



HARBOROUGH DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL REPORT

2014/15

Date: June 2015

1. Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement. The Standards specify that the report must contain:
- an Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
 - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
 - a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

2. Head of Internal Audit Opinion 2014/15

- 2.1 This report provides a summary of the work carried out by the Internal Audit service during the financial year 2014/15 and the results of these assignments. Based upon the work undertaken by Internal Audit during the year, the Head of Internal Audit's overall opinion on the Council's system of internal control is that:

Sufficient Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally being applied consistently. The level of assurance, therefore, remains at a consistent level from 2013/14. Controls relating to those key financial systems which were reviewed during the year were concluded to be generally at a level of Sufficient Assurance.

Overall, there has also been a notable increase in the proportion of audits where Substantial Assurance has been assigned, compared with 2013/14, and during 2014/15 no audit reports have provided Limited or No Assurance opinions.

The progress made by management in implementing the actions arising from the 2014/15 audit reports has been strong, with 100% of those actions due for implementation being completed as agreed. However, a number of actions remain outstanding from reports issued in previous years.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year. This assessment has taken account of the

relative materiality of these areas and management’s progress in respect of addressing any control weaknesses. A summary of Audit Opinions is shown in Table 1:

Table 1 – Summary of Audit Opinions 2014/15:

Area	Substantial	Sufficient	Limited	No
Financial Systems	0	4	0	0
IT	1	1	0	0
Fraud Risks	0	1	0	0
Service Delivery	3	1	0	0
Corporate	0	3	0	0
Total	4	10	0	0
Summary	29%	71%	0%	0%
with 13/14 Comparison	(7%)	(73%)	(20%)	(0%)

3. Review of Audit Coverage

3.1 Audit Opinion on Individual Audits

3.1.1 The Committee is reminded that the following assurance opinions can be assigned:

Table 2 – Assurance Categories:

Level of Assurance	Definition
Substantial	There is a robust framework of controls making it likely that service objectives will be delivered. Controls are applied continuously and consistently with only infrequent minor lapses.
Sufficient	The control framework includes key controls that promote the delivery of service objectives. Controls are applied but there are lapses and/or inconsistencies.
Limited	There is a risk that objectives will not be achieved due to the absence of key internal controls. There have been significant and extensive breakdowns in the application of key controls.
No	There is an absence of basic controls resulting in inability to deliver service objectives. The fundamental controls are not being operated or complied with.

3.1.2 Audit reports issued in 2014/15, other than those relating to consultancy support, resulted in the provision of one of the above audit opinions. All individual reports represented in this Annual Report, with the exception of the Key Financial System Controls audit, are final reports and, as such, the findings have been agreed with management, together with the accompanying action plans.

3.1.3 The Key Financial System Controls draft report was issued in March 2015 and is awaiting responses from management before finalisation. Details of findings are included in Appendix 1, but an action plan has not yet been agreed.

3.2 Summary of Audit Work

3.2.1 Table 3 details the assurance levels resulting from all audits undertaken in 2014/15 and the date of the Committee meeting at which a summary of the report was presented.

3.2.2 All assignments have been delivered in accordance with the agreed Audit Planning Records and provide assurance in relation to the areas included in the specified scope.

Table 3 – Summary of Audit Opinions 2014/15:

Audit Area	Audit Opinion	Committee Date
Financial		
Key Financial System Controls	Sufficient (Draft report)	TBC
Benefits	Sufficient	July 2015
Council Tax	Sufficient	July 2015
Business Rates	Sufficient	July 2015
IT		
System Administration	Sufficient	March 2015
Strategy, Governance and Policies	Substantial	March 2015
Fraud Risks		
General Counter Fraud Arrangements	Sufficient	July 2015
Service Delivery		
Welfare Reform	Substantial	November 2014
Duty to Cooperate	Substantial	July 2015

Audit Area	Audit Opinion	Committee Date
Private Sector Housing Objectives	Sufficient	September 2014
Harborough Innovation Centre	Substantial	November 2014
Corporate		
Equalities Act Compliance	Sufficient	September 2014
Data Quality Review	Sufficient	March 2015
Measuring Benefits Realisation	Sufficient	November 2014
Annual Governance Statement support	N/A Consultancy	N/A

3.2.2 Outlined in Appendix 1 is a summary of each of the audits finalised during the year. The Committee should note that the majority of these findings have previously been reported as part of the defined cycle of update reports provided to the Governance and Audit Committee.

