

London Borough of Haringey – Internal Audit Service

**External Assessment in accordance with the Public Sector Internal
Audit Standards**

**Assessor – Simon Lane Head of Audit and Investigation London
Borough of Brent**

**Report Date 3/11/2014
Assessment Undertaken October 2014**

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Executive Summary

The council's internal audit service generally conforms to the requirements of the Public Sector Internal Audit Standards. It fully conforms in all but one area (reporting) within the three fundamental assessment areas (those which test compliance with the basic principles of audit work) and was only adjudged as not fully conforming due to the scores within the "impact" section (which assesses the added value impact of the service).

To achieve fully conforming is a difficult benchmark due to the number of standards which need to be achieved and the degree of subjectivity attached to the impact assessment.

The following remedial actions were identified:

- The service should take steps improve the average time taken to produce draft reports from exit meeting date.
- The Head of ARM should seek to agree the role of internal audit in relation to strategic input with the council's senior management team and identify any consequent resource demands, building any requirements into the 2015/16 plan

Introduction

1. The Quality Assurance and Improvement Programme (QAIP) is a requirement of the Public Sector Internal Audit Standards (PSIAS) which came into force on 1st April 2013. It is intended to raise standards across the public sector. This programme is intended to:
 - Facilitate identification of actions for continuous improvement;
 - Facilitate evaluation of progress with improvement plans; and
 - Provide an approach to both internal reviews and external Quality Assurance reviews which is not “tick box” and which goes beyond compliance with the Standards alone.
2. The QAIP is intended to apply to all internal audit services where compliance with the PSIAS is required. This includes all internal audit services within local government.
3. The standards set out a series of requirements across various headings, together with examples of how compliance maybe achieved. The Head of Audit within the organisation is required to provide an annual statement with regard to compliance with the PSIAS. This is normally submitted as part of the Head of Audit annual report or opinion statement. In addition, once every five years, the service must be externally assessed.
4. The London Audit Group, which has been in existence since 1950 and comprises the Heads of Audit and other senior audit staff across London has set up a peer review process for external assessments. This includes a template for assessing compliance, a questionnaire for stakeholders and guidance on how an assessment should be undertaken. Use of the peer review scheme is voluntary and should be agreed by the Audit Committee or equivalent. The scheme is free.
5. Reviewers must have sufficient expertise, knowledge and experience to be able to conduct the review and authorities are not permitted to review each other. This report sets out the findings of the independent review for the London Borough of Haringey.

Statement of the Reviewer

6. I have undertaken the independent review of the internal audit service within Haringey Council in accordance with the approach set out by the London Audit Group. This included interviews with the Head of Audit and Risk Management, the Chair of the Audit Committee and the S.151 Officer. In addition the Impact survey was sent to, and completed by, the Chief Executive, Assistant Director of Corporate Governance and Monitoring Officer, Deputy Chief Executive, Chief Operating Officer and S.151 Officer. I reviewed a number of documents including the Audit Plan, Charter, various progress reports, three audit briefs and three audit files and reports. I based my assessment on these interviews and documents.
7. I am a qualified accountant (CIPFA) and have been Head of Audit and Investigation within a large London Borough for the past 14 years. I have held other positions within local government internal audit from 1986 to 1994 and between 1994 and 2000 managed a corporate fraud investigation function.
8. I should declare that I worked within the Internal Audit Section at Haringey from 1986 to 1993, finishing my career there as an Assistant Audit Manager. Given the passage of time since that date I do not consider that there are any conflicts of interest in that regard.

Evaluation

9. The evaluation is split into four sections:

Purpose & positioning	Structure & resources	Audit execution	Impact
<ul style="list-style-type: none"> • Remit • Reporting lines • Independence • Risk based plan • Assurance strategy • Other assurance providers 	<ul style="list-style-type: none"> • Competencies • Technical training & development • Resourcing • Performance management • Knowledge management 	<ul style="list-style-type: none"> • Management of the IA function • Engagement planning • Engagement delivery • Reporting 	<ul style="list-style-type: none"> • Standing and reputation of internal audit • Impact on organisational delivery • Impact on governance, risk, and control

10. For each sub-section a series of statements of good practice are provided as a guide in determining the performance of the service. Against this an assessment has been made as to the degree of conformance using the following scale, aligned with the Public Sector Internal Audit Standards:
 - **Fully Conforms** the reviewer concludes that the internal audit service fully complies with each of the statements of good practice.
 - **Generally Conforms** means the reviewer has concluded that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects. For the sections and sub-sections, this means that there is general conformance to a majority of the individual statements of good practice, and at least partial conformance to the others, within the sub-section. As indicated above, general conformance does not require complete/perfect conformance.
 - **Partially Conforms** means the reviewer has concluded that the internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit. Some deficiencies may be beyond the control of the service and may result in recommendations to senior management or the audit committee of the organisation.

- **Does Not Conform** means the reviewer has concluded that the internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and good practice statements within the section or sub-section. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the audit committee.

11. An overall assessment of the performance of the internal audit service in conforming to good practice is made using the same scale.

1. Purpose and positioning

Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?

