

## **Council Report**

Audit Committee – 29<sup>th</sup> January 2019.

### **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**

David Webster, Head of Internal Audit

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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 2018 which showed general conformance with those standards. A Quality Assurance and Improvement Programme (QAIP) was produced to address the areas where conformance was not achieved or further improvement could be made.

The Improvement programme has been implemented since then. The latest annual self-assessment has now been completed, still 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 February 2018.

**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 2019.**

### **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 2018 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 2018.

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

### **3. Key Issues**

3.1 The current position against the 2018 Improvement Action Plan is given in Appendix A. Many actions were completed during the year. Those that were not completed related to the Audit Manual, the use of Computer Aided Audit Techniques, assurance mapping and the provision of an external assessment. None of these affect the standard of work carried out by the team.

3.2 An updated QAIP has been produced using the results of the 2019 self-assessment and the resultant actions. This is given in Appendix B. Even when General Conformance has been achieved against individual standards, suggestions have been made where appropriate to drive further improvements.

3.3 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 29<sup>th</sup> January 2019 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 Council 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 – 2018

Actions from assessment January 2018 – questions not scored as conforming. Current Position.

| Ref  | Standard  | Key Conformance Criteria   | Conformance   | Planned Action                  | Timescale   | Current Position                        |
|------|---|--|---|---------------------------------|-------------|---|
| 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 | Completed – Charter updated in 2018.    |
| 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        | Completed – documented in Audit Charter |

| Ref     | Standard   | Key Conformance Criteria   | Conformance  | Planned Action   | Timescale   | Current Position   |
|---------|--|--|--|--|---|--|
| 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>Manual partly updated – to be completed.</p> <p>Training of team took place in March 2018. To be further developed.</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   | 2018  | Not completed  |

| Ref  | Standard   | Key Conformance Criteria  | Conformance  | Planned Action   | Timescale | Current Position |
|------|--|---|--|--|-----------|------------------|
| 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      | Not completed.   |
| 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 | Not completed.   |
| 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"> <li>• The form and frequency of external assessments.</li> <li>• The qualifications and independence of the assessor or assessment team, including any potential conflict of interest.</li> </ul> | 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.<br><br>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  | Not completed.   |

| <b>Ref</b> | <b>Standard</b>   | <b>Key Conformance Criteria</b>   | <b>Conformance</b>  | <b>Planned Action</b>  | <b>Timescale</b> | <b>Current Position</b>  |
|------------|---|---|---|--|------------------|--|
| 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             | <p>Manual partly updated – to be completed.</p> <p>Training of team took place in March 2018.<br/>To be further developed.</p> |
| 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             | Not completed.   |

| Ref  | Standard   | Key Conformance Criteria  | Conformance  | Planned Action  | Timescale | Current Position                          |
|------|--|---|--|---|-----------|---|
| 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"> <li>• Making strategic and operational decisions.</li> <li>• Overseeing risk management and control</li> <li>• Promoting appropriate ethics and values within the organisation.</li> <li>• Ensuring effective organisational performance management and accountability.</li> <li>• Communicating risk and control information to appropriate areas of the organisation.</li> <li>• Coordinating the activities of and communicating information among the board, external and internal auditors, other assurance providers and management.</li> </ul> <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"> <li>• Ethics and values.</li> <li>• Codes of conduct.</li> <li>• Levels of authority and responsibility.</li> <li>• Strategic and operational objectives.</li> <li>• Compliance with laws and regulations.</li> <li>• Communication with stakeholders.</li> <li>• Risk management and control processes</li> <li>• Social and ethical objectives, including validation of reported results.</li> <li>• IT governance, including information security.</li> </ul> <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.</p> <p>Not levels of authority and responsibility. Objectives – performance management included in plan. Compliance – regulatory audits</p> <p>Not Communications</p> <p>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      | Completed. Audit of Governance completed. |

