

Council Report

Audit Committee – 6th February 2018.

Title

Internal Audit Quality Assurance and Improvement Programme (QAIP).

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author

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Ward(s) Affected

All wards.

Executive Summary

Internal Audit is a major source of assurance to the Council on the framework of control, risk management and governance. It is therefore important that it operates in conformance with Public Sector Internal Audit Standards.

An internal self-assessment was completed in January 2017 which showed partial conformance with those standards. As a result a Quality Assurance and Improvement Programme (QAIP) was produced to address the areas where conformance was not achieved.

The Improvement programme has been implemented since then. The latest annual self-assessment has now been completed, showing general conformance with the standards. However, there are still actions that can be taken to maintain and improve performance. This paper shows the status of actions in last year's QAIP and the actions to be taken over the coming year.

Recommendations

The Audit Committee is asked to note the production and ongoing implementation of the QAIP based on the internal self-assessment reported to this committee.

List of Appendices Included:-

Appendix A Quality Assurance and Improvement Plan

Background Papers

Public Sector Internal Audit Standards.

Accounts and Audit (England) Regulations 2015.

Audit Committee Paper July 2017.

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No.

Council Approval Required
No.

Exempt from the Press and Public
No.

Title: Internal Audit Quality Assurance and Improvement Programme 2018.

1. Recommendations

The Audit Committee is asked to note the production and ongoing implementation of the QAIP based on the internal self-assessment reported to this committee.

2. Background

2.1 Internal Audit is required to operate in accordance with the Public Sector Internal Audit Standards (PSIAS). Those standards require the existence of a Quality Assurance and Improvement Plan.

2.2 The QAIP requires ongoing and periodic reviews of quality within Internal Audit. A self-assessment was completed in January 2017 and the results reported to the Audit Committee. Where conformance to the standards was not achieved actions were generated which in total comprised the Improvement Action Plan for 2017.

2.3 A further self-assessment has now been completed and the results reported to this committee. This included evaluating progress against the Improvement Action Plan and the production of a new Improvement Action Plan based on the latest results.

3. Key Issues

3.1 The current position against the 2017 Improvement Action Plan is given in Appendix A.

3.2 An updated QAIP has been produced using the results of the 2018 self-assessment and the resultant actions. This is given in Appendix B.

3.2 Implementation of the actions will be progressed throughout the year.

4. Options Considered and Recommended Proposal

4.1 There is no discretion on whether to comply with the PSIAS. The purpose of the report is to inform the Audit Committee of the QAIP that has been put in place and is being implemented.

5. Consultation

5.1 None.

6. Timetable and Accountability for Implementing this Decision

6.1 The Audit Committee is asked to receive this report at its 6th February 2018 meeting.

7. Financial and Procurement Implications

7.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

8. Legal Implications

8.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

8.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

9. Human Resources Implications

9.1 There are no direct Human Resources implications arising from this report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no direct implications for Children and Young People.

11. Equalities and Human Rights Implications

11.1 There are no direct Equalities and Human Rights Implications arising from this report.

12. Implications for Partners and Other Directorates

12.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Corporate Improvement Plan and Children's Services Improvement Plan.

13. Risks and Mitigation

13.1 The following risk has been identified.

Risk	Impact	Likelihood	Mitigation
Meet the requirements of the standards set down in the UK Public Sector Internal Audit Standards (PSIAS).	Low	Low	Internal assessment showed areas where standards are not currently met. Produce and implement Quality Assurance and Improvement Plan.

14. Accountable Officer

David Webster, Head of Internal Audit.

Quality Assurance and Improvement Plan – 2017

Actions from assessment January 2017 – questions not scored as conforming. Current Position.