Remit										
Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> An internal audit Charter defines the purpose, authority and responsibility, within the organisation, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards, including a definition of the Board. The internal audit Charter is approved by the Board and is regularly reviewed, and communicated to all senior management and other relevant people The Charter defines the nature and scope of the assurance and consulting services provided to the organisation (including any assurances provided to parties outside of the organisation) and is such that it can provide independent and objective assurance and is not part of the direct control framework The Charter clearly defines internal audit's role in evaluating and contributing to the development of risk management, control and governance processes. Internal audit's role in relation to any fraud-related / investigations work is clearly defined within the Charter. 	<table border="1"> <tr> <td>X</td> <td>Fully conforms</td> </tr> <tr> <td></td> <td>Generally conforms</td> </tr> <tr> <td></td> <td>Partially conforms</td> </tr> <tr> <td></td> <td>Does not conform</td> </tr> </table> <p>Associated references</p> <p>PSIAS: Code of Ethics 1000 Purpose, Authority and Responsibility 1110 Organisational Independence 1210 Proficiency 2110 Governance 2120 Risk Management 2130 Control</p>	X	Fully conforms		Generally conforms		Partially conforms		Does not conform	<ul style="list-style-type: none"> IA charter. Updated for 2013 PSIAS, and includes relevant definitions.¹ Action: Definition of 'the Board' (Corporate Committee) to be included at next update of the Audit Charter. IA Charter circulated to Directors Group and approved by Corporate Committee 14 March 2013. Published on Council website with Corporate Committee meeting papers. No consulting services undertaken, it would be included in the Audit Charter if done. Potential areas of conflict are identified and mitigating controls in place. Included in Audit Charter, see Charter for details.
X	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									

Remedial actions	Target date	Responsibility
A.		
B.		

Comments on assessment: The Internal Audit Service has a charter, recently reviewed to include the requirements of the PSIAS. The point about defining the board is a minor issue and can easily be addressed. It has no impact upon the assessment. The Charter was presented to Committee in 2013.

¹

<http://www.minutes.haringey.gov.uk/Published/C00000730/M00006029/AI00032468/AnnualAuditPlanappxb.pdf>

Reporting lines

Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> The Board reviews and approves the appointment of the Chief Audit Executive (CAE) The CEO and the Chair of the Audit Committee contribute to the CAE's appraisal 	<table border="1"> <tr> <td data-bbox="710 353 783 421">x</td> <td data-bbox="783 353 932 421">Fully conforms</td> </tr> <tr> <td data-bbox="710 421 783 488"></td> <td data-bbox="783 421 932 488">Generally conforms</td> </tr> <tr> <td data-bbox="710 488 783 555"></td> <td data-bbox="783 488 932 555">Partially conforms</td> </tr> <tr> <td data-bbox="710 555 783 618"></td> <td data-bbox="783 555 932 618">Does not conform</td> </tr> </table>	x	Fully conforms		Generally conforms		Partially conforms		Does not conform	<ul style="list-style-type: none"> Head of Audit & Risk Management role was subject to Member appointment process. Head of ARM's appraisal conducted by the AD Corporate Governance and Monitoring Officer, but reviewed and signed off by CEO, copy held by Head of ARM. Direct report to AD Corporate Governance and Monitoring Officer, but access to s151 Officer, Statutory Officers Group, CEO and Chair of Corporate Committee. Annual Audit Plan approved by Corporate Committee (20/3/14)² and published on Council website. Head of ARM attends all Corporate Committee meetings, plus all Statutory Officers Group meetings which discuss the audit plan, corporate risk management and AGS. Minutes of meetings and reports published on Council website. Although the Head of ARM does not report directly to the S151, meetings are held when appropriate Head of ARM attends statutory officers group (Adults, Childrens, S151, Monitoring Officer, Chief Operating Officer, Chief Exec and Deputy Chief Exec) Quarterly reports to Corporate Committee³, plus annual Head of Audit report. Corporate Committee meetings agendas, reports and minutes published on the council's website.
x	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									
<ul style="list-style-type: none"> Reporting lines for the CAE support independence, with functional reporting to the Board The Board agrees the strategy/plans of the internal audit service The CAE or their representative attend all Board and/or senior management meetings, particularly where key issues are discussed relating to governance, risk management or control across the organisation The CAE meets regularly with the Section 151 Officer The Board routinely see and considers the outputs of the internal audit service The Board is routinely updated with internal audit status and activity reports 	<p>Associated references</p> <p>PSIAS:</p> <ul style="list-style-type: none"> 1100 Independence and Objectivity 1110 Organisational Independence 1111 Direct Interaction with the Board 2010 Planning 2060 Reporting to Senior Management and the Board 									

² <http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=730&Mid=6424&Ver=4>

³

[http://www.minutes.haringey.gov.uk/Published/C00000730/M00006836/AI00039172/\\$9InternalauditprogressreportQtr1coveringreportfinal.doc.pdf](http://www.minutes.haringey.gov.uk/Published/C00000730/M00006836/AI00039172/$9InternalauditprogressreportQtr1coveringreportfinal.doc.pdf)

Remedial actions	Target date	Responsibility
C.		
D.		