| Ref  | Standard  | Key Conformance Criteria  | Conformance   | Planned Action  | Timescale | Current Position                                   |
|------|---|---|---|---|-----------|--|
|      | 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"> <li>The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.</li> <li>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.</li> <li>The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model.</li> <li>The opportunities for making significant improvements to the activity's governance, risk management, and control processes</li> </ul> | <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"> <li>The nature of the area under review and key areas of change and development</li> <li>The activities that occur and the way performance is monitored.</li> <li>Strategic objectives and the way the area contributes to the organisation's strategy or purpose.</li> <li>The risks involved and the organisation's chosen responses to those risks.</li> <li>How managers know the responses are effective.</li> <li>Assurances managers give to whom and how often.</li> </ul> | <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 Governance around reporting included in the review.</p> | Scoping to be further developed after MKInsight fully embedded. | 2018      | Partly completed. Scoping to be further developed. |

| Ref  | Standard   | Key Conformance Criteria  | Conformance   | Planned Action                                     | Timescale | Current Position |
|------|--|---|---|--|-----------|------------------|
| 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      | Not completed.   |

| Ref  | Standard   | Key Conformance Criteria   | Conformance   | Planned Action   | Timescale | Current Position  |
|------|--|--|---|--|-----------|---|
| 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      | Completed. Results of supervision included in PDR's and QAIP. |

| Ref  | Standard  | Key Conformance Criteria  | Conformance   | Planned Action   | Timescale | Current Position   |
|------|---|---|---|--|-----------|--|
| 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      | <p>Partly completed. Standard report format introduced. Reporting to SLT and Cabinet agreed.</p> |

| Ref  | Standard  | Key Conformance Criteria  | Conformance  | Planned Action                        | Timescale   | Current Position  |
|------|---|---|--|---------------------------------------|-------------|---|
|      |   | <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 | Completed. Automated within MKInsight. Reported to Strategic Directors monthly, to SLT and Audit Committee. |



# **Rotherham Metropolitan Borough Council**

## **Internal Audit Quality Assurance and Improvement Plan 2019**

# 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 at that time. 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. The 2016/17 Internal Assessment then gave an up to date position and action plan.

## 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 now using integrated audit software supplied by Morgan Kai. This enhances and enforces 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. An Improvement Action Plan was produced to address the individual areas identified as requiring improvement.
- 3.2.5 The self-assessment for 2018 showed general conformance with the standards. However, there were still actions that could be taken to maintain and improve standards.
- 3.2.6 Another self-assessment has now taken place which included an evaluation of progress against the previous actions. The results are shown below. Where an action has been identified against a standard the whole of that standard and the current actions are shown to give context, even if the new suggested action only relates to part of the standard.
- 3.2.7 These new suggested actions will be progressed throughout the year and the results reported back to the committee.

## Quality Assurance and Improvement Plan – 2019

### Actions from assessment January 2019

| Ref  | Standard   | Key Conformance Criteria   | Conformance  | Planned Action  | Timescale | Person Responsible |
|------|--|--|--|---|-----------|--------------------|
|      | Overall  |  |  | Date completed, version number and intended review date on Audit Charter, Manual, Service Plan  | 2019      | DW                 |
| 1130 | <p><b>Impairments to Independence or Objectivity</b></p> <p>If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.</p> <p><b>Interpretation:</b></p> <p>Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.</p> <p>The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior</p> | <p>CAE has established rules of conduct that clearly set out expected behaviour and defines the nature of conflict of interest and impairment of objectivity.</p> <p>This may include recognition or adoption of the organisation's Code of Practice provided this contains sufficient detail – including the acceptance of gift and hospitality. Where these do not exist or they lack clarity IA should formulate separate policies.</p> <p>Internal auditors are required to register hospitality and gifts, which is reviewed on a regular basis.</p> <p>Policies make auditors aware they must report any real or perceived conflict of interest as soon as such conflict arises.</p> <p>Procedures exist to support the policy and there is information to illustrate application – conflict of interest statements.</p> <p>Policy exists to ensure that assurance engagements of areas that are under the</p> | <p>Included in Manual. Also expected to adhere to Council policies and Code of Practice. Annual declaration of interest completed by all auditors.</p> <p>All hospitality and gifts recorded.</p> <p>Included in manual.</p> <p>N/A</p> <p>Engagements are allocated by PA's, taking</p> | <p>Audit Manual</p> <p>Consider suitable wording in the revised audit manual to cover perceptions of audit independence if an auditor is completing a long term review over a number of years, the same audit more that for example 4 times. issues</p> | 2019      | DW                 |

