Internal Audit Effectiveness Review and Improvement Plan

SYNOPSIS
To inform Members of the response to the recommendations made (and opportunities identified) by RSM Tenon as a result of an External Quality Assessment, and to explain the basis upon which the appended Improvement Plan was developed.

1. Relevant Background Details
1.1 As previously reported to Members, the new mandatory Public Sector Internal Audit Standards (PSIAS) came into effect from April 1st 2013. The most fundamental change introduced by the Standards is the requirement to commission periodic reviews of the effectiveness of internal audit undertaken by an appropriately qualified and independent external assessor. The lead Authority for the Consortium commissioned an early independent external review of the effectiveness of internal audit. This report informs Members of the outcomes of the review and the resulting improvement plan.

2. Report
RSM Report and Improvement Plan
2.1 RSM Tenon’s External Quality Assessment identified weaknesses in the way that the Consortium designed audit assignments and a lack of clarity in the reporting of those assignments. The Assessment also identified areas of non-conformance with the Public Sector Internal Audit Standards which have a less direct and less critical impact on the quality of service to the Consortium’s clients. The final report from RSM Tenon is included at Appendix A.

2.2 The Welland Internal Audit Board has determined that it is practical to develop and deliver an Improvement Plan which will allow for the delivery of an internal audit service of an acceptable standard within an acceptable timescale. The development of that Improvement Plan has involved an evaluation of various factors including:

- The impact that recommendations made/opportunities identified would have on the quality of service that clients receive;
- The resource implications of addressing the issues raised and the relationship between speed of delivery and resources required; and
- The barriers to success and the actions necessary to deal with such barriers.

The ways in which successful delivery might be demonstrated were also considered.

2.3 The Improvement Plan (Shown as Appendix B) has been approved by the Welland Internal Audit Board and identifies a number of “quick wins” – actions that can be delivered quickly with limited resources and that will improve service quality or deliver other benefits. However it was recognised that the action central to the Plan – changing the way in which assignments are designed and delivered – would require both significant input from the Consortium’s Managers for an extended period and changes in the working relationships between the Consortium and the Council’s Leadership Team. The remaining actions have limited resource implications but are contingent upon the delivery in other areas: changes to the Audit Manual will reflect new working arrangements; the style and content of reporting to
Members should reflect the informed judgement of the Committee as to its information requirements and that judgement should reflect the impact of the training that the Committee has commissioned.

2.4 The Head of Consortium and the Audit Managers will be liaising regularly with their respective client Section 151 Officers to ensure that satisfactory progress is being made. The Committee will also receive regular update reports. In addition, it is a requirement of the Standards that an Internal Quality Assurance exercise is undertaken annually. This means that the Committee will receive at its meeting in June 2014 a report setting out the extent of the Consortium’s conformity with the Standards and, by extension, the effect that the Improvement Plan has had on the quality of the service.

2.5 As part of the Improvement Plan a revised Internal Audit Charter has been developed to reflect the new requirements of the Public Sector Internal Audit Standards. The Standards set out new requirements for a conformant Internal Audit Charter – which the Standards stipulate must be presented to and approved by the Committee. The revised Charter formally defines the purpose, authority and responsibilities of the Consortium within Corby Borough Council, and outlines the scope of the Consortium’s internal audit work. The revised Internal Audit Charter is enclosed at Appendix C to this report and has been developed in line with guidance from the Institute of Internal Auditors whilst taking into account the experience of other local authorities in developing Internal Audit Charters in response to the introduction of the new Standards.

3. Progress to Date on Delivering the Improvement Plan

3.1 Appendix B shows the detailed Improvement Plan and the current RAG status as reported to the Welland Board – which shows that the Consortium is on track to deliver the required improvements. Specific improvements delivered to date include:

- Introduction of new working methodology – incorporating risk based auditing;
- Revised audit planning and reporting arrangements;
- Team training on new working arrangements;
- Draft protocol developed outlining the respective responsibilities of internal audit and management;
- Revised Committee performance update reports;
- Agreed structure of planned training sessions for Committees;
- Revised Audit Charter.

4. Options to be considered (if any)

There are no direct options to be considered as a result of this report.

5. Issues to be taken into account:-

Policy Priorities

There are no direct policy implications as a result of this report.

Financial

There are no direct financial implications as a result of this report.

Legal

Internal Audit is a statutory function as detailed in the following:

i) Audit and Accounts Regulations 2003 [England]

ii) Section 151 of the Local Government Act 1972

Human Rights

There are no direct human rights implications as a result of this report.
**Equalities**
There are no direct equalities implications as a result of this report.

**Sustainability**
There are no direct sustainability implications as a result of this report.

**Community Safety**
There are no direct community safety implications as a result of this report.

6. **Conclusion**
The report contains the outcomes of the External Quality Assessment. The Improvement Plan, when delivered, will improve the quality of the internal audit service.

7. **Recommendations**
That Members note the report from RSM Tenon and the appended Improvement Plan.
That Members review and approve the revised Internal Audit Charter.

**External Consultations**
Not applicable

**List of Appendices**
Appendix A – RSM Tenon Internal Audit External Quality Assessment Report
Appendix B – Internal Audit Improvement Plan
Appendix C – Revised Internal Audit Charter

**Officer to Contact**
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Welland Internal Audit Board
FINAL REPORT

Welland Internal Audit Consortium : External Quality Assurance Feedback
QA review date: June 2013
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3. Summary of Conformance with PSIAS 11

Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein.

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1. EXECUTIVE SUMMARY

1.1. BACKGROUND

Introduction
The Welland Internal Audit Consortium provides Internal Audit Services to five Councils who are each stakeholders in the Consortium: Rutland County Council, Corby Borough Council, Harborough District Council, East Northamptonshire Council and Melton Borough Council.

The Internal Audit team is “hosted” by Rutland County Council. However, each Council has an individual Internal Audit plan and the Internal Audit team report to an Audit Committee, or equivalent, for each Council.