3.3 Implementation of Internal Audit Recommendations

3.3.1 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure that they have been fully and promptly implemented. Internal Audit traces follow-up action on a monthly basis and provides a summary to each Committee meeting. Details of the implementation rate for audit recommendations made during 2014/15 are provided in Table 4.

Table 4 - Implementation of Audit Recommendations 2014/15:

	Category 'High' recommendation	Category 'Medium' recommendations	Category 'Low' recommendations	Total
Agreed and implemented	2	4	4	10 (21%)
Agreed and not yet due for implementation	5	21	11	37 (79%)
Agreed and due within last 3 months, but not implemented	0	0	0	0 (20%)
Agreed and due over 3 months ago, but not implemented	0	0	0	0 (0%)
TOTAL	7	25	15	(100%)

2.6.2 In addition to those recommendations agreed during this year, 16 recommendations are also overdue for completion from audit reports issued in previous financial years. A summary of all overdue recommendations is shown in Table 5:

Table 5 - Summary of Overdue Recommendations as at 31st March 2015

Audit Title	Audit year	High		Medium		Low	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
IT Legislation	13/14			1			
Information Management	13/14		2		2		
Contract Management	13/14	1		5			
Debtors	12/13			1			
Financial Management	12/13			2			
Treasury Management	12/13					1	
Payroll	12/13	1					
Totals		2	2	9	2	1	0

2.6.3 The level of implementation is reported to the Governance and Audit Committee throughout the year.

3. Internal Audit Contribution

3.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support and advice to assist the Council in new areas of work.

3.2 Delivery of 2014/15 Audit Plan

The Council commissioned 230 days from the Internal Audit Consortium to deliver the 2014/15 Audit Plan.

By 31st March 2015, the team had delivered **93%** of the assignments within the Audit Plan to at least draft report stage, against a target of at least 90%. It was requested by management that the fieldwork on the one remaining assignment be delayed to coincide with the establishment of the project board for the Waste Management review.

At the Governance and Audit Committee in November 2014 it was formally approved to reduce the contingency element of the Audit Plan by 15 days, thereby reducing the number of days to be delivered. The deferring of the Waste Management project audit to April 2015 further reduced the number of days to be delivered in the 2014/15 year. The team delivered a total of **198** days to Harborough District Council during

2014/15. This involved delivery of the current year Audit Plan, client liaison, support, reporting and training for the Governance and Audit Committee and the completion of assignments from the 2013/14 Audit Plan.

3.3 Internal Audit Contribution in Wider Areas

Key additional areas of Internal Audit contribution to the Council in 2014/15 are set out in Table 6:

Table 6 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Maintaining good working relationships with External Audit so that Internal Audit work can be relied upon for the purposes of assisting them in forming their opinion on the Annual Accounts.	Reduce audit burden, saving costs.
Provision of training to members of the Governance & Audit Committee.	The Governance & Audit Committee is more effective in its role as an assurance provider.
Regular on site presence and assistance with ad-hoc queries from officers.	Regular access to Internal Audit staff and pro-active assistance with queries on control environments and areas for improvement.

4. Performance Indicators

4.1 Internal Audit maintains several key performance indicators (KPIs) to enable ongoing monitoring by the Welland Internal Audit Board and Committees. Outturns against these indicators in relation to work delivered for Harborough District Council are provided in Table 7:

Table 7 – Internal Audit KPIs 2014/15

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan – Audit Days as per original Audit Plan	230	198
Delivery of the agreed annual Internal Audit Plan to at least draft report stage by 31 st March 2015	90%	93%
Customer Feedback – rating on a scale of 1 to 4 (average) Where: 1 = Poor, 2 = Satisfactory, 3 = Good, 4 = Outstanding	3.6	3.3

5. Professional Standards

5.1 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

5.2 The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

5.3 A detailed self-assessment against the PSIAS has been completed by the Head of Internal Audit, a copy of which is provided in Appendix 2. The outcome of the assessment was that the Internal Audit service is operating in general conformance with the Standards.