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|  | <p>management and the board as described in the internal audit charter, as well as the nature of the impairment.</p> <p>1130. A1 Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.</p> <p>1130. A2 Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.</p> <p><b>1130 A3</b> – The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement</p> <p>1130. C1 Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.</p> <p>1130.C2 If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement</p> | <p>control or direct influence of the CAE are overseen by a party external to the CAE.</p> <p>IA engagements are rotated ensuring that activities and entities are not audited by the same auditor or where they have performed consulting services which may impair objectivity.</p> <p>The assignment of internal engagements are rotated to ensure that internal auditors involved in the development of systems and procedures do not review the management of risks and application of risk responses in these areas.</p> | <p>this into account.</p> <p>As above.</p> <p>As above</p> |  |  |  |
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| Ref  | Standard  | Key Conformance Criteria   | Conformance  | Planned Action  | Timescale | Person Responsible |
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| 1220 | <p><b>Due Professional Care</b></p> <p>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> <p>1220.A1 Internal auditors must exercise due professional care by considering the:</p> <ul style="list-style-type: none"> <li>• Extent of work needed to achieve the engagement's objectives;</li> <li>• Relative complexity, materiality, or significance of matters to which assurance procedures are applied;</li> <li>• Adequacy and effectiveness of governance, risk management, and control processes;</li> <li>• Probability of significant errors, fraud, or non-compliance; and</li> <li>• Cost of assurance in relation to potential benefits.</li> </ul> <p>1220.A2 In exercising due professional care internal auditors must consider the use of technology-based audit and other</p> | <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>The policies and procedures specify the way audit files and working papers need to be kept to record the information gathered and analysis performed during the audit engagement.</p> <p>Policies and procedure recognise the elements and requirements of the IPPF.</p> <p>Internal auditors research and gather background information to help them prioritise objectives and set boundaries for each audit engagement – assurance and consulting.</p> <p>The objectives and priorities for audit engagements are discussed with senior management and stakeholders where appropriate.</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</p> | <p>Audit Manual comprehensively reviewed and updated in early 2017.</p> <p>Manual and updates specify the contents of files and working papers. Findings and conclusions adequately supported by working papers.</p> <p>Refers to PSIAS and LGAN, not IPPF, but includes elements and requirements.</p> <p>Yes. Utilise previous audit, internet, internal reports / policies, CIPFA matrices. Not formalised in a scoping document process.</p> <p>Yes, recorded in scoping document</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</p> | <p>Completion of review of Audit Manual needed again after implementation of audit software to reflect changes. and may include:</p> <p>Audit Manual Paragraph 1.1. Add a sentence - international standards and laws as interpreted by HM Treasury and other UK professional organisations and institutions.</p> <p>Consider Paragraph 1.8 new paragraph to include ISO31000 definition of risk management and internal audit's role in providing assurance on risk exposure when compared to the organisations approved risk appetite i.e. from our reviews is the risk exposure greater than the operational risk appetite and risk score for a specific service area.</p> | 2019      | DW                 |