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1000	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	<p>The internal audit (IA) activity has a formal definition of its purpose, authority and responsibility, which recognises the IIA definition of IA. Whatever document provides the formal definition will be the “internal audit charter” for the purposes of the standards - no matter what the document is actually called. The charter:</p> <ul style="list-style-type: none"> Establishes the position and reporting lines of IA within the organisation - both functional and administrative reporting lines. 	The Charter defines the terms ‘board’ and ‘senior management’, but does not explicitly establish reporting lines.	Make reporting lines explicit in next revision of the Charter.	Sept 2017	Implemented.
1100	The internal audit activity must be independent, and all internal auditors must be objective in performing their work.	IA role and relationships with regard to other assurance providers, inside and outside the organisation is established and documented		To be developed	2017	Not Implemented
1100	The CAE must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The CAE must confirm to the board, at least annually, the organisational independence of the internal audit activity.	<p>Audit committee holds private meetings with the CAE.</p> <p>Audit committee approves decisions regarding the performance evaluation of the CAE</p>		<p>Annual meeting held in April 2017.</p> <p>HIA appraisal to be reviewed by the Chair of Audit.</p>	<p>Apr 2017</p> <p>May 2017</p>	<p>Implemented</p> <p>Implemented</p>

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1111	The CAE must communicate and interact directly with the board.	One to one sessions between the CAE and the board are planned into the annual timetable, either as part of the annual schedule of meetings or through the agreed working relationship between CAE and chair of the board. This occurs at least annually.		First annual meeting held in April 2017. Included in the annual schedule.	April 2017	Implemented
1210	Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.	There is a job description or person specification for each post with the IA organisation structure that defines appropriate knowledge, skills and experience. The job descriptions/person specifications are reviewed periodically or when positions become available. The knowledge, skills and competencies referred to might include: <ul style="list-style-type: none"> • Applying internal audit standards, procedures, and techniques in performing engagements. • Accounting principles and techniques if internal auditors work extensively with financial records and reports. • Knowledge to identify the indicators of fraud. • Knowledge of key information technology risks and controls and available technology-based audit techniques. • Communication and networking skills. • Managing people 	These are not specified in detail in the job descriptions.	Job descriptions to be amended to include specific IA responsibilities.	Summer 2017	Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1210.A1	The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.	<p>A process exists that identifies individual internal auditor training and development needs with support for qualification programmes and other training and development activities.</p> <p>Internal auditor performance is reviewed on a regular basis, the results of which feed back into the needs assessment and CPD process.</p>	Annual appraisals (PDRs) have been completed for all members of the team. These include development needs, but not how they will be achieved. One team member is studying for CIIA, another for CIPFA, both supported by the Council.	Development needs to be linked to training.	Summer 2017	Implemented
1220	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	The IA activity formally defines how it operates in a series of policies and procedures. For some the collection of documents may take the form of an Internal Audit Manual.	An Audit Manual existed but had not been fully updated since 2007. Now being comprehensively reviewed and updated. Some updates were communicated separately in 2015.	Completion of review of Audit Manual ready for software implementation, and needed again after implementation to reflect changes.	Spring 2017 December 2017	Implemented Not Implemented
1220.A2	In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.	Where appropriate audit engagements are supported by appropriate tools, including reporting within information systems, interrogation techniques and other Computer Aided Audit Techniques (CAATs).	CAATS not used.	Develop use of CAATS	2017	Not Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1230	Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.	<p>There is a process to assess the training and development needs of internal auditors that provides input to the continuous professional development (CPD) programme required by the Institute.</p> <p>The process may be based upon the organisation's staff appraisal procedure but centres upon the development of professional proficiency and the changing demands upon the profession.</p>	<p>Annual appraisals completed for all staff, leading to identification of training needs.</p> <p>Programme of departmental training identified for 2016/17, but not delivered.</p> <p>Individuals are responsible for update of their own CPD. A record is kept within the dept.</p>	Link between appraisals, training needs and CPD.	2017	Implemented
1300	The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	Stakeholder expectations and the results of consultations with staff are documented.	Not documented.	Needs more feedback from stakeholders	2017	Not Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2040	The chief audit executive must establish policies and procedures to guide the internal audit activity.	<p>There are appropriate policies and procedures, which are communicated to and understood by the staff of the internal audit activity.</p> <p>Internal auditors understand what is expected of them and the procedures recognise and apply the requirements of the IPPF</p> <p>Managers and the QAIP examine the application of policies and procedures – there is evidence to support supervision and quality management.</p> <p>Internal auditors meet to discuss the application of policies and procedures – with agreed actions.</p>	<p>Audit Manual, Audit Charter.</p> <p>In the process of procuring integrated audit software which will help regulate this.</p> <p>Needs more communication to auditors</p> <p>There is ongoing review of work, showing supervision and quality management.</p> <p>Team meetings are held, but more needed.</p>	<p>Manual, Charter, policies need better communication to the team.</p> <p>Reliance has been placed on experience.</p> <p>Briefings and team meetings to be instigated.</p>	2017	Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2110	<p>The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</p> <ul style="list-style-type: none"> Promoting appropriate ethics and values within the organisation; Ensuring effective organisational performance management and accountability; Communicating risk and control information to appropriate areas of the organisation; and Coordinating the activities of and communicating information among the board, external and internal auditors, and management. <p>The internal audit activity must evaluate the design, implementation, and effectiveness of the organisation's ethics-related objectives, programmes, and activities.</p>	<p>IA reviews the activities in place that manage and monitor the effective implementation of the organisation's;</p> <ul style="list-style-type: none"> Ethics and values. Codes of conduct. Levels of authority and responsibility. Strategic objectives. Compliance with laws and regulations. Communication with stakeholders. Social and ethical objectives, including validation of reported results. IT governance, including information security. 	<p>Not ethics</p> <p>Not levels of authority and responsibility.</p> <p>Not communications</p> <p>Not social and ethical objectives.</p>	<p>Full coverage of governance to be included in the Annual Plan for 2017/18</p>	<p>Spring 2017</p>	<p>Implemented</p>
2110.A1						