Comments on assessment: It is noted that the Head of ARM does not report to the S.151 officer. Although this tends to be the norm within local government, there is no stipulation within the PSIAS for a direct reporting line to the S.151 officer. The S.151 officer confirmed that he is confident that the Head of ARM would report matters directly to him if required.

Whilst the PSIAS recommend the Chair of the Audit Committee has input in to the annual appraisal of the Head of Audit, the guidance recognises that this is not the norm within local government.

Independence

Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> Internal audit’s position within the organisation is clearly established including authorisation for access to records, personnel and physical properties relevant to the performance of engagements The internal audit service is free of executive responsibilities such that it can provide independent and objective assurance Conflict of interests are identified, appropriately managed and avoided including those transferring to internal audit from elsewhere in the organisation Audit personnel are routinely rotated on assignments Audit personnel do not have any conflicting operating responsibilities or interests All internal audit staff are aware of and comply with the Code of Ethics and the Nolan principles Consultancy work that internal audit may undertake is clearly defined and agreed in advance by the Audit Committee when required by the PSIAS Areas which have been the recipient of internal audit 'consultancy' work are subject to audit review by personnel independent of the consultancy work The CAE, at least annually, confirms to 	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr style="background-color: #c00000; color: white;"> <td style="width: 20%; text-align: center;">x</td> <td style="padding: 5px;">Fully conforms</td> </tr> <tr style="background-color: #f2f2f2;"> <td style="width: 20%;"></td> <td style="padding: 5px;">Generally conforms</td> </tr> <tr style="background-color: #fff2cc;"> <td style="width: 20%;"></td> <td style="padding: 5px;">Partially conforms</td> </tr> <tr style="background-color: #fff2cc;"> <td style="width: 20%;"></td> <td style="padding: 5px;">Does not conform</td> </tr> </table>	x	Fully conforms		Generally conforms		Partially conforms		Does not conform	<ul style="list-style-type: none"> Constitution specifies right of access for Head of ARM to all records, buildings and personnel. Constitution, Part 4, Section I, para 5.56. Constitution published on Council website. Head of ARM has functional responsibility for Insurance Team. Identified in Audit Charter and mitigating controls in place to ensure independence. See IA Charter for identification of conflicts of interest and management. Annual declaration of interest forms retained by Head of ARM Mazars provide internal audit service. Staff rotated – audit planning spreadsheets held on shared drive. Annual declaration of interest return required from all staff, including Mazars manager. Head of ARM holds electronic copies of all declarations Part of Counter-fraud policy and Code of Conduct. Reminders of expected standards of behaviour circulated to all staff regularly via corporate newsletters (copies held). N/A. No consultancy work undertaken. As above, no consultancy work undertaken. Part of the Head of Audit’s annual
	x	Fully conforms								
		Generally conforms								
		Partially conforms								
	Does not conform									
<p style="text-align: center; margin: 0;">Associated references</p> <p>PSIAS:</p> <p>Code of Ethics 1100 Independence and Objectivity 1110 Organisational Independence 1120 Individual Objectivity 1130 Impairment to Independence or Objectivity</p>										

<p>the Board the organisational independence of the internal audit activity</p> <ul style="list-style-type: none"> The CAE notifies the appropriate parties if independence or objectivity is impaired in fact or appearance 		<p>report to Corporate Committee (26/6/14)⁴. Published Corporate Committee reports on Council website.</p> <ul style="list-style-type: none"> N/A to date, but would be reported.
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Remedial actions	Target date	Responsibility
E. F.		

4

[http://www.minutes.haringey.gov.uk/Published/C00000730/M00006835/AI00037900/\\$7A
AnnualInternalAuditreport201314coveringreportfinal.doc.pdf](http://www.minutes.haringey.gov.uk/Published/C00000730/M00006835/AI00037900/$7A%20AnnualInternalAuditreport201314coveringreportfinal.doc.pdf)

