

**INTERNAL AUDIT CHARTER**

**To:** Audit and Accounts Committee

**Date:** 10th June 2014

**From:** Head of Internal Audit

**Electoral Division(s):** All

**Forward Plan Ref:** N/a **Key decision:** No

**Purpose:** To approve the Internal Audit Charter.

To note the requirement that the Authority should comply with Public Sector Internal Audit Standards.

**Key issues:** LGSS Internal Audit is required to comply with the new Public Sector Internal Audit Standard (PSIAS). This report presents an Audit Charter to reflect the requirements of PSIAS and details a self-assessment against the PSIAS.

**Recommendations:** The Audit and Accounts Committee is asked to approve the Internal Audit Charter and note the results of the self-assessment against PSIAS.

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## 1. BACKGROUND

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) adopted a common set of Public Sector Internal Audit Standards (PSIAS) from April 2013 and published a local government application note in support. These Standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 1.2 The objectives of the PSIAS are to:
- define the nature of Internal Auditing within the UK public sector;
  - set basic principles for carrying out Internal Audit in the UK public sector;
  - establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations;
  - establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.
- 1.3 A self-assessment against the new Standards has been undertaken (Appendix 1). The Head of LGSS Internal Audit & Risk Management (LGSS IARM) is required to periodically review the Internal Audit Charter and present it to senior management and the Committee for approval. This update encapsulates the changes required for LGSS Internal Audit to conform to the new Standard.

## 2. RECOMMENDATIONS

- 2.1 The Committee is asked to approve the updated Internal Audit Charter and to note the self-assessment against the new Public Sector Internal Audit Standard.

Source Documents	Location
Public Sector Internal Audit Standard	Box SH1307 Shire Hall Castle Hill Cambridge CB3 0AP

# LGSS INTERNAL AUDIT CHARTER

## **1 INTRODUCTION**

- 1.1 The requirement for local authorities to have an Internal Audit function is determined by Section 151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'. The Accounts and Audit Regulations 2003 (SI 2003/533), regulation 6, more specifically require that a '*relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices*'. The provision of Internal Audit is the responsibility of the three Councils that are LGSS partners: Northamptonshire County Council (NCC), Cambridgeshire County Council and Norwich City Council.
- 1.2 This Charter defines the purpose, authority and responsibility of the LGSS Internal Audit and Risk Management (IARM) Service and is consistent with the Public Sector Internal Audit Standards (2013), which are mandatory.

## **2 APPROVAL OF CHARTER**

The Charter is reviewed periodically and approved by senior management and the relevant boards. The Public Sector Internal Audit Standards (2013) refer to the term 'board' and in this Charter that means the 'Audit and Accounts Committee'. The term 'senior management' means the 'Chief Executives and the directors, or executive directors.'

## **3 DEFINITION OF INTERNAL AUDITING AND OBJECTIVES OF LGSS IARM**

- 3.1 The definition of Internal Auditing is a mandatory part of the PSIAS (2013) and is as follows:

*"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

In the case of LGSS IARM, assurance is given to the three partner organisations.

In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge duties as Statutory Officer of the Council;
- provide appropriate input to the Annual Governance Statement or other assurance processes of the Council;
- support management to understand their exposure to risks and advise on risk management principles/methods;
- investigate possible cases of fraud or corruption or other irregularity in accordance with the Councils' Anti-Fraud and Corruption Strategies;
- undertake consultancy type reviews as requested by senior management of the Council.

3.2 LGSS IARM activity evaluates the adequacy and effectiveness of controls in responding to risks within the organisation's governance and operations systems regarding the:

- achievement of the organisation's strategic objectives;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations and programmes;
- safeguarding of assets; and
- compliance with laws, regulations, policies, procedures and contracts.