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|  | <p>data analysis techniques.</p> <p>1220.A3 Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.</p> <p>1220.C1 Internal auditors must exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> <li>• Needs and expectations of clients, including the nature, timing, and communication of engagement results;</li> <li>• Relative complexity and extent of work needed to achieve the engagement's objectives; and</li> <li>• Cost of the consulting engagement in relation to potential benefits.</li> </ul> | <p>assessment of risks.</p> <p>Where appropriate audit engagements are supported by appropriate tools, including reporting within information systems, interrogation techniques and other CAATS.</p> <p>The communication of conclusions and audit opinions are based on appropriate information such as observations, tests, analyses and other documentation. This is indexed and classified in working papers linked to the engagement work programme, schedule of testing and audit objectives.</p> | <p>assessment is now used.</p> <p>RBIA to be further developed.</p> <p>CAATS not used.</p> <p>Conclusions and opinions based on the results of working papers. All documented within MKI – Assurance Objective, risk test schedule, findings. Few consulting engagements completed.</p> | <p>CAATS</p> <p>Training courses on MS Excel, Google Documents MS Excel CAATS software</p> <p>Consider a separate appendix in the Audit Manual on the use of CAATS, the same as for MK Insight and Risk Management</p> |  |  |
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| 1230 | <p><b>Continuing Professional Development</b></p> <p>Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development</p> | <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. Programme of departmental training identified and being delivered – MKInsight training delivered, RBIA training arranged for March 2018.</p> <p>Individuals are responsible for update of their own CPD. A record is kept within the dept.</p> <p>Annual appraisals<br/>Professional CPD<br/>Corporate Training<br/>Service specific training<br/>Feedback from staff attending regional groups</p> | <p>Consider the cost of group IIA membership in partnership with another organisation</p> | 2019      | DW                 |

| Ref  | Standard  | Key Conformance Criteria  | Conformance   | Planned Action   | Timescale | Person Responsible |
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| 1300 | <p><b>Quality Assurance and Improvement Programme (the sum of standards 1310-1320)</b></p> <p>The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.</p> <p><b>Interpretation:</b></p> <p>A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement program</p> | <p>The QAIP is about establishing a culture of continuous improvement to prevent problems and to underpin day-to-day delivery of a reliable assurance and consulting service.</p> <p>This is led by the CAE who sets a vision, a strategy and service expectations through policies, procedures, review and oversight arrangements based upon stakeholder requirements and consultation with the internal audit team.</p> <p>Stakeholder expectations and the results of consultations with staff are documented.</p> <p>The establishment of QAIP and its purpose is reflected in the internal audit charter. This refers to the arrangements for supervision and review of the work that staff do</p> | <p>A QAIP action plan was produced after the internal review in January 2017. Procedures, audit manual and KPI's were been updated.</p> <p>Service Plan completed and communicated to all staff – includes vision for the department. Charter includes Mission Statement and definition. Manual includes internal requirements. All work is subject to review.</p> <p>Not documented.</p> <p>Fully referred to in the Charter</p> | <p>Could include a customer questionnaire as part of the process to formulate the annual audit plan.</p> | 2019      | DW                 |

| Ref  | Standard  | Key Conformance Criteria  | Conformance  | Planned Action                                   | Timescale | Person Responsible |
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| 1310 | <p><b>Requirements of the Quality Assurance and Improvement Programme</b></p> <p>The quality assurance and improvement program must include both internal and external assessments.</p>   | <p>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.</p>  | <p>Internal assessment made to Audit Committee in February 2017. This internal assessment to be presented in January 2019, with proposal for external assessment in 2019/2020</p>                            | <p>Proposal to be presented</p>                  | 2019      | DW                 |
| 1312 | <p><b>External Assessments</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>The form and frequency of external assessments.</li> <li>The qualifications and independence of the assessor or assessment team, including any potential conflict of interest.</li> </ul> <p><b>Interpretation:</b></p> <p>External assessments may be accomplished through a full external assessment, or a self-</p> | <p>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.</p> <p>The assessor or assessment team is from outside the organisation and is free from any obligations to or interests in the organisation – in particular consulting services.</p> <p>Assessors are qualified, with appropriate competence and experience of IA – at least three years at manager level - and knowledge of leading practices in IA, as well as current, in-depth knowledge of the IPPF.</p> <p>There is evidence of comprehensive external assessments at least every 5 years (This is includes peer assessment</p> | <p>External assessment carried out in late 2015 by PwC.</p> <p>Internal assessments carried out in January 2017, January 2018 and January 2019. Proposed external assessment to be completed in 2019/20.</p> | <p>Propose external assessment for 2019/2020</p> | 2019      | DW                 |