Risk based plan

Statements of good practice	Assessment	Evidence								
<p>A risk based internal audit plan has been developed which:</p> <ul style="list-style-type: none"> • considers the relative risk maturity of the organisation • considers the risk appetite as defined by management • includes an assessment of optimal resources and skills required to deliver both the audit assurance and consultancy work, including identification of specialist skills, which may be required • is clearly designed to enable the CAE to deliver an annual opinion on the effective of Governance, risk management and the system of control • has been approved by the Board <ul style="list-style-type: none"> • has been promulgated to all relevant parties • is subject to regular review to ensure that it remains appropriate and current <p>Either the audit plan or a separate audit strategy document should:</p> <ul style="list-style-type: none"> • include an assessment of risks that the audit service itself faces in delivering the plan and plans for controlling and mitigating the risks identified • include consideration of if, and how, internal audit will rely on the assurance provided by other assurance providers • include an assessment of the range of audit techniques that have been selected as the most effective for delivering the audit objectives • set out how the internal audit service will measure its performance, quality assure itself and seek continuous improvement 	<table border="1"> <tr> <td data-bbox="710 353 783 421">x</td> <td data-bbox="783 353 932 421">Fully conforms</td> </tr> <tr> <td data-bbox="710 421 783 488"></td> <td data-bbox="783 421 932 488">Generally conforms</td> </tr> <tr> <td data-bbox="710 488 783 555"></td> <td data-bbox="783 488 932 555">Partially conforms</td> </tr> <tr> <td data-bbox="710 555 783 622"></td> <td data-bbox="783 555 932 622">Does not conform</td> </tr> </table> <p>Associated references</p> <p>PSIAS: 2010 Planning 2020 Communication and Approval 2030 Resource Management</p>	x	Fully conforms		Generally conforms		Partially conforms		Does not conform	<p>Annual internal audit plan produced (three year strategic audit plan for key financial systems), based on:</p> <ul style="list-style-type: none"> • risks within business unit and departmental risk registers, including changes in systems, structures and personnel; • previous years' fraud investigation work; and • resources and skills available, including specialist IT and procurement skills. • Annual Internal Audit plan covers high risk areas across all Council departments <ul style="list-style-type: none"> • Annual audit plan approved by Corporate Committee (20/3/14) and published on Council website. • Draft and final Internal Audit Plan circulated to all directors and assistant directors (email via Head of ARM) • Monthly review of the plan with Mazars (meeting minutes)⁵, ongoing discussions with directors • Included in audit plan where relevant • Part of Head of ARM annual report, published with Corporate Committee report and agenda meetings. • Included in audit strategy. Key financial systems, probity reviews, IT audit, procurement audit, counter-fraud work, follow up audits. • Performance measures set out in strategy/audit plan, published on council website as part of the Corporate Committee meeting reports and agendas (20/3/14).
x	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									

⁵ Reviewed latest monitoring spreadsheet

Remedial actions	Target date	Responsibility
G.		
H.		

Comments on assessment: The audit plan is some 850 days for council systems and schools plus a further 75 days for the ALMO, a total of 925 days. This excludes time spent on counter fraud work. It is a matter for the council to determine resources allocated to internal audit with advice from the Head of Audit and Chief Finance Officer (or officer with responsibility for ensuring the council has an adequate and effective internal audit). The Head of Audit has indicated that resources are adequate although the service does what it can within the resource allocation. i.e. the budget is fixed, that determines the number of days required and the plan is set to accommodate that number of days. This approach is not inconsistent with other council's.

The Head of audit has done well in reducing the number of days on specific audits, for example a primary school audit at 5 days, meaning more projects can be delivered within the total budgeted days. Some 80 projects are to be delivered from 925 days as opposed to Brent Council's achievement of a similar number from 1,200 days. Care should, however, be taken not to reduce individual audit scope and cause risks to be missed. It was noted that, for example, there was no testing of payroll in the testing schedule for schools in relation to compliance with the national pay scales on teachers pay. Payroll costs are the vast majority % of the budget with leadership pay being relatively high risk. Increased testing would of course increase the number of days, although it may be appropriate to remove some of the lower risk areas such as petty cash from the testing schedule to accommodate. It is also possible for these risks to be covered in thematic reviews across a number of schools and it was noted that this had been undertaken in 2011.

The other testing schedules for systems work were comprehensive.

Integration with other assurance providers

Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> The internal audit service effectively co-ordinates with appropriate assurance providers to reduce the duplication and minimise gaps in the assurance framework Internal audit promote co-operation between internal and external audit 	x	<ul style="list-style-type: none"> Known inspection/assurance services are factored into the audit plan where possible. Routine sharing of audit plans with external audit. Internal/External audit meet every other month to discuss audit issues, agenda set. Draft Internal audit plan provided to external audit. Limited shared service arrangements in place, but agreement on audit work undertaken is agreed in advance As point above, limited requirement to date but has been done for investigation work.
<ul style="list-style-type: none"> When auditing shared service functions consideration is given to audit work being performed by other audit services such that duplication is minimised When internal audit needs to work with other internal auditors from another organisation, the respective roles and responsibilities of the involved parties have been clearly defined and agreed in advance 	<p>Associated references</p> <p>PSIAS: 2050 Coordination</p>	

Remedial actions	Target date	Responsibility
I.		
J.		

2. Structure & resources

Does the internal audit service have the appropriate structure and resources to effectively deliver the internal audit remit?

Competencies to deliver IA remit							
Statements of good practice	Assessment	Evidence					
<ul style="list-style-type: none"> The CAE holds a professional qualification (i.e. CMIIA, CCAB or equivalent professional membership) and is suitably experienced The audit function has access to the appropriate skills (technical expertise, qualifications, experience) required to ensure assurance can be provided in all areas of the business, for example in relation to fraud and knowledge of IT risks and controls Where there is a contracted out or partnership arrangement there is ongoing monitoring to ensure that contractors have the skills required for designated audit assignments 	<table border="1"> <tr> <td></td> <td rowspan="4"> Fully conforms Generally conforms Partially conforms Does not conform </td> </tr> <tr> <td>x</td> </tr> <tr> <td></td> </tr> <tr> <td></td> </tr> </table> <p>Associated references</p> <p>PSIAS: Code of Ethics 1210 Proficiency 1220 Due Professional Care</p>		Fully conforms Generally conforms Partially conforms Does not conform	x			<ul style="list-style-type: none"> Head of ARM is CIPFA qualified, with 10 years+ senior management experience. CIPFA registration Skills for assignments are discussed and agreed with Mazars prior to completion of the audit work. Specialist IT and procurement auditors are included in the audit plan. Counter-fraud work completed in-house by suitably qualified and experienced staff. Monitoring spreadsheet identifies auditor. Monthly monitoring meetings with Mazars general manager and senior audit manager. Minutes of meetings taken and circulated by Head ARM.
	Fully conforms Generally conforms Partially conforms Does not conform						
x							
Remedial actions	Target date	Responsibility					
K. L.							