3.3 Internal Auditors will incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.

#### **4 SCOPE OF INTERNAL AUDIT**

4.1 LGSS IARM's role applies to all functions and services for which the Council is responsible. Internal Audit has unrestricted coverage of the Council's activities and unrestricted access to all records and assets which is necessary for LGSS IARM to effectively fulfil its responsibilities, however and wherever these are held. This includes Council information which is held or managed by third parties on the Council's behalf. In addition LGSS IARM provides an Internal Audit function to various external organisations.

4.2 The Head of LGSS IARM has direct access, as appropriate, to:

- the LGSS Director of Law, Property and Governance;
- the LGSS Director of Finance;
- all levels of management, including the Chief Executive, the Monitoring Officer and the Section 151 officer;
- all elected members, including the Leader and the Chair of the Council;
- employees of the Council;
- agents of the Council.

- 4.3 The Head of LGSS IARM reports directly to the Audit and Accounts Committee.
- 4.4 LGSS IARM is required (by the PSIAS) to be sufficiently independent of the activities it audits such that it can make impartial and effective professional judgements and recommendations. Independence in the Council is achieved through the organisational status of LGSS IARM, the objectivity of Internal Auditors and LGSS IARM's freedom to report directly to the Audit and Accounts Committee. Should the independence or objectivity of the Internal Audit function be impaired in fact or appearance, the Head of Internal Audit will disclose details of the impairment to the Chief Finance Officer (S.151 Officer) and / or the Chair of the Audit and Accounts Committee depending upon the nature of the impairment.
- 4.5 Internal Audit activity evaluates and contributes to the improvement of governance, risk management and control processes using a systematic and disciplined approach. LGSS IARM assesses and makes appropriate recommendations for improving the governance process in its accomplishment of the following objectives:
- 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
  - co-ordinating the activities of and communicating information among the Audit and Accounts Committee, External and Internal Audit and management.
- 4.6 Internal Audit activity reviews the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities. It also assesses whether the information technology governance within the organisation supports the organisation's strategies and objectives.
- 4.7 Internal Audit activity also evaluates the potential for the occurrence of fraud and how the organisations manage fraud risk.

## **5. INTERNAL AUDIT AND RISK MANAGEMENT STAFFING**

- 5.1 The Head of LGSS IARM will be professionally qualified (CMIIA, CCAB or equivalent) and will be suitably experienced.
- 5.2 The responsibility regarding the appointment and removal of the Head of LGSS IARM is with the Director of Law, Property and Governance. The LGSS Managing Director will review the performance appraisal of the Head of LGSS IARM and feedback will also be sought from the Chair of the Audit and Accounts Committee.

- 5.3 The Head of LGSS IARM ensures that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plans.
- 5.4 LGSS IARM will be appropriately staffed in terms of number, grade, qualification levels and experience to enable the Council's Audit plans to be delivered effectively. This will be achieved through the recruitment of staff suitably skilled and experienced for the post appointed to and through the Council's performance appraisal and development programme.
- 5.5 Internal Auditors will possess the knowledge, skills and other competencies needed to perform their individual responsibilities. Internal Auditors will enhance their knowledge, skills and other competencies through continuing professional development. The Head of LGSS IARM will obtain competent advice and assistance if there is a lack of knowledge, skills or other competencies needed to perform all or part of an engagement.
- 5.6 Internal Auditors will have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but will not all have the expertise of a person whose primary responsibility is detecting and investigating fraud. There will be a specific Counter-Fraud and Investigation team within LGSS IARM.
- 5.7 Internal Auditors will have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work.
- 5.8 The Head of LGSS IARM will decline a consulting engagement or 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.
- 5.9 Staff will apply the care and skill expected of a reasonably prudent and competent Internal Auditor.
- 5.10 The Head of IARM ensures that resources are sufficient by matching the staffing levels to the requirements of the approved plans.
- 5.11 LGSS IARM is not responsible for services outside of the delivery of Internal Audit. Where staff transfer internally to Internal Audit, the Head of Internal Audit will ensure they do not audit activities they were previously responsible for, for at least 18 months. This includes transfers after periods of secondment whilst undertaking professional training.