The Welland Internal Audit Board, via the Interim Strategic Director for Rutland County Council, has proactively sought an external review of the Welland Internal Audit Consortium. This proactive review was to undertake an External Quality Assessment (EQA) to assess any gaps in conformance with the newly established Public Sector Internal Audit Standards (PSIAS), derived from the Institute of Internal Auditors International Professional Practices Framework (IPPF). The PSIAS were published in December 2012 and replaced the CIPFA internal auditing standards for Local Authorities from 1 April 2013.

What is an EQA?
To conform with the PSIAS, heads of internal audit must put in place a quality assurance and improvement programme to evaluate conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. Furthermore, the standards set out that this programme should have both internal and external quality assurance elements, and that the external quality assurance element (an EQA) should be undertaken at least once every five years.

1.2. SCOPE

The Consortium Head of Internal Audit reported to each of the five councils’ Audit Committees in the Internal Audit Annual Reports for 2012/13 that the Consortium did not fully comply with the CIPFA Code of Practice for Internal Auditing (the predecessor to the PSIAS).

As such the purpose of this EQA is to provide in effect a “base line assessment” through feedback on whether the internal audit activity is as it was being delivered in 2012/13 in conformance with PSIAS

Limitations
In undertaking this review there are a number of limitations to our testing and thus our conclusion provided from this review. These are summarised below.

Whilst we have spoken to respective Audit Committee (or equivalent) Chairs where they have been available and undertaken a desk top review of the Internal Audit reports to the Committees we have not undertaken any specific work to assess the effectiveness of the individual Council Audit Committees.

We have not re-performed any internal audit testing or undertaken any testing across the eight audit assignments reviewed and therefore our view as to the general compliance with the PSIAS cannot be taken as any assurance on the strength of the control environment in those areas covered by the sampled audit assignments.

We have not undertaken comprehensive substantive testing to confirm the accuracy of the information presented or viewed when forming our conclusion and as such our work cannot be taken to give assurance on the accuracy and validity of the underlying information, for example the qualifications cited as held by the respective Audit Managers, or the performance data within the Galileo Internal Audit software.
Welland Internal Audit Consortium: External Quality Assurance Feedback

Our findings are based on a review of a sample of eight files (selected by the Board), discussions with members of Internal Auditing Team, review of internal audit reports and documentation, and discussions with each Council’s S151 officer (or where more appropriate a deputy S151 officer) and the Audit Committee (or equivalent) current or former Chairs where they have been available for a call at the time of this review.

It should also be noted that this report does not include detailed findings from the sample file reviews undertaken but these findings have used to support our recommendations and opportunities for improvements. We have provided feedback to the Head of the Consortium to enable learning points to be provided to the Team.

1.3. CONCLUSION

Based on the work we have undertaken, the Internal Audit Service being provided by the Welland Internal Audit Consortium is partially in conformance with the new Public Sector Internal Audit Standards.

As part of this work eight assignments and their respective reports were subject to our review. Our view based on the desk top review of the evidence and processes applied is that for each assignment, the opinion provided by Internal Audit on the control environment tested was correctly categorised as providing either “positive” or “negative” assurance.

Our review has highlighted a number of areas where improvements should be made, the main ones being

- Internal Audit needs to use risk based auditing and move away from using expected controls in order that the actual controls being operated are evaluated.
- Internal Audit needs to be clearer in their planning and reporting on what their opinions cover, including a better structure to the scope and limitations of the review.
- Internal Audit should look to proactively seek out every opportunity to add value by providing information on “good practice” operated across the Consortium’s client base or to undertake thematic reviews across the Councils.
- The Consortium should improve the transparency of reporting to the Internal Audit Board and Audit Committees with regards the time spent on each assignment and subsequent changes to internal audit plan. This will lead to more focus on outputs and outcomes instead of the current focus on internal audit resource input.

The Head of the Audit Consortium recognises that there is work that is needed to demonstrate conformance with the PSIAS and has through presentations to the respective Audit Committees and the Internal Audit progress papers to each Committee started to have the dialogue on these areas. Following the appointment of the Deputy Head of the Consortium, there are now three experienced and skilled senior team members of the Consortium who, based on our discussions with them, have a desire to deliver the improvements recommended in this report. There is no reason why the existing delivery model should not deliver the required improvements but the Board will need to ensure that leadership of the team is strong, is focused on performance improvement and delivering better outcomes and does not underestimate the extent of change required.

Whilst the recommendations and improvement opportunities are made for the Consortium Head of Internal Audit to consider and action, the Welland Internal Audit Board needs to recognise that to deliver these improvements each Council has a role to play.

It is also worth noting that currently the cost of Internal Audit is relatively low per potential internal audit available day supported by negotiated low daily rates for contractor support.
Welland Internal Audit Consortium: External Quality Assurance Feedback

Therefore each Council will have to consider the relative cost, either direct or through reduced but focused work, in supporting and facilitating Internal Audit in changing its emphasis from expected controls to a risk based approach.

Our findings are reported on an exception basis; only points where a recommendation has been made or an opportunity for enhancement has been identified have been reported. We provide at Section 3 a list of all standards within the PSIAS, and our view of the Consortium’s conformance with each.

1.4. HEADLINE FEEDBACK

The main findings for the Consortium Head of Internal Audit to consider and address to ensure conformance with the Standards are:

- **Role of internal audit:** The internal audit charter needs updating to ensure it addresses fully the requirements within the new standards. This will also support clarity over internal audit resourcing and formalise the agreement between the Consortium and each of its clients. [Attribute Standard 1000]

- **Internal audit approach and manual:** The internal audit manual needs a comprehensive update to ensure that it removes references to outdated processes and those being updated to comply with the new standards and the recommendations made in this report. [Performance Standards 2040]

- **Internal audit approach:** The approach adopted by Internal Audit has been to design testing matrices detailing “expected controls” to guide the Internal Auditor in the delivery of the review. For each of the Council’s key financial systems a guiding factor in the development of these matrices has been to satisfy the external auditor and gain their reliance on the work of Internal Audit under the “managed audit approach”. This approach does NOT facilitate the identification of the system’s actual controls and the determination of a testing programme based on assessing the real risks within the system under review. [Performance Standards 2200 and 2300] Whilst not expressly within the scope of this review, the QA reviewer noted that the Internal Auditor by following an expected controls approach did not test areas within the work reviewed that they would have expected to have been reasonably covered in respect of potential system risks. For example, within the income audit that the risks in respect of the credit card income specifically in respect of the security of that data was not covered, albeit the scope of this review stated that it did cover the credit card income stream.