Comments on assessment: The majority of the operational plan delivery is outsourced to Mazars via the Croydon Framework contract. Within outsourced arrangements it is often difficult to control the quality of staff and ensure they are appropriately knowledgeable to enable effective delivery and to gain the confidence of management. This is a recognised downside of outsourcing the internal audit function. To ameliorate this risk the Head of ARM has implemented an approach to the contract which includes both the ability to influence which staff are utilised on specific projects and also the ability to withhold payment on specific projects until any defects have been remedied. This is unusual within the Croydon framework in that most authorities are paying by monthly instalment of an agreed contract price. This approach will help to drive contractor performance.

Technical training & development¹

Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> All new staff receive induction training including both into the internal audit service and induction into the organisation Arrangements are in place to ensure that new staff receive an early assessment of their development needs and appropriate guidance, and training to address these needs All internal auditors undertake Continuing Professional Development (CPD) and have a training and development plan approved by their line manager Audit planning includes a sufficient time provision for training (including CPD) for all staff 	x	<ul style="list-style-type: none"> Corporate and local induction processes in place. Mazars staff receive induction from their line manager. Audit induction checklist. Corporate performance review processes in place and regular 1:1s held with all staff. Meeting notes circulated. Performance review forms (held by managers) include development section. Ongoing training via work based assignments, attendance at networking and training events. Networking and training events are planned into all staffs' calendars – Outlook calendars show attendance. 	
			Fully conforms
			Generally conforms
			Partially conforms
	Does not conform		
	<p>Associated references</p> <p>PSIAS: Code of Ethics 1230 Continuing Professional Development</p>		

Remedial actions	Target date	Responsibility
M.		
N.		

Resourcing

Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> Internal audit is sufficiently resourced (in terms of staff and budget available) and deployed effectively to deliver the approved plan There is a recruitment strategy that sets out the recruitment standard to ensure that all staff have the appropriate intellectual qualities, personal attributes, skills, knowledge and qualifications A succession plan exists to ensure that senior vacancies are filled promptly by appropriately qualified staff 	x	<ul style="list-style-type: none"> MAZARS monitoring spreadsheet identified resources for internal audit work. Counter-fraud work recorded via case management database. Outsourced service provider has recruitment strategy. In-house team requirements kept under review by Head of ARM. Small in-house team in place, but development plans (see performance review forms) aim to provide broad experience. 	
			Fully conforms
			Generally conforms
			Partially conforms
			Does not conform
	Associated references PSIAS: 2030 Resource Management		

Remedial actions	Target date	Responsibility
O. P.		

Performance management							
Statements of good practice	Assessment	Evidence					
<p>Appropriate personnel management and development procedures are in place within internal audit including:</p> <ul style="list-style-type: none"> • Written job descriptions • Required competency frameworks • Recruitment procedures • Training and continuing education arrangements • Personal objectives setting and performance appraisal 	<table border="1"> <tr> <td>x</td> <td rowspan="4"> Fully conforms Generally conforms Partially conforms Does not conform </td> </tr> <tr> <td></td> </tr> <tr> <td></td> </tr> <tr> <td></td> </tr> </table>	x	Fully conforms Generally conforms Partially conforms Does not conform				<ul style="list-style-type: none"> • Corporate requirements all in place for the in-house team, including JDs (reviewed in 2010), competency frameworks and training and development as part of the annual performance review processes. Copies held on intranet. • Copies of JD's held by Head of ARM, performance review forms held by managers.
x	Fully conforms Generally conforms Partially conforms Does not conform						

Remedial actions	Target date	Responsibility
Q.		
R.		

Knowledge management

Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> The internal audit service has systems in place to facilitate knowledge and sharing of best practice/organisational learning All staff attend regular team meetings to ensure that they remain up to date on knowledge of the organisation, the internal audit service and audit practices 	x	<ul style="list-style-type: none"> Cascade processes in place via manager meetings (minutes taken and circulated). Team meetings held regularly and minutes circulated. Copies of agendas and minutes held by Head of ARM and managers.
Fully conforms Generally conforms Partially conforms Does not conform		

Remedial actions	Target date	Responsibility
S.		
T.		

3. Audit execution

Does the internal audit service have the processes to deliver an effective and efficient internal audit service?

