
Audit & Standards Committee – 9th July 2013

Report of the Treasurer

Internal Audit Services Annual Performance & Review Report 2012/2013

Purpose of the Report

1. To give Members an overview of the performance of Dudley Audit Services in the year to 31st March 2013. and also to inform members of the Head of Audit Services' review of Audit Services in line with the Accounts and Audit Regulations 2011 which requires the Council to conduct an annual review of the effectiveness of internal audit.

Background

Performance Measured Against the Strategic Plan

2. We are able to report that 93% of the planned work had been completed by the end of the year [compared with 96% in 2011/12]. The reduction was largely due to one member of staff being off on sick leave for the majority of the year. The following statistics give a broad indication of the extent of the work undertaken in 2012/13 :-
 - Internal Audit reviewed 136 areas of activity. These are summarised in Appendix A.
 - 818 recommendations were made, the overwhelming majority of which had been discussed and agreed with management by the year-end. 128 of these were classified as high, the breach rating having been scrapped at the start of April 2012. A summary of the number of recommendations by Directorate is contained in Appendix B. This shows a sharp decrease in the total number of recommendations made compared to 2011/12 when 2,081 recommendations were made. Whilst there are many factors behind a reduction in the number of recommendations two stand out :-
 - 46 Schools accounted for 1,018 of the 2,081 recommendations in 2011/12 whereas we concentrated on Secondary Schools in 2012/13 and 19 Schools accounted for 337 recommendations out of the total of 818.
 - We carried out fewer audits in 2012/13 which was due in part to the resources redirected to fraud work.

- A thematic analysis of the recommendations raised has identified common themes and the following table identifies the top five as well as how Audit will promote practices to reduce the numbers of recommendations in these areas :-

Subject	Note
Procurement	Aim to facilitate simplified Standing Orders and on line training course
Inventories	Promote the "Simple Guide to Systems" procedural guide
Information Security	As above
Income	As above
Payroll/Personnel	The roll out of more "Yourself" elements of PSE should help reduce the number of recommendations

Audit Services will write to all Directorates giving them details of the thematic analysis and ask them to co-operate in finding/implementing solutions.

- Audit Services was involved in 37 special investigations and provided assistance to other Fraud Teams [e.g. Housing] on 38 occasions. In addition Audit handled 167 calls, letters or emails sent to the Fraud Hotline which has now been in operation since October 2011.
- 33 honorary audits were carried out.
- Consultancy work was carried out in various Directorates.
- We have continued to develop our input to value for money audits and identified approximately £900,000 in efficiency savings during the year. Of this nearly 15% was directly cashable. The savings were identified in a range of reports and information provided to the Committee in February has been updated :-

Project	£,000
Analysis of procurement invoices, commitments and VAT	62
VFM Health Checks in Schools	121
Recovery of water utility costs	89
Review of Energy Management Strategy	410
Rationalisation of rooms for hire	65
Postage arrangements in Schools	20
CCTV/Security arrangements	100
Income generating work at Schools	34

The development of value for money audit work has hopefully demonstrated an added value aspect to our service at a time when service & funding pressures mount against a background of transformation taking more prominence. Periodically, we present details on value for money audit work to appropriate Corporate Groups.

Performance Measured Against Customer Expectation

3. To obtain feedback about the quality of work, post-audit questionnaires are issued to auditees after each audit. Auditees are asked to respond to questions relating to the various stages of the audit and are also offered the opportunity to respond to one question indicating whether they found the audit satisfactory overall. For all questionnaires returned the auditee had responded yes to this question, assessing the audit as satisfactory or better.
4. 50 questionnaires were returned in 2012/13. This represents a response rate of about 50%, compared to 57% for 2011/12. The reduction will be discussed at the Nominated Officer Group, which is made up of a representative from each Directorate to act as a liaison officer with Audit.

For 90% of the questionnaires received the overall score was good to excellent. The remaining 10% were satisfactory to good with no questionnaires scoring poor to satisfactory.

The results compare favourably with previous years :-

	2012/13 (%)	2011/12 (%)	2010/11 (%)
Received	50	57	54
Good to excellent	90	88	92
Satisfactory to Good	10	12	8
Poor to Satisfactory	0	0	0

We also received 33 compliments about the services delivered by Audit.