- **Internal audit scoping:** In planning each specific internal audit assignments there will realistically be limitations on the actual scope that will be undertaken. The current approach adopted by the Consortium is that these limitations are not explicitly documented in the assignment Terms of Reference or the assignment reporting itself. [Performance Standard 2200]

- **Internal audit reporting:** The progress reports to the respective audit committees, whilst reflecting specific Authority requirements, do not:
  - draw out the potential impact on the Council’s annual governance statement of the identified control deficiencies.
  - report in summary the outcomes of the specific reviews instead with reliance being made on the emailing of the full reports to Audit Committee Chairs. However these summaries are included in the Internal Audit Annual Report along with some comparison information if the opinion level is comparable to or better or worse than that given in that area in the previous review.
Welland Internal Audit Consortium: External Quality Assurance Feedback

- transparently report the “real” resources used to deliver each review to allow a better understanding of the real time taken to deliver the level of assurance required to inform future internal audit plans. It may also be useful to include if that variances is due to training new staff members, as this time should if the team remain stable not need to be repeated each year.

[Performance Standards 2400 and 2500]

- **Staff development:** The manager QA process applied to the work undertaken by the Auditors, or peer QA process applied to the respective three Audit Managers (who act as the Heads of Internal Audit) does not expand to the formal recording of personal development points. [Performance Standard 2300]

As part of our work we identified a number of opportunities to improve or enhance current processes

- **Internal audit testing and evidence:** there are opportunities to strengthen the evidence retained by the internal auditors, especially where element of control testing is referring to actual testing undertaken within other reviews.

- **Audit assignment planning:** there is an opportunity to redesign the current audit Terms of Reference to include a client manager / audit sponsor comments box to encourage greater engagement of clients in the scoping of internal audit reviews.

- **Internal Audit Annual Plans:** there is an opportunity when drafting the individual Council Internal Audit Annual plans for the Consortium to consider opportunities to add extra value through potential joint reviews across some or all of the Councils.

- **Assignment reporting:** there is an opportunity for the audit team to include within many of the individual assignment reports a section benchmarking the auditors findings with those from similar reviews undertaken across the Consortium’s other clients. This could include a simple comparison of the opinion provided and number / categories of recommendations made through to more added value comparisons of different control configurations and the cost / control benefits they could bring.

- **Audit Committee training:** in many of the conversations we had with the Audit Committee representatives (current or recent chairs of the respective Committees) there was an eagerness for training to be given on the role of the Audit Committee and how they should work with and challenge / hold to account Internal Audit. In a number of the conversations there was also a recognition that in the recent months more training had been provided by Internal Audit.

Whilst the recommendations and improvement opportunities are made for the Consortium Head of Internal Audit to consider and action, the Welland Internal Audit Board needs to recognise that to deliver these they will have a role to play, especially in support they can give regarding their resource allocations to the Internal Audit Consortium and their expectations of the number of days required as they support and facilitate Internal Audit’s change of the emphasis from expected controls to a risk based approach. In making this change there is an increased opportunity for internal audit to focus on the key risks of the Councils and to add value by providing assurance to management and Audit Committees in those risk areas.
2. **Feedback and EQA Findings**

2.1. **INTERNAL AUDIT CHARTER AND INTERNAL AUDIT MANUAL**

The Standards require there to be an Internal Audit Charter, and set out a number of topics that should be included within the Charter. Whilst the Consortium has established a Charter this was written before the introduction of the new PSIAS standards in April 2013.

Also with the introduction of the new Standards there is an opportunity to update the Consortium’s Internal Audit Manual to remove outdated sections / elements covering such areas as the issuing of “none contentious” reports, the use of a “limited assurance methodology” for the fundamental financial systems to reduce the risk of confusion for junior staff when they are referring to the Manual.

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**Management response:**

*Agreed.*

The IIA has produced a template which is being used to ensure that a revised Charter addresses all of the new requirements specified in the PSIAS. It should be feasible to seek Audit Committees’ endorsement of a revised Charter in the September cycle of meetings. Early adoption of a fully compliant Charter would be helpful in the context of Member training – Members would have access to a clear statement of their on-going roles and responsibilities that should help them to understand the purpose and significance of training offered.

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**Management response:**

*Agreed.*

The current Manual’s design reflected a need to demonstrate clearly to External Audit the extent of compliance with the 11 Standards prescribed in the CIPFA Code of Practice. Intention is to break the revised Manual into two parts: Part 1 will deal with Attribute Standards and other issues of management responsibility; Part 2 will focus on how audit assignments are to be planned, undertaken and quality assured.

Timescale for completing Part 2 will reflect the time needed to ensure that changed working practices deliver the desired outcomes before they are formally codified. Delivery should be feasible by 31st March 2014.
2.2. INTERNAL AUDIT ASSIGNMENTS

Eight assignments and their respective reports have been reviewed as part of this assessment. Our view based on the desk top review of the evidence and processes applied is that for each assignment, the opinion provided by Internal Audit on the control environment tested was correctly categorised as providing either “positive” or “negative” assurance.

There were a number of individual areas that could have been improved for each of the reviews and we have summarised below the common themes from this element of our work, these being:

- The approach adopted by Internal Audit has been to design testing matrices detailing “expected controls” to guide the Internal Auditor in the delivery of the review. For each of the Council’s key financial systems a guiding factor in the development of these matrices has been to satisfy the external audit rely on the work of Internal Audit under a “managed audit approach”. This approach does NOT facilitate the identification of the system’s actual controls and the determination of a testing programme based on assessing the real risks within the system under review.