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| <p>assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.</p> <p>A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.</p> <p>An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.</p> | <p>where there is an element of independence in the process).</p> <p>For some organisations external quality assessments may be carried out more regularly based upon regulatory or funding requirements – particularly the public sector.</p> <p>External audit assessments may also be appropriate where significant change has occurred within the organisation of internal audit activity.</p> <p>The external assessor concludes as to the conformance with the Code of Ethics and the Standards (as well as operational or strategic comments).</p> |  |  |  |  |
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|  | The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest. |  |  |  |  |  |
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| 2010 | <p><b>Planning</b></p> <p>The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.</p> <p><b>Interpretation:</b></p> <p>To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.</p> <p>2010.A1 The internal audit activity plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process</p> <p>2010.A2 The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit</p> | <p>The CAE has established risk-based internal audit plans (RBIA) in consultation with the board and senior management that identifies where assurance and consultancy is required on risk management processes, management assurances and risk responses.</p> <p>The audit plan establishes a link between the proposed audit topics and the priorities and risks of the organisation taking into account:</p> <ul style="list-style-type: none"> <li>Stakeholder expectations, and feedback from senior and operational managers.</li> <li>Objectives set in the strategic plan and business plans, including major projects and financial forecasts.</li> <li>Risk maturity in the organisation to provide an indication of the reliability of risk registers.</li> <li>Management's identification and response to risk, including risk mitigation strategies and levels of residual risk.</li> <li>Legal and regulatory requirements.</li> </ul> | <p>RBIA in place, risk based plan used by the team. Known sources of assurance taken into account when planning, but full assurance mapping not completed.</p> <p>The plan is based on the priorities and risks of the organisation.</p> <p>Stakeholders are consulted in the preparation of the plan.</p> <p>The plan is based on strategic objectives.</p> <p>Risk management has been audited in 2017/18. Risk registers are used to produce the plan.</p> <p>Risk registers and management consultation give this.</p> <p>Regulatory work completed as necessary.</p> | <p>Assurance of audit coverage of the highest risks of the council.</p> | 2019      | DW                 |

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|  | <p>opinions and other conclusions.</p> <p>2010.C1 The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organisation's operations. Accepted engagements must be included in the plan.</p> | <ul style="list-style-type: none"> <li>• The audit universe – all the audits that could be performed within the scope of the IA Charter.</li> <li>• Previous IA plans and the results of audit engagements.</li> </ul> <p>The CAE determines stakeholder expectations for IA opinions including the levels of assurance required, scope and the way assurance is given such as narrative or rating by discussion with senior management and the board.</p> <p>Where the organisation's risk maturity is at formative level – defined as 'naïve' or 'aware' - IA may perform consulting engagements to support the improvement of risk management. In this situation IA performs its own risk assessment in formulating risk based IA plans.</p> <p>There is a degree of flexibility and contingency within IA plans to cater for the changing risk environment.</p> | <p>Audit universe completed and utilised.</p> <p>Taken into account during planning.</p> <p>Amended and agreed during 2016.</p> <p>N/A</p> <p>Plan includes contingency for responsive work. The plan is updated throughout the year as necessary to take into account any changes. All updates are reported to the Audit Committee.</p> <p>A mid-year review of the plan was completed, including consultation with Strategic Directors. This was reported to the Audit Committee.</p> |  |  |  |
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|  |  | <p>There is formal approval of the plan by the board – in some cases internal audit is required to formulate a plan for approval that enables them to provide an annual opinion. This is understood and reflected in discussions and approval of the plan with senior management and the board.</p> | <p>Plan approved by Audit Committee. Plan includes the work necessary to provide an annual opinion.</p> <p>The Audit Manual includes the use of Risk Registers as included in paragraphs 7.1.3 and 8.5</p> <p>Annual Audit Plan and associated working papers.</p> |  |  |  |
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| 2040 | <p><b>Policies and Procedures</b></p> <p>The chief audit executive must establish policies and procedures to guide the internal audit activity.</p> <p><b>Interpretation:</b></p> <p>The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work</p> | <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>Integrated audit software used, which helps regulate this.</p> <p>Training received for software, arranged for RBIA.</p> <p>There is ongoing review of work, showing supervision and quality management.</p> <p>Audit Manual, Audit Charter</p> | <p>Manual to be updated after software fully embedded.<br/>Procedures still being developed</p> | 2019      | DW                 |