The Head of Internal Audit is keen to drive ongoing, continuous development to ensure the value of the service is maximised. One specific area for further development has been identified from the assessment, in relation to reviewing and strengthening the content of the Progress Reports presented to Audit Committees to ensure these fully inform members of the key findings of assignments and the performance of the Council services in implementing the agreed actions arising from the finalised reports.

Appendix 1: Summary of Internal Audit Work Undertaken for 2014/15

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Financial Systems			
Benefits	Sufficient	The Leicestershire Revenues & Benefits Partnership administers housing benefit and local taxation support on behalf of Harborough District Council. The partnership is subject to internal audit by CW Audit Services (CWAS).	<p>CWAS reported that the audit did not highlight any weaknesses that would materially impact on the achievement of the system's key objectives.</p> <p>There were some low impact control weaknesses which, if addressed, would improve the overall performance of the system. These included consistent compliance with the verification policy for new claims, ensuring that access to systems is promptly revoked for leavers and ensuring that claims are correctly flagged when an overpayment is due to be recovered.</p>
Council Tax	Sufficient	The Welland Internal Audit Consortium has no authority to audit the activities of the partnership but has determined that reliance can be placed upon the assurance contained in CWAS reports in so far as that assurance relates to risks relevant to Harborough District Council. This is based upon Internal Audit's assessment, supported by written assurances from CWAS, that they operate in accordance with the Public Sector Internal Audit Standards.	<p>CWAS reported that the audit did not highlight any weaknesses that would materially impact on the achievement of the system's key objectives.</p> <p>The audit identified that, due to a processing backlog, routine quality checks had not been performed since February 2014. A one-off exercise was carried out in 2014 and found that accuracy rates were averaging 89% against a target of 98%.</p> <p>It was highlighted that there had been delays in the writing off of irrecoverable debts and in the inspection of properties within three months of being vacated.</p>
Business Rates	Sufficient	The Welland Internal Audit Consortium has no authority to audit the activities of the partnership but has determined that reliance can be placed upon the assurance contained in CWAS reports in so far as that assurance relates to risks relevant to Harborough District Council. This is based upon Internal Audit's assessment, supported by written assurances from CWAS, that they operate in accordance with the Public Sector Internal Audit Standards.	<p>CWAS reported that the audit did not highlight any weaknesses that would materially impact on the achievement of the system's key objectives.</p> <p>It was recommended during the 2013/14 audit that quality audits should be re-introduced to ensure consistency and accuracy of work. This action had been agreed with management but had not occurred due to the processing backlog being given priority.</p> <p>It was also highlighted that there had been delays in the writing off of irrecoverable debts and in the inspection of properties within three months of being vacated.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Key Financial Systems Controls (Draft)	Sufficient	<p>To review the design of the key financial system controls and the effectiveness of these controls in practice to ensure that transactions are recorded on the Council's systems in a timely, accurate and complete manner and to protect the Council from the risk of fraud or error.</p> <p>The key controls to be tested in 2014/15 were specified within the Audit Planning Record and related to:</p> <ul style="list-style-type: none"> • E-Procurement system • Creditor payments and balances • System access • Payroll transactions • Bank reconciliations • Posting of payments received on the new planning portal • BACS payments • Implementation of procedural changes 	<p>The audit confirmed that, in a number of areas, there was a strong control framework in place, and testing confirmed that controls were being consistently exercised in those areas. The e-Procurement system had been designed with appropriate controls in place to ensure that purchases would be authorised and appropriate, public monies would be safeguarded, and creditor balances should be materially correct. It was not, however, possible to conduct sufficient testing to confirm the operation of these controls because the system had not been fully implemented at the time of the audit. Internal Audit will review the full operation of the e-Procurement system during 2015/16.</p> <p>Payroll sample testing confirmed that pay award and non-consolidated lump sum payments had been accurately calculated and processed. Testing of a sample of additional payments to employees concluded that they were appropriately authorised and accurately processed. Testing of starters and leavers confirmed that all within the sample had been accurately processed on the payroll system in a timely manner.</p> <p>It was not possible, however, for Internal Audit to provide assurance that the Council's bank reconciliations were being completed in accordance with best practice and in a timely manner. This was highlighted as an area for management attention and discussed with key officers. It was understood that officers were already aware of this control weakness and plans were in place to address this. At the time of reporting in March 2015, bank reconciliations for the current financial year had only been fully finalised and approved for the period April 2014 - August 2014.</p> <p>Internal Audit will finalise this audit report once an action plan to address the findings is agreed by management.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