- In planning the Audit and its subsequent reporting the limitations to the Auditors opinion and breadth of testing undertaken for the area under review are not explicitly documented. Without including this, the reader of the report and its opinion may feel that the opinion provides wider assurance than the actual testing, which is fully reported in the main body of each report, actually provides.

- There are opportunities to strengthen the evidence retained by the internal auditors, especially where testing is referring to testing undertaken in other reviews.

- Given the scope of the work undertaken by the Consortium across the five Councils there is an opportunity for the audit team to include within many of the individual assignment reports a section benchmarking the auditors findings with those from similar reviews undertaken across the Consortium’s other clients. There is also the opportunity for the Consortium to consider the potential to add value through joint reviews across some or all of the Councils.

- There is an opportunity to redesign the current audit Terms of Reference to include a client comments box to encourage greater engagement by client in the scoping of the reviews.

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Management response:

Agreed.

Work is in hand to change the design of matrices to direct the Auditors towards the identified risks that need to be mitigated and to require them to identify controls in place: process of redesign remains work in progress which has yet to be formally codified. The Audit Managers are providing more direct support and guidance to Auditors during field work in recognition of their limited experience. In the short-term this will have resource implications. Delivery – including codification in Manual – 31st December 2013.
**Recommendation**

4 In planning the Audit, and its subsequent reporting, the limitations to the Auditor’s opinion and breadth of testing in the area under review should be explicitly documented.

**Management response:**

*Agreed.*

Scoping exercises now seek to get the clients to identify more clearly the specific risks for which assurance is required and to agree assignments where resources available are consistent with the assurance sought. Reporting format is under review: as ongoing assignments get to draft report stage the need to clarify range and limitations is being assessed. Arrangements have yet to be formally codified and Audit Managers are liaising closely to ensure consistency as new approach is being developed. Delivery – including codification in Manual – 31st December 2013.

**Opportunity**

**a** Where Audit testing is cross referenced to other Internal Audit work then there is an opportunity to strengthen the usefulness of this cross referral by drawing into the report the outcome of this actual testing undertaken elsewhere. This allows the reader of the report to see the full outcome of all relevant testing without have to refer to other reports to which they may not have to hand.

**Management response:**

Cross referencing was introduced as a way of avoiding repetitive testing when carrying out audits of all of a client’s key financial systems towards the end of the financial year – in line with the Managed Audit approach. It is considered unlikely that there will be a need to adopt this approach in future but if it is outcomes will be reported / summarised in all relevant reports.

**Opportunity**

**b** There is an opportunity for the audit team to include within many of the individual assignment reports a section benchmarking the auditors findings with those from similar reviews undertaken across the Consortium’s other clients. This could include a simple comparison of the opinion provided and number / categories of recommendations made through to more added value comparisons of different control configurations and the cost / control benefits they could bring.

**Management response:**

There have been discussions with relevant client officers about the scheduling of work and – more particularly – final reporting to allow for shared learning on some of the 2013/14 assignments where shared learning/shared good practice is likely to arise (Data Managing; Benefits/Welfare Reform; Local Taxation).
Opportunity

c  There is an opportunity for the Consortium to consider the potential to add value through joint reviews across some or all of the Councils.

Management response:

As part of the process for developing Annual Audit Plans for 2014/15 and future years, clients will be offered the opportunity to commission joint reviews of areas of activity where there is a shared requirement for assurance.

Opportunity

d  There is an opportunity to redesign the current audit Terms of Reference to include a client comments box to encourage greater engagement by client in the scoping of the reviews.

Management response:

The Terms of Reference document has now been modified to prompt clients to identify any specific issues of assurance. The effect of this change may be to highlight lower than appropriate levels of client engagement in the scoping of audit assignments.

2.3. REPORTING TO THE AUDIT COMMITTEE

Currently Internal Audit report to each Audit Committee their progress against the respective Internal Audit Annual Plan, performance against a number of performance indicators including resourcing issues and general information for example on conformance with what were the previous Internal Auditing Standards. The Consortium has for 2013/14 positively sought to redesign the progress report to map the specifically planned work to the Council’s risk areas (e.g. financial, IT, fraud etc). However these reports do not:-

- draw out the potential impact on the Council’s annual governance statement of the identified control deficiencies.
- report in summary the outcomes of the specific reviews instead of reliance being made on the emailing of the full reports to Audit Committee Chairs. Such summaries are included in the Internal Audit Annual Report along with some comparison information if the opinion level is comparable to or better or worse than that given in that area in the previous review which provides a structure that could be applied to an updated progress paper.
- transparently report the “real” resources used to deliver each review to allow a better understanding of the real time taken to deliver the level of assurance required to inform future internal audit plans. It may also be useful to include if that variances is due to training new staff members, as this time should if the team remain stable not need to be repeated each year.
Recommendation

5 The Audit Committee progress paper should be redesigned to include:-

- the outcomes of the work reported to management since the previous meeting
- the actual resources taken to deliver the reviews to the date of the progress report
- the potential impact of the assurance opinions, either individually or collectively, on the Council’s Annual Governance Statement.

Management response:

Agreed.

Audit Committees have now considered reports setting out the way in which assurance planned and delivered will be mapped and reported: comments received about the reporting approach have been broadly positive. No difficulties anticipated in developing a clearer linkage to the development of the AGS.

Reporting of summary outcomes in Annual Reports for 2012/13 should have identified any site-specific reporting requirements. No difficulties anticipated in using the same reporting format in performance reports starting in September committee cycle.

Reporting on actual time spent on audits against plan can be accommodated within reporting of Performance Indicators – again starting in September committee cycle.