| Ref  | Standard   | Key Conformance Criteria  | Conformance  | Planned Action  | Timescale | Person Responsible |
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| 2110 | <p><b>Governance</b></p> <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"> <li>• Making strategic and operational decisions.</li> <li>• Overseeing risk management and control</li> <li>• Promoting appropriate ethics and values within the organisation.</li> <li>• Ensuring effective organisational performance management and accountability.</li> <li>• Communicating risk and control information to appropriate areas of the organisation.</li> <li>• Coordinating the activities of and communicating information among the board, external and internal auditors, other assurance providers and management.</li> </ul> <p>2110.A1 The internal audit activity must evaluate the design, implementation, and effectiveness</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"> <li>• Ethics and values.</li> <li>• Codes of conduct.</li> <li>• Levels of authority and responsibility.</li> <li>• Strategic and operational objectives.</li> <li>• Compliance with laws and regulations.</li> <li>• Communication with stakeholders.</li> <li>• Risk management and control processes</li> <li>• Social and ethical objectives, including validation of reported results.</li> <li>• IT governance, including information security.</li> </ul> <p>Internal audit's consultancy engagements support the improvement of the organisations governance framework, including the board's self-assessment of performance, benchmarking and</p> | <p>Not ethics.</p> <p>Reviewed.</p> <p>Not levels of authority and responsibility.<br/>Objectives – performance management included in plan.</p> <p>Compliance – regulatory audits<br/>Not Communications</p> <p>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.</p> <p>Few consultancy engagements</p> | <p>Further development of governance to be included in the Annual Plan for 2019/20 including:</p> <p>Ethics – consider any use of local government ombudsman upheld complaints in audit planning</p> <p>Audit reviews of the scheme of delegation based on the long term cost of the action not just the annual cost-whole life</p> | 2019      | DW                 |

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|      | <p>of the organisation's ethics-related objectives, programmes, and activities.</p> <p>2110.A2 The internal audit activity must assess whether the information technology governance of the organisation supports the organisations strategies and objectives.</p>   | <p>development of best practice based upon published reports such as the Combined Code.</p>  |  |  |      |    |
| 2120 | <p><b>Risk Management</b></p> <p>The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</p> <p>Interpretation:</p> <p>Determining whether risk management processes are effective is a judgment resulting from the internal auditors assessment that:</p> <ul style="list-style-type: none"> <li>• Organisational objectives support and align with the organisation's mission;</li> <li>• Significant risks are identified and assessed;</li> <li>• Appropriate risk responses are selected that align risks with the organisation's risk appetite; and</li> <li>• Relevant risk information is captured and communicated</li> </ul> | <p>Internal audit's role with regard to risk management is set out in the internal audit charter.</p> <p>IA's role with regard to risk management will vary according to the level of risk maturity within the organisation. Where risk management is well established (risk managed or risk enabled) internal audit provide assurance upon:</p> <ul style="list-style-type: none"> <li>• The effective implementation of risk management processes in relation to strategic and operational objectives.</li> <li>• Reliable identification and assessment of risks with appropriate response.</li> <li>• The reporting of risk and control status by management.</li> <li>• The level of residual risk in relation to the organisations' risk appetite.</li> <li>• The effectiveness of the controls and other responses to risks.</li> </ul> | <p>Charter includes the role of IA with regards to risk management.</p> <p>Review of Risk Management completed in December 2017.</p> <p>Review included the implementation of risk management, identification and assessment of risks, reporting, residual risk and effectiveness of controls.</p> | <p>Consider the use of any self-assessment checklists against IS31000 in future audit reviews of risk management.</p> <p>Consider the use of the risk categories in the Risk Management policy together with resilience and fraud in a new detailed planning document.</p> | 2019 | DW |

