p>12. Satisfactory</p> <p>13. Satisfactory</p> <p>14. Satisfactory</p>
--	---	--	--	--

	<p>impropriety;</p> <p>15. Arrangements for avoiding conflicts of interest, if internal audit undertakes non-audit activities;</p> <p>16. A definition of the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation;</p> <p>17. A definition of the nature of consulting services;</p> <p>18. Recognition of the mandatory nature of the PSIAS.</p>	<p>15. Included in Audit Charter – see ref A 15</p> <p>16. The nature of the assurance services provided is detailed under the purpose of the Internal Audit Section and details provided within the Scope. These are contained within the Audit charter - see section A18 and 8.</p> <p>17. Included in audit Charter –see ref A17.</p> <p>18. Not specifically mentioned as a mandatory requirement.</p>		<p>15. Satisfactory</p> <p>16. A section needs to be added in relation to assurance to third parties (Complete).</p> <p>17. Satisfactory</p> <p>18. Add the word mandatory (Complete).</p>
1000.2	Confirm that the most recent Internal Audit Charter has been communicated to the Senior Management Team.	Note that senior council management attend the Audit Committee (including Chief Executive, Director Resources, Director of Education Communities and Econ-		CMT to be presented with Audit Charter (Complete).

		omy and Section 95 Officer.) However for completeness the charter should be passed for agreement by CMT.		
1000.3	Confirm that the most recent Internal Audit Charter has been approved by the Board.	Presented to the Audit committee in June 2013 and October 2014.  (See evidence b and C).		Satisfactory.
1000.4	Confirm that the Internal Audit Charter has been reviewed by the CAE within the last 12 months.	Reviewed by CAE in June 2013 and October 2014.  (See evidence Ref B and C).		Satisfactory.
<b>Overall Conclusion</b>	<b>1000 – Purpose, Authority and Responsibility Assessment</b>  <b>Fully conforms</b> <input checked="" type="checkbox"/>  <b>Generally conforms</b> <input type="checkbox"/>  <b>Partially conforms</b> <input type="checkbox"/>  <b>Does not conform</b> <input type="checkbox"/>	<b>Good practice</b>  A detailed Audit Charter is in place which defines the requirements of the PSIAS and which is regularly passed to the Audit Committee for approval.		<b>Areas for improvement</b>  Minor updates required to Audit Charter / referral of the Charter to CMT.

1100	Independence and Objectivity – The standard sets out the organisational and reporting lines expected to promote and preserve the organisational independence of the internal audit activity. It also sets out the arrangements expected to achieve individual objectivity and for dealing with potential and actual conflicts of interest.			
	Tests	Primary Evidence	Other Evidence	Assessment
1100.1	<p><b>Organisational Independence</b></p> <p>Confirm that the CAE reports functionally and communicates / interacts directly with the Board.</p> <p>This is likely to be demonstrated by:</p> <ul style="list-style-type: none"> <li>• The CAE contributes to the Audit Committee agendas;</li> <li>• The CAE regularly attends Audit Committee meetings;</li> <li>• The CAE presents reports to the Audit Committee on the internal audit activity's performance relative to its Audit Plan and other matters;</li> <li>• Reports from the CAE are submitted to the</li> </ul>	<ul style="list-style-type: none"> <li>• The CAE submits papers to every audit committee (see copy agenda at D)</li> <li>• The CAE has attended every Audit Committee Meeting over the past year (see copy at D).</li> <li>• Two reports are presented one at the end of the Financial year (May) and one part way through the year (December). See E and F</li> <li>• Internal Audit Reports</li> </ul>		<p>Satisfactory</p> <p>Satisfactory Note that minutes only evidence Elected Member attendance. Agenda shows reports presented by CAE and recorded minutes are available if required.</p> <p>Satisfactory</p> <p>Satisfactory</p>

	Audit Committee directly by the CAE.	are presented in the CAE name (see copy of agenda at Ref: D);		
1100.2	<p>By reference to the Internal Audit Charter, responses to key stakeholder questionnaires and where necessary discussion with key stakeholders, confirm that reporting and management arrangements have been put in place which allows the internal audit activity to fulfil its responsibilities and preserves the CAE's independence and objectivity.</p> <p>This is likely to be demonstrated by:</p> <ul style="list-style-type: none"> <li>• The CAE reporting operationally to an organisational level equal or higher to the corporate management team;</li> <li>• The CAE having direct and unrestricted access to Senior Management, the Board, the Chief Executive and the Chair of the Audit Committee and;</li> <li>• There being evidence of regular communications with these key stakeholders;</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Charter defines that Internal Audit report to the Chief Executive operationally (See A5).</li> <li>• Audit Charter defines Internal Audit right to meet on a regular basis with the Chair of Audit Committee, Committee Members, Chief Executive and Senior officers of the Council. See A5).</li> <li>• The CAE meets with the Chief Executive on a regular basis (9 meetings between the period March to December 2014).</li> </ul>		<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>

	<ul style="list-style-type: none"> <li>• Approval of the risk based Audit Plan by the Board;</li> <li>• Approval of the internal audit budget and resource plan by the Board;</li> <li>• Assurance is sought by the Board that there are</li> </ul>	<p>Formal agendas are prepared for these meetings and examples are included at G. The CAE meets with the Chair of the Audit Committee normally a week before each Audit Committee meeting to discuss the agenda / likely questions from members. The CAE meets the S95 officer / Director Resources / Chair of Audit committee and Chief Executive ahead of all Audit Committee meetings.</p> <ul style="list-style-type: none"> <li>• Approved each year in March (see Ref: H).</li> <li>• Information is provided on the number of Audits achievable with the resource but the Board is not asked to approve the audit budget / resource plan directly (see Q).</li> <li>• Reporting line described in Audit Char-</li> </ul>		<p>Satisfactory</p> <p>Submitted to Board as part of 2015/16 plan (Complete).</p> <p>Satisfactory</p>
--	---	---	--	---



	<p>no significant threats to the independence of the internal audit activity, such as inappropriate scope or resource limitations and;</p> <p>The CAE's position in the management structure carries sufficient status to:</p> <ul style="list-style-type: none"> <li>• Reflect the influence he or she has on the control environment;</li> </ul>	<p>ter which is presented to the Audit Committee regularly. This provides details of Audit reporting line and independence. See A5/10. Also included in Managers Annual Statement</p> <ul style="list-style-type: none"> <li>• CAE reports directly to the Chief Executive structurally and functionally to the Audit Committee. Issues can therefore be raised directly with either the Chief Executive or the Audit Committee. This reporting arrangement is detailed in the Audit Charter (Ref A 4/5and 6). Evidence of Internal Audit influence on the control environment is demonstrated by the number of recommendations that have been raised by the section and the number reported as having been imple-</li> </ul>		<p>Satisfactory</p>
--	--	---	--	---------------------

	<ul style="list-style-type: none"> <li>• Ensure that the Audit Plan, reports and action plans are discussed effectively with the Board and;</li> </ul>	<p>mented. During the period 2010/11 to October 2014, the Internal Audit Section have raised a total of 636 recommendations which were agreed to be implemented by management (see I for report to Audit Committee as evidence). Of these 508 have been reported as implemented. Internal audit also undertakes sample testing to ensure that where management have claimed to have addressed an issue they have indeed done so (Ref: I and I1). This exercise is undertaken in June of every year.</p> <ul style="list-style-type: none"> <li>• The Audit plan and all Internal Audit Reports are presented to the Audit Committee for discussion and agreement. All Internal audit Reports contain an action plan which the audit com-</li> </ul>		<p>Satisfactory</p>
--	--	---	--	---------------------

	<ul style="list-style-type: none"> <li>Ensure that he or she is able to provide credible constructive challenge to senior management.</li> </ul>	<p>mittee is asked to endorse. Ref H and AL)</p> <ul style="list-style-type: none"> <li>Internal audit Reports evidence that Internal Audit is able to offer credible constructive challenge to senior management. Evidence of Internal Audit providing constructive challenge to management is through Internal Audit Reports. During the period 2010/11 to October 2014, the Internal Audit Section have raised a total of 636 recommendations which were agreed to be implemented by management (see I and I (1) for report to Audit Committee as evidence).</li> </ul>		Satisfactory
1100.3	Confirm that the CAE confirms to the Board, at least annually, that the internal audit activity is organisationally independent.	The Internal Manager includes in the Annual Assurance Report a statement confirming Internal Audit's operational independence. See J (2.4).		Satisfactory