Opportunity

- In discussion with Audit Committee representatives (current or recent chairs of the respective Committees), a number expressed an eagerness for training to be given on the role of the Audit Committee and how they should work with and challenge / hold to account Internal Audit. This presents an opportunity for Internal Audit to expand the training they have previously provided which will also help to raise the profile and increase understanding of internal auditing.

Management response:

Reports setting out the challenges that the PSIAS will present to Audit Committees have been presented to all clients’ Committees; programmes of training have been designed; first training session has been delivered @ MBC and positively received. Discussions in hand to make training sessions at any site open to any member of a Welland Audit Committee.

2.4. STAFF DEVELOPMENT

The current Manager Quality Assurance process applied to the work undertaken by the individual Auditors focuses on the testing undertaken the wording within the respective report. An important aspect of any internal Quality Assurance process is to identify any staff development opportunities.
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**Management response:**

*Agreed.*

Review of assignments is currently undertaken using (and evidenced via) Galileo System. Investigations in hand to establish whether Galileo can analyse resolved review points by Auditor and/or Learning Point or whether there will be a requirement to introduce an alternative means of information capture.

*Arrangements will be in place – and codified in the Manual - by 31st December 2013.*
3. SUMMARY OF CONFORMANCE WITH PSIAS

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<td>1320 Reporting on the Quality Assurance and Improvement Program</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>1321 Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”</td>
<td>Not applicable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1322 Disclosure of Nonconformance</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>PERFORMANCE STANDARDS</th>
<th>Generally Conforms</th>
<th>Partially Conforms</th>
<th>Does Not Conform</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Managing the Internal Audit Activity</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2010 Planning</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2020 Communication and Approval</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2030 Resource Management</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2040 Policies and Procedures</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2050 Coordination</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2060 Reporting to Senior Management and the Board</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2070 External Service Provider and Organizational Responsibility for Internal Auditing</td>
<td>Not applicable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2100 Nature of Work</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2110 Governance</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2120 Risk Management</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2130 Control</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2200 Engagement Planning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2210 Planning Considerations</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2211 Engagement Objectives</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2220 Engagement Scope</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2230 Engagement Resource Allocation</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2240 Engagement Work Program</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2300 Performing the Engagement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2310 Identifying Information</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2320 Analysis and Evaluation</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2330 Documenting Information</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2340 Engagement Supervision</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2400 Communicating Results</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2410 Criteria for Communicating</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2420 Quality of Communications</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2421 Errors and Omissions</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2430 Use of “Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”</td>
<td>Not applicable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2431 Engagement Disclosure of Nonconformance</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2440 Disseminating Results</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2450 Overall Opinions</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
<tr>
<td>2500 Monitoring Progress</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2600 Resolution of Senior Management’s Acceptance of Risks</td>
<td>GC</td>
<td>PC</td>
<td>DNC</td>
</tr>
</tbody>
</table>

Note 1
In 2012/13 the Consortium Head of Internal Audit has reported resourcing issues that lead to none compliance with the previous CIPFA standards. Recruitment has now been made BUT a review of the resources needed will be required to implement the recommended change to the current approach for systems evaluation and the development of appropriate testing strategies.
## INTERNAL AUDIT IMPROVEMENT PLAN

### OBJECTIVE 1.1
The consistent delivery of risk-based audit assignments of a quality acceptable to the Consortium’s clients and in full conformance with the Public Sector Internal Audit Standards.

<table>
<thead>
<tr>
<th>Action</th>
<th>Delivery Date</th>
<th>Evidence of Delivery</th>
<th>Progress RAG</th>
<th>Resource Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.1</td>
<td>20/9/13</td>
<td>Draft Practice Notes and associated work will be a priority for the Head of Consortium. This will have an impact on review and completion of some assignments in progress. This in turn will have a negative impact on Performance Indicators.</td>
<td>Green DPNs delivered to Board</td>
<td>Production of DPNs and associated work will be a priority for the Head of Consortium. This will have an impact on review and completion of some assignments in progress. This in turn will have a negative impact on Performance Indicators.</td>
</tr>
</tbody>
</table>

### PART 1
**UNDERTAKING AND REPORTING OF AUDITS**

The External Quality Assessment recommended that the way in which audits are undertaken should be modified. The key change required is a move away from an “expected controls” approach – where the auditor is directed to confirm the existence and proper operation of specific controls – towards a risk-based approach where the auditor is required to identify and test the controls that management has put in place to mitigate systems’ risks. The EQA also recommended that audit reports should set out clearly the limitations to the audit opinion arising from the nature and breadth of the work undertaken.

[Addresses Recommendations: 3 (adoption of “risk based” approach); 4 (specific limitations to scope of assignments); and Opportunities: a (cross-referencing); and d (client comments box)]
### Action

<table>
<thead>
<tr>
<th>Action</th>
<th>Delivery Date</th>
<th>Evidence of Delivery</th>
<th>Progress RAG</th>
<th>Resource Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.2</td>
<td>10/10/13</td>
<td>Board notification</td>
<td>Green</td>
<td>See 1.1.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No changes requested by Board.</td>
<td></td>
</tr>
<tr>
<td>1.1.3</td>
<td>3/10/13</td>
<td>Meeting minutes</td>
<td>Green</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Initial Briefing 19th September Follow up 3to1 meetings of Audit Managers with Auditors w/c 21st Oct to provide any necessary clarification</td>
<td></td>
</tr>
<tr>
<td>Action</td>
<td>Delivery Date</td>
<td>Evidence of Delivery</td>
<td>Progress RAG</td>
<td>Resource Implications</td>
</tr>
<tr>
<td>--------</td>
<td>--------------</td>
<td>----------------------</td>
<td>--------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>1.1.4</td>
<td>10/10/13</td>
<td>Minutes of Boards</td>
<td>Amber</td>
<td>Delivery requires some enhancements to work already commissioned by Welland Board</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>It has taken longer than anticipated to agree ToR for all outstanding 2013/14 assignments. This reflects, in part a need to support the clients in use of modified planning approach.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.5</td>
<td>10/10/13</td>
<td>Minutes of Boards</td>
<td>Green – see 1.1.6</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.6</td>
<td>Ongoing to 31/12/13</td>
<td>Quality review to be undertaken on behalf of the Board by RCC’s Assistant Director - Finance</td>
<td>Green</td>
<td>For a period of 2-3 months, Audit Managers will be providing a high level of support and supervision to Auditors. This will impact upon the delivery of some “high level” assignments which have been allocated to an Audit Manager</td>
</tr>
</tbody>
</table>
### OBJECTIVE 1.2