Management of the internal audit service		
Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> The CAE has established policies and procedures (typically in the form of a manual) to guide the internal audit activity Audit methodologies have been developed and are regularly reviewed and updated to ensure they are in line with current practice Policies in respect of document confidentiality, retention requirements and the release to internal and external parties have been developed and are consistent with the organisation's guidelines and any pertinent regulatory or other requirements Quality assurance procedures are defined and cover all aspects of the internal audit activity including: <ul style="list-style-type: none"> Supervision and review QA procedures and checklists including periodic internal quality reviews Compliance with applicable laws, regulations and government or industry standards Auditee / customer satisfaction surveys Periodic self-assessments against the PSIAS are performed and actions taken to address weaknesses 	x	<ul style="list-style-type: none"> MAZARS have policy and procedures in place. In-house procedures in place (copy held on shared drive) MAZARS regularly review procedures. In-house review and development part of performance review processes – allocated to individual officers to ensure skills development. Copies of performance review forms held by managers. ARM policy on Data Protection, retention and disposal of documents in place (including Information Asset Register) and reviewed regularly. Copy held on shared drive. MAZARS QA procedures in place and subject to regular review, including client satisfaction surveys (held by Head of ARM). Prior to PSIAS, regular peer review assessments took place of compliance with CIPFA code of practice (reports held by Head of ARM). Aim to complete peer reviews of compliance with PSIAS in accordance with requirements. Last undertaken in 2011.¹
	Fully conforms	
	Generally conforms	
	Partially conforms	
	Does not conform	
	<p>Associated references</p> <p>PSIAS:</p> <p>1310 Requirements of the Quality Assurance and Improvement Programme</p> <p>1311 Internal Assessments</p> <p>2040 Policies and Procedures</p> <p>2330 Documenting Information</p>	

Remedial actions	Target date	Responsibility
U.		
V.		

¹ By Camden 2011

Engagement planning			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> Detailed plans are developed and documented setting out the scope, limitations, objectives, resources, timing and reporting lines for each engagement Engagement plans are agreed with relevant management prior to the start of the fieldwork 	x	<ul style="list-style-type: none"> All Internal reviews have terms of reference which include required content. Copies held on shared drive and on each audit file.² All terms of reference are agreed by the client – at least Assistant Director level – in advance of the work. Terms of reference include required content. 	
			<p>Fully conforms</p> <p>Generally conforms</p> <p>Partially conforms</p> <p>Does not conform</p>
<ul style="list-style-type: none"> Engagement plans include consideration of the relevant systems, records, personnel, and physical properties including those under the control of third parties Plans include consideration of the risks to the area under review and the organisation’s risk management and controls processes Time budgets are developed for each engagement plan and are appropriate to the review scope and degree of associated risk Where areas require, particular specialist knowledge subject matter experts are identified and included as part of the audit team 	<p>Associated references</p> <p>PSIAS:</p> <p>2200 Engagement Planning</p> <p>2210 Engagement Objectives</p> <p>2220 Engagement Scope</p> <p>2230 Engagement Resource Allocation</p>	<ul style="list-style-type: none"> Planning memorandum includes high level consideration of each area’s risks – held on audit file. All audit work has time budget set in advance – see audit plan, and monitoring spreadsheet for detail. IT, procurement and other specialist work is identified as part of the planning process and named auditors assigned to the work. Audit monitoring spreadsheet identifies resources. 	

Remedial actions	Target date	Responsibility
W.		
X.		

² Reviewed three audit briefs relating to a school, key financial system and high risk operational system (parking),

Performance of Audit work / audit delivery

Statements of good practice	Assessment	Evidence					
<ul style="list-style-type: none"> Work programmes that will achieve the engagement objectives are developed and approved prior to use and include procedures for identifying, analysing, evaluating and documenting information during the engagement Internal auditors use standard documentation to ensure that evidence and findings are adequately documented 	<table border="1"> <tr> <td>x</td> <td rowspan="4"> Fully conforms Generally conforms Partially conforms Does not conform </td> </tr> <tr> <td></td> </tr> <tr> <td></td> </tr> <tr> <td></td> </tr> </table> <p>Associated references</p> <p>PSIAS:</p> <p>2240 Engagement Work Programme</p> <p>2310 Identifying Information</p> <p>2320 Analysis and Evaluation</p> <p>2330 Documenting Information</p> <p>2340 Engagement Supervision</p>	x	Fully conforms Generally conforms Partially conforms Does not conform				<ul style="list-style-type: none"> MAZARS methodology requires this to be fully documented. Copies held on all audit files. Standard documentation used for all internal audit work – see audit files. Investigation work uses standard documents wherever possible – see procedures and audit files. Standard processes used by MAZARS – documents included on all audit files. Documents held on audit files. Monitoring spreadsheet identifies auditor and manager Exit meetings held at the conclusion of each assignment – monitoring spreadsheet confirms e dates Used as and when required.
x	Fully conforms Generally conforms Partially conforms Does not conform						
<ul style="list-style-type: none"> Work papers are clear, concise, and appropriately cross-referenced to work programmes so as to enable independent review and comprehension. There is evidence that internal auditors are identifying, analysing, evaluating and documenting sufficient information to support the audit conclusions and opinions There is evidence to confirm that all engagements are led or supervised by suitably competent individuals Audit findings are discussed and confirmed with auditees prior to report drafting Automated tools (e.g. data interrogation) are used appropriately to undertake testing as efficiently as possible 							

Remedial actions	Target date	Responsibility
Y. Z.		