5. In 2012 in conjunction with other Divisions of the Corporate Resources Directorate, we achieved “Customer Service Excellence” status for excellent customer service.

Other Performance Measures

6. Over a number of years we have hardened targets to reduce the time taken from the start of audit work to the issue of draft audit report from a maximum of eight weeks to seven weeks. We achieved this target in 95% of the audits we carried out against 93% in 2011/12.

We operate Audit Process protocols with all Directors which set out our targets and also ask them to co-operate in finalising draft audit reports within six weeks

of the report being issued. We achieved this in 83% of reports in 2012/13, which is an improvement over the 68% in 2011/12. The improvement was influenced by informing Directors about the concerns of the Audit & Standards Committee over previously reported poor performance.

Training

7. We no longer run seminars on “Fraud Awareness” and “An Introduction to Audit & Control”, rather a series of on line courses have been developed to cover these subjects as well as a course on Financial Regulations. A number of workshops / briefings are provided to school staff and governors :-

Training	12/13	11/12	10/11
Introduction to Audit seminar	N/A	37	90
Introduction to Audit on line course	642	N/A	N/A
Fraud Awareness seminar	N/A	15	48
Fraud Awareness on line course	420	165	N/A
Fin Regulations on line course	532	291	N/A
School FMS/FVS Workshop	107	0	30
School Finance M'ment Workshop	80	N/A	N/A
School Controls Workshop	30	20	50
Schools Bench Marking Workshop	30	40	31
Deputy Head Teacher seminar	6	10	10
Governors FMS Briefing	20	0	6

Benchmarking

8. We are members of the CIPFA Benchmarking Club for Internal Audit and supply details to enable comparison of costs with other Authorities. The results of the 2012 exercise produced the following estimates for the financial year 2013/14 :-

	<u>Dudley</u>	<u>Similar</u> <u>Boroughs</u>
	[£]	[£]
Cost per auditor	49,774	52,509
Cost per audit day	276	292

Sandwell and Wolverhampton dropped out of the CIPFA Benchmarking Club so we are unable to compare Dudley with the rest of the Black Country. We have reduced staffing and costs over several years so that the outturn costs for Audit continue to fall.

Internal Audit Standards

9. Historically we have complied with CIPFA's Code of Practice for Internal Audit and judged our level of compliance against self assessment checklists covering both audit standards and the characteristics of effectiveness. Our self assessment on all aspects of compliance with the Code of Practice indicates a high level of compliance.

10. Quality control of audit work is governed by the standards set out in the Code of Practice for Internal Audit and our own Audit Manuals. All audits are subject to ongoing supervisory input before and during the audit. Once the audit work has been completed the file is subject to review by Audit Managers who ensure that the work is to acceptable standards. In line with the Code, the Head of Audit Services carries out a series of file overviews to ensure that standards have been achieved in the work, reviews and reports of all staff. These reviews assist in ensuring that the two teams operate to the same working practices.
11. From the 1st April 2013, CIPFA has endorsed a new set of internal audit standards which have been produced for the whole of the public sector and which are based on the Chartered Institute of Internal Audit published standards.
12. The Head of Audit has carried out an assessment of Audit Services compliance against the new standards and this is attached as Appendix C. The assessment indicates that Audit Services are largely compliant with the standards but will need to amend the Audit Operations Manual, which will replace the old Audit Manual, to reinforce the Standards to all Auditors. The Audit Charter will also be amended and this will be presented to the September meeting of this Committee.

Audit & Standards Committee

13. The roles, responsibilities and meetings of the Audit & Standards Committee are a key part of the system of internal audit, and it's Terms of Reference are in line with guidance issued by CIPFA.
14. CIPFA guidance on the review of the effectiveness of internal audit suggests that the effectiveness of the Audit & Standards Committee should also be assessed. The Committee has previously considered a self assessment checklist [issued by CIPFA's Better Governance Forum] and this has been updated [see Appendix D] to reflect the Head of Audit's opinion of the current level of compliance, who considers the assessment demonstrates the operation of the Audit & Standards Committee is effective in terms of audit matters.
15. In line with CIPFA best practice, reports covering a range of issues are presented by Audit Services to the Audit & Standards Committee e.g. :-
 - Planning
 - Performance
 - Results of work on each Directorate
 - Interim Performance
 - Fraud

16. Benchmarking of the Committee against other local authorities was undertaken in 2012 and a report was submitted to the April meeting of the Committee. This identified no significant differences but did make some recommendations [e.g. increased reporting on risk management] which were accepted by the Committee.