**Obtain senior management buy in to, and support for, new working arrangements.**

<table>
<thead>
<tr>
<th>Action</th>
<th>Delivery Date</th>
<th>Evidence of Delivery</th>
<th>Progress RAG</th>
<th>Resource Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2.1</td>
<td>Ongoing to 2nd December when last presentation will be @ RCC</td>
<td>Minutes of relevant bodies</td>
<td>Green</td>
<td>No significant impact anticipated.</td>
</tr>
<tr>
<td>1.1.7</td>
<td>31/12/13</td>
<td>Updated Manual</td>
<td>Green</td>
<td>No significant additional impact.</td>
</tr>
<tr>
<td>1.1.8</td>
<td>31/12/13</td>
<td>New documentation</td>
<td>Green</td>
<td>It is anticipated that necessary changes can be made by the Consortium's System Administrator but there are likely to be some additional costs.</td>
</tr>
<tr>
<td>Action</td>
<td>Delivery Date</td>
<td>Evidence of Delivery</td>
<td>Progress RAG</td>
<td>Resource Implications</td>
</tr>
<tr>
<td>--------</td>
<td>---------------</td>
<td>----------------------</td>
<td>--------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>1.2.2</td>
<td>Ongoing to 15th Nov</td>
<td>N/A</td>
<td>Amber</td>
<td>Dependent upon progress with tail of ToR meetings</td>
</tr>
<tr>
<td>1.2.3</td>
<td>Ongoing to 21st Jan 2014</td>
<td>Committee minutes</td>
<td>Green Draft</td>
<td>Protocol to be circulated to Board members by end of w/c 21/10</td>
</tr>
<tr>
<td>1.2.4</td>
<td>20/9/13</td>
<td>Completed ToR now forms part of Final Reports which will be copied to S151 Officers</td>
<td>Green New template in use @21/10/13</td>
<td>See 1.1.8</td>
</tr>
</tbody>
</table>
**PART 2 SUPPORTING THE “AUDIT COMMITTEE”**

The External Quality Assessment recommended that progress reports provided to the clients’ “Audit Committees” should be redesigned to include outcomes of assignments completed; the actual and planned audit resources taken to deliver assignments; and the impact of assurance opinions, individually and collectively on the Annual Governance Statement. The EQA also suggested that the Consortium’s delivery of training to the Committee offered opportunities to improve understanding of internal audit and increase the effectiveness of the Committee.

[Addresses: Recommendation 5 (redesign of reports to “Audit Committees”) and Opportunity e (training for “Audit Committees”)]

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### OBJECTIVE 2.1

**Ensure that the Consortium's reports provide the Audit Committee with the information that it wants and needs to discharge its responsibilities under the Public Sector Internal Audit Standards.**

<table>
<thead>
<tr>
<th>Action</th>
<th>Delivery Date</th>
<th>Evidence of Delivery</th>
<th>Progress RAG</th>
<th>Resource Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.1</td>
<td>Ongoing from November meetings of “Audit Committees”</td>
<td>Reports to relevant Committees</td>
<td>Green Template in use Some discussions have taken place with Committees on development of assurance mapping</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The template for performance update reports will be modified. For each audit completed the template will capture:

- assurance rating provided
- summary of strengths and weaknesses
- budgeted and actual days required to complete the audit and explanation of significant variances.

Assurances obtained from all completed audits to be mapped and this mapping of assurance will be used – where necessary – to alert the “Audit Committee of any issues that may need to be addressed in respect of the AGS.
### Action

<table>
<thead>
<tr>
<th>Action</th>
<th>Delivery Date</th>
<th>Evidence of Delivery</th>
<th>Progress RAG</th>
<th>Resource Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.2</td>
<td>Committees’ views about the suitability of the information provided – and about any unmet information needs – will be canvassed on an ongoing basis.</td>
<td>Ongoing from November meetings of “Audit Committees”</td>
<td>Reports to relevant Committees</td>
<td>Green</td>
</tr>
<tr>
<td>2.1.3</td>
<td>Structure of planned training sessions will be modified so that they include consideration of the use of relevant information to support the Committees in the effective discharge of their responsibilities and on the range and volume of information that Members would wish to receive.</td>
<td>Ongoing from November meetings of “Audit Committees”</td>
<td>Records of training sessions</td>
<td>Green</td>
</tr>
</tbody>
</table>
PART 3  BENCHMARKING & JOINT REVIEWS

The External Quality Assessment suggested that the Consortium had an opportunity to add value to the service provided to clients by benchmarking audit findings with those of similar audits undertaken for other clients. The EQA also suggested that joint reviews had the potential to add value.

[Addresses Opportunities b (benchmarking) and c (joint reviews)]

OBJECTIVE 3.1

Ensure that opportunities to achieve added value through benchmarking and joint reviews are identified during the process of developing Annual Audit Plans and that the audit planning processes maximise opportunities to achieve added value.