Reporting

Statements of good practice	Assessment	Evidence				
<ul style="list-style-type: none"> • Communications are accurate, objective, clear, concise, constructive and timely • Audit reports convey appropriate audit scopes, limitations of scope, results, recommendations and an opinion on the adequacy of controls • Audit evidence is reviewed by a senior member of the audit function to ensure that the audit has been carried out in sufficient depth and to the function's quality standards prior to the audit findings being distributed to the auditee • internal audit recommendations help the organisation address the risk in a way that does not create unnecessary control and the recommendations are practical • Draft audit reports are issued for consideration by the auditee within a reasonable, pre-agreed, timescale before they are finalised • Audit issues are reported to appropriate levels of management and to the Audit Committee • The CAE informs the Audit Committee if he/she believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation • There is a procedure for follow-up that ensures agreed recommendations are implemented effectively or that senior management has accepted the risk of not taking action • Unresolved or outstanding audit issues are reported to senior management in accordance with pre-agreed timescales and escalation procedures • The CAE presents to the Board at least annually, a report of internal audit activity containing an opinion of the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes • The annual report also states if the function conforms to the PSIAS and report any results of the QAIP 	<table border="1" data-bbox="687 284 770 548"> <tr><td></td></tr> <tr><td>x</td></tr> <tr><td></td></tr> <tr><td></td></tr> </table> <p data-bbox="778 284 948 548"> Fully conforms Generally conforms Partially conforms Does not conform </p> <p data-bbox="687 593 948 2042"> Associated references PSIAS: 2410 Criteria for Communicating 2420 Quality of Communications 2440 Disseminating Results 2500 Monitoring Progress 2600 Communicating the Acceptance of Risks </p>		x			<ul style="list-style-type: none"> • Positive feedback from client questionnaires – see copies held by Head of ARM • Standard format for all internal audit reports which include required content. Copies held on shared drive and audit files • All internal audit work is reviewed by a senior manager. Monitoring spreadsheet details sign off process and draft report issue dates. Audit files contain sign off processes. • Feedback from client surveys, plus discussion of draft reports with auditee to agree recommendations. Reports to Corporate Committee detail implementation progress. Details published • All audits have draft reports issued. Audit reporting protocol in place (copy on shared drive) and circulated to all clients. Monitoring spreadsheet in place to ensure compliance • Clients for each audit are at Assistant Director or above. All audits are reported to the corporate committee on a quarterly basis. Published reports on council website. • Would for part of progress reporting to Corporate Committee if required. • All audits are followed up and the results reported to Corporate Committee on a quarterly basis. Published on council website.
x						

Reporting		
Statements of good practice	Assessment	Evidence
		<ul style="list-style-type: none"> Quarterly progress reports shared with Directors in advance of the corporate committee meetings. Emails from Head of ARM. Annual Head of Audit report presented to the corporate committee (26/6/14). All relevant areas covered. Published on council website. Confirmation that the PSIAS were adhered to is covered in the annual report

Remedial actions	Target date	Responsibility
AA. The service should take steps improve the average time taken to produce draft reports from exit meeting date. BB.	December 2014	Head of ARM

Comments on assessment: Analysis of the audit monitoring sheet for 2014/15 showed a number of audits with long delays between exit meetings and draft report issue. This indicates either problems with initial drafting, the quality of initial fieldwork resulting in additional testing requirements or delays in reviewing reports by management. Whilst the average time taken between audit start and exit meeting was 11 days, an additional 33 days on average is taken to get reports to draft stage. Of 15 reports issued as at the time of the review, 4 had taken more than 60 days between exit meeting and draft report issue

4. Impact

Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation(s)?

The table below shows the aggregated response from five key stakeholders, the Chief Executive, Deputy Chief Executive, AD Corporate Governance and Monitoring Officer, Chief Operating Officer and S.151 Officer. In order to aggregate the scores responses were marked as follows: Do not agree -4, Partially agree -2, Generally agree +2, Fully agree +4. Hence the higher the negative or positive value the stronger the overall opinion. A RAG rating has been applied to indicate areas of strength and weakness. An average for the sub-heading has been calculated by totalling the scores and dividing by the number of categories. This has enabled an overall assessment for the sub-heading which is shown in the summary assessment section. The scores under internal audit indicate the response of the Head of ARM.

Aggregated Questionnaire Responses	Customers				Internal audit				Evidence and Comments	
	Do not agree	Partially agree	Generally agree	Fully agree	Do not agree	Partially agree	Generally agree	Fully agree		
Standing and reputation of Internal Audit										
									Customers	Internal audit
The internal audit service is seen as a key strategic partner throughout the organisation							X		+8/4 = +2	
Senior managers understand and fully support the work of internal audit							X			
Internal audit is valued throughout the organisation							X			
The internal audit service is delivered with professionalism at all times							X			
Impact on organisational delivery										
									Customers	Internal audit
The internal audit service responds quickly to changes within the organisation							X		+12/5 = +2.4	
The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate								X		
The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes							X			
The internal audit service ensures that recommendations made are commercial and practicable in relation to the risks identified							X			
There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service								X		

