



Committee Report

Public

Date of Meeting: 12th July 2012

Title: Audit Services Out-turn Report 2011-12 and Review of the Effectiveness of Audit Services

Report of: Audit Manager (Carlisle City)

Report reference: RD 15/12

Summary:

This report summarises the work carried out by the Internal Audit shared Service for the year 2011-12.

It also provides information to Members relating to the effectiveness of Internal Audit, in the format agreed at the meeting of this Committee on 23rd January 2007.

Recommendations:

Members are requested to receive the report, to note progress made against the Audit Strategic Plan and to note and agree the information relating to the annual review of the effectiveness of Internal Audit.

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CITY OF CARLISLE

To the Audit Committee
12th July 2012

RD 15/12

INTERNAL AUDIT OUT-TURN REPORT 2011/12, OPINION ON THE ADEQUACY OF INTERNAL CONTROL AND REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT SERVICES

1 INTRODUCTION

1.1 This report should be considered in 3 parts:

- 2011/12 Outturn – this provides a summary of the work undertaken by Audit Services for the period 1st April 2011 to 31st March 2012 (section 2)
- Adequacy of Internal Control 2011/12 – this provides Internal Audit's opinion on the adequacy of the control environment during 2011/12 (section 3)
- Review of the Effectiveness of Internal Audit – this provides Members with performance information to enable a view to be taken on the effectiveness of Internal Audit Services (section 4)

2 2011/12 OUTTURN

2.1 The Strategic and Annual Audit Plans for 2011/12 were presented to the Audit Committee on 11th April 2011 – Report RD05/11 refers.

2.2 Members have previously received regular quarterly progress reports detailing the position of the Audit Plan. A full breakdown of the 2011/12 Audit Plan showing time spent and the reporting arrangement for each audit review is shown in **Appendix A**.

Summary Audit Plan 2011/12

Work Category	Original Days Allocated	Actual Days Taken	Diff
High risk reviews	247	217	(30)
Material Systems Reviews	125	158	33
Medium / Lower / Other Risks	40	38	(2)
ICT	30	10	(20)
Follow up reviews	10	11	1
Audit Reporting, Planning, Committees	40	51	11
Contingency	43	38	(5)
Unplanned Work		68	68
	535	592	56

- 2.3 The 2011/12 Audit Plan called for 535 direct audit days against which 591 direct audit days were delivered - 56 days more than originally planned as a result of unplanned work and some audits taking longer than anticipated.
- 2.4 Following discussions with the Director of Resources, it was agreed that a further 11 audit days should be charged to Carlisle City for elements of additional audit work undertaken in 2011/12. The remaining balance of 45 additional days has been met by the Internal Audit Shared Service.

Changes to Planned Work

- 2.5 The Audit Plan must be able to respond flexibly to the needs of the Council. It was necessary to make some adjustments to the Plan in year to accommodate 3 areas of unplanned work and defer audits 6 audits at the request / approval of the management.

Total audits in Plan	40
<i>Less:</i> audits deferred to allow time for unplanned work	2
audits deferred due to insufficient time to complete	4
audits postponed due to inappropriate timing	2
<i>Add:</i> unplanned audits	3
Total audits in revised Plan	<u>35</u>

- 2.6 Other key measures/outputs are summarised below:

2.6.1 Audit Completed

		<u>%</u>
		<i>(of revised plan)</i>
Reports issued by 31 March 2012	29	83%
<i>Add:</i> Further work completed to draft stage - pending review	2	89%
Ongoing audits – for completion in early 2012/13	<u>4</u>	
	<u>35</u>	

2.6.2 Material Audit Reviews

As in previous years, priority is given to the completion of the material audits. These focus on the fundamental systems of the Authority which have a high impact on the Authority's accounting systems and therefore on the Statements of Accounts.