<table>
<thead>
<tr>
<th>Action</th>
<th>Delivery Date</th>
<th>Evidence of Delivery</th>
<th>Progress RAG</th>
<th>Resource Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.1</td>
<td>20/9/13</td>
<td>DPN delivered to Board</td>
<td>Amber DPN will be circulated to Board members for comment by end of w/c 21.10.13</td>
<td>See 1.1.1</td>
</tr>
</tbody>
</table>

Draft Practice Note covering the process for coordinating the production of Annual Audit Plans for individual clients. Practice Note will cover:
- timetabling to allow feedback to each client Authority about assurance sought by other clients; and
- role of the Audit Manager in identifying emerging national issues (e.g. Welfare Reform) where there is potential to add value through benchmarking both between the Consortium’s clients and with a wider range of potential partners.
<table>
<thead>
<tr>
<th>Action</th>
<th>Delivery Date</th>
<th>Evidence of Delivery</th>
<th>Progress RAG</th>
<th>Resource Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.2</td>
<td>Ongoing to 21/1/14</td>
<td>Report to Audit Committees on 2014/15 Plan</td>
<td>Green</td>
<td>No significant additional impact anticipated.</td>
</tr>
<tr>
<td>3.1.3</td>
<td>20/9/13</td>
<td>DPN delivered to Board</td>
<td>Green</td>
<td>See 1.1.1</td>
</tr>
<tr>
<td>3.1.4</td>
<td>1/11/13</td>
<td>Analysed data reported to Board.</td>
<td>Green</td>
<td>No significant additional impact anticipated</td>
</tr>
</tbody>
</table>
## OBJECTIVE 4.1

Ensure that the Consortium’s Audit Manual contains up to date versions of all policies necessary for compliance with the Attribute and Performance Standards and the Ethical Code which together comprise the Public Sector Internal Audit Standards.

<table>
<thead>
<tr>
<th>Action</th>
<th>Delivery Date</th>
<th>Evidence of Delivery</th>
<th>Progress RAG</th>
<th>Resource Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.1</td>
<td>4/10/13</td>
<td>Minutes of Welland Board</td>
<td>Green</td>
<td>Production of the revised Audit Charter and associated work required to update the Audit Manual will be a priority for the Head of Consortium. This will have an impact on review and completion of some assignments. This in turn will have a negative impact on Performance Indicators.</td>
</tr>
<tr>
<td>4.1.2</td>
<td>10/10/13</td>
<td>Minutes of relevant Committees</td>
<td>Green</td>
<td></td>
</tr>
<tr>
<td>4.1.3</td>
<td>Ongoing to 21/1/14</td>
<td>Minutes of relevant Committees</td>
<td>Green</td>
<td></td>
</tr>
<tr>
<td>4.1.4</td>
<td>20/9/13</td>
<td>N/A</td>
<td>Green</td>
<td></td>
</tr>
</tbody>
</table>

**APPENDIX B**

**PART 4 QUALITY ASSURANCE**

The External Quality Assessment recommended that the Internal Audit Charter be updated to reflect new requirements set out in the Standards and that the Audit Manual be updated, both to reflect the new Standards and to provide better support for Auditors. The EQA also recommended that a process be developed to capture staff development opportunities as part of the process of Quality Assuring individual audit assignments.

[Addresses: Recommendations 1 (Revised Audit Charter); 2 (Revised Audit Manual) and 6 (Capture of staff development opportunities in QA process)]
<table>
<thead>
<tr>
<th>Action</th>
<th>Delivery Date</th>
<th>Evidence of Delivery</th>
<th>Resource Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.5</td>
<td>30/11/13</td>
<td>Updated Manual</td>
<td>Green Production of the revised Audit Charter and associated work required to update the Audit Manual will be a priority for the Head of Consortium. This will have an impact on review and completion of some assignments. This in turn will have a negative impact on Performance Indicators.</td>
</tr>
<tr>
<td>4.1.6</td>
<td>30/11/13</td>
<td>Updated Manual</td>
<td>Green</td>
</tr>
<tr>
<td>4.1.7</td>
<td>31/12/13</td>
<td>Updated Manual</td>
<td>Green</td>
</tr>
<tr>
<td>4.1.8</td>
<td>31/12/13</td>
<td>Updated Manual</td>
<td>Green</td>
</tr>
</tbody>
</table>
### OBJECTIVE 4.2

Ensure that the process of Quality Assuring individual audit assignments captures any staff development issues so that these can be addressed within the Personal Development Review process adopted by the employing body – Rutland County Council.

<table>
<thead>
<tr>
<th>Action</th>
<th>Delivery Date</th>
<th>Evidence of Delivery</th>
<th>Progress RAG</th>
<th>Resource Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2.1</td>
<td>1/11/13</td>
<td>N/A</td>
<td>Green</td>
<td>It has been established that there is no cost-effective Galileo-based solution. An in-house alternative will be developed. If deliverable, this type of system modification would involve significant upgrade costs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2.2</td>
<td>29/11/13</td>
<td>DPN delivered to Board</td>
<td>Green</td>
<td>Development and maintenance of a stand-alone methodology will increase Audit Manager time required to complete Quality Assurance process for individual audit assignments.</td>
</tr>
</tbody>
</table>

Establish whether it is practical and cost effective to commission modifications to the Galileo Audit Management System allowing for the generation of reports of staff development issues identified through Quality Assurance reviews of audit assignments.

Depending on the outcome of 4.2.1 either:
- commission necessary modifications to Galileo;
- design a stand-alone methodology for capturing staff development issues.

Record in the Attribute Standards section of the Audit Manual and brief Audit Managers on this modification to Quality Assurance arrangements.
Internal Audit Charter

Purpose

This Charter formally defines the purpose, authority and responsibility of the Welland Internal Audit Consortium (the Consortium) within Corby Borough Council and outlines the scope of the Consortium’s internal audit work.

The Audit Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards (The Standards).

Definitions

The Standards set out the requirements of a ‘Board’ and of ‘senior management’. For the purposes of the internal audit activity within Corby Borough Council, the role of the Board within the Standards is taken by the Council’s Audit & Governance Committee and “senior management” is the Council’s Senior Management Team.

The Standards define the responsibilities of the Chief Audit Executive. Save for some strategic issues reserved to the Head of Consortium and marked [•] the responsibilities of the Chief Audit Executive are discharged by the Audit Manager for Corby Borough Council.