## **6 RESPONSIBILITIES OF MANAGEMENT**

6.1 All levels of management have a role to identify key risks to their service and to ensure these risks are effectively mitigated to an adequate degree in accordance with the Council's stated risk appetites. Management is also responsible for ensuring that staff are aware of the processes and procedures required to operate the internal control systems.

6.2 All managers can assist the process of Internal Audit by:

- providing access at all reasonable times to premises, personnel, documents and assets that the Internal Auditors consider necessary for the purposes of their work;
- giving information and explanations that are sought by the Internal Auditors in the course of their work;
- providing input to both the audit plans and the Terms of Reference for each review, to ensure attention is focused on areas of greatest risk;
- early notification of LGSS IARM of plans for change, including new operational systems and processes;
- implementing agreed actions arising from audit recommendations in a timely and effective manner;
- immediately notifying the Head of LGSS IARM of all suspicions of fraud, theft, or other irregularity, in accordance with the Council Anti-Fraud and Corruption Policy. Pending investigation and reporting, the relevant Director, in consultation with the Head of LGSS IARM, should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration;
- ensuring that where key systems are managed by an external organisation that contractual documentation identifies, in consultation with the Head of LGSS IARM, the Internal Audit arrangements for those key systems.

6.3 When the Head of LGSS IARM concludes that management has accepted a level of risk that may be unacceptable to the organisation, he/she will discuss the matter with senior management. If the Head of LGSS IARM determines that the matter has not been resolved, he /she will communicate the matter to the Audit and Accounts Committee. It is not the responsibility of the Head of LGSS IARM to resolve the risk.

## **7 AUDIT SERVICES & CONTEXT**

7.1 The Head of LGSS IARM is required to manage the provision of a complete audit service to the Authority. This includes:

- preparing annual plans, including resource requirements, in consultation with senior management, for review and approval by

senior management and the Audit and Accounts Committee. These plans will be prepared using a risk based approach, aligned to the Council Risk Register, taking account of the risk maturity of the organisation and the Assurance Framework. They will include a documented risk assessment and will explain the approach to using any other sources of assurance and any work required to place reliance upon those other sources. The risk-based plans will incorporate or be linked to a strategic or high level statement of how the Internal Audit service will be delivered in accordance with this Charter and how it links to the organisational objectives and priorities. The plan will also explain how LGSS IARM's resource requirements have been assessed;

- where the Head of LGSS IARM believes that the level of agreed resources will impact adversely on the provision of the annual Internal Audit opinion, the consequences will be brought to the attention of the Audit and Accounts Committee;
- providing suitably skilled and experienced staff to undertake Internal Audit reviews;
- working in conjunction with the authorities' External Auditors, whereby external audit places reliance on the work of LGSS IARM;
- undertaking Internal Audit reviews, including Value for Money reviews, in accordance with the approved Annual Plans and the Internal Audit Manual;
- agreeing any amendments to the Annual Plan, in response to the Council's business needs, with senior management. Any such amendments will be reported to the relevant Audit Committee;
- considering accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations ('Consulting Services' can be defined as 'the provision of audit advice and guidance provided outside of normal planned audit / assurance activity'). Accepted engagements will be included in the plan;
- seeking approval from the Audit and Accounts Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement;
- assessing all requests for non-audit activity particularly where this activity may introduce a conflict of interest or impair independence. Where it is assessed that the non-audit activity does provide a potential conflict, the activity will not be performed unless appropriate mitigation activities are put in place to minimise the potential impact of the conflict;
- providing an audit opinion on each individual review undertaken for the Council together with an Annual Audit opinion on the adequacy of the internal control framework operating within the Council;
- responding to requests for support, advice and guidance on implementing and/or improving control procedures for current and new systems.