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2120.A2	The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.	IA evaluate the potential occurrence for fraud as part of audit engagements – included within objectives and referred to in communications at the end of the audit engagement.	Consideration of fraud not included in all audit scopes. Now added to scoping document. A fraud risk register is currently being developed.	Complete and issue the fraud risk register.	2017	Implemented
2130.C1	Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.	Internal auditors support management upon the design of controls at appropriate points in the development of major change programmes – examples would include implementation of new computer systems, building and supply contracts.	More involvement needed in change programmes.	Better liaison with DMTs during 2017/18, with the aim of improving IA involvement in change programmes.	2017	Implemented
2201	In planning the engagement, internal auditors must consider: <ul style="list-style-type: none"> The objectives of the activity being reviewed and the means by which the activity controls its performance; 	Procedure exists within the IA activity that requires internal auditors to research, scope and plan internal audit engagements – assurance and consultancy. Internal auditors document the following as part of their research and discussions with managers <ul style="list-style-type: none"> The nature of the area under review and key areas of change and development The activities that occur and the way performance is monitored. 	Procedures exist for research and scoping. All scopes are signed off by a Principal Auditor or Head of Audit. Yes/no. Key areas of change may not routinely be covered. Yes/no. Performance elements of activity may not be considered.	Improvements to scoping to ensure all relevant areas area covered.	Summer 2017	Not Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2201.A1	When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.	<p>The preparation for audit engagements leads to the documentation of objectives that are agreed with senior management and where appropriate clients outside the organisation. Options include:</p> <ul style="list-style-type: none"> Assurance that management assurance is effective and, therefore, reliable. Assurance that specific responses, including controls, are effective in managing given risks. <p>Consultancy to help managers improve the design or implementation of governance processes, risk processes and risk responses, including controls.</p>	Outside organisations to be updated (academies)	Arrangements for auditing academies to be reviewed.	2017	Implemented
2310	Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.	Information is obtained from information systems about the way processing operates – options include reporting tools, exception reports and Computer Aided Audit Techniques (CAATs).	Reports are obtained where applicable. CAATS are not used.	Explore the possibility of using CAATS in 2017/18	2017	Not Implemented.
2340	Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.	The results of supervision are incorporated into the QAIP and staff appraisal assessments – and where appropriate training and development plans.	To be completed.	Refer results of reviews into QAIP and individual training requirements.	2017	Not Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2420	Communications must be accurate, objective, clear, concise, constructive, complete, and timely.	The form and style of communications has been discussed and agreed with senior management and the board including the method of communications, format, and any grading of opinions and recommendations.	No. Have tended to be based on good practice / examples / templates from other authorities.	To be presented to senior management and audit committee.	2017	Not Implemented