External Audit

17. The Audit Commission had previously relied on Audit Services for audits on the major financial systems, and this prevented unnecessary duplication of work and also contributed to lower audit fees.

It appears that Grant Thornton have a different way of working in line with their usual practice and the reduced fee structure. There is on going dialogue with Grant Thornton to ensure we work in the right spirit of co-operation and avoid unnecessary duplication.

18. We have previously reported on the abolition of the Audit Commission and that has come a step closer with the publication of the intended “Local Audit and Accountability” Bill in the Queen’s Speech. The Bill still provides for each Authority to use an “Audit Panel” to procure the external auditors and assist in managing any such contract. For Dudley this will take effect when we are assessing the next contract which will need to be in place for 2017.

Annual Governance Statement [AGS]

19. A separate report will be submitted in September to the Audit & Standards Committee on the 2012/13 AGS. The Head of Audit reports that in his opinion there are currently no significant deficiencies in the system of risk management and internal control at Dudley MBC of such fundamental significance that will need to be reported in the AGS.
20. This opinion is based principally on the work carried out by the Audit Services Division during 2012/2013. It must be acknowledged, however, that it is not possible to review all aspects of risk management and internal control within a single year. In forming this opinion, it has also been necessary to take into account the results of work by :-

- Internal Audit in previous years
- External Audit
- External inspectorates
- Audit & Standards Committee
- Other Scrutiny Committees

Finance

21. There are no direct financial implications arising from this report. The cost of internal audit is met from within the base budget of the Directorate. Audit Services budget for 2013/14 envisages an out turn of £409,000 against £434,000 for 2012/13.

Law

- 22. The Council is required under Section 151 of the Local Government Act 1972 to appoint an officer to be responsible for its financial affairs.

- 23. The Accounts and Audit Regulations 2011 require the Council to 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. They also require the Council to conduct a review at least once a year of the effectiveness of its internal audit and the findings of the review shall be considered by a committee of the relevant body.

Equality Impact

- 24. This report does not raise any equal opportunities issues.

- 25. The work of Internal Audit helps to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the work carried out.

Recommendations

- 26. That the Committee accept this report on the performance and review of Audit Services in 2012/13.



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Iain Newman
Treasurer

Contact Officer: Les Bradshaw (ext. 4853)

PLANNED AUDITS CARRIED OUT DURING 2012/13**Adult Community & Housing Services**

New Bridge House	Russell Court
Asset Management Strategy	Contracts [All stages] Review
IT Application Review - Keystone Asset Management	Business Support
Directorate Security	Directorate Performance & Risk Management
Directorate Procurement	Adult Commissioning
Homecare Debt Collection	IT Application Review – Northgate Housing
Rent Collection and Setting	Lettings policies/procedures
Housing Rent Arrears	Housing Strategy Programme Management
Residential Debt Collection	Directorate Payroll & Personnel

Chief Executive

Directorate Partnerships	Directorate Procurement
Directorate Payroll & Personnel	Community Safety
Directorate Performance & Risk Management	Community Engagement Strategy
Corporate Grants	Annual Governance Statement
Corporate Governance	Value for money
Transformation	Partnership Governance

Children's Services

16 Plus Team	Visual Impairment Service
Physical Impairment Medical Inclusion Service	Autism Outreach Service
Hearing Impairment Service	Specialist Early Years Service
Language Units	Care Management North Team 2 (Dudley)
Directorate Security	Information Governance
Business Continuity	Counselling
Project Management	Procurement
Commissioning	School Governance Team
Psychology	Astley Burf
Kitchens	Connexions
School Purchasing Procurement and General Management	16-19 Provision
Central Area Youth	Halesowen Area Youth
Youth Services - Central Office	