IT			
System Administration	Sufficient	To provide assurance that the Council has put in place controls to ensure that it has an effective IT system administration function of both the network and the business critical / sensitive applications.	<p>Testing of system access highlighted that the procedures for monitoring and revoking network access for staff and partner staff required further development to reduce the risk of inappropriate access.</p> <p>Evidence was provided that procedures were in place to monitor and report upon the Council's system availability and subject to appropriate scrutiny. Examples of compliance with best practice were also provided in relation to a variety of recent software upgrades. The Council did not, however, have documented change control procedures in place.</p> <p>In relation to applications, within the sample selected, all systems had a form of audit log to ensure that all changes to standing data can be fully traced to the responsible user and all users have named accounts. All system administrators within the sample had appropriate skills and experience for their role, both in relation to the service area and IT.</p>
Strategy, Governance and Policies	Substantial	To provide assurance that the Council has put in place controls to ensure that there is an adequate IT strategy which is communicated throughout the Council as necessary. That there is an effective system of IT governance and that there are relevant IT policies which are communicated to all IT users.	<p>Testing identified that the Council had sufficient IT governance procedures in place, including arrangements to ensure the ICT team are included in the annual business planning process and other services areas are prompted to consider the ICT requirements of their proposed plans. System Administrator meetings provide a forum for communication between ICT and other service areas and any proposed software updates or upgrades are discussed at these meetings. Review confirmed that an appropriate decision making structure was in place and the Council was benefiting from an appropriately experienced ICT team.</p> <p>It was confirmed that an ICT Strategy was in place, which was designed with consultants to ensure compliance with best practice. It was confirmed that Council had an appropriate suite of ICT Policies, which were subject to annual review to ensure that they remain appropriate and are in line with the Public Services Network Code of Connection requirements. All users must sign in agreement to abide by these policies prior to being granted network access.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Fraud Risks			
General Counter Fraud Arrangements	Sufficient	To provide assurance that the Council has appropriate arrangements for preventing, detecting and responding to fraud and corruption. To provide assurance that ethical governance arrangements are sound and follow up on actions from the 2013/14 Internal Audit report.	<p>Review identified that there was a sound framework of policies, procedures and codes of conduct in place to manage the fraud risks at the Council. Complaints were being appropriately investigated and Members and officers were declaring interests in a formally recorded way.</p> <p>There were some minor weaknesses in record keeping and updating of terminology within the policies. Good progress had been made towards compliance with the Transparency Act through publication of the required data on the Council's website. There were, however, still some gaps in the published information which needed to be addressed. Actions have been agreed with management and will be subject to review by Internal Audit in 2015/16.</p>
Service Delivery			
Welfare Reform	Substantial	To provide assurance that the Council has appropriate arrangements in place to identify and support those households most affected by welfare reform. To also seek assurance over the Council's arrangements for managing and monitoring the financial impact.	<p>Testing confirmed that the Council had undertaken a range of activities to communicate with groups affected by the welfare reforms and had used appropriate media to do so. Published schemes that had been agreed by Members exist for Discretionary Housing Payments and the Local Council Tax Support Scheme. Criteria included in the schemes had been designed to assist and support the most vulnerable.</p> <p>Appropriate financial modelling had been undertaken to monitor the financial implications, and each year the criteria was reviewed to ensure it was both appropriate in providing support to those most in need, and that the schemes would be affordable.</p>
Duty to Cooperate	Substantial	To provide assurance that the identified risks associated with the Council's 'Duty to Cooperate' under the Localism Act 2011 have been sufficiently mitigated.	The audit identified that appropriate activities were being undertaken to engage strategically with the Council's local planning partners, in a constructive and regular way. Through regular meetings at a range of levels the Council had been able to secure cooperation and agreement on strategic issues. Evidence had been retained to demonstrate active engagement and cooperation with the Council's local planning partners.