Rotherham Metropolitan Borough Council

Internal Audit Quality Assurance and Improvement Plan 2018

1 Introduction and Background

- 1.1 The professional responsibilities for Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. Public Sector Internal Audit Standards (PSIAS) are based on the international standards.
- 1.2 The Standards require the Head of Internal Audit to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of Internal Audit's conformance with the Standards. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.3 The QAIP must include both internal and external assessments.
- 1.4 Internal assessments must include:
 - Ongoing monitoring of the performance of the Internal Audit activity. This is an integral part of the day-to-day supervision, review and measurement of internal audit. Ongoing monitoring is incorporated into the routine policies and practices used to manage internal audit and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, Code of Ethics and Standards; and
 - Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices, to evaluate conformance.
- 1.5 External assessments must be completed at least every five years by a qualified, independent assessor or assessment team from outside the organisation and may be either a full external assessment or a self-assessment with independent validation.
- 1.6 Within RMBC the Head of Internal Audit is responsible for the QAIP, which covers all types of Internal Audit activities. Under the QAIP, quality should be assessed at both an individual audit assignment level as well as at a broader level covering the entire internal audit department.
- 1.7 All staff within Internal Audit have responsibility for maintaining quality. The activities outlined in this QAIP involve all staff.
- 1.8 Internal Audit's QAIP is designed to provide reasonable assurance to the various stakeholders of RMBC that it:
 - Performs its work in accordance with its Charter, which is consistent with the PSIAS
 - Operates in an efficient and effective manner
 - Is adding value and continually improving its operations

2 External Assessment

- 2.1 At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. This process appraises and expresses an opinion about conformance with PSIAS and includes recommendations for improvement, as appropriate. The assessment is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit.
- 2.2 Results of external assessments are reported to the Audit Committee at the earliest opportunity following receipt of the report. The report must be accompanied by an action plan in response to significant findings and recommendations contained in the report. Any specific areas identified as requiring further development and/or improvement must be included in an action plan.
- 2.3 At the end of 2015 a wide ranging external review of Internal Audit was completed by PwC, including an assessment against PSIAS. The results were reported to the Audit Committee in January 2016. 19 recommendations were made for improvement. By November 2016, 10 of the recommendations had been completed, 3 were rated green (certain to be achieved) and 6 were rated amber (in progress / on target).
- 2.4 The results showed non-conformance against PSIAS. One of the recommendations was that an improvement plan should be developed that brings about the necessary improvements to meet the PSIAS requirements. RMBC Internal Audit reviewed their report and considered there were 76 actions to be taken to meet full compliance. By November 2016, 47 of those actions were rated green and 29 were rated amber.

3 Internal Assessment

Internal Assessment is made up of both ongoing and periodic reviews

3.1 Ongoing quality assurance arrangements

3.1.1 RMBC Internal Audit maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with PSIAS.

3.1.2 Assignment level

- The maintenance of a detailed audit procedures manual and quality management system to ensure compliance with applicable planning, fieldwork and reporting standards
- The objectives, scope and expected timescales for each audit assignment subject to agreement with the client before detailed work commences
- The results of all audit testing documented using standard working papers
- Documented review of file and working papers by a Principal Auditor to ensure that:
 - All work undertaken complies with the requirements of professional best practice and appropriate audit techniques have been used;
 - Audit files are complete and properly structured;

- The objectives of the audit have been achieved;
- Appropriate levels of testing have been carried out;
- The findings and conclusions are sound and are demonstrably supported by relevant, reliable and sufficient audit evidence
- The audit report is complete, accurate, objective, clear, concise, constructive and timely
- Supervision of audit assignments
- Regular monitoring of progress of audit assignments
- Draft reports and recommendations are reviewed and approved by the Head of Internal Audit.
- Client View Questionnaires are issued with each draft report to obtain feedback on the performance of the auditor and on how the audit was received.

3.1.3 Internal Audit department level

- The Internal Audit annual plan is produced using a risk based approach
- The audit procedures manual provides a detailed description of the work of the department and the way in which the work should be carried out. This is a point of reference for staff and guides them through the relevant procedures followed within the department
- The Internal Audit Charter provides stakeholders with a formally defined purpose, authority and responsibility for Internal Audit
- Continuous development of the internal audit team to ensure it possesses the necessary capacity, skills and knowledge to successfully deliver the annual audit plan including
 - Job descriptions for each post
 - Annual performance appraisals, to include assessment against audit competencies
 - Individual development plans based on the results of the appraisals
- Performance against agreed quality targets reported to the Audit Committee at each meeting

3.1.4 Integrated Audit Software

The department is currently implementing integrated audit software supplied by Morgan Kai. This will enhance and enforce quality assurance at both assignment and departmental level, but will necessitate the revision of departmental documentation and the audit procedure manual.