- 7.2 The Audit and Accounts Committee will make appropriate enquiries of management and the Head of LGSS IARM to determine whether there are inappropriate scope or resource limitations.
- 7.3 The Head of LGSS IARM will also provide an audit opinion on each individual review undertaken for external clients together with an annual audit opinion on the adequacy of the internal control framework operating within those external organisations.
- 7.4 The LGSS IARM Service will be provided by an in-house service.

## **8 RISK MANAGEMENT**

- 8.1 The LGSS IARM team evaluate the effectiveness and contribute to the improvement of risk management processes through the Internal Auditor's assessment that:
- organisational objectives support and align with each organisation's mission;
  - significant risks are identified and assessed, including the risk of fraud;
  - appropriate risk responses are selected that align risks with the organisation's risk appetite; and
  - relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, Councillors and the Audit and Accounts Committee to carry out their responsibilities.
- 8.2 Internal Audit will evaluate risk exposures relating to the organisation's governance and operations systems regarding the:
- achievement of the organisation's strategic objectives;
  - reliability and integrity of financial and operational information;
  - effectiveness and efficiency of operations and programmes;
  - safeguarding of assets; and
  - compliance with laws, regulations, policies, procedures and contracts.
- 8.3 During consulting engagements, Internal Auditors will address risk consistent with the engagement's objectives and will be alert to the existence of other significant risks. Internal Auditors will incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.
- 8.4 When assisting management in establishing or improving risk management processes, Internal Auditors do not assume any management responsibility by actually managing risks.

## **9 AUDIT REPORTING FRAMEWORK**

- 9.1 All LGSS IARM activity is undertaken to assist management fulfil their objectives of delivering services and contributing to the overall objectives of the Council. Outputs from LGSS IARM work range from informal advice to formal written reports. The LGSS IARM reporting process allows auditee management to have the opportunity to agree the factual accuracy of report content and to discuss the action plan.
- 9.2 Final reports are issued to auditee management which include the engagement's objectives and scope, applicable conclusions and identify agreed actions showing responsibilities and implementation dates.
- 9.3 Final reports also include an opinion regarding the level of assurance that can be given for the control environment of the system or unit being audited.
- 9.4 Final reports issued to parties outside the organisation include limitations on distribution and use of the results.
- 9.5 In addition to meetings about individual pieces of work, regular liaison meetings are held with each Director (or Executive Director) or their nominee to discuss at a summary level, any issues or themes arising and to agree the timing and content of planned work.
- 9.6 Outstanding recommendations are followed up every quarter and the results of this follow up process, including whether senior management has accepted the risk of not taking action, are reported to the Audit and Risk Committee.
- 9.7 LGSS IARM report to the Audit and Accounts Committee in accordance with the reporting timetable agreed with the Committees. This includes three quarterly progress reports and an annual audit report which incorporates the following:
- an Annual Audit Opinion;
  - a summary of the work that supports the opinion;
  - a statement on conformance with the UK Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.
- 9.8 The Annual Audit Opinion and report will be used to inform the Annual Governance Statement.
- 9.9 In addition, the Head of LGSS IARM will provide a report annually to senior management and the Audit and Accounts Committee outlining the contents and any updates to the Internal Audit Charter, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