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			<p>The Council was only part way through the process of developing its Local Plan at the time of the audit review, and this audit was a snapshot of the arrangements regarding the Council's Duty to Cooperate. To maintain this good level of collaboration and cooperation, the Council needs to maintain its commitment at both a Member and senior officer level, as the landscape may change, and new challenges arise as neighbouring Councils' Local Plans are developed, tested and inspected.</p> <p>It was concluded that the arrangements examined in February 2015 should place the Council in a good position to respond appropriately to such changes.</p>
Private Sector Housing Objectives	Sufficient	To provide assurance that private sector housing grants and other adaptation grants are being provided to the right households, consistent with Council priorities. To review whether grants and loans are subject to appropriate validation checks, and are only made to eligible households. To review whether satisfactory expenditure controls are in place, and are operating effectively, to reduce the risk of fraud or significant errors.	<p>Review confirmed that arrangements for validation, approval and payment of grants were sound and there were robust controls for ensuring the grant was linked to needs and only used for intended purposes.</p> <p>However, testing highlighted that service standards were not being met, particularly in respect of urgent cases. Whilst some delays may not be within the Council's control, it was recommended that arrangements should be reviewed to ensure that urgent cases could be identified and monitored more closely with a view to ensuring they are completed within, or as close as possible, to the target timescales.</p> <p>Since this audit was completed, actions have been implemented by management to address the majority of key findings, including improving arrangements for the monitoring of urgent cases.</p>
Harborough Innovation Centre	Substantial	To provide assurance that the project has met its original objectives and is subject to an appropriate governance/control framework, including assurance that ERDF funding is not at risk of claw-back.	<p>Evidence to support the project outcomes was provided but data in respect of jobs and businesses created had not been independently verified. On the basis of the information provided, Internal Audit concluded that the project had met or exceeded its original objectives.</p> <p>The control and governance framework was reviewed and considered to be fit for purpose.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			A full grant compliance audit was not carried and it was therefore not possible to provide absolute assurance regarding the risk of grant claw-back.
Corporate			
Equalities Act Compliance	Sufficient	To examine arrangements in place to ensure that the Council is complying with the general duty requirements of the Equality Act and the specific duties regarding publishing equality information and objectives.	<p>Review confirmed that a recently reviewed and updated Equality Plan was in place that included appropriate and proportionate objectives and this had been developed in consultation with relevant stakeholders and formally adopted by the Council. The Council had assigned responsibility for equality issues to its dedicated Equality & Diversity Officer and a Member Champion. The Council had also established an environment that included a Corporate Equalities Group, diversity events, use of noticeboards and Core Brief to engender a culture of inclusion, equality and diversity.</p> <p>There was, however, an absence of recording of equality risks, and therefore monitoring of the adequacy of any mitigating actions was also absent. Some gaps in training provision were identified and there was limited use of Equality Analyses to identify potential areas of inequality, and lack of reporting to help ensure informed decisions are reached that do not risk breaching the Equality Act requirements.</p>
Data Quality Review	Sufficient	To provide assurance that the Council has appropriate arrangements in place to manage the quality of internal data and data provided by third parties.	<p>It was highlighted that a comprehensive action plan from 2010 had not been fully implemented and some actions remained outstanding. Other elements had not been fully embedded in service management, such as explicit procedures for regular checks on the quality of data that comes in from outside sources (contractors, partners, etc.)</p> <p>Testing confirmed that the Council had established methodologies, high-level procedures and monitoring/reporting mechanisms in place, although compliance with these was not always consistent.</p> <p>Testing of a sample of indicators for contracted services – from reported indicators back to source data reports – identified no errors in data or in calculations applied.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Measuring Benefits Realisation	Sufficient	<p>To establish whether there are adequate policies, processes and controls in place to ensure:</p> <ul style="list-style-type: none"> · project benefits are clearly identified and defined, including the basis of measurement; · delivery of the required changes, resources, assets or other conditions necessary for achievement of the stated benefits is assured; and · realisation of benefits is consistent with the original objectives and delivered in a timely and sustainable manner. 	<p>Testing confirmed that the Council had established methodologies, template documentation and monitoring/reporting mechanisms in place, although compliance with these was not always consistent.</p> <p>It was established that the early stages of a project (the Project Initiation Document etc) included the outlining of expected benefits – though this was not explicit for earlier projects within the Transformation Programme. It was also found that some benefits were vague, generic and not meaningful in terms of benefits that could be measured. It was recommended that this be addressed through effective training for staff.</p> <p>To fully embed the culture of benefits realisation, it was recommended that a strategy for Benefits Realisation (possibly incorporated as part of a wider Value For Money strategy) be developed and implemented.</p>