1100.4	<p>Confirm through discussion with key stakeholders, that the underlying principal of the CAE's independence is supported by appropriate organisational arrangements to prevent inappropriate influence by those subject to audit.</p> <p>This is likely to be demonstrated by:</p> <ul style="list-style-type: none"> <li>• Organisational wide HR policies and procedures for recruitment, discipline and performance appraisal;</li>   <li>• Performance appraisals include feedback from at least the Chief Executive and the Chair of the Board;</li> </ul>	<ul style="list-style-type: none"> <li>• There are Council wide policies and procedures in relation to recruitment (K1), discipline (K 2) and performance appraisal (K 3) that apply to the whole audit team including the CAE.</li>   <li>• The Chief Executive undertakes the annual appraisal of the CAE while the CAE undertakes the appraisal of the audit team with sign off by the Chief Executive. The independent chair of the audit committee has provided informal comment and specific comment on individual audits etc. (see L).</li> </ul>		<p>Satisfactory</p> <p>Satisfactory</p>
--------	--	--	--	--

	<ul style="list-style-type: none"> <li>Performance appraisals are subject to independent scrutiny (most likely by the Chief Executive) and countersigned.</li> </ul>	<ul style="list-style-type: none"> <li>Chief Executive reviews the appraisals undertaken by the CAE for the Internal Audit team and undertakes the assessment of the CAE.</li> </ul>		Satisfactory
1100.5	<p><b>Individual Objectivity</b></p> <p>Review appropriate documentation to confirm that organisational arrangements are adequate to promote objectivity through the avoidance or declaration of actual or perceived conflicts of interest.</p>	<p>Various documents are available to Internal Auditors:</p> <ul style="list-style-type: none"> <li>Employee code of Conduct (see Ref M – of particular relevance are sections 3.4 / 3.5 / 3.6 /3.7).</li> <li>Audit Charter (see Ref. A 10)</li> <li>Annual declaration by Auditors (Ref N).</li> <li>Internal Audit Manual (Ref O (a)).</li> </ul>		Satisfactory
1100.6	<p>Confirm through discussion with the CAE and a sample of team members, that adequate arrangements are in place to inform individual auditors of their responsibilities in relation to potential conflicts of interest and promote impartial and unbiased</p>	<p>Auditors are required to sign an annual declaration (Ref N).</p>		Satisfactory

	behaviours.			
1100.7	<p>Confirm, through discussion, that individual auditors have been informed of key organisational policies which support the avoidance of conflicts of interest.</p> <p>Key policies are likely to include:</p> <ul style="list-style-type: none"> <li>• Employee code of conduct;</li> <li>• Disciplinary policy;</li> <li>• Information security policy;</li> <li>• Data protection policy;</li> <li>• Gifts and hospitality policy;</li> <li>• Anti-fraud policies and;</li> <li>• Anti-bribery and corruption policies.</li> </ul>	All the listed policies are included within the annual declaration policy signed by each auditor. (Ref N).		Satisfactory
1100.8	<p>Confirm, through discussion, that individual internal auditors are aware that they must disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice.</p>	Requirement built into annual declaration which all internal audit are required to sign. (Ref N).		Satisfactory

1100.9	<p><b>Impairment to Independence or Objectivity</b></p> <p>Ascertain whether the CAE has responsibility for other operational activities and confirm that any assurance engagements, of those operations, undertaken in the previous 12 months have been overseen by someone outside of the internal audit activity.</p>	<p>The CAE does not currently have any operational responsibilities.</p> <p>Going forward the CAE is to become responsible for the Fraud team who currently undertake work on benefit fraud. There are some operational areas associated with this in terms of regular reporting to DWP and preparation of performance indicators. However benefit fraud is to transfer to the DWP from October 2015 and no audits are planned of these areas before the transfer.</p>		Satisfactory
1100.10	<p>Confirm, through discussion with the CAE and individual team members that, for the previous 12 months, individual auditors appointed to the team (including return from secondment) have not had responsibility for undertaking assignments in relation to the specific operations for which they have previously been responsible.</p>	<p>The current Audit team have not had responsibility for any areas that they have audited. With maternity cover being arranged it is possible that staff from SWITCH may be used but the CAE will ensure</p>		Satisfactory.

		that they are not involved in audits of sections where they previously worked.		
1100.11	Confirm, through discussion with the CAE and individual team members that, assignments for ongoing assurance engagements and other audit responsibilities are rotated periodically within the internal audit team.	<p>The CAE will where ever possible ensure that the same auditor does not regularly review the same areas although it does need to be appreciated that the team is small in size and therefore this is not always possible. This requirement is also built into the Audit Manual see Ref. O (b).</p> <p>There are no recent instances of the Internal Auditors undertaking the same audits (other than follow up reviews).</p>		Satisfactory
1100.12	Confirm, through discussion with the CAE and key stakeholders that, any known or alleged breaches of policy by individual auditors are thoroughly investigated and acted on in line with organisational policies.	There have been no breaches of policy by individual auditors.		Satisfactory
1100.13	Confirm, through discussion with the CAE, whether	There has been no real or		Satisfactory



	there has been any real or apparent impairment of independence or objectivity and ascertain the arrangements for disclosure to the appropriate parties of such impairments.	apparent impairment to the independence or objectivity of the Internal Audit function.		
1100.14	Confirm, through discussion with the CAE, that due consideration is given to potential conflicts of interest or impairment of independence or objectivity relating to a proposed significant consulting engagements and that, if appropriate, this disclosed to the engagement client before the engagement was accepted.	<p>Internal Audit has established a protocol for reviewing all requested consulting arrangements. Part of this assessment will consider any potential conflicts of interests (see Reference P).</p> <p>Recent consultative work has included:</p> <ul style="list-style-type: none"> <li>• Establishment of a anti money laundering policy;</li> <li>• Establishment of an Integrity Group;</li> <li>• Data matches for staff debt.</li> </ul> <p>None of these compromise the Internal audit functions independence.</p>		Satisfactory
1100.15	Review the annual Audit Plan against the engagements undertaken and confirm that any significant additional consulting engagements have been approved by the Board prior to the engagement being accepted.	<p>The Audit plan approved by the Audit Committee includes provision for up to 4 consultations per year (see ref Q).</p> <p>A progress report is provided to the Board against the plan in December each year which</p>		Satisfactory

		<p>identifies any proposed changes to the plan (see Ref. R).</p> <p>There has not been any need to increase the budget set aside for consultative work in 2014/15.</p>		
<b>Overall Conclusion</b>	<p><b>1100 – Independence and Objectivity Assessment</b></p> <p><b>Fully conforms</b> <input checked="" type="checkbox"/></p> <p><b>Generally conforms</b> <input type="checkbox"/></p> <p><b>Partially conforms</b> <input type="checkbox"/></p> <p><b>Does not conform</b> <input type="checkbox"/></p>	<p><b>Good practice</b></p> <p>CAE reports administratively to the Chief Executive and Functionally to the Board. Reports (including the Annual assurance Report) is submitted to the Audit Committee in the CAE name.</p> <p>Regular meetings are held with the Chief Executive and Chair of the audit Committee.</p> <p>The Audit committee approve annual audit plan, management actions arising out of internal audit reports and progress against the plan.</p> <p>Guidance is provided to audit staff on what to do if there are any potential conflicts of interest and audit staff are required to sign an annual declaration. <b>i</b></p>	<p><b>Areas for improvement</b></p> <p>Add a comment to annual report to members by the CAE detailing that there have been no threats to independence or inappropriate scope or resource limitations during the year.</p> <p>Include in annual audit plan details of the Internal Audit budget.</p>	

1200 Proficiency and Due Professional Care – The standard sets out the necessary requirements to ensure that the internal audit team possesses the knowledge, skills and other competencies to effectively carry out their professional responsibilities applying due professional care.				
	Tests	Primary Evidence	Other Evidence	Assessment
1200.1	<b>Proficiency</b> Confirm whether it is an organisational requirement for the CAE to hold a professional qualification.	Requirement is stipulated in the Audit Charter (Ref A 19) and the job description at Ref S (1).		Satisfactory
1200.2	Confirm by examination of the certificates and where possible by reviewing available members registers that the CAE holds the required qualifications for the post.	Copy of Audit Manager Registration with CIMA (Ref T).		Satisfactory
1200.3	From responses to key stakeholder questionnaires and where necessary discussion with key stakeholders, confirm that the CAE is suitably experienced.	Internal Audit Manager (1) has financial services experience as an Auditor and has worked within Midlothian Council at a senior level (senior and then principal auditor) for 12 years.  Internal Audit Manager (2) was a senior internal audit manager with the financial services sector prior to joining the Council in 2008 and has extensive knowledge of auditing practices and leading an Audit Team.		Satisfactory
1200.4	Confirm, through discussion with the CAE, that they are responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources	The CAE is responsible for recruitment of Internal Audit staff and the Council policies and procedures are followed (see Ref K (1)).		Satisfactory