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|  | <p>in a timely manner across the organisation, enabling staff, management, and the board to carry out their responsibilities.</p> <p>The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.</p> <p>Risk management processes are monitored through ongoing management activities, separate evaluations, or both.</p> <p>2120.A1 The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations, and information systems regarding the:</p> <ul style="list-style-type: none"> <li>• Achievement of the organisation's strategic objectives,</li> <li>• Reliability and integrity of financial and operational information.</li> <li>• Effectiveness and efficiency of operations and programmes.</li> <li>• Safeguarding of assets; and</li> </ul> | <p>The IA activity gathers the information to support an assessment of risk management during multiple engagements.</p> <p>The results of these engagements, when viewed together, provide an understanding of the organisation's risk management and its effectiveness. Alternatively, IA may assess risk management processes as one single engagement</p> <p>Where risk management is less developed (risk naïve, aware or defined) internal audit operate in a more advisory capacity to:</p> <ul style="list-style-type: none"> <li>• Report upon the level of risk maturity and scope for improvement.</li> <li>• Support development of risk management framework.</li> <li>• Facilitate identification and assessment of risks.</li> <li>• Coach management in responding to risks.</li> </ul> <p>Coordinate and consolidate reporting:</p> <p>IA refrains from taking full responsibility for risk management, including risk responses.</p> <p>IA carry out individual risk based engagements to provide assurance on part of the risk management framework, including on the mitigation of individual or groups of risks.</p> <p>IA evaluates the potential occurrence for fraud as part of audit engagements –</p> | <p>All audit scopes include reviewing risk management in the area under review.</p> <p>IA is not responsible for risk management.</p> <p>Risk based internal audit engagements include reviewing risk management within that area.</p> <p>Consideration of fraud not included in all audit</p> |  |  |  |
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|  | <ul style="list-style-type: none"> <li>Compliance with laws, regulations, policies procedures and contracts.</li> </ul> <p>2120.A2 The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.</p> <p>2120.C1 During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.</p> <p>2120.C2 Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.</p> <p>2120.C3 When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks</p> | <p>included within objectives and referred to in communications at the end of the audit engagement.</p> | <p>scopes. Now added to scoping document.</p> <p>The risk of fraud has been raised with the fraud champions group, to include in risk registers.</p> |  |  |  |
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| 2200 | <p><b>Engagement Planning</b></p> <p>Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives and risks relevant to the engagement.</p>  |   | <p>All included in scoping document.</p> <p>Audit Manual with templates for planning and the Assignment Brief</p>  | Review the assignment brief  | 2019      | DW                 |
| 2201 | <p><b>Planning Considerations</b></p> <p>In planning the engagement, internal auditors must consider:</p> <ul style="list-style-type: none"> <li>The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.</li> <li>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.</li> <li>The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a</li> </ul> | <p>Procedure exists within the IA activity that requires internal auditors to research, scope and plan internal audit engagements – assurance and consultancy.</p> <p>Internal auditors document the following as part of their research and discussions with managers</p> <ul style="list-style-type: none"> <li>The nature of the area under review and key areas of change and development</li> <li>The activities that occur and the way performance is monitored.</li> <li>Strategic objectives and the way the area contributes to the organisation's strategy or purpose.</li> </ul> | <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.</p> <p>Objectives of the area noted.</p> | <p>Scoping to be further developed after MKInsight fully embedded</p> <p>Could use a more detailed audit planning document</p> <p>Consider the use of the risk categories in the Risk Management policy together with resilience and fraud in a new detailed planning document</p> | 2019      | DW                 |