Appendix 2: Self-Assessment against the Public Sector Internal Audit Standards (PSIAS)

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
1000 – Purpose, Authority & Responsibility	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	✓			The Internal Audit Charter reflects the mandatory nature of the relevant Standards.
1100 – Independence and Objectivity	1100	Organisational Independence	✓			Head of Internal Audit reports directly to the Audit Committees and has unfettered access to the Chief Executives, Chairs of the Audit Committee and Section 151 Officers.
	1111	Direct Interaction with the Board	✓			Head of Internal Audit reports directly to the Audit Committees.
	1120	Individual Objectivity	✓			All members of the Internal Audit team are required to complete a Declaration of Interest form at the start of the financial year and any conflicts of interest are avoided in work allocations.
	1130	Impairment to Independence or Objectivity	✓			Approval sought from Audit Committees before undertaking any significant consulting services not already included in Audit Plans.
1200 – Proficiency and Professional Care	1210	Proficiency	✓			Head of Internal Audit is CCAB qualified and all Audit Managers hold professional qualifications and are suitably experienced for the role. Auditor is completing Institute of Internal Audit qualification.
	1220	Due Professional Care	✓			Experienced Audit staff exercise due professional care when planning and undertaking assignments. Scope of assignment is clarified within detailed audit planning record and the limitations to the scope and assurance provided are documented within audit planning records, audit reports and progress reports. All audit planning records are approved by the Head of Internal Audit before work commences.
	1230	Continuing Professional Development	✓			Staff attendance at training and development opportunities. All Audit Managers must satisfy professional body CPD requirements.
1300 – Quality Assurance & Improvement Programme	1310	Requirements of the Quality Assurance and Improvement Programme	✓			External assessment completed in 2013 and annual internal self-assessment conducted by Head of Internal Audit, which is included in the Annual Report.
	1311	Internal Assessments	✓			Ongoing monitoring of performance at monthly individual supervision meetings, team meetings and post audit completion discussions.

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						Customer Satisfaction Questionnaires (CSQs) requested from clients for each assignment and responses summarised for Audit Committees. Head of Internal Audit meets with senior management on regular basis and seeks feedback on value of the Internal Audit service and areas for development.
	1312	External Assessments	✓			External assessment conducted in 2013 by independent, professional company to assess against compliance with PSIAS.
	1320	Reporting on Quality Assurance and Improvement Programme	✓			The outcome of the external assessment and progress against the resulting improvement plan were reported to the Welland Board (where all Welland S151 officers are members) and to Audit Committees. All actions from the improvement plan were signed off by the Welland Board. Annual self-assessment against PSIAS included within Head of Internal Audit's Annual Report – to be presented to the Welland Board and Audit Committees.
	1321	Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	✓			Based upon completion of improvement plan and ongoing assessment and quality assurance processes, results support compliance with Standards and Code of Ethics.
	1322	Disclosure of Non-conformance	✓			Instances of non-conformance were reported to the Board and Committees following the external assessment. Progress against the improvement plan to address all areas of non-conformance was reported to Committees and management until all actions were signed off.
2000 – Managing the Internal Audit Activity	2010	Planning	✓			Process for development of risk based audit plans was presented to each Audit Committee for approval. Plans were developed with input from senior management and Committee members. Audit planning process is documented in Internal Audit Charter.
	2020	Communication and Approval	✓			Any changes to the approved Audit Plans during the financial year are communicated to the Audit Committee and subject to agreed approval mechanisms in accordance with the delegated decision making