## **10 QUALITY OF SERVICE**

- 10.1 The LGSS IARM Section operates in accordance with the Public Sector Internal Audit Standards. These include specific reference to the Code of Ethics which Internal Auditors in UK public sector organisations must conform to. This Code of Ethics includes the following principles: Integrity, Objectivity, Confidentiality and Competency. Breaches of the Code of Ethics will be evaluated and administered according to the Institute of Internal Auditors' Disciplinary Procedures. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of the Code of Ethics. If individual Internal Auditors have membership of a professional body then he or she must also comply with the relevant requirements of that organisation.
- 10.2 Internal Auditors must have an impartial, unbiased attitude and avoid any conflict of interest. They must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*. Adherence to expected standards will be subject to management overview through actions 10.3 and 10.4 below.
- 10.3 Internal review of work standards is undertaken through a system of management review involving senior audit staff and the Head of LGSS IARM. This incorporates review of all audit documentation and reports prior to release to the relevant auditee manager. Appropriate evidence of review is documented and retained. The Head of LGSS IARM is responsible for reviewing and approving the final audit report before it is issued and for deciding to whom and how it will be disseminated. If these duties are delegated, the Head of LGSS IARM retains overall responsibility.
- 10.4 If not otherwise mandated by legal, statutory or regulatory requirements, prior to releasing results to parties outside the organisation, the Head of LGSS IARM will:
- assess the potential risk to the organisation;
  - consult with senior management and / or legal counsel as appropriate; and
  - control dissemination by restricting the use of the results.
- 10.5 The Head of LGSS IARM is responsible for communicating the final results of consulting engagements to clients. During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they will be communicated to senior management and the Audit and Accounts Committee.
- 10.6 Quality questionnaires are issued to auditees at the end of each audit review. Completed questionnaires are recorded and monitored against LGSS IARM's Performance Indicator for Customer Satisfaction. Regular liaison meetings are also held with senior management across the Council to discuss quality issues.
- 10.7 A suite of performance indicators and targets has been developed to monitor the quality of the service provided. These indicators are

subject to review by the Audit and Accounts Committee within the Council's performance management processes.

- 10.8 A quality assurance and improvement programme has been developed by the Head of LGSS IARM, which includes both internal and external assessments and covers all aspects of the Internal Audit activity. Internal Auditors can report that their engagements are “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*”, only if the results of the quality assurance and improvement programme support the statement.
- 10.9 Periodic self-assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. Any areas of non-compliance are reported to the Audit and Accounts Committee.
- 10.10 External review of the work of LGSS IARM takes place through the following mechanisms:
- the Council's External Auditors who keep the performance of LGSS IARM under continuous review to enable reliance to be placed on its work as part of the statutory external audit of the Council's accounts;
  - the use of benchmarking to compare performance with other County Councils across the country;
  - external assessment of LGSS IARM will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Head of LGSS IARM will agree the scope of external assessments with an appropriate sponsor, e.g. the Section 151 Officer or Chair of the Audit and Accounts Committee as well as with the external assessor or assessment team. The external assessment may be in the form of a full external assessment, or a self-assessment with independent external validation.
- 10.11 The results of the quality assurance and improvement programme are reported by the Head of LGSS IARM to senior management and the Audit and Accounts Committee in the annual report.

## **11 STRUCTURE AND LOCATION**

- 11.1 The LGSS IARM Service is within the LGSS Directorate of Law, Property and Governance and is located at Shire Hall, Cambridge, John Dryden House, Northampton and City Hall, Norwich. LGSS IARM reports to the LGSS Director of Law, Property and Governance.

## APPENDIX 1

### PUBLIC SECTOR INTERNAL AUDIT STANDARDS – SELF ASSESSMENT 2013/14

2013 PSIAS Requirements	Evidence of Achievement	Action Plan for Development
<p><b>Code of Ethics:</b></p> <p><i>Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.</i></p> <ul style="list-style-type: none"> <li>• <i>Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement</i></li> <li>• <i>Objectivity – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.</i></li> <li>• <i>Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so</i></li> <li>• <i>Competence – Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.</i></li> </ul>	<p>The staff appraisal system considers these issues; where areas of concern are identified these will be set as action points as part of the PADP process. To date no significant points of conflict have been identified.</p> <p>All Internal Audit staff have been provided with a copy of the new Public Sector Internal Audit Standards, covering requirements to ensure compliance with ethics for internal auditors.</p> <p>Staff are rotated on regular basis across audit areas.</p> <p>An Internal Audit staff away day considered the role of Internal Audit within the organisation and considered the organisations aims and objectives etc. These sessions will be held periodically going forwards to ensure that all staff maintain their understanding of the Code of Ethics.</p>	
<p><b>1000 Purpose, Authority and Responsibility</b></p> <p><i>....Purpose, authority and responsibility of Internal Audit is formally defined by the organisation in a charter consistent with these standards.</i></p>	<p>An Audit Charter, which takes account of the new Public Sector Internal Audit Standards which were effective from April 1<sup>st</sup> 2013, has been prepared.</p>	