	processes.			
1200.5	For a sample of job roles within the audit team, confirm 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.	<p>Job descriptions for the Auditor post and senior auditor post were reviewed and updated in 2014.</p> <p>The trainee auditor job description was updated in October 2011 while the Internal Audit Manager's job description was last updated in 2013.</p> <p>Job descriptions for the team at Ref. S.</p>		<p>Satisfactory</p> <p>However job descriptions need to be updated to reflect some of the wording in the PSIAS. This is not seen as a significant issue as all auditors are aware of the Audit Charter and sign an annual declaration on compliance with the code.</p>
1200.6	<p>By reviewing appropriate documentation and from responses to key stakeholder questionnaires, confirm that the internal audit activity collectively possess or has sufficient authority to obtain the skills, knowledge and other competencies required to perform its responsibilities and where relevant seeks competent advice and assistance.</p> <p>Specific areas to be considered when reviewing the collective knowledge and skills are:</p> <ul style="list-style-type: none"> <li>• Risk of fraud and anti-fraud arrangements in the organisation;</li> </ul>	<p>The Internal Audit Section has a training budget to allow staff to develop the skills that are needed to undertake the role (for 14/15 this is £3,118) – see Ref T (1) for copy budget. This is partly used to provide funding for the trainee auditor to attend courses to allow her to gain a professional qualification. All other team members are professionally qualified.</p> <p>Both internal audit managers have extensive experience of fraud and anti-fraud measures that can be employed within an organisation. This knowledge has been supplemented by recent courses (see training logs at U1. In</p>		<p>Satisfactory</p>

	<ul style="list-style-type: none"> <li>• Key information technology risks and controls;</li> <li>• Computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques.</li> </ul>	<p>addition in 2015 the Audit team is to employ two specialist fraud investigators (both hold a foundation fraud qualification).</p> <p>The Audit team does not have a dedicated IT auditor. However one of the team attends SLACIAG Computer sub Group meetings and provides the Audit Team with updates. The same member of the team also attends SLACIAG IT training (see U 2). We also have support from the Senior Officer Technical from the IT who the Internal Audit Managers meet on a periodic basis and finally have support from Grant Thornton, External Audit who have specialist IT Audit resource.</p> <p>The audit team use IDEA software for data matching and exception reporting. This was recently used to undertake work on staff debt but following our audit brief must be considered for every audit (V).</p>		<p>Satisfactory</p> <p>Satisfactory</p>
1200.7	<b>Due Professional Care</b>			Satisfactory

	<p>Confirm, through discussion with the CAE, that there is a structured methodology to support the exercise of due professional care for planning assurance and consulting engagements.</p> <p>Note: evidence for this test can also be drawn from tests 2200.2 and 2200.3</p>	<p>There are a number of controls in place that allow the Internal Audit Section to follow a structured methodology over the planning process to ensure that this is done with due professional care:</p> <p>The Audit manual (Ref O) which is updated on a regular basis and is one of the elements on the deceleration for internal audit staff to complete (Ref N);</p> <p>Standard Audit templates including the Audit Brief (Ref V), Terms of Reference (Ref W) Control Sheet (Ref X) and Planning Sheet (Ref Y) must be completed for each audit.</p> <p>The CAE or Senior auditor review of each key stage of the Audit (including the planning) and sign off each stage on the audit cycle. This review is evidenced by sign off of the control sheet (Ref. X).</p>		
1200.8	<p><b>Continuing Professional Development</b></p> <p>Confirm, through discussion with the CAE, that there is an appropriate process in place to define the skills and competencies for each level of auditor.</p>	<p>Job descriptions define skills and competencies that are required for the role (Ref S).</p> <p>All staff have annual appraisals (there is a planning meeting to identify outcomes and</p>		Satisfactory

		<p>behaviours and development needs), there is an interim review and then a final review of performance against outcomes (Ref Z).</p> <p>All members of staff are members of a professional body and therefore have continual professional development requirements from their professional body. The Council has is an approved employer for CIMA/ ACCA.(Ref AA)</p> <p>Training logs are maintained of courses attended by Auditors (Ref U).</p>		
1200.9	For a sample of individual auditors, confirm that there has been an assessment of their CPD needs within the last 12 months, against the predetermined skills and competencies.	Personal Development Plans ; (Ref Z).		Satisfactory.
1200.10	Confirm, through discussion with the CAE and a sample of individual auditors, that they participate in a programme of continuing professional development.	Personal Development Plans (Ref Z). Training Logs (Ref. U).		Satisfactory
1200.11	For a sample of individual auditors confirm that they maintain a record of their professional development and training activities.	Training logs (Ref U).		Satisfactory
<b>Overall</b>	<b>1200 – Proficiency and Due Professional Care</b>	<b>Good practice</b>	<b>Areas for improvement</b>	

<b>Conclusion</b>	<b>Assessment</b>		
	<b>Fully conforms</b>	<input checked="" type="checkbox"/>	CAE professionally qualified as are all members of the team bar one who is studying for professional examinations.
	<b>Generally conforms</b>	<input type="checkbox"/>	Training budget in place to allow continual professional development.
	<b>Partially conforms</b>	<input type="checkbox"/>	Audit manual, Audit Charter and on-going quality control to ensure proficiency and due professional care.
	<b>Does not conform</b>	<input type="checkbox"/>	Job descriptions for the Trainee Auditor and Audit Manager need to be updated to reflect some of the wording in the PSIAS. This is not seen as a significant issue as all auditors are aware of the Audit Charter and sign an annual declaration on compliance with the code

<b>1300</b>	<b>Quality Assurance and Improvement Programme – The standard sets out the necessary requirements for the internal and external assessment of performance and compliance against the PSIAS. The arrangements for reporting on results and disclosure of non-performance.</b>			
	<b>Tests</b>	<b>Primary Evidence</b>	<b>Other Evidence</b>	<b>Assessment</b>
1300.1	<b>Internal Assessments</b> Through discussion with the CAE, confirm that there is an adequate process in place to monitor the performance of the internal audit activity. This is likely to be demonstrated by: <ul style="list-style-type: none"> <li>• Appropriate supervision arrangements;</li> </ul>	The Internal Audit Manual (Ref. O (c)) details the quality assurance routines within the Audit section. Each Audit undertaken is subject to review by the Audit Manager or Senior auditor (Ref. X). The In-		Satisfactory



	<ul style="list-style-type: none"> <li>A quality review process for individual engagements;</li> </ul>	<p>Internal audit Manager also undertakes a yearly self assessment against the PSIAS which includes an assessment of quality. (Ref: AG).</p> <p>Each audit undertaken is subject to review (by the Audit Manager or Senior Auditor) at the key stages of the audit process (planning / design effectiveness / testing and reporting). The management review is evidenced through sign off the control sheet (Ref: X).</p> <p>A mid-year and final summary of the work undertaken by the Internal Audit Section (including against the plan) are provided to the Audit Committee for comment / review (Ref. E and F).</p>		<p>Satisfactory</p>
	<ul style="list-style-type: none"> <li>Performance measurement framework (e.g. KPIs or Balance scorecards, including an assessment of the delivery of the risk based Audit Plan);</li> </ul>	<p>The Audit Section has adopted the SLACIAG balance scorecard measures and all bar one are on target for the current year (Ref. AB).</p>		<p>Satisfactory</p> <p>The only measure that is not formally recorded is client feedback. Any issues would however be flagged to the CAE at the regular meetings with the Chair of the audit Committee and Chief Executive.</p>

	<ul style="list-style-type: none"> <li>Client feedback surveys.</li> </ul>	Internal Audit currently only receives informal feedback from Senior Officers at the regular meetings (particularly the Chief Executive / Chair of Audit Committee).		An Approach needs to be agreed for client feedback surveys with the Chief Executive and Chair of Audit Committee.
1300.2	Confirm that a self assessment has been undertaken by the CAE, or other competent person from within the organisation, within the previous 12 months to evaluate conformance with the PSIAS.	Self Assessment undertaken by the CAE in 2013/14 using the CIPFA local government application note and checklist and the SLACIAG checklist in 3014/15 (Ref. AC).		Satisfactory