Corporate Resources

Bank Reconciliation Review	Treasury
Control Accounts	Housing Benefits Review
Administrative Systems	Computer Assisted Audit Technique Exercises
Project Management - Office Accommodation Strategy	Land Charges
Construction Industry Tax Scheme	Creditors System
Debtors System Review	IT Application Review - Northgate Revenues & Benefits
Teachers Pension Scheme	IT Physical & Environmental Management
IT Security Defences	IT Business Continuity Planning
IT Project Management	RIPA
Payroll System	IT Application Review - HSBCnet
HR First	IT Application Review - Logotech
Temp Solutions	Crown Centre
Procurement Team	CRC Annual Report
Business Rates	Revenues Exchequer Team
Council Tax Review	

Schools

Schools Financial Value Standard	Procurement
The Wordsley School	Coseley School and Sports College
Dormston School	Ellowes Hall Foundation School
Belle Vue School	Pedmore Technology College and Community School
Old Swinford Hospital School	Bishop Milner R.C. School
Amblecote	Hillcrest School
Ridgewood School	Redhill School
Castle High School	Crestwood School
Summerhill School	Leasowes School
Lapal	

Urban Environment

New Heritage Regeneration	Safeguarding
Parks Management	Crystal Leisure Centre
Collection Management	Trading Standards
Directorate Personnel & Payroll Procedures	Highways Minor Schemes
Project management	Local Transport Grant
Landscapes (all contract stages)	Street Cleansing
Grounds Maintenance	Directorate Procurement
Electrical and Mechanical Team	

Deferred/Cancelled

Chief Executive	
Corporate Data Quality **	Public Health *
Corporate Resources	
IT Operations and Facilities Management *	IT PSE *
IT Radius Icon *	Capital Accounting **
DACHS	
Income Collection **	Grant Income **
Making it Real *	Tenant Empowerment **
Children's Services	Directorate Personnel & Payroll Procedures *
Urban Environment	Refuse Collection **

NOTES

NB 1 * The audit is carried forward to the 2013/14 Audit Plan

NB 2 ** Due to changes in operations, materiality, or other circumstances, the audit was cancelled

NB 3 The list of audits completed includes some carried out as "consultancy" offering which would not necessarily result in the normal type of audit report

APPENDIX B**TOTAL SUMMARY OF PLANNED WORK COMPLETED FOR EACH DIRECTORATE
2012/13**

Department	No. of audits	Number of Recommendations	Number of Breach	Number of High Priority Findings	Number of Unimplemented Recommendations
Adult, Community and Housing Services	16	89	N/A	17	6
Chief Executives	4	19	N/A	2	5
Children's Services	23	189	N/A	14	27
Corporate Resources	27	93	N/A	12	3
Schools	19	337	N/A	65	61
Urban Environment	14	91	N/A	18	6
Honorary	33	N/A	N/A	N/A	N/A
TOTAL [NB1]	136	818	N/A	128	108
2011/12	192	2081	1039	39 [NB2]	203
2010/11	178	1838	690	47	151
2009/10	195	1624	723	70	169
2008/09	199	1657	696	114	226
2007/08	189	1803	340	114	193

NOTES

NB 1 The number of audits in 2013/14 increases to 167

NB 2 The number of High and High Breach in 2011/12 was 515

APPENDIX C

UK Public Sector Internal Audit Standards [PSIAS]

The Chartered Institute of Public Finance and Accountancy [CIPFA] representing local government was involved with central government departments in agreeing a new set of standards for internal audit across the UK public sector effective from 1 April 2013.

The standards encompass the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework with additional requirements and interpretations for the UK public sector included where required.

The PSIAS replace previous codes and standards, including the “Code of Practice for Internal Audit in Local Government” published by CIPFA. While the PSIAS come into force from April it was not expected that all elements will be in place on day one. Many of the standards apply to activities that will happen later on in the audit year, for example audit reports, annual audit reporting and quality assurance and improvement processes. Some of the standards will need to be addressed early on however, in particular the development and approval of the audit charter and the completion of the risk-based audit plan.

The PSIAS comprise the definition of internal audit, a code of ethics and a series of attribute and performance standards. The new definition of internal audit is:

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

CIPFA is also publishing a “Local Government Application Note” (LGAN) to support internal auditors transferring from the CIPFA Code of Practice to the PSIAS. The Application Note includes a checklist for assessing conformance with the PSIAS and LGAN which can be used to support the external assessment requirements of the PSIAS. This publication will be available from the CIPFA shop shortly.