2013 PSIAS Requirements	Evidence of Achievement	Action Plan for Development
<p><i>...This charter is reviewed periodically and approved by senior management and the relevant boards.</i></p> <p><i>...The chief audit executive should discuss the Definition of Internal Auditing, the Code of Ethics and the Standards with senior management and the board.</i></p> <p><i>....The internal audit charter must cover the arrangements for appropriate resourcing.</i></p> <p><i>...The nature of consulting services must be defined in the internal audit charter.</i></p> <p><i>...The internal audit charter must define the role of internal audit in any fraud-related work.</i></p> <p><i>...The internal audit charter must include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.</i></p>	<p>This Charter will be presented to the Audit and Accounts Committee in June 2014 for approval.</p> <p>Resource levels with Internal Audit and Risk Management (IARM) are assessed on an annual basis as part of the Internal Audit planning process</p> <p>Internal Audit has the capacity to undertake consultancy type reviews as requested by senior management of the Council.</p> <p>The Audit Charter defines audit responsibilities in relation to fraud. This is elaborated within the Authority's Anti-Fraud Policy.</p> <p>LGSS IARM is not responsible for services outside of the delivery of Internal Audit. Where staff transfer internally to Internal Audit, the Head of Internal Audit will ensure they do not audit activities they were previously responsible for, for at least 18 months. This includes transfers after periods of secondment whilst undertaking professional training.</p> <p>A whistle-blowing procedure is maintained through the Whistle-blowing Policy. This can be found on the Council's intranet. In addition, the policy and the wider anti-fraud and corruption message have been delivered to all Departmental Management Teams. There is also an on-line training module on Anti-fraud &amp; Corruption on the intranet which is available to all staff.</p> <p>Work is assigned by Audit Managers to avoid potential conflicts of interest. No conflicts have arisen to date</p>	

2013 PSIAS Requirements	Evidence of Achievement	Action Plan for Development
<p><b>1100. Independence and Objectivity</b></p> <p><i>...The internal audit activity must be independent and internal auditors must be objective in performing their work</i></p> <p><i>...The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity</i></p> <p><i>....Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.</i></p>	<p>The Audit Charter sets out and confirms the independence and objectivity of Internal Audit.</p> <p>The Head of Internal Audit and Risk Management (HIARM) has direct access to those charged with governance; the Audit and Accounts Committee, the Chief Executive, S151 Officer and Chair of the Audit and Accounts Committee.</p> <p>Reports are made in HIARM's own name to management and to the Audit and Accounts Committee.</p> <p>No conflict of interest between operational responsibilities and audit has been found.</p> <p>The size of the Internal Audit section means that controlled rotation of audit work within the team is the norm.</p> <p>The approach adopted within the section is to complete an annual declaration. All staff have signed a declaration of interest form during May 2014.</p>	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
<p>Audit Committee</p> <p><i>...The chief audit executive must communicate and interact directly with the board (Audit Committee). (1111)</i></p>	<p>An independent Audit and Accounts Committee exists within the Council chaired by a Councillor. The terms of reference for the Committee have been formally approved and are regularly reviewed. They include responsibility for the review of the Annual Governance Statement.</p> <p>The Audit and Accounts Committee approves the Annual Audit Plan and monitors the delivery of this. Internal Audit use a risk-based approach with the Internal Audit Plan being based on the corporate and directorate</p>	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
	<p>Risk Registers. The Audit and Accounts Committee endorses this approach.</p> <p>The HIARM attends Audit and Accounts Committee meetings, reports on the outcome of Internal Audit work, identifies necessary changes to the Audit Plan, and presents an Annual Report and opinion or assurance on the internal control and risk management framework.</p> <p>The responsibilities of Internal Audit staff and Members, particularly those of the Audit and Accounts Committee are laid out in the Audit Charter. There are training sessions for Audit and Accounts Committee members and specific training is provided upon request.</p>	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
<p><b>Staffing, training and continuing professional development (CPD)</b></p> <p><i>...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 (1200)</i></p>	<p>The skills and competencies required of each post are determined through job descriptions and people specifications and have been reviewed as an element of the current reorganisation of IA&amp;RM.</p> <p>Actual skills and competencies have been assessed and individual training and development plans have been agreed through the formal PADP appraisal process.</p> <p>The Internal Audit team members are either qualified professionals or working towards the CIPFA or IIA professional qualifications. All staff are supervised by professionally qualified staff. The Internal Audit budget includes a dedicated training budget to support the cost of professional qualifications and support staff in meeting their CPD requirements.</p>	