1300.3	<p><b>External Assessments</b></p> <p>Confirm that an external assessment has been undertaken within the last 5 years by a qualified independent assessor/assessment team from outside the organisation.</p>	<p>Midlothian Council is participating in the SLACIAG scheme for assessments. Midlothian is scheduled to be assessed in 2016/17. See Ref. AD for SLACIAG confirmation of timing.</p>		Satisfactory.
1300.4	<p>Confirm that the CAE has discussed the form of the external assessment and the qualifications and independence of the assessment team, with an appropriate sponsor (e.g. Accountable Officer or Chair of the Board) and that there are no apparent conflicts of interest.</p>	<p>Internal audit presented the SLACIAG proposal to the Chief Executive and gained approval and referred the decision to the Audit Committee for noting. No objections were noted (Ref. AE).</p>		Satisfactory
1300.4	<p>Reporting on the Quality Assurance and Improvement Programme</p> <p>Confirm that the results of the Quality Assurance and Improvement Programme have been communicated to senior management and the Board in, at least, the Annual Report.</p>	<p>Results of PSIAS assessment and resultant quality assurance improvement programme reported in the CAE annual statement along with supporting report and checklist (Ref AC and J1).</p>		Satisfactory
1300.5	<p>Confirm that instances of non-conformance with the PSIAS identified through either the internal or external assessments, has been disclosed to the Board.</p>	<p>No areas of significant non-conformance were identified from the assessments (Ref AC and J1).</p>		Satisfactory

1300.6	Confirm that where there is significant non-conformance confirm that this has been included in the Annual Report and considered for inclusion in the Annual Governance Statement.	No areas of significant non-conformance were identified from the assessments (Ref AC and J1).		Satisfactory
<b>Overall Conclusion</b>	<p><b>1300 – Quality Assurance and Improvement Programme Assessment</b></p> <p><b>Fully conforms</b> <input checked="" type="checkbox"/></p> <p><b>Generally conforms</b> <input type="checkbox"/></p> <p><b>Partially conforms</b> <input type="checkbox"/></p> <p><b>Does not conform</b> <input type="checkbox"/></p>	<p><b>Good practice</b></p> <p>Audit manual defines quality control standards</p> <p>All audits are reviewed by the engagement lead for quality and this is evidenced by completion a control checklist</p> <p>A yearly self assessment is undertaken with results reported to the Audit Committee</p> <p>A balance scorecard is maintained of performance indicators for the section.</p> <p>A process for external assessments has been agreed with the Audit Committee.</p>	<p><b>Areas for improvement</b></p> <p>As part of the balance score card measures an Approach needs to be agreed for client feedback surveys with the Chief Executive and Chair of Audit Committee</p>	

Section D Performance Standards				
2000 Managing the internal Audit Activity - The standard sets out the necessary requirements for the overall management of the internal audit activity, the preparation of the risk based Audit Plan including delivery and reporting of the Audit Plan				
	Tests	Primary Evidence	Other Evidence	Assessment
2000.1	<p><b>Managing the Internal Audit Activity</b></p> <p>From the overall assessment of the performance standards confirm that the internal audit activity is effectively managed to deliver the Internal Audit Charter and conform with the definition of internal auditing, code of ethics and the standards.</p>	<p>Detail provided below to confirm conformance to the PSIAS requirements.</p> <p>All auditors are aware of the Audit Charter, the PSIAS and on each individual assignment must confirm that these are complied with by signing a declaration.</p> <p>The Lead auditor is also required to review each audit assignment and also declare compliance.</p> <p>An annual declaration is also signed by each internal auditor.</p>		Satisfactory
2000.2	<p><b>Planning and Co-ordination</b></p> <p>From a review of the planning methodology and supporting documentation confirm that the annual risk-based Audit Plan has been developed using an appropriate methodology:</p> <p>This is likely to include:</p> <ul style="list-style-type: none"> <li>• a documented annual risk assessment</li> </ul>	<p>Annual risk assessment undertaken which supports the</p>		Satisfactory

	<p>supporting the requirement to produce an overall annual opinion;</p> <ul style="list-style-type: none"> <li>• an assessment of the organisation's overall assurance framework;</li> <li>• an assessment of the organisation's risk management framework and relative risk maturity of the organisation;</li> <li>• consideration of local and national issues and risks;</li> <li>• input from senior management and the Board;</li> </ul>	<p>need to form an overall Audit opinion (Ref AH) Documented risk assessment and planning methodology.</p> <p>The annual audit plan includes an assessment of the Code of Corporate Governance of the Council (including the annual governance statement). The results of this is used to feed into the following years plan (Ref Q, AI and AH). and this is used to inform the plan</p> <p>Assessment undertaken as part of detailed planning (Ref. AH (2)).</p> <p>Assessment undertaken as part of the planning process (Ref AH (3)).</p> <p>Heads of Service, Corporate Management Team and the Audit Committee all have the opportunity to input to the Internal Audit plan (Ref AH (4) Q and AJ).</p>		<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>
--	---	---	--	---

	<ul style="list-style-type: none"> <li>an assessment of the organisations objectives and priorities.</li> </ul>	The detailed planning document details an assessment of the objectives and priorities of the Council which are established with the Council's Community Planning Partnership Ref. AH (5)		Satisfactory
2000.3	<p>Through discussion with the CAE, and a review of the planning methodology, confirm that the risk based Audit Plan takes account of other sources of assurance.</p> <p>This is likely to be evidenced by:</p> <ul style="list-style-type: none"> <li>A documented approach to using other sources of assurance;</li> <li>An assurance mapping exercise;</li> <li>Consideration of the work required to place reliance upon those sources;</li> </ul>	<p>See the Audit Charter (A 20 and the Planning document AH (10) for approach employed to using third part assurance providers.</p> <p>Not currently undertaken</p> <p>See the Audit Charter (A 20 and the Planning document AH (10) for approach employed to using third part assurance providers.</p>		<p>Satisfactory</p> <p>To map all other external providers of assurance to Council Services. Note this is already reviewed and a document produced showing the likely impact over the next few years of external providers (Ref AN) so it is not seen as a high priority (Complete).</p> <p>Satisfactory</p>

	<ul style="list-style-type: none"> <li>Co-ordination of activities with other assurance providers (internal and external) to avoid duplication of efforts;</li> </ul>	<p>Internal audit reviews the main local government audit and inspection agencies planned audit activities of MC when developing its audit plan and will attempt to avoid any duplication. On occasions however there is a management request for internal audit to review ahead of the regulator review (eg Housing Allocations). Ref AF for local plan. Internal audit meet regularly with the Council's external auditors (as noted below).</p>		Satisfactory
	<ul style="list-style-type: none"> <li>Regular meetings with the external auditor to co-ordinate activities.</li> </ul>	<p>The Internal Audit Section has periodic meetings with the External auditors and exchanges Audit plans at the start of each year to avoid any duplication. Ref. AM. In addition there are regular meetings as evidenced by Ref: AN.</p>		Satisfactory
2000.4	<p>Obtain a copy of the most recent annual risk based Audit Plan and confirm that:</p> <ul style="list-style-type: none"> <li>It is clear how the internal audit service will be delivered;</li> </ul>	<p>An audit plan is presented and approved by the Audit Committee. This shows the Audit Resource, the number of Audits that are therefore</p>		Satisfactory



	<ul style="list-style-type: none"> <li>It details how the internal audit service will be developed in accordance with the Internal Audit Charter;</li> <li>It details how the internal audit service links to organisational objectives and priorities;</li> <li>It sets out the audit work to be carried out;</li> </ul>	<p>achievable and sets aside time for investigations, consultancy and help desk enquiries, as well as management and administration time, training and holiday / sickness allowance. The plan is also separated into quarters to show which Audits will be undertaken in each quarter (see Ref Q and AH).</p> <p>The current Internal audit Plan does not specifically mention the Audit Charter but does refer to the Public Sector Internal Audit Standards and the requirement to produce a risk based plan. The plan also includes elements from the PSIAS including time set aside for training and staff development. The detailed planning document explains how internal audit services are developed in accordance with the audit charter (Ref AH (6)).</p> <p>Detailed planning documentation details this link (Ref AH (7)).</p> <p>The plan details the audit work that is to be undertaken (Ref. Q);</p>		<p>Specifically mention the Audit Charter in the Audit Plan for 2015/16 (Complete).</p> <p>Satisfactory</p> <p>Satisfactory</p>
--	---	---	--	---

	<ul style="list-style-type: none"> <li>• It clearly distinguishes between assurance engagements and consulting engagements;</li> </ul>	<p>The plan clearly distinguishes consultancy and assurance engagements with a budget of 4 consultancy engagements provided for in the year 2014/15 (Ref. Q).</p>		<p>Satisfactory</p>
	<ul style="list-style-type: none"> <li>• It identifies the respective priorities of those pieces of audit work;</li> </ul>	<p>Not currently done – other than to flag which review is to be undertaken in which quarter.</p>		<p>Add priority to each audit in future plans (although a reference in PSIAS to this requirement cannot be found). (Complete)</p>
	<ul style="list-style-type: none"> <li>• it sets out how internal audit's resource requirements have assessed;</li> </ul>	<p>Audit resourcing requirements are detailed in the Annual Plan presented to the Audit Committee for approval. This lists the number of FTE, number of audit days and number of Audits achievable. (Ref. Q). There is also a detailed planning document which provides an analysis of the Audit Resource (Ref AH (8)) and assessment of this re delivery of the plan.</p>		<p>Satisfactory</p>
	<ul style="list-style-type: none"> <li>• it sets out the estimated resources needed for the planned work;</li> </ul>	<p>Audit resourcing requirements are set out in the Annual Plan presented to the Audit Committee for approval. This lists the number of FTE, number of audit days and number of Audits achievable. (Ref. Q).</p>		<p>Satisfactory</p>