3.1.5 Reporting to the Audit Committee

At each meeting Internal Audit provides the Audit Committee with a Progress Report summarising the audit activity undertaken since the previous meeting. This includes the following:

- Progress against the annual plan
- A list of reports issued during the period including details of the assurance opinion provided and an outline of the major findings
- Details of investigations completed
- Outstanding audit recommendations

- Performance Indicators for the department

3.2 Periodic Reviews

- 3.2.1 Periodic reviews are completed by an annual self-assessment of conformance with PSIAS completed by the Head of Internal Audit using a checklist developed by the Chartered Institute of Internal Auditors.
- 3.2.2 The results of the self-assessment are used to identify any areas requiring development or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan.
- 3.2.3 Results are also used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the Audit Committee.
- 3.2.4 An annual self-assessment against the standards was completed in January 2017 and the results reported to the Audit Committee in February 2017. The Internal Audit Service was assessed as partially conforming, an improvement on the previous year. Partial conformance means the department is making good faith efforts to comply with the requirements but falls short of achieving some major objectives. These represent significant opportunities for improvement in effectively applying the standards. The partial conformance was not considered to impact on the effectiveness of the service, and the service complied with the Standards in all significant areas and operates independently and objectively. The assessment resulted in the development of a QAIP to continue the improvement.
- 3.2.5 An Improvement Action Plan was produced to address the individual areas identified as requiring improvement. Another self-assessment has now taken place which included an evaluation of progress against the actions. The results are shown in Appendix A.
- 3.2.6 The self-assessment for 2018 shows general conformance with the standards. However, there are still actions that can be taken to maintain and improve standards. The actions from this self-assessment are shown in Appendix B. These will be progressed throughout the year and the results reported back to the committee.