2013 PSIAS Requirements	Evidence of Achievement	Areas for development
<p>1300 Quality Assurance</p> <p>..... <i>The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</i></p>	<p>All Internal Auditors are aware of their individual responsibilities for due professional care. All audit staff are members of professional bodies such as CIPFA and the Institute of Internal Auditors.</p> <p>Arrangements are in place to monitor this:</p> <ul style="list-style-type: none"> <li>▪ Managers conduct a robust review of audit files and draft reports ensuring that the work completed is in accordance with the original scope of work agreed and to the desired quality.</li> <li>▪ The HIARM or an Audit Manager reviews all reports with a moderate or limited assurance level following on from this review prior to the draft / final reports being issued.</li> <li>▪ Performance of individual auditors to exercise due professional care is and will continue to be included within the PADP process.</li> <li>▪ Performance measures are defined and results reported to the Audit and Accounts Committee.</li> <li>▪ Internal quality reviews are undertaken by Internal Audit Managers and the HIARM.</li> <li>▪ Post audit questionnaires are issued to each auditee with each final report, the results of which are summarised in the annual report.</li> </ul>	<p>The Quality Assurance and Improvement Programme requirements have been incorporated within the revised Audit Charter and will be implemented, including an external assessment within five years.</p>

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
<p><b>2000. Undertaking Audit Work</b></p> <p>....<i>Planning</i> The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the</p>	<p>Terms of reference are prepared and agreed with management for each audit.</p>	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
<p>organisation's goals.</p> <p>...<i>Approach</i> The internal audit activity's 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>....<i>Recording and Assignments</i> Internal auditors must document relevant information to support the conclusions and engagement results. Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.</p>	<p>A risk-based approach is used and an audit assurance opinion is given for every audit.</p> <p>Issues are discussed with management as they arise and at post audit discussions.</p> <p>Standards of working papers are specified and checked as part of the file review.</p> <p>Internal Audit uses an industry standard time recording system (Apace). Reports are produced for management information.</p> <p>Adequate working papers supporting conclusions drawn and recommendations made are maintained and retained on file.</p> <p>Reports are issued to appropriate Directors / Heads of Service.</p> <p>Progress of management in implementing agreed recommendations are monitored by Internal Audit via a method of quarterly follow up and reporting to the Audit and Accounts Committee by the HIARM.</p>	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
<p><b>2010 Audit Strategy and Planning</b></p> <p><i>The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.</i></p>	<p>An Audit Strategy accompanies and is incorporated into the report that presents the Annual Audit Plan to the Audit and Accounts Committee. The Strategy complies with the PSIAS and has been formally endorsed by the Audit and Accounts Committee as part of the planning process.</p> <p>The risk-based Audit Plan has been prepared in accordance with the Strategy.</p> <p>The Corporate and Directorate Risk Registers have been used as the basis of the Internal Audit Plan. This has been assessed by</p>	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
	<p>the HIARM and the Risk Manager based within Internal Audit. Available resources have been compared with the resource need as part of the audit planning process.</p> <p>The plan has been endorsed by the Audit and Accounts Committee.</p>	
<p><b>Performance, quality and effectiveness</b></p> <p>.... The chief audit executive must establish policies and procedures to guide the internal audit activity. (2040)</p> <p>....The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. (2030)</p> <p>Interpretation: Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.</p> <p>...The chief audit executive should share information and co-ordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts. (2050)</p>	<p>Policies and procedures are defined in an audit manual. Performance indicators are reported to management and the Audit and Accounts Committee.</p> <p>Audits are assigned according to the skills mix required and there is adequate supervision by the Internal Audit Manager.</p> <p>Liaison with External Audit occurs in order to minimise the potential for duplication and ensure where reliance upon Internal Audit work is required, that the correct level of Internal Audit coverage occurs.</p>	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
<p>2100 Nature of Work</p> <p><i>The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes</i></p>	<p>Internal Audit contributes to and prepares the Annual Governance Statement. The Annual Report by the Head of Internal Audit</p>	