The Department for Communities and Local Government has given both the PSIAS and LGAN the status of “proper practices” for internal audit in organisations covered by the Accounts and Audit Regulations 2011. This includes local authorities, police and fire bodies in England.

The PSIAS use the term “board” throughout the standards to define particular governance and accountability roles, and in Dudley this is considered to be the Audit & Standards Committee [ASC]. The term “Chief Audit Executive” is also used and in Dudley this is the Head of Audit [HoA]. These alternative terms have been used in the document below, which is an extract of the Standards. The level of compliance has been assessed by the Head of Audit.

The current Audit Services Manual has been in existence for several years and is related to the CIPFA Code of Practice. The Manual covers all of the new Standards in principle if not in detailed wording but will not be amended. The Standards will instead be incorporated into the Divisional Operations Manual.

In the opinion of the Head of Audit we will always take a professional approach to audit work and this will incorporate standard audit techniques and approaches. Details have been entered for the principle standards only.

INTERNAL AUDIT STANDARDS	AUDIT SERVICES COMPLIANCE/COMMENT
DEFINITION OF INTERNAL AUDIT	
Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.	The current Audit Charter was approved in April 2013 and includes a CIPFA definition. A revised Audit Charter will be presented to the September meeting of the ASC
CODE OF ETHICS	The Operations Manual will be amended to reinforce these Standards
Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.	All members of Audit Services management team hold professional qualifications and are aware of the need to comply with associated codes of ethics. All auditors also adhere to Audit Services code of ethics and the Authority's Code of Conduct for Employees
Integrity : The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.	Noted, and included in all Person Specifications
Objectivity :Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.	Noted, and included in all Person Specifications
Confidentiality : Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.	Already covered in our Information Security Charter and the Authority's Code of Conduct

Competency : Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.	We have a Skills & Competency Framework which is used in conjunction with the Performance Review & Development policy for employees
Internal auditors must also have regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i>	Noted, and will be reinforced in the Operations Manual
ATTRIBUTE STANDARDS	
1000 Purpose, Authority and Responsibility The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the <i>Definition of Internal Auditing</i> , the <i>Code of Ethics</i> and the <i>Standards</i> . The HoA must periodically review the internal audit charter and present it to senior management and the ASC for approval.	Annual review of the Audit Charter and reporting to ASC
1010 Recognition of the <i>Definition of Internal Auditing</i>, the <i>Code of Ethics</i> and the <i>Standards</i> in the Internal Audit Charter : The mandatory nature of the <i>Definition of Internal Auditing</i> , the <i>Code of Ethics</i> and the <i>Standards</i> must be recognised in the internal audit charter. The HoA should discuss the <i>Definition of Internal Auditing</i> , the <i>Code of Ethics</i> and the <i>Standards</i> with senior management and the ASC.	HoA discusses compliance in annual report to ASC
1100 Independence and Objectivity : The internal audit activity must be independent and internal auditors must be objective in performing their work.	Audit is considered independent and objective
1110 Organisational Independence : The HoA must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The HoA must confirm to the ASC, at least annually, the organisational independence of the internal audit activity.	HoA reports to the Treasurer Covered in Audit Charter
1111 : Direct Interaction with the Board : The HoA must communicate and interact directly with the ASC.	HoA liaises with ASC on a regular basis
1120 : Individual Objectivity : Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.	Audit Management reflect on results of annual declaration of interest before assigning work
1130 : Impairment to Independence or Objectivity : If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.	As above

1200 Proficiency and Due Professional Care Engagements must be performed with proficiency and due professional care.	Noted, and is subject to review by Management
1210 Proficiency : Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.	Covered in our Skills & Competency Framework
1220 Due Professional Care : Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	Covered in our Operations Manual
1230 Continuing Professional Development Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.	Already covered in our Skills & Competency Framework and we develop training plans each year to ensure appropriate training is arranged. This aims to assist in continuing professional development.
1300 Quality Assurance and Improvement Programme : The HoA must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.	Covered in our Operations Manual
1310 Requirements of the Quality Assurance and Improvement Programme : The quality assurance and improvement programme must include both internal and external assessments.	We have an internal assessment programme but have previously relied on External Audit to carry out the external assessment. The HoA is tasked with organising an external assessment during 2013/14.
1311 Internal Assessments : Internal assessments must include :- a. Ongoing monitoring of the performance of the internal audit activity; b. Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.	We comply, and use the Corporate Governance Group to assist.
1312 External Assessments : External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board :- a. The form of external assessments; b. The qualifications and independence of the external assessor or assessment team,	The HoA is tasked with organising an external assessment during 2013/14.