Role

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2011, which state:

6.—(1) A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

Also, The Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In Corby Borough Council, the Director of Corporate Services is the ‘Section 151 Officer’. One of the ways in which this duty is discharged is by maintaining an ‘adequate and effective internal audit service’.

Internal Audit is defined by the Public Sector Internal Audit Standards as:

‘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.’

Professionalism

The Consortium will govern itself by adherence to the mandatory guidance published by Chartered Institute of Public Finance Accountants (CIPFA) and the Chartered Institute of Internal Auditors' (IIA) including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of the Consortium's performance.

The IIA’s Practice Advisories, Practice Guides, and Position Papers and any corresponding publications from CIPFA will also be adhered to as applicable to guide operations.
In addition, the Consortium will adhere to Corby Borough Council’s relevant policies and procedures and the Internal Audit Manual.

Authority

The Consortium’s Auditors, with strict accountability for confidentiality and safeguarding records and information, are authorised full, free, and unrestricted access to any and all of the Council's records, physical properties, and personnel pertinent to carrying out any assignment.

All employees are requested and required to assist the Consortium in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2011 section 6(2) which state that:

‘Any officer or member of a relevant body must, if the body requires:
(a) make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
(b) supply the body with such information and explanation as that body considers necessary for that purpose’.

For the purposes of internal audit activity, the Consortium’s Audit Managers will also have free and unrestricted access to the Council’s Audit and Governance Committee.

Organisation

The Head of Consortium reports functionally to the Audit and Governance Committee on items such as:

• Approving the Internal Audit Charter;
• Approving the risk-based Internal Audit Annual Plan;
• The Consortium’s performance against the Plan and other matters;
• Approving the Head of Consortium’s Annual Report;
• Approving the review of the effectiveness of the system of Internal Audit.

The Head of Consortium has direct access to the Chair of the Audit and Governance Committee and has the opportunity to meet with the Audit and Governance Committee in private.

The Council’s Section 151 Officer will be Client Officer for the Consortium with responsibility for monitoring performance; ensuring adequacy of Internal Audit resources; and ensuring the Head of Consortium’s independence. Responsibility for line management of the Head of Consortium is vested in the Section 151 Officer of the Consortium’s employing organisation – Rutland County Council.

The Welland Internal Audit Board – comprising the clients’ Section 151 Officers - is responsible for oversight of the Consortium’s performance in delivering the agreed level and quality of service commissioned by individual clients.

Independence and objectivity

In respect of its internal audit activities, the Consortium will remain free from interference by any element in the Council, including matters of audit selection, scope, procedures, frequency, timing, or report content, to permit maintenance of a necessary independent and objective mental attitude.
Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an Auditor’s judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. To achieve that outcome, the Head of Consortium will ensure that, where an Auditor is recruited from a client local authority, they will not audit the area that they moved from for at least a period of one year. Auditors will also be required to state any possible conflicts of interest at the start of each audit assignment to their manager to ensure a completely independent and unbiased audit is carried out.

The Head of Consortium will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the Consortium in respect of all internal audit activity.

Responsibility

The scope of internal audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management, and internal control processes in relation to the Council's defined goals and objectives.

The Consortium is responsible for evaluating all processes (not just financial) of the Council including governance and risk management processes. It also assists the Audit and Governance Committee in evaluating the quality of performance of external auditors and ensures that there is a proper degree of co-ordination between the Consortium and the Council’s External Auditors.

The Consortium may perform consulting and advisory services related to governance, risk management and control as appropriate for the Council. Approval must be sought from the Audit and Governance Committee for any significant additional consulting services not already included in the Annual Internal Audit Plan. The Consortium may also evaluate specific operations at the request of the Audit and Governance Committee or management, as appropriate: where requests from management have the potential to impact on the delivery of planned work, approval of the Audit and Governance Committee will be required.

Based on its activity, the Consortium is responsible for reporting significant risk exposures and control issues identified to the Audit and Governance Committee and to senior management, including fraud risks, governance issues, and other matters requested by the Audit and Governance Committee.

Internal audit plan and resources

The Head of Consortium will submit to the Audit and Governance Committee, annually, a risk-based Internal Audit Annual Plan for review and approval. The report to Committee will include budget and resource requirements for the next financial year necessary for the delivery of the Plan. The Head of Consortium will communicate the impact of resource limitations and of significant interim changes to senior management and the Audit and Governance Committee.
The Internal Audit Annual Plan will be developed using a risk-based process that has been approved by the Audit and Governance Committee. The process will include input of senior management and the Audit and Governance Committee. Any significant deviation from the approved Internal Audit Annual Plan will be communicated through the periodic activity reporting process.

The Head of Consortium will carry out a continuous review of the development and training needs of all of the Consortium’s personnel as part of the Consortium’s Quality Assurance and Improvement Programme, and will arrange appropriate training.

**Reporting and monitoring**

A written report will be prepared and issued by the Head of Consortium or designee following the conclusion of each audit assignment and will be distributed in line with the Council’s reporting processes. The outcome of each assignment will also be communicated to the Audit and Governance Committee in the manner determined by the Committee.

The Internal Audit reports will include management's response and a record of corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for anticipated completion of agreed action to be taken and an explanation for decision not to take action to address a control weakness identified in the report.

The Consortium will be responsible for monitoring the timely implementation of agreed audit recommendations and will report to the Council’s Senior Management Team and the Audit and Governance Committee on progress achieved.

The Head of Consortium will produce an annual Internal Audit Opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management and control. The Head of Consortium Opinion will contribute to the Council’s review of the effectiveness of its control environment as required under the Accounts and Audit (England) Regulations 2011.

**Periodic assessment**

The Head of Consortium is responsible also for providing a periodic self-assessment on the Internal Audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Head of Consortium will communicate to senior management and the Audit and Governance Committee on the Consortium’s Quality Assurance and Improvement Program, including results of on-going internal assessments and external assessments conducted at least every five years as required by the Standards.

**Approval**

The Head of Consortium will be responsible for the annual review of the Charter for subsequent approval by the Council's Audit and Governance Committee.