<i>using a systematic and disciplined approach.</i>	documents the contribution of Internal Audit to governance and risk management. Coverage from the Annual Internal Audit Plan evaluates the adequacy and effectiveness of controls.	
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<b>2013 PSIAS Requirements</b>	<b>Evidence of Achievement</b>	<b>Areas for development</b>
<p>2200 Engagement Planning</p> <p><i>Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.</i></p>	The engagement planning process is documented within the Audit Manual. This incorporates all PSIAS requirements.	

<b>2013 PSIAS Requirements</b>	<b>Evidence of Achievement</b>	<b>Areas for development</b>
<p>2300 Performing the Engagement</p> <p><i>Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.</i></p>	The engagement performance process is documented within the Audit Manual. This incorporates all PSIAS requirements.	

<b>2013 PSIAS Requirements</b>	<b>Evidence of Achievement</b>	<b>Areas for development</b>
<p><b>2400. Communicating Results</b></p> <p><i>...The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and deciding to whom and how it will be disseminated. When the chief audit executive delegates these duties, he or she retains overall responsibility.</i></p> <p><i>...Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.</i></p> <p><i>...Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</i></p>	<p>All Internal Audit reports are issued in the name of the HIARM.</p> <p>Audit reports give an opinion on risks and controls, using approved methodology.</p> <p>The scope of each audit is set out in each audit report.</p> <p>Post audit discussions are held with relevant auditees prior to the production of a draft report.</p> <p>Recommendations are prioritised according to risk. Draft reports are discussed with management and action plans agreed in response to recommendations made.</p>	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
<p><i>Interpretation:</i></p> <p><i>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.</i></p> <p><i>....The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</i></p> <p><i>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</i></p> <p><i>The annual report must incorporate: the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.</i></p>	<p>Reports are issued to appropriate managers.</p> <p>Where necessary, issues are referred to the Risk Manager.</p> <p>Assurances are sought from managers on delivery of agreed actions.</p> <p>An escalation procedure has been defined.</p> <p>Where necessary, the opinion is revised in the light of the delivery of agreed actions.</p> <p>An Annual Report to support the Annual Governance Statement is presented to the Audit and Accounts Committee. The report includes the opinion on the control environment and any qualifications to that opinion. The work on which the opinion is based is set out in the report.</p> <p>The report highlights significant issues and key themes arising from audit work in the year.</p> <p>Interim progress reports are submitted to the Audit and Accounts Committee. The status of the implementation of recommendations is submitted to the Audit and Accounts Committee.</p>	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
<p>2500 Monitoring Progress</p> <p><i>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.</i></p>	<p>A follow up process in place and the results are reported to each Audit and Accounts Committee.</p>	

2013 PSIAS Requirements	Evidence of Achievement	Areas for development
<p>2600 Communicating the acceptance of risks</p> <p><i>When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.</i></p>	<p>The HIARM reports on the outcomes of all audits to the Audit and Accounts Committee, including those where risks are accepted by management.</p>	