including any potential conflict of interest.	
1320 Reporting on the Quality Assurance and Improvement Programme : The HoA must communicate the results of the quality assurance and improvement programme to senior management and the ASC.	Monthly reports to the Treasurer and various reports to ASC.
1321 Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing” : The HoA may state that the internal audit activity conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> only if the results of the quality assurance and improvement programme support this statement.	HoA covers in annual review of audit
1322 Disclosure of Non-conformance : When non-conformance with the <i>Definition of Internal Auditing</i> , the <i>Code of Ethics</i> or the <i>Standards</i> impacts the overall scope or operation of the internal audit activity, the HoA must disclose the non-conformance and the impact to senior management and the ASC.	HoA would report matters to Treasurer and ASC
PERFORMANCE STANDARDS	
2000 Managing the Internal Audit Activity The HoA must effectively manage the internal audit activity to ensure it adds value to the organisation.	Providing added value is a core part of our service offering
2010 Planning : The HoA must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.	Risk based planning is in place
2020 Communication and Approval : The HoA must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the ASC for review and approval. The HoA must also communicate the impact of resource limitations.	Report to ASC covers Audit Plan
2030 Resource Management : The HoA must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.	Report to ASC covers Audit Plan
2040 Policies and Procedures : The HoA must establish policies and procedures to guide the internal audit activity.	We have an Operations Manual
2050 Coordination : The HoA should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.	We liaise with external audit to ensure no duplication of effort. We also liaise with relevant Directors to avoid duplication e.g. Schools and OFSTED

<p>2060 Reporting to Senior Management and the ASC : The HoA must report periodically to senior management and the ASC on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the ASC.</p>	<p>We cover these matters in various reports to ASC</p>
<p>2070 External Service Provider and Organisational Responsibility for Internal Auditing : When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.</p>	<p>We do not use external providers but would comply if that occasion arose</p>
<p>2100 Nature of Work : The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.</p>	<p>Based on plans, performance and operating manuals we comply</p>
<p>2110 Governance : The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives :-</p> <ul style="list-style-type: none"> a. Promoting appropriate ethics and values within the organisation; b. Ensuring effective organisational performance management and accountability; c. Communicating risk and control information to appropriate areas of the organisation; d. Coordinating the activities of and communicating information among the board, external and internal auditors and management. 	<p>Based on the evidence of Audit Reports this confirms we comply</p>
<p>2120 Risk Management : The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</p>	<p>We carry out a wide range of risk management audits</p>
<p>2130 Control : The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.</p>	<p>All audits are geared toward maintaining effective controls</p>
<p>2200 Engagement Planning : Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.</p>	<p>An Audit Brief is prepared for each assignment</p>

<p>2201 Planning Considerations : In planning the engagement, internal auditors must consider :-</p> <p>a. The objectives of the activity being reviewed and the means by which the activity controls its performance;</p> <p>b. The significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level;</p> <p>c. The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model;</p> <p>d. The opportunities for making significant improvements to the activity's governance, risk management and control processes.</p>	<p>An Audit Brief is prepared for each assignment</p>
<p>2210 Engagement Objectives : Objectives must be established for each engagement.</p>	<p>An Audit Brief is prepared for each assignment</p>
<p>2220 Engagement Scope : The established scope must be sufficient to satisfy the objectives of the engagement.</p>	<p>An Audit Brief is prepared for each assignment</p>
<p>2230 Engagement Resource Allocation : Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.</p>	<p>Appropriate time allocations are made for each audit</p>
<p>2240 Engagement Work Programme : Internal auditors must develop and document work programmes that achieve the engagement objectives.</p>	<p>Covered in our Operations Manual, and audit programmes developed for each audit</p>
<p>2300 Performing the Engagement : Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.</p>	<p>Covered in our Operations Manual</p>
<p>2310 Identifying Information : Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.</p>	<p>Covered in our Operations Manual</p>
<p>2320 Analysis and Evaluation : Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.</p>	<p>Covered in our Operations Manual</p>
<p>2330 Documenting Information : Internal auditors must document relevant information to support the conclusions and engagement results.</p>	<p>Covered in our Operations Manual</p>