Aggregated Questionnaire Responses	Customers				Internal audit			Evidence and Comments
	Do not agree	Partially agree	Generally agree	Fully agree	Do not agree	Partially agree	Generally agree	
Has internal audit had a positive impact on Governance, Risk, and Control?								Customers Internal audit
The internal audit service includes consideration of all risk areas in its work programme			+16				x	+32/8 = +4
Internal audit advice has a positive impact on the governance, risk, and the system of control of the organisation			+6			x		
Internal audit activity has enhanced organisation-wide understanding of governance, risk, and control			+2			x		
The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas			-8			x		
The internal audit service raises significant control issues at an appropriate level in the organisation			+18			x		
The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives			-8		x			
Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation			-6		x			
Internal audit activity promotes appropriate ethics and values within the organisation			+12			x		

Remedial actions	Target date	Responsibility
CC. The Head of ARM should seek to agree the role of internal audit in relation to strategic input with the council's senior management team and identify any consequent resource demand, building any requirements into the 2015/16 plan DD. EE.	March 2015	Head of Audit and Risk Management
Associated references		
PSIAS: 2110 Governance 2120 Risk Management 2130 Control		

Comments on assessment: The above table, under the customers column, represents a collated summary of the survey responses. In order to provide a common view a score of -4 was allocated for “Do not agree”, -2 for “partially agree”, +2 for “generally agree” and +4 for “Fully agree”. Hence a score of 5 x do not agree would equate to a score of -20. A RAG system has then been used to indicate where the strengths and weaknesses are perceived to be.

Responses from the Head of ARM are shown under the internal audit heading. The views were generally congruent between customers and the Head of ARM other than in the area of being seen as a strategic partner, the ability to communicate findings/build support and the challenging questions section. These areas would be worthy of focus going forward.

Although a questionnaire was not completed, the views of the Chair of the Audit Committee were positive in relation to the service and particularly the Head of Audit. There is clearly a good working relationship between the Head of Audit and the Chair. All committee members are provided with sufficient information about audit performance, controls and individual findings in order to fulfil their role.

Survey Response Analysis

Five key stakeholders were asked to complete the survey and provided responses: Chief Executive; Chief Operating Officer; S.151 Officer; AD Governance; Deputy Chief Executive. As with any survey there is a degree of dispersion of views, although there were areas where there was a clear consensus of views.

Positive Points

All respondents said they generally agreed that there had been no significant control breakdowns in areas which had been previously subject to a positive assurance by Audit, i.e. audit had not missed anything significant. This is a key indicator of audit’s ability to detect issues, particularly fraud risks.

There was general agreement that senior managers understand and fully support the work of internal audit although one comment received indicated that, whilst managers supported the work, there was less clarity that they fully understood the role.

There was general agreement that the work programme was risk based and considered all organisational risks, that recommendations made were practical and most respondents fully agreed that significant control issues are raised at an appropriate level.

Most respondents felt that the service had a positive impact upon the internal control environment although there was less agreement that the service had improved understanding of those areas across the whole organisation. Although there was a lower degree of consensus, the contribution to ethics and values was generally seen as positive.

Most were in full agreement that the service is delivered with professionalism at all times and most felt resources were adequate to fulfil the service's current objectives.

Specific praise was given to the Head of Audit and Risk Management for her credibility amongst members and officers, independence and ability to tackle difficult issues.

Less Positive

Participants generally view audit as having little impact upon strategic development or decisions and were fairly neutral on the ability of the service to respond to change. One participant suggested that more flexibility in dropping audits from the original plan and replacing them with new work where new risks have been identified would represent a significant improvement in the current service.

Participants were less positive about the ability of the service to ask challenging and incisive questions to improve key risk areas.

There was only partial agreement with the statement that the service was adept at communicating results and building support and variability of auditor quality was identified as an issue by one participant.

Summary

The responses indicate that the service is perceived as doing the basics well, and hence the organisation can take assurance that the control environment is being properly reviewed and statutory requirements are being met.

The service is not seen as a strategic partner or enabler of continuous improvement although it is acknowledged that the audit plan is flexed to accommodate projects within the transformation programme.

This is, perhaps, an inevitable consequence of an environment in which cost is a significant driver and it is not always possible to reconcile the Head of Audit responsibilities to ensure that enough work is done to provide an annual assurance opinion and fulfil the council's desire for more consultancy type input.

Summary assessment

		Does not conform	Partially conforms	Generally conforms	Fully conforms	Comments
Purpose & positioning						
•	• Remit				X	See assessment comments
•	• Reporting lines				x	See assessment comments
•	• Independence				X	See assessment comments
•	• Other assurance providers				X	See assessment comments
•	• Risk based plan				X	See assessment comments
Structure & resources						
•	• Competencies				X	See assessment comments
•	• Technical training & development				X	See assessment comments
•	• Resourcing				X	See assessment comments
•	• Performance management				X	See assessment comments
•	• Knowledge management				X	See assessment comments
Audit execution						
•	• Management of the IA function				X	See assessment comments
•	• Engagement planning				X	See assessment comments
•	• Engagement delivery				x	See assessment comments
•	• Reporting			X		See assessment comments
		Do not agree	Partially agree	Generally agree	Fully agree	Comments
Impact						
•	• Standing and reputation of internal audit		x			See assessment comments
•	• Impact on organisational delivery		x			See assessment comments
•	• Impact on Governance, Risk, and Control			x		See assessment comments
				Generally conforms	x	