Quality Assurance and Improvement Plan – 2018

Actions from assessment January 2018

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1010	The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing, must be recognised in the internal audit charter.	<p>The charter includes reference to the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the International Standards.</p> <p>The charter makes a formal commitment to the Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, and the International Standards.</p>	<p>The Charter refers to the mandatory nature of PSIAS, including the definition, Code of Ethics and Standards.</p> <p>The ten Core Principles are listed and embedded in the Charter.</p> <p>It does not include reference to the International Standards, although they are applied</p>	Include in next update in 2018.	2018 update	DW
1100	The internal audit activity must be independent, and all internal auditors must be objective in performing their work.	IA role and relationships with regard to other assurance providers, inside and outside the organisation is established and documented		To be developed	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1220	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	<p>The IA activity formally defines how it operates in a series of policies and procedures. For some the collection of documents may take the form of an Internal Audit Manual.</p> <p>Policies and procedure recognise the elements and requirements of the IPPF.</p> <p>Audit engagements focus upon management's assessment of risk responses. Taking into consideration residual risk and management assurance upon the effectiveness of the risk response. Where this is not available internal auditors perform their own assessment of risks.</p>	<p>Audit Manual comprehensively reviewed and updated in early 2017.</p> <p>Refers to PSIAS and LGAN, not IPPF, but includes elements and requirements.</p> <p>Audit planning is risk based. In previous years this has been the IA assessment of risk. With further development of council risk registers, management's assessment is now used.</p> <p>RBIA to be further developed.</p>	<p>Completion of review of Audit Manual needed again after implementation of audit software to reflect changes.</p> <p>When updated, will specifically refer to IPPF.</p> <p>Needs further development of RBIA – training arranged for March 2018.</p>	<p>Summer 2018</p> <p>Summer 2018</p> <p>March 2018</p>	<p>DW</p> <p>DW</p> <p>DW</p>
1220.A2	In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.	Where appropriate audit engagements are supported by appropriate tools, including reporting within information systems, interrogation techniques and other Computer Aided Audit Techniques (CAATs).	CAATS not used.	Develop use of CAATS	2017	Not Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1300	The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	Stakeholder expectations and the results of consultations with staff are documented.	Not documented.	Needs more feedback from stakeholders on expectations from audit	2018	DW
1310	The quality assurance and improvement program must include both internal and external assessments.	There is a plan or schedule agreed with senior management and the board that sets out the type, nature and timing of future assessments – both internal and external.	Internal assessment made to Audit Committee in February 2017. This internal assessment to be presented in February 2018, with proposal for external assessment in 2019.	Proposal to be presented.	Sept 2018	DW
1312	External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board: <ul style="list-style-type: none"> • The form and frequency of external assessments. • The qualifications and independence of the assessor or assessment team, including any potential conflict of interest. 	The CAE consults with the board when deciding the frequency of the external assessment and the qualifications and independence of the external reviewer or review team.	External assessment carried out in late 2015 by PwC. Internal assessments carried out in January 2017 and January 2018. Proposed external assessment to be completed in early 2019, after MKInsight is fully embedded and Risk Based Internal Audit Training has been received by the team.	Propose external assessment for 2019.	Jan 2019	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2040	The chief audit executive must establish policies and procedures to guide the internal audit activity.	<p>There are appropriate policies and procedures, which are communicated to and understood by the staff of the internal audit activity.</p> <p>Internal auditors understand what is expected of them and the procedures recognise and apply the requirements of the IPPF</p>	<p>Audit Manual, Audit Charter.</p> <p>Integrated audit software used, which helps regulate this.</p> <p>Training received for software, arranged for RBIA.</p>	<p>Manual to be updated after software fully embedded. Procedures still being developed.</p> <p>RBIA training arranged for March 2018.</p>	2018	DW
2050	The chief audit executive should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.	<p>IA work is coordinated with that of the external auditors and with other internal providers of assurance and consulting services. This might include regular meetings, documented agreements, coordinated plans, sharing resources, training arrangements.</p> <p>In some cases IA may be required to assess the reliability of the work of other assurance providers. This is established in the IA Charter and factored into the IA plans.</p>	<p>External audit plan taken into account when producing the audit plan and scoping work.</p> <p>Known sources of assurance are taken into account when producing the audit plan.</p> <p>Where relevant, the work of other providers of assurance is reviewed during audit assignments.</p>	Assurance mapping needed to identify and evaluate other providers of assurance.	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2110	<p>The internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> • Making strategic and operational decisions. • Overseeing risk management and control • Promoting appropriate ethics and values within the organisation. • Ensuring effective organisational performance management and accountability. • Communicating risk and control information to appropriate areas of the organisation. • Coordinating the activities of and communicating information among the board, external and internal auditors, other assurance providers and management. <p>2110.A1 The internal audit activity must evaluate the design, implementation, and effectiveness of the organisation's ethics-related objectives, programmes, and activities.</p>	<p>IA reviews the activities in place that manage and monitor the effective implementation of the organisation's;</p> <ul style="list-style-type: none"> • Ethics and values. • Codes of conduct. • Levels of authority and responsibility. • Strategic and operational objectives. • Compliance with laws and regulations. • Communication with stakeholders. • Risk management and control processes • Social and ethical objectives, including validation of reported results. • IT governance, including information security. <p>Internal audit's consultancy engagements support the improvement of the organisations governance framework, including the board's self-assessment of</p>	<p>Not ethics. Reviewed. Not levels of authority and responsibility. Objectives – performance management included in plan. Compliance – regulatory audits</p> <p>Not Communications Reviewed.</p> <p>Not social and ethical objectives.</p> <p>IT governance and security part of audit plan. Work has been completed on the Information Governance Toolkit. Leicester Council ICT auditors used for specialist ICT reviews.</p> <p>Few consultancy engagements.</p>	<p>Further development of governance to be included in the Annual Plan for 2018/19.</p>	2018	DW