<p>2340 Engagement Supervision : Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff is developed.</p>	<p>All audit work is subject to supervision</p>
<p>2400 Communicating Results : Internal auditors must communicate the results of engagements.</p>	<p>We use standard report formats</p>
<p>2410 Criteria for Communicating : Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.</p>	<p>Audit brief and audit reports are shared with customers</p>
<p>2420 Quality of Communications : Communications must be accurate, objective, clear, concise, constructive, complete and timely.</p>	<p>Noted, and will be reinforced in Operations Manual</p>
<p>2421 Errors and Omissions : If a final communication contains a significant error or omission, the HoA must communicate corrected information to all parties who received the original communication.</p>	<p>The HoA would comply</p>
<p>2430 Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing” : Internal auditors may report that their engagements are “conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i>”, only if the results of the quality assurance and improvement programme support the statement.</p>	<p>This would not routinely be included in Audit Reports</p>
<p>2431 Engagement Disclosure of Non conformance : When nonconformance with the <i>Definition of Internal Auditing</i>, the <i>Code of Ethics</i> or the <i>Standards</i> impacts a specific engagement, communication of the results must disclose the :- a. Principle or rule of conduct of the <i>Code of Ethics</i> or Standard(s) with which full conformance was not achieved; b. Reason(s) for nonconformance; c. Impact of nonconformance on the engagement and the communicated engagement results.</p>	<p>HoA would report matters</p>
<p>2440 Disseminating Results : The HoA must communicate results to the appropriate parties.</p>	<p>Results are communicated in Audit Reports to appropriate Director, Assistant Director and Head of Service</p>

<p>2450 Overall Opinions : When an overall opinion is issued, it must take into account the expectations of senior management, the ASC and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</p>	<p>Overall opinions are the result of appropriate information and discussions</p>
<p>2500 Monitoring Progress : The HoA must establish and maintain a system to monitor the disposition of results communicated to management.</p>	<p>Formalised follow up arrangements exist for certain reports and type of recommendation</p>
<p>2600 Communicating the Acceptance of Risks : When the HoA concludes that management has accepted a level of risk that may be unacceptable to the organisation, the HoA must discuss the matter with senior management. If the HoA determines that the matter has not been resolved, the HoA must communicate the matter to the ASC.</p>	<p>Noted and such matters would be raised with Treasurer and, within scope of Annual Directorate Audit reports to ASC</p>

CIPFA “A Toolkit for Local Authority Audit Committees”

Self Assessment Checklist 2013

ESTABLISHMENT, OPERATION AND DUTIES					
Role and Remit					
Priority	Issue	Yes	No	N/A	Comment/Action
1	Does the Committee have written terms of Reference?	Y			
1	Do the terms of reference cover the core functions of a Committee as identified in the CIPFA guidance?	Y			
1	Are the terms of reference approved by the Council and reviewed periodically?	Y			Constitution approved by Council and Terms of Reference amended as appropriate
1	Has the Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y			
1	Can the Committee access other Committees and full Council as necessary?	Y			
1	Does the authority’s AGS include a description of the Committee’s establishment and activities?	Y			
2	Does the Committee periodically assess its own effectiveness?	Y			
2	Does the Committee make a formal annual report on its work and performance during the year to full Council?		N		

Membership, Induction and Training					
1	Has the membership of the Committee been formally agreed and a quorum set?	Y			
1	Is the Chair independent of the Executive function?	Y			
1	Has the Committee Chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Y			
1	Are new Committee Members provided with an appropriate induction?	Y			There is no formal induction. New Members have a briefing with Head of Audit.
1	Have all Members' skills and experiences been assessed and training given for identified gaps?		N		
1	Has each Member declared his or her business interests?	Y			
2	Are Members sufficiently independent of the other key Committees of the Council?	Y			
Meetings					
1	Does the Committee meet regularly?	Y			Additional meeting scheduled for 2013/14
1	Do the terms of reference set out the frequency of meetings?		N		This is covered by annual report to Council
1	Does the Committee calendar meet the authority's business needs, governance needs and the financial calendar?	Y			