	<ul style="list-style-type: none"> <li>• It provides for contingency time to undertake ad hoc reviews or fraud investigations as necessary;</li> <li>• It provides for 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's overall opinion;</li> <li>• It is sufficiently flexible to reflect the changing risks and priorities of the organisation.</li> </ul>	<p>There is also a detailed planning document which provides an analysis of the Audit Resource (Ref AH (8)) and assessment of this redelivery of the plan.</p> <p>The Audit plan has contingency built in for fraud and consultancy reviews (Ref. Q).</p> <p>Time is included for planning, attendance at Audit Committees, annual report and CAE overall opinion (Ref Q AH (8)).</p> <p>The Audit plan submitted to and approved by the Audit Committee in March of each year provides for flexibility by setting aside time for consultancy / investigations and if any significant changes were required the plan would be referred back to the Audit Committee for authorisation (Ref Q and R).</p>		<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>
2000.5	Through discussion with the CAE, confirm that significant consulting engagements are accepted only	A provision of 4 consulting assignments are included in the 2014/15 plan approved by		Satisfactory

	after consideration of the potential to improve the management of risks, to add value and to improve the organisation's operations and that where they are accepted they are reflected in the annual risk based Audit Plan.	the Audit Committee (Ref Q). A protocol was established to give the CAE discretion on which assignments will be accepted and those which will not (Ref P). Where the consultation budget is exceeded referral must be made back to the Audit Committee before taking on additional work.		
2000.6	Through discussion with the CAE, confirm that the annual risk based Audit Plan is reviewed on a regular basis and adjusted, if necessary, to respond to changes in the organisation's business, risks, operations, programmes, systems and controls.	The annual risk based plan is reviewed on a regular basis and where the need is seen to change a report is submitted to the Corporate Management Team and Audit Committee to authorise any updates (Ref. R).		Satisfactory
2000.6	<b>Communication and Approval</b> Confirm that the annual risk based Audit Plan, including the resource requirements, has been communicated to Senior Management and approved by the Board.	Annual plan is submitted to the Audit Committee in March of each year (Ref. Q). The plan includes details of the resource available to the CAE (FTE and approximate number of days).		Satisfactory
2000.7	Confirm that significant interim changes to the annual risk based Audit Plan, including any impact on resource requirements, are communicated to Senior Management and approved by the Board.	The annual risk based plan is reviewed on a regular basis and where the need is seen to change reports are submitted to the Corporate Management Team and Audit Committee to authorise any updates (Ref. R).		Satisfactory

2000.8	Through discussion with the CAE, identify whether there are any resource limitations that will impact adversely on the provision of the internal audit overall opinion.	A key member of the team is leaving for maternity in February 2015. The CAE is reviewing options and although this will impact on the number of audits that can be delivered it should not prevent the CAE forming an overall opinion. The Internal audit Manager reported this to the Audit Committee and CMT Ref: R		Satisfactory
2000.9	Confirm that any resource limitations and consequences of those limitations have been brought to the attention of senior management and the Board.	Resource implications of maternity leave flagged to both the Corporate Management Team and the Audit Committee (R / H / AJ)		Satisfactory
2000.10	<p><b>Resource Management</b></p> <p>Through discussion with the CAE, confirm that the methodology for planning the resource requirements takes account of:</p> <ul style="list-style-type: none"> <li>• Any declarations of interest (for the avoidance for conflicts of interest);</li> <li>• The skills and knowledge of the team including any requirement to use specialists;</li> <li>• The time required for contingency to undertake ad hoc reviews or fraud investigations;</li> </ul>	<p>Auditors are required to declare any conflicts of interest on an annual basis. None where declared and there is therefore no impact on delivery of the plan (Ref N).</p> <p>This is considered as part of the detailed planning document (See Ref AH (9))</p> <p>Contingency is built into the annual plan (consultancy reviews / investigations) – Ref</p>		<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>

	<ul style="list-style-type: none"> <li>• The time required for planning;</li> <li>• The time required for attendance at the Board;</li> <li>• The time required for the development of the Annual Report.</li> </ul>	<p>Q.</p> <p>Time for planning is included within the audit plan (Ref: AH (8))</p> <p>Time for attending Audit Committee is included within the audit plan (detailed planning documents) Ref: AH (8)</p> <p>Time for producing the Annual Report is included within the audit plan (detailed planning documents) – Ref: AH (8)</p>		<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>
2000.11	Through discussion with the CAE, confirm that the planned deployment of resources, especially the timing of engagements is undertaken in conjunction with management to minimise abortive work and time.	<p>The annual plan is discussed with Senior Management and presented to CMT for comment. The plan shows indicative quarters when audit will be undertaken and this scheduling is agreed as part of the planning process. (Ref AJ)</p> <p>Before each audit review commences a start of Audit email is issued to the relevant manager and Head of Service and there is therefore an opportunity for management to ask for a deferral. Only after these steps is a formal terms</p>		Satisfactory

		of reference prepared and issued.		
2000.12	<p><b>Policies and Procedures</b></p> <p>Review the available internal audit policies, procedures and guidance documents and confirm that they are appropriate to the size, structure and complexity of the activity and reflect the requirements of the PSIAS are up to date and regularly reviewed.</p>	<p>Audit Charter (last updated 28 October 2014. See Ref C).</p> <p>Internal Audit manual last updated January 2015. See Ref O (d).</p>		Satisfactory
2000.13	<p><b>Reporting to Senior Management and the Board</b></p> <p>Confirm that the CAE periodically reports to senior management and the Board on the internal audit activity's purpose, authority, responsibility and performance relative to its Audit Plan</p>	<p>The Internal Audit Manager reviews and submits the Audit Charter to the Audit Committee at least annually which details internal audit's purpose, authority and responsibility. See Ref A (Audit Charter), Ref B (1) for Audit Committee approval and C (1).</p> <p>Internal Audit Report progress against the plan in December of each year and produce an end of year report which also shows this information (Ref J and R).</p>		<p>Satisfactory</p> <p>Although senior Council management attend the Audit Committee the Charter when updated should be presented in the first instance to a CMT. (Complete).</p>
2000.14	<p>Through discussion with the CAE, responses to key stakeholder questionnaires and where necessary discussion with key stakeholders, confirm that the</p>	<p>A reporting calendar is produced which shows the frequency of reporting on Internal Audit progress. This frequency was agreed by the</p>		Satisfactory

	frequency and content of periodic progress/performance reports has been agreed with senior management and the Board and is adequate and relevant to their needs.	Audit Committee. Internal Audit have achieved the reporting dates (Ref AK).		
2000.15	Confirm that the periodic reports include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the Board.	Internal audit Reports are submitted to the Corporate Management Team (Cross Council or weak or poor controls are identified) and all Internal audit Reports are submitted to the Audit Committee. See Ref AL for examples.		Satisfactory
2000.16	<b>External Service Provider</b> If the internal audit service is provided by an external provider; confirm that the provider has clearly informed the council that the responsibility for the organisation to have effective for internal audit arrangements rests with the council.	Not applicable		Not applicable
<b>Overall Conclusion</b>	<b>2000 – Managing the Internal Audit Activity Assessment</b>  <b>Fully conforms</b> <input checked="" type="checkbox"/>  <b>Generally conforms</b> <input type="checkbox"/>	<b>Good practice</b>  Risk assessment undertaken and used to produce annual plan using a standard methodology. Provision in the plan for consulting reviews / investigations. Discussion and approval of the plan with	<b>Areas for improvement</b>  Present revisions to Audit Charter to Corporate Management Team as well as the Audit Committee.  Add a priority against each audit in the	



	<p><b>Partially conforms</b> <input type="checkbox"/></p> <p><b>Does not conform</b> <input type="checkbox"/></p>	<p>senior management and the Audit Committee. Reports provided to Senior Management and the Audit Committee where changes are made to the audit plan.</p> <p>Methodology detailed within the audit Manual</p>	<p>plan.</p> <p>Specifically mention the Audit Charter in the Audit Plan for 2015/16</p>
--	---	---	--