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	2110.A2 The internal audit activity must assess whether the information technology governance of the organisation supports the organisations strategies and objectives.	performance, benchmarking and development of best practice based upon published reports such as the Combined Code.				
2201	<p>In planning the engagement, internal auditors must consider:</p> <ul style="list-style-type: none"> • The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance. • The significant risks to the activity's objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level. • The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model. • The opportunities for making significant improvements to the activity's governance, risk management, and control processes. 	<p>Procedure exists within the IA activity that requires internal auditors to research, scope and plan internal audit engagements – assurance and consultancy. Internal auditors document the following as part of their research and discussions with managers</p> <ul style="list-style-type: none"> • The nature of the area under review and key areas of change and development • The activities that occur and the way performance is monitored. • Strategic objectives and the way the area contributes to the organisation's strategy or purpose. • The risks involved and the organisation's chosen responses to those risks. • How managers know the responses are effective. • Assurances managers give to whom and how often. 	<p>Procedures exist for research and scoping. All scopes are signed off by a Principal Auditor or Head of Audit.</p> <p>Yes.</p> <p>Yes/no. Performance elements of activity may not be considered. Objectives of the area noted.</p> <p>Risks confirmed to risk registers, including mitigating actions. Mitigating actions evidenced / tested in the review</p> <p>Governance around reporting included in the review.</p>	Scoping to be further developed after MKInsight fully embedded.	2018	DW

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2310	Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.	<p>The internal auditor plans what information they may need, where that information could be obtained from and whether that information is sufficient, reliable, relevant, and timely.</p> <p>The working files/papers for the audit engagement contain information that shows how activities and processes are designed and how they are meant to work.</p> <p>Information is obtained from information systems about the way processing operates – options include reporting tools, exception reports and CAATs.</p> <p>Information also includes observations, interviews and results of audit testing.</p>	<p>Information is gained in order to complete audit testing and support conclusions, and retained in the files.</p> <p>If documented systems / processes are available they will be obtained and used. If not such processes will usually be determined through discussion with auditee and recorded in the working papers.</p> <p>Reports are obtained where applicable. CAATs are not used.</p>	Explore the possibility of using CAATs in 2018/19.	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2340	Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.	<p>There is an organisational and reporting structure within the internal audit activity that provides the basis for supervision.</p> <p>Job descriptions document supervisory requirements.</p> <p>Policies and procedures describe how supervision is supposed to be applied – this incorporates review of work in progress, amendment or corrective actions, follow-up and approval.</p> <p>IA files/working papers and reports illustrate how supervision works in practice.</p> <p>The results of supervision are incorporated into the QAIP and staff appraisal assessments – and where appropriate training and development plans</p>	<p>Structure of the team has been implemented.</p> <p>Job descriptions document supervisory requirements.</p> <p>Manual. Audit files are reviewed by PA's, reviewed through MKInsight.</p> <p>Files show review and implementation of review points.</p> <p>To be completed</p>	Refer results of reviews into QAIP and individual training requirements.	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2420	Communications must be accurate, objective, clear, concise, constructive, complete, and timely.	<p>There is a record of the timeline for the communication of results that spans the completion of the audit engagement through to communication with the board.</p> <p>There is a procedure that ensures discussions with managers between the close of the audit engagement and the delivery of communications are performed promptly.</p> <p>There is evidence to show IA communications are delivered in a timely manner and within the timeframe and level of resource set at the start of the audit engagement.</p> <p>Communications cover the full scope of the audit engagement.</p> <p>The form and style of communications has been discussed and agreed with senior management and the board including the method of communications, format, and any grading of opinions and recommendations.</p>	<p>Record kept of the progress of audits from completion of fieldwork to reporting to Audit Committee. Planned and actual key dates recorded in MKInsight.</p> <p>Closing meetings are held as soon as possible after completion of fieldwork.</p> <p>There are targets for issue and return of draft and final reports, which are followed up if necessary. Actual dates are noted on the files.</p> <p>Yes</p> <p>No. Have tended to be based on good practice / examples / templates from other authorities. Standard report format being produced. Reports show the link between objectives and conclusions</p>	<p>To be presented to senior management and audit committee.</p>	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
		<p>There is evidence of review and approval of communications prior to their release</p> <p>Communications are clear and concise.</p>	<p>Draft and final reports are reviewed before release.</p> <p>Yes.</p>			
2500	<p>The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</p> <p>2500.A1 The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.</p>	<p>The CAE has established a follow-up process to monitor and ensure that management actions have been effectively implemented or risk accepted.</p> <p>Records of follow-up meeting and discussions.</p> <p>There is a process that require internal audit to confirm the implementation of actions by management in relation to high priority, high importance areas.</p>	<p>All recommendations are tracked as they fall due. Progress is reported to the Audit Committee, including non-implementation.</p> <p>E mail records kept.</p> <p>High priority actions are subject to follow up.</p>	To become automated within MKInsight.	Spring 2018	DW