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						arrangements.
	2030	Resource Management	✓			Resources reviewed on an ongoing basis to ensure these are appropriate, sufficient and effectively deployed. Team includes four professionally qualified, experienced Audit Mangers. Any concerns on adverse impact on provision of the audit opinion would be raised by the Head of Internal Audit in Annual Report.
	2040	Policies and Procedures	✓			Audit manual, charter and practice notes revised as part of improvement plan to ensure compliance with Standards.
	2050	Coordination	✓			Other sources of assurance are considered and reviewed as part of the Audit Planning process to avoid any duplication with other assurance providers.
	2060	Reporting to Senior Management and the Board	✓			<p>The Head of Internal Audit attends meetings with senior management and Audit Committees on a regular basis. Progress reports are presented at every Audit Committee meeting and details of assurance levels are provided with focus upon those of Limited Assurance opinions.</p> <p>The content of the progress reports has been agreed with the existing committees but is subject to constant review to ensure this meets the needs of members and supports effective decision making. The content of the progress reports is to be reviewed at the start of 2015/16 with proposals for amendments presented to the Welland Board and discussed with Audit Committees.</p> <p>* Area for further development – Action 1</p>
2100 – Nature of Work	2110	Governance	✓			<p>Audit team provides independent advice on drafting of governance related policies and attends governance groups, where applicable. Audit findings on risks and controls are presented to the Audit Committee and senior management with recommendations on areas for improvement.</p> <p>As appropriate, the Internal Audit team contributes to the development of the Annual Governance Statement.</p>

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						IT Governance reviews included in rolling IT Audit plan.
	2120	Risk Management	✓			<p>Internal Audit refer to the organisation's risk registers during Annual Planning exercises and provide training to committee members on risk management and the 'three lines of defence' to support effective review.</p> <p>Risks relating to the organisation's governance, operations and information systems, as well as fraud risks, form part of individual audit assignments, as stated in the audit planning records and audit reports.</p> <p>The Internal Audit plans for 2015/16 include review of risk management systems and procedures at two of the five Councils within the consortium. For those remaining Councils, as stated in the PSIAS 'Internal Audit gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness'. As such, the outcome of the various risk based assignments within the Audit Plans provide an understanding of the effectiveness of the Council's risk management procedures which can be raised with senior management and the Committee.</p> <p>Auditors are alert to other significant risks when undertaking any consulting engagements and give advice and make recommendations but it is the responsibility of management to implement these actions.</p>
	2130	Control	✓			In accordance with the risk based approach to Internal Audit assignments, the adequacy and effectiveness of controls are evaluated and reported upon on each audit assignment. The audit report template clearly provides an assurance rating for both design and compliance for each control.
2200 – Engagement Planning	2201	Planning Considerations	✓			An audit planning record is issued and subject to formal approval for all audits. This outlines the scope, objectives, timescales, resource

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						<p>allocations, access requirements and limitations to scope for the assignment. This is reviewed and approved by the Head of Internal Audit before issuing to the client.</p> <p>Any consultancy engagement is also subject to documented, agreed scope, objectives and respective responsibilities of the auditor and the client.</p>
	2210	Engagement Objectives	✓			Audit planning records are agreed for each engagement following preliminary discussions on risks with the audit clients and with input and review from Head of Internal Audit. Value for money considerations are included in the scope as appropriate.
	2220	Engagement Scope	✓			Detailed audit planning records are provided for all assignments establish the objectives, resources and access to systems, records, personnel and premises, as appropriate.
	2230	Engagement Resource Allocation	✓			Audit planning records state the number of audit days allocated to the assignment and the Audit Manager should agree a scope which is achievable within the resource available. The Head of Internal Audit reviews and approves all audit planning records before issuing to clients to ensure scope is appropriate and consistent with resource allocation.
2300 – Performing the Engagement	2310	Identifying Information	✓			Audit Managers ensure that sufficient, reliable and relevant information is used for audit assignments. File reviews conducted by Head of Internal Audit to confirm quality of evidence and basis for conclusions.
	2320	Analysis and Evaluation	✓			<p>File reviews conducted by Head of Internal Audit to confirm quality of evidence and basis for conclusions.</p> <p>Clearance meetings held with clients to discuss findings and basis for conclusions and provide opportunity to confirm accuracy of findings.</p>
	2330	Documenting Information	✓			Retention of evidence to support conclusions and engagement results is saved on the audit software and network folders, where access is limited to Audit staff. Any hard copy evidence is scanned onto the network and software and destroyed via confidential waste.