1	Are Members attending meetings on a regular basis and if not, is appropriate action taken?	Y			
1	Are meetings free and open without political influences being displayed?	Y			
1	Does the authority's S151 officer or deputy attend all meetings?	Y			
1	Does the Committee have the benefit of attendance of appropriate officers at its meetings?	Y			
Internal Control					
1	Does the Committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			
1	Does the Committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	Y			
1	Does the Committee consider how meaningful the AGS is?	Y			
1	Does the Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y			
1	Has the Committee considered how it integrates with other committees that may have responsibility for risk management?	Y			

1	Has the Committee (with delegated responsibility) or the full Council adopted “Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?”	Y			Audit & Standards Committee receive bench marking information against CIPFA/Audit Commission/NFA guidelines
1	Does the Committee ensure that the “Actions to Counter Fraud and Corruption” are being Implemented ?	Y			Audit & Standards Committee receive Annual Fraud Report and approve the Anti Fraud & Corruption Strategy
2	Is Committee made aware of the role of risk management in the internal audit plan?	Y			
2	Does the Committee review the authority’s strategic risk register at least annually?	Y			Y
2	Does the Committee monitor how the authority assesses its risk?	Y			Approval of the Risk Management Strategy and consideration of Corporate Risks in three separate reports
2	Do the Committee’s terms of reference include oversight of the risk management process?	Y			
Financial Reporting and Regulatory Matters					
1	Is the Committee’s role in the consideration and/or approval of the annual accounts clearly defined?	Y			
1	Does the Committee consider specifically: a.The suitability of accounting policies and treatments b.Major judgments made c.Large write-offs d.Changes in accounting treatment e.The reasonableness of accounting estimates f.The narrative aspects of reporting?	Y			Majority of these covered in reports of the Treasurer

1	Is an Committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y			
1	Does the Committee review management's letter of representation?	Y			
2	Does the Committee annually review the accounting policies of the authority?	Y			
2	Does the Committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y			Training offered to Members
2	Does the Committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y			"Audit Committee Updates" published by CIPFA forwarded to Members and External Auditors also submit a similar type of report
Internal Audit					
1	Does the Committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			
1	Does internal audit have an appropriate reporting line to the Committee?	Y			
1	Does the Committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y			

1	Are follow-up audits by internal audit monitored by the Committee and does the Committee consider the adequacy of implementation of recommendations?	Y			
1	Does the Committee hold periodic private discussions with the Head of Internal Audit?		N		
1	Is there appropriate cooperation between the internal and external auditors?	Y			
1	Does the Committee review the adequacy of internal audit staffing and other resources?	Y			
1	Has the Committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	Y			Compliance with new IA Standards being assessed as part of the 2013 Review of Internal Audit
2	Are internal audit performance measures monitored by the Committee?	Y			
2	Has the Committee considered the information it wishes to receive from internal audit?	Y			Benchmarking exercises undertaken in 2009 and 2012 and reported to Committee to advise Members of practices at other Authorities. Improvements to information required by Committee on each occasion
External Audit					
1	Do the external auditors present and discuss their audit plans and strategy with the Committee	Y			
1	Does the Committee hold periodic private discussions with the external auditor?		N		

1	Does the Committee review the external auditor's annual report to those charged with governance?	Y			
1	Does the Committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y			
1	Are reports on the work of external audit and other inspection agencies presented to the Committee, including the external auditors annual audit and inspection letter?	Y			In respect of External Audit. Other Committee's deal with reports from OFSTED, etc.
1	Does the Committee assess the performance of external audit?	Y			Opinion based on reports from Treasurer
1	Does the Committee consider and approve the external audit fee?	Y			
Agenda Management					
1	Does the Committee have a designated secretary from Committee / Member Services?	Y			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by Committee members?	Y			
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			
2	Are inputs for Any Other Business formally requested in advance from Committee members, relevant officers, internal and external audit?		N		

Papers					
1	Do reports to the Committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y			
2	Does the Committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented?			N/A	Council Policy
Actions Arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	Y			
1	Is a report on matters arising made and minuted at the Committee's next meeting?	Y			
1	Do action points indicate who is to perform what and by when?	Y			

Priority Rating set by CIPFA Better Governance Forum