2100	Nature of Work - The standard sets the internal audit activity that needs to be undertaken to evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.			
	Tests	Primary Evidence	Other Evidence	Assessment
2100.1	<p><b>Managing the Internal Audit Activity</b></p> <p>Through discussion with the CAE and evaluation of supporting documentation, ascertain the adequacy and effectiveness of the arrangements for the internal audit activity to contribute to the improvement of governance, risk management and control processes.</p> <p>This is likely to be demonstrated by:</p> <ol style="list-style-type: none"> <li>1. Ensuring that the internal audit activity carries sufficient status and organisational independence to influence the organisations culture, governance, risk management and control activities;</li> <li>2. Creating organisational awareness of the internal roles and responsibilities of internal audit and organisational managers;</li> <li>3. Communication of engagement findings/recommendations and opinions to an appropriate level in the organisation;</li> </ol>	<p>Internal Audit Section reports directly to the Chief Executive (structurally) and the Audit Committee (functionally) Ref A 5 and 4).</p> <p>Internal Audit Carter is on the Council Web Site. Ref .AO Charter makes clear responsibilities of Audit and organisational managers (Ref A 10 and 8).</p> <p>Internal Audit findings are communicated to the responsible line manager, Head of Service, director, Chief Executive, Chair of the Audit Committee and Audit Committee members. (Ref AP) for example distribution lists</p>		<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>

	<p>4. Communicating regularly with the Board, external audit and management;</p>	<p>There are 7 audit Committee meetings a year which Internal audit always attends. External Audit also attends these meetings as does the Council directors and Chief Executive. Internal audit meets separately with the Chief Executive, Chair of the Audit Committee and External Audit (as recorded in other tests).</p>		<p>Satisfactory</p>
	<p>5. Arrangements are in place to ensure that risk identification and assessment of risk responses is considered during engagement planning, performance of the engagement and communication of results;</p>	<p>Internal Audit use the COSO approach to Audit and a key element of this approach is to review how management have assessed risk. This approach is described in the Audit Manual (Ref: O (e) as examples – risk mentioned throughout audit manual). Results of Internal Audit testing on risk are included within the Risk and Control Matrix (Ref: AQ)</p>		<p>Satisfactory</p>
	<p>6. Arrangements are in place to adequately consider the impact and vulnerabilities of the organisations information technology;</p>	<p>There is a requirement to assess within the Risk and Control Evaluation document Ref: AQ (1).</p>		<p>Satisfactory</p>

	<p>7. Arrangements are in place to adequately consider the impact and vulnerabilities for the occurrence of fraud;</p>	<p>There is a requirement to assess within the Risk and Control Evaluation document Ref: AQ (1).</p>		<p>Satisfactory</p>
	<p>8. Arrangements are in place to adequately consider the impact and risks of relevant legislation, regulation, policies, procedures and contracts;</p>	<p>There is a requirement to assess within the Risk and Control Evaluation document Ref: AQ (1).</p>		<p>Satisfactory</p>
	<p>9. Arrangements are in place to adequately consider the impact and risks to the achievement of the organisation's strategic objectives.</p>	<p>There is a requirement to assess within the Risk and Control Evaluation document Ref: AQ (1).</p>		<p>Satisfactory</p>

Overall Conclusion	2100 – Nature of work	Good practice	Areas for improvement
	<b>Fully conforms</b> <input checked="" type="checkbox"/>	<p>CAE reports administratively to the Chief Executive and functionally to the audit committee and has direct access to the Chair of the Committee and Elected Members.</p> <p>Internal Audit Charter is on the Council Intranet.</p> <p>Reports are issued in the CAE name for the Audit Committee</p> <p>Audits undertaken consider risk, fraud, IT and risk to Council objectives</p>	
	<b>Generally conforms</b> <input type="checkbox"/>		
	<b>Partially conforms</b> <input type="checkbox"/>		
	<b>Does not conform</b> <input type="checkbox"/>		

2200	Engagement Planning - The standard sets the requirements necessary to develop and plan for each engagement including the objectives, scope, timing and resource allocations.			
	Tests	Primary Evidence	Other Evidence	Assessment
2200.1	<p><b>Engagement Planning (Objectives, scope, resource allocation and work programmes)</b></p> <p>For a small sample of completed engagements confirm that there is a planning document which includes:</p> <ul style="list-style-type: none"> <li>• The engagement objectives</li> <li>• The scope of the engagement</li> <li>• The timing of the engagement</li> <li>• The resources allocated</li> </ul>	Terms of Reference completed for all Audit engagements (three examples provided) Ref AS.		Satisfactory
2200.2	<p>For a small sample of completed engagements confirm that there is documented evidence that consideration is given during the planning stage of the engagement to the nature of the audit work to be undertaken, including:</p> <ul style="list-style-type: none"> <li>• The objectives of the activity being reviewed;</li> <li>• Preliminary assessment of the risks to the activity, the achievement of its objectives, resources and operations;</li> <li>• The means by which the risks to the activities objectives are controlled, including but not limited to, the risk of significant errors, fraud, non-compliance with established procedures;</li> <li>• The means by which the activity controls its performance, including value for money,</li> </ul>	<p>Terms of Reference completed for all Audit engagements (three examples provided) Ref AS.</p> <p>Newly devised planning document Ref Y.</p>		Satisfactory Planning document to be used going forward which provides additional information to that provided in terms of reference, audit brief and risk and control matrix. (Complete).

	<p>governance of the activity, risk management and control systems in place.</p> <p>The scope of the engagement including:</p> <ul style="list-style-type: none"> <li>• What will be covered or excluded from the review;</li> <li>• The nature of the work to be undertaken;</li> <li>• The timing/ key stages and period covered;</li> <li>• The activities resources/assets that will be used by internal audit to complete the review;</li> <li>• The resources to be allocated and the timing of the engagement.</li> </ul>			
2200.3	For a small sample of completed engagements confirm that a documented work programme has been developed to achieve the engagement objectives, including identifying, documenting, analysing and evaluating the information received during the course of the engagement.	Risk and control Matrix / Audit Programmes. Evidenced in Petty Cash / SPI and Cash-less catering.		Satisfactory
2200.4	Confirm that work programmes are approved prior to the commencement of the engagement.	Control sheet updated as evidence of review. Evidenced in Petty Cash / SPI and Cash less catering.		Satisfactory
2200.5	Confirm that any adjustments to the work programme have been documented and approved promptly.	Small audit team and Manager is aware of any adjustments as they happen through regular dialogue.		Satisfactory

2200.6	<p>If the internal audit activity has undertaken engagements for parties outside the organisation confirm that there is a documented agreement detailing:</p> <ul style="list-style-type: none"> <li>• Roles and responsibilities of internal audit and the client;</li> <li>• Operational arrangements, such as access to engagement records, distribution of reports, etc.</li> </ul>	<p>No audits undertaken for parties outside the Council in 2014/15.</p>		<p>N/A</p>
2200.7	<p>For significant consulting engagements, confirm that there is documented evidence that consideration is given during the planning stage of the engagement to the:</p> <ul style="list-style-type: none"> <li>• Objectives of the engagement;</li> <li>• Needs and expectations of clients, including the nature, timing and communication of engagement results;</li> <li>• The complexity and extent of work needed to achieve the engagement objectives;</li> <li>• Scope of the engagement, including reference to aspects of governance, risk management and control;</li> <li>• The cost of the engagement in relation to potential benefits.</li> </ul>	<p>Audit protocol in place for considering consultancy / investigation reviews (Ref: P) and planning template AT) and a terms of reference would normally be completed for these types of review.</p> <p>However there is merit in using a modified planning document for any consulting arrangements.</p>		<p>A new planning template has been devised for significant consulting arrangements. (Complete.</p>



<b>Overall Conclusion</b>	<b>2200 – Engagement Planning Assessment</b>	<b>Good practice</b>	<b>Areas for improvement</b>		
	Fully conforms <input checked="" type="checkbox"/>			Audit Manual defines required standards and templates.	Additional templates developed for planning of audits which include documenting unit's objectives and how performance is measured.
	Generally conforms <input type="checkbox"/>			Audit brief, terms of reference, control and evaluation matrix and testing summary used.	Specific template developed for consulting engagements.
	Partially conforms <input type="checkbox"/>				
	Does not conform <input type="checkbox"/>				

2300 Performing the Engagement - The standard sets the requirements necessary to gather, document, analyse and evaluate evidence to achieve the engagement objectives. Supervision arrangements and records management are also covered.				
	Tests	Primary Evidence	Other Evidence	Assessment
2300.1	<p><b>Evidence</b></p> <p>Through discussion with the CAE, confirm that processes are in place to identify, document, analyse, and evaluate evidence gathered during the audit engagement.</p>	<p>An audit file is prepared for each review. This includes a Risk and Control Matrix (Ref: AQ), test summary (Ref: AU); and individual test sheets (AV) and interview notes.</p> <p>An audit manual is available to staff to show the way evidence should be recorded in the audit file. (Ref: O).</p>		Satisfactory
2300.2	For a small sample of completed engagements confirm that there is evidence that the auditor has gathered sufficient, relevant, reliable and useful information in support of the engagements objectives.	Sample of audits selected Petty Cash / SPI and Cash less catering.		Satisfactory
2300.3	For a small sample of completed engagements confirm that there is evidence that the auditor has based their conclusions and engagement results on appropriate analyses and evaluation of the documented evidence gathered.	Sample of audits selected Petty Cash / SPI and Cash less catering.		Satisfactory