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						Practice note states 'Rutland County Council is the Consortium's employing body and the Consortium operates in line with the Council's Document Retention Policy'.
	2340	Engagement Supervision	✓			<p>Monthly supervision meetings held with each member of Audit team to discuss progress made with each assignment, any issues encountered, workload and priorities for the month ahead.</p> <p>All audit reports are reviewed by the Head of Internal Audit and evidence is retained on file. All working papers are reviewed by the Head of Internal Audit (unless completed by an Auditor and fully reviewed by Audit Manager). Evidence of the review is held on the audit software with full audit trail.</p>
2400 – Communicating Results	2410	Criteria for Communicating	✓			Internal Audit reports state the objectives, scope, conclusions, recommendations and agreed action plans.
	2420	Quality of Communications	✓			Head of Internal Audit review of reports ensures these are accurate, objective, clear, concise, constructive, complete and timely.
	2421	Errors and Omissions	✓			No incidents recalled of any significant errors or omissions in reports. Any such incidents would be suitably escalated for resolution.
	2430	Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'	✓			Based upon completion of the improvement plan arising from the external assessment and the internal self-assessment, results support this statement.
	2431	Engagement Disclosure of Non-conformance	✓			Not applicable.
	2440	Disseminating Results	✓			<p>The final reports issued on all assignments are provided to all individuals named on the circulation list, approved at the commencement of the audit. Any circulation to parties in addition to those listed on the audit planning record will be agreed with the Head of Internal Audit and senior management.</p> <p>Copies of all finalised audit reports are available to Committee members by requesting from the Head of Internal Audit or Section 151</p>

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						<p>Officer. Copies are provided to the Chair of the Audit Committee where agreed with the specific committee.</p> <p>The progress reports presented at each committee meeting include the outcome of each assignment, in relation to the assurance rating. In order to provide members of the committee with sufficient detail in relation to the findings, the content of the progress report is currently under review by the Head of Internal Audit and will consistently include a summary of each assignment completed during the period for each member of the consortium.</p> <p>* Area for further development – Action 1</p>
	2450	Overall Opinions	✓			<p>The Head of Internal Audit provides an annual Internal Audit opinion which can be used to inform the Council's governance statement. This report includes an opinion, a summary of work that supports that opinion and a statement on conformance with PSIAS.</p>
	2500	Monitoring Progress	✓			<p>There is an established process in place at each of the councils within the Consortium for the follow-up of progress made by management in implementing the agreed actions arising from audit reports.</p> <p>Internal Audit monitor and report to the Committee on the progress made. The Head of Internal Audit is currently reviewing the level of detail provided to Audit Committees on the implementation of actions to ensure these can be suitably reviewed and challenged, as necessary.</p> <p>* Area for further development – Action 1</p>
	2600	Communicating the Acceptance of Risks	✓			<p>Where an identified risk is accepted by management this is reflected in the audit report. Where the risk is subsequently accepted because the agreed action is no longer feasible this would be discussed with senior management and details and context would be reported to the Committee.</p> <p>If the Head of Internal Audit had concerns about the level of risk accepted by management this would be reported to the Committee.</p>

Conclusion

Based upon the self-assessment completed by the Head of Internal Audit on 23rd April 2015, the Welland Internal Audit Consortium is compliant with the Public Sector Internal Audit Standards (PSIAS).

One action for further development has been highlighted as follows:

Action	Details	Owner	Timescale
1	<p>Whilst the current Progress Reports presented to the Councils' Audit Committees include details of delivery of the Audit Plan and Assurance Opinions assigned to completed assignments, there is scope to further review and develop the content of these reports. In particular:</p> <ul style="list-style-type: none">• To ensure all progress reports include a summary of the key findings of audits completed during the period.• Any limited assurance opinions are suitably highlighted to the Committee's attention, with assurances over actions underway to address the issues raised.• Members should be provided with more details on the implementation of actions arising from audit reports including the nature of the actions, priority levels and timescales. This should enable Members to exercise their role in challenging any failure in implementing actions to address high risks to the Council. Focus should be upon actions assessed as High or Medium priority. <p>The format and content of the Progress Report will be reviewed and strengthened to ensure Members are provided with all information required to effectively exercise their roles and responsibilities.</p>	Head of Internal Audit	To present proposed format to Welland Board for approval by June 2015.