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|  | <p>relevant framework or model.</p> <ul style="list-style-type: none"> <li>The opportunities for making significant improvements to the activity's governance, risk management, and control processes.</li> </ul> <p>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> <p>2201.C1 Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.</p> | <ul style="list-style-type: none"> <li>The risks involved and the organisation's chosen responses to those risks.</li> <li>How managers know the responses are effective.</li> <li>Assurances managers give to whom and how often.</li> </ul> <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"> <li>Assurance that management assurance is effective and, therefore, reliable.</li> <li>Assurance that specific responses, including controls, are effective in managing given risks.</li> <li>Consultancy to help managers improve the design or implementation of governance processes, risk processes and risk responses, including controls.</li> </ul> <p>Documentation of the objectives and scope of consultancy engagements. This could include engagement letters, terms of reference and any other form of agreement that documents the responsibilities of the internal audit activity in a consultancy engagement</p> | <p>Risks confirmed to risk registers,</p> <p>Audit Manual with templates for planning and the Assignment Brief</p> |  |  |  |
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| Ref  | Standard   | Key Conformance Criteria  | Conformance   | Planned Action   | Timescale | Person Responsible |
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| 2310 | <p><b>Identifying Information</b></p> <p>Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.</p> <p><b>Interpretation:</b></p> <p>Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.</p> | <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> <p>Audit evidence stored in electronic files including in the main repository of MK Insight</p> <p>Internal Audit Quality Reviews of completed work</p> | <p><u>CAATS</u><br/>Training courses on MS Excel, Google Documents MS Excel CAATS software</p> <p>Consider a separate appendices in the Audit Manual on the use of CAATS, The same as for MK Insight and Risk Management</p> | 2019      | DW                 |

| Ref  | Standard   | Key Conformance Criteria   | Conformance  | Planned Action  | Timescale | Person Responsible |
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| 2410 | <p><b>Criteria for Communicating</b></p> <p>Communications must include the engagement's objectives scope and results.</p> <p>2410.A1 Final communication of engagement results must, include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors' opinion should be provided. An opinion must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</p> <p><b>Interpretation:</b></p> <p>Opinions at the engagement level may be ratings, conclusions or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.</p> <p>2410.A2 Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.</p> | <p>There is evidence of appropriate, timely communication with management throughout the audit engagement.</p> <p>This begins with discussions to research and scope an audit, leading to agreement upon objectives.</p> <p>Communication with managers also occurs as the audit engagement proceeds - discussing and analysing information.</p> <p>Close –out meetings that provide the basis for exchange views about conclusions, opinions and possible recommendations for improvement.</p> <p>An overall opinion or conclusion is included within audit communications in line with the stakeholder expectations and the original objectives of the audit engagement.</p> <p>Opinions are given according to the level, scope and detail agreed with senior management</p> <p>Opinions at the engagement level may be ratings, conclusions or other descriptions of the results.</p> <p>Satisfactory performance is acknowledged in engagement communications.</p> <p>Communications outside the organisation</p> | <p>Internal Audit Manual with templates</p> <p>Opening meeting held to agree scope and objectives.</p> <p>Ongoing contact is maintained throughout the audits.</p> <p>Closing meetings held after all audits, including conclusions and opinions and recommendations.</p> <p>Overall opinions are given according to the agreed process and linked to objectives.</p> <p>Standard rating for audit opinions.</p> <p>Reports include areas that are well controlled.</p> <p>N/A</p> | <p>Caveat on the audit report for any client sharing of the report with other parties as part of evidence of compliance for example for a Care Home with the CQC, Academy report with Ofsted.</p> <p>Consider communication being a separate field in the Customer Satisfaction Questionnaire</p> | 2019      | DW                 |

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|      | <p>2410.A3 When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.</p> <p>2410.C1 Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.</p>  | <p>are limited in distribution and use of results.</p> <p>There is evidence of progress and results on consulting engagements that is reasonable to the engagement.</p>   | <p>N/A</p> <p>Audit evidence stored in electronic files including in the main repository of MK Insight</p> <p>Internal Audit Quality Reviews of completed work</p>  |   |                   |           |
| 2420 | <p><b>Quality of Communications</b></p> <p>Communications must be accurate, objective, clear, concise, constructive, complete, and timely.</p> <p><b>Interpretation:</b></p> <p>Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration,</p> | <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>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</p> | <p>Annual review of communications at the time of the annual audit planning process as part of continuous reflection and improvement.</p> | <p>March 2019</p> | <p>DW</p> |

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|  | <p>superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.</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>There is evidence of review and approval of communications prior to their release</p> <p>Communications are clear and concise.</p> | <p>are noted on the files.</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>Draft and final reports are reviewed before release.</p> <p>Yes.</p> <p>Records held in MK Insight and documents such as the audit brief, requests for information as part of the fieldwork, meeting requests and reports sent to the client.</p> |  |  |  |
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