2300.4	From the evaluation of test 2300.2 and 2300.3 conclude whether the documented working papers are 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.	Sample of audits selected Petty Cash / SPI and Cash less catering.		Satisfactory
2300.5	<b>Records Management</b> Through discussion with the CAE, and examination of any available retention schedule / records management policy, confirm that adequate arrangements exist to control access to all types of engagement records.	Internal Audit Manual details record management policy. Records Management policy Ref O and the Audit Charter defines Internal audit responsibility over Council data (Ref: A).		Satisfactory
2300.6	Confirm that the process for controlling engagement records requires the approval of senior management and/or legal counsel, as appropriate, before releasing engagement records to external parties.	Requirement detailed in Audit Charter (Ref: A (21)).		Satisfactory
2300.7	Confirm that the retention requirements in place for engagement records are consistent with the organisation's own guidelines and any relevant regulatory or other requirements.	Internal audit records are retained within the Section for the current year and are then moved to secure storage. They are retained for six years and then destroyed.  This is in compliance with Financial Directives / Retention policies.		Satisfactory

2300.8	<p><b>Engagement Supervision</b></p> <p>Through discussion with the CAE and evaluation of available evidence, confirm that arrangements are in place to properly supervise all engagement to ensure that objectives are achieved, quality is assured and that staff are developed.</p>	<p>Job descriptions (Ref. SA – 11)</p> <p>Audit Charter (Ref.A.22).</p> <p>Audit manual (Ref: O(c)).</p> <p>Personal development plans (Ref: U).</p> <p>Control Sheet (Ref: X).</p>		Satisfactory
2300.9	<p>For a small sample of completed engagements confirm that there is evidence that supervision and quality control is documented and retained for each engagement.</p>	<p>Sample of audits selected Petty Cash / SPI and Cash less catering.</p> <p>Control sheet (Ref: X).</p> <p>Managers comments (Ref: AW)</p>		Satisfactory
<p><b>Overall Conclusion</b></p>	<p><b>2300 – Performing the Engagement Assessment</b></p> <p><b>Fully conforms</b> <input checked="" type="checkbox"/></p> <p><b>Generally conforms</b> <input type="checkbox"/></p> <p><b>Partially conforms</b> <input type="checkbox"/></p> <p><b>Does not conform</b> <input type="checkbox"/></p>	<p><b>Good practice</b></p> <p>Detailed audit manual in place to guide audit staff</p> <p>Quality assurance reviews</p> <p>Requirement to use standard templates</p>	<p><b>Areas for improvement</b></p>	

2400	Communicating Results - The standard sets the requirements necessary for the communication of results for individual engagements and the overall annual opinion.			
	Tests	Primary Evidence	Other Evidence	Assessment
2400.1	<p><b>Communicating Results of Engagements</b> From a small sample of completed engagements, confirm that the results of the engagement have been communicated in an appropriate format, including:</p> <ul style="list-style-type: none"> <li>• The engagement objectives;</li> <li>• The scope of the engagement;</li> <li>• Applicable opinions / conclusions to support the annual internal audit opinion on the control environment;</li> <li>• Disclosure of all material facts</li> <li>• Recommendations and action plans, if appropriate;</li> <li>• Acknowledgment of satisfactory performance;</li> <li>• Risk ratings for recommendations and actions.</li> </ul>	<p>Audit Report template includes:</p> <p>Engagement objectives / scope (Ref. AX (2 and 2a).</p> <p>Conclusions (Ref AX(3)</p> <p>Auditors are asked to disclose all material facts in Audit Charter (Ref A 23).</p> <p>All reports have a section for recommendations / action plans (Ref. AX 4).</p> <p>The template includes instructions to the auditor to acknowledge positive performance (Re. AX 3).</p> <p>All risks are rated and there is a definition of the risk rating on the template (Ref AX 4</p>		Satisfactory

		and (Appendix 1). (Example attached at AR) See Cashless Catering, Petty Cash and SOI as examples.		
2400.2	From a small sample of completed engagements, confirm that the internal auditor has 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 and appropriate timescales.	The issues and Draft reports are discussed and agreed with line managers, Head of Service and Director and where necessary Corporate Management team. The approach is detailed in the Audit Manual (Ref: O(f)).  See Cashless Catering, Petty Cash and SOI as examples.		Satisfactory
2400.3	Through discussion with the CAE, and evaluation of any available evidence, confirm that where 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.	Any issues where there was residual risk and where an action could not be agreed with management would be highlighted to the Audit Committee (by inclusion in the reports executive summary). The requirement for this is detailed in the Internal Audit Manual Ref: O (g).		Satisfactory
2400.4	Through discussion with the CAE, confirm that where engagement results are released to parties outside of the organisation, the limitations on the distribution and use of the results is clearly communicated.	Most internal Audit Reports are public documents. The Audit Manual however contains instructions which detail when reports have to be restricted and the legal reasons why this may be done. Ref: O (g).		Satisfactory

2400.5	From a small sample of completed engagements, confirm that the communication of engagement results is accurate, objective, clear, concise, constructive, complete and timely.	The Audit Manual provides guidance on how reports should be written (Ref: Q (6) and Appendix 5).  See Cashless Catering, Petty Cash and SOI as examples.		Satisfactory
2400.6	Through discussion with the CAE, and evaluation of any available evidence confirm that, in the event of a significant error or omission in the communication of results, the correct information is communicated to all parties who received the original communication.	Instruction to auditors contained within the Audit Manual (Ref O: (h)).  There has been no significant error or omissions in reports during the period.		Satisfactory.

2400.7	Through discussion with the CAE, and evaluation of any available evidence confirm that, if the audit report states that the engagement has been ' <i>conducted in conformance with the PSIAS</i> ', the results of the QAIP support this statement.	<p>Comment included in Audit Manager Annual Assurance Statement (Ref F (a)).</p> <p>Internal Assessment undertaken by the Internal Audit Manager in support of statement and assessment passed to Audit Committee (Ref: BA).</p> <p>Individual audits include a sign off by the audit lead and Auditor (Ref: X).</p>		Satisfactory.
2400.8	<p>Through discussion with the CAE confirm that, adequate arrangements exist to monitor conformance with the PSIAS for individual engagements and if there is any non-conformance the following is disclosed in the communication of results:</p> <ul style="list-style-type: none"> <li>• The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved;</li> <li>• The reason(s) for non-conformance;</li> <li>• The impact of non-conformance on the engagement and the engagement results.</li> </ul>	<p>Control sheet includes a declaration and is subject to lead auditor review. (Ref: X)</p> <p>Audit manual provides guidance to auditor / reviewer on completion of this section of the control sheet (Ref: O i).</p>		Satisfactory Updated control sheet to include a declaration on each audit review. (Complete).
2400.9	Through discussion with the CAE and evaluation of available evidence confirm that engagement results are communicated to all appropriate parties.	All internal audit reports are issued to Corporate Management Team (which includes the Chief Executive/ directors and Section 95 officer). All Audit reports are		Satisfactory



		<p>also issued to all members of the Audit Committee (including the Chair and all Elected Members).</p> <p>Example distribution list shown at Ref BB.</p> <p>Audit Committee members shown at Ref: BC.</p> <p>The Audit Manual provides details of how reports are sent out (Ref O J).</p>		
2400.10	<p>Through discussion with the CAE and evaluation of available evidence confirm that, where any significant governance, risk management and control issues are identified during consulting engagements, these are communicated to senior management and the Board.</p>	<p>Standard within the Audit Charter (Ref. A17).</p> <p>Guidance is provided to the audit team within the Audit Manual (Ref: O (k)) and evidence can be seen of an investigation that has lead to a report at Ref: AY).</p>		Satisfactory
2400.11	<p><b>Communicating the Overall Opinion</b></p> <p>Review the Annual Report (overall opinion) and confirm that:</p> <ul style="list-style-type: none"> <li>The CAE has provided an annual opinion concluding on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;</li> </ul>	<p>Included within the Annual assurance report (Ref: J 2).</p>		Satisfactory

	<ul style="list-style-type: none"> <li>The annual overall opinion was provided within a reasonable time after the year end;</li> <li>The overall opinion includes the scope of the opinion and any scope limitations;</li> <li>The engagements completed in the annual internal Audit Plan is consistent with the overall opinion provided;</li> <li>The overall opinion is supported by an appropriate methodology to evaluate the cumulative results of the completed audit engagements;</li> <li>The overall opinion, where appropriate, takes into account the reliability of other assurance providers;</li> <li></li> <li>The reasons for a qualified overall opinion are disclosed.</li> </ul>	<p>Report provided by May 2015 for the year 2014/15 (Ref J).</p> <p>Included within the Audit Opinion Section of the Annual Assurance Report (Ref: J). Details of the methodology used are contained within the Audit Manual (Ref: O (L) (Internal Audit Reporting)).</p> <p>Yes – shows mixture of good and weak and poor controls.</p> <p>Audit manual contains details of how the Audit Manager will arrive at the overall conclusion for the Annual Assurance Report (Ref O (L)).</p> <p>No reliance has been placed on other assurance providers in 2014/15 in forming the audit opinion. .</p> <p>The opinion was not qualified</p>		<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>
--	---	---	--	---

2400.12	Through discussion with the CAE and a review of the Annual Governance Statement, confirm that the Annual Report and opinion has been used to inform the Annual Governance Statement.	Included in 2014/15 AGS (Ref:		
2400.13	<p>Review the Annual Report and confirm that it includes:</p> <ul style="list-style-type: none"> <li>• A comparison or work actually carried out with the work planned;</li> <li>• A statement on conformance with the PSIAS, or the reasons for non-conformance;</li> <li>• The results of the QAIP;</li> <li>• Progress against any improvement plans resulting from the QAIP;</li> </ul>	<p>The Annual Assurance Report includes progress made against original plan (Ref J Appendix).</p> <p>The Annual Assurance Report includes an assessment against the standards and concluded that the main elements were complied with (Ref: J 3).</p> <p>The Annual Assurance Report includes an assessment against the standards and noted that there were some areas for improvement. These were documented on a separate report that was submitted to the same Audit Committee meeting (Ref BA).</p> <p>The improvement plan records progress in implementing actions identified.</p>		<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>

	<ul style="list-style-type: none"> <li>• A summary of the performance of the internal audit activity against its performance measures and targets;]</li> <li>•</li> <li>• Any other issues that the CAE judges is relevant to the preparation of the Annual Governance Statement.</li> </ul>	<p>Annual report includes a section on performance against SLACIAG performance indicators.</p> <p>Direct mention has been made on the need to update the Code of Corporate Governance following publication of the new CIPFA / International Federation of Accountants codes and the need to review current fraud and corruption strategies and procedures in view of the new CIPFA code on fraud. s</p>		<p>Satisfactory</p> <p>Satisfactory</p>
--	--	--	--	---

<p><b>Overall Conclusion</b></p>	<p><b>2400 – Communicating Results Assessment</b></p> <p><b>Fully conforms</b> <input checked="" type="checkbox"/></p> <p><b>Generally conforms</b> <input type="checkbox"/></p> <p><b>Partially conforms</b> <input type="checkbox"/></p> <p><b>Does not conform</b> <input type="checkbox"/></p>	<p><b>Good practice</b></p> <p>Audit Charter available to auditors that define standards.</p> <p>Detailed Audit Manual with PSIAS in built.</p> <p>All audit findings detailed in reports to the Audit Committee</p> <p>Annual report submitted the Audit Committee which includes assessment against the PSIAS and includes improvement plan.</p> <p>All audits are quality assessed and there are formal sign off of each stage</p>	<p><b>Areas for improvement</b></p> <p>The AGS does not make specific mention of the Audit Managers Annual Report to members.</p> <p>Make clear on the Annual Report to Members by the CAE that the control environment includes governance, risk management and control.</p> <p>Add a physical sign off on the control sheet to evidence that individual audits have been conducted in accordance to PSIAS.</p>
----------------------------------	--	---	--

2500 Monitoring Progress – The standard sets out the expected arrangement for monitoring the implementation of agreed actions or the acceptance of the risk of not implementing.				
	Tests	Primary Evidence	Other Evidence	Assessment
2500.1	<p><b>Monitoring Progress</b></p> <p>Confirm that there is an adequate process in place to follow up the agreed actions arising from the work of internal audit.</p> <p>This is likely to be demonstrated by:</p> <ul style="list-style-type: none"> <li>• Following up on agreed / outstanding actions at least annually;</li> <li>• Reporting the results of the follow up to senior management;</li> <li>• Reporting the results of the follow up to the Board;</li> <li>• Clear process for the communication of unacceptable levels of risk.</li> </ul>	<p>Internal audit published an annual reporting calendar and on this it is shown that follow up reviews are undertaken twice a year. Ref BD). One of these reviews notes the progress management is making in closing issues Ref: I while the second selects a sample of recommendations and tests whether these have been adequately implemented Ref: BE.</p> <p>Any concerns are referred to the Audit Committee.</p>		Satisfactory
2500.2	<p>Review the Annual Report and confirm that, the results of the follow-up of agreed actions, has been reported to senior management and the Board and the annual opinion takes account of those results.</p>	<p>Included in the Annual Report. The annual report is submitted to the Audit Committee which senior management attend. The individual reports on follow up are also circulated to CMT Ref: F and BE)</p>		Satisfactory
2500.3	<p>Review the annual risks based planning methodology; and confirm that the result of the follow-up of agreed actions is taken into consideration in the risk</p>	<p>Included in detailed planning document Ref: AH.</p>		Satisfactory

	assessment.			
<b>Overall Conclusion</b>	<b>2500 – Monitoring Progress Assessment</b>  <b>Fully conforms</b> <input checked="" type="checkbox"/>  <b>Generally conforms</b> <input type="checkbox"/>  <b>Partially conforms</b> <input type="checkbox"/>  <b>Does not conform</b> <input type="checkbox"/>	<b>Good practice</b>  All audit issues Are updated to covalent for tracking purposes.  Two follow up reviews are carried out each financial year.	<b>Areas for improvement</b>	

2600	Communicating the Acceptance of Risks – The standard sets out the expected arrangement for the escalation of unacceptable risk to the Board.			
	Tests	Primary Evidence	Other Evidence	Assessment
2600.1	<p><b>Communicating the Acceptance of Risks</b></p> <p>Confirm that adequate arrangements exist to escalate any concerns the CAE may have in relation to the level of risk that has been accepted by management or the organisation.</p> <p>This is likely to be demonstrated by:</p> <ul style="list-style-type: none"> <li>• Reports to management and the Board being communicated directly by the CAE;</li> <li>• The CAE having free and unfettered access to the Chief Executive and the Chair of the Audit Committee;</li> <li>• Annual internal audit opinion on the overall adequacy and effectiveness of the council's governance, control and risk management being presented by the CAE to senior management and the Board.</li> </ul>	<p>Internal Audit Charter Ref A: 24.</p> <p>Reports to the Audit Committee and CMT are in the Audit Manager name (Ref: D, E and H).</p> <p>Regular meetings are held with the Chief Executive and Chair of the Audit Committee</p> <p>Internal Audit Manager meets the chair of the audit Committee a week or so before each Audit Committee meeting (6 times per year excluding the audit committee that is reserved for external audit report) and with the Chief Executive and Section 95 officer directly before each audit committee meeting.</p>		<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>



	<ul style="list-style-type: none"> <li>CAE consulted in relation to the organisation's Annual Governance Statement.</li> </ul>	<p>The Internal Audit Manager has significant input to the AGS reviewing elements of the Code of Corporate Governance, HOS questionnaires and reviews early drafts. Re (AI).</p>		<p>Satisfactory</p>
--	--	--	--	---------------------

Overall Conclusion	2600 – Communicating the Acceptance of Risks Assessment	Good practice	Areas for improvement
	<p data-bbox="286 327 481 359"><b>Fully conforms</b></p> <p data-bbox="593 327 658 373"><input checked="" type="checkbox"/></p> <p data-bbox="286 411 539 443"><b>Generally conforms</b></p> <p data-bbox="593 411 658 458"><input type="checkbox"/></p> <p data-bbox="286 496 521 528"><b>Partially conforms</b></p> <p data-bbox="593 496 658 542"><input type="checkbox"/></p> <p data-bbox="286 580 517 612"><b>Does not conform</b></p> <p data-bbox="593 580 658 627"><input type="checkbox"/></p>	<p data-bbox="963 284 1473 400">CAE reports directly to the Chief Executive and has direct access to the Chair of the Audit Committee or Elected members.</p> <p data-bbox="963 453 1473 703">CAE produces Annual Report to members of the Audit Committee and assists with the preparation of the Annual Governance Statement having undertaken specific testing on elements of the Code of Corporate Governance.</p>	