There were 12 material systems scheduled for completion in the 2011/12 Audit Plan. Due to scheduling of these material reviews, much of this work falls in the 3rd and 4th quarters of the financial year and, as in previous years, there was a drive to complete all material reviews before 31 March 2012. All 12 system reviews were completed before the end of year.

3 ADEQUACY OF INTERNAL CONTROL DURING 2011-12

3.1 Management is responsible for the system of internal control and should put in place policies and procedures to ensure that systems are functioning correctly. Internal Audit examine, appraise and report on the effectiveness of financial and other management controls to enable it to provide an opinion on the adequacy of the control environment and report any significant control issues.

3.2 There is a requirement under the Accounts and Audit Regulations (England) 2011 to maintain an adequate and effective system of internal audit of the Council's accounting records and of its system of internal control. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the UK 2006 requires that the Head of Internal Audit provides a formal annual report to support the Annual Governance Statement. Following the review of the adequacy of internal control, the Committee must then approve an Annual Governance Statement, which has been prepared in accordance with proper practices in relation to internal control.

3.3 Opinion on the Adequacy of Internal Control 2011-12

3.3.1 It is not possible to give an opinion on the overall system of control within the Authority, as any such opinion can only be expressed in relation to the audit reviews which were undertaken during the year, the findings and recommendations made and the remedial actions taken by management.

3.3.2 Based on the breadth and depth of the work undertaken by Internal Audit during 2011/12 outlined at 3.4 – 3.5 below and the additional supporting information provided at 3.6- 3.7, Internal Audit has reached the opinion that that **the Authority's system of internal control is operating satisfactorily** and this opinion should be reflected in the Annual Governance Statement.

3.4 Completed Audit Reviews and Key Areas of Significance 2011/12

3.4.1 A range of audits were undertaken during 2011/12 in accordance with the agreed audit Plan, details of which were reported to the Audit Committee throughout the year. The outcome of these audits supports the overall opinion of internal control as each audit is given an assurance rating on its completion. **Appendix B** lists the 31 audits undertaken during the year – 28 of which have reached the final report stage for which the assurance statement is agreed.

4 substantial assurance
21 reasonable assurance
3 restricted assurance

3.4.2 In all, 89% of all audited systems have been assessed as substantial / reasonable. A summary of those 3 audits categorised as restricted assurance and the arrangements in place to address the issues raised is provided below.

(i) Housing Benefits Overpayments

The audit of Housing Benefit Overpayments raised concerns over the recovery arrangements in place and the increasing numbers of overpayments in the system. Members received a progress update in September 2011, which reported that good progress had been made to address many of the concerns raised by the audit. A formal audit follow up of this review is currently underway, the findings of which will be presented to members in September 2012.

(ii) Tendering and Contracting

The audit of Tendering and Contracting raised issues concerning the need for lead officers to work together more effectively on procurement and contractual matters and seek and act upon professional advice before entering into contractual arrangements. Completeness of the central contracts register was also raised as an area for address. A detailed action plan has been agreed to address the recommendations arising and a formal follow up audit will be undertaken in December 2012 to ensure that these have been properly implemented within the reported timescales.

(iii) Connect 2 Cycleway

This audit followed a “lessons learnt” approach and thus, had a formal assurance rating been provided on the conclusion of this review, this would have been categorised as restricted assurance. Again, a detailed action plan has been agreed and improvement actions noted. A follow up audit will be undertaken later in 2012/13.

3.5 Furthermore, there is an agreed practice for bringing any of the following issues to Members’ attention:

Issue	Action required in 2011/12
Any instances where it is not possible to reach agreement on a grade “A” recommendation	There were no such occurrences during 2011/12.
Any instances where no action has been taken on an agreed recommendation and no reasonable explanation has been provided – all follow ups have been undertaken.	All follow up were undertaken and it was not necessary to report any instances of unactioned recommendations in the year
Any matters which are likely to have an adverse effect on the Annual Governance Statement.	There were no significant governance and /or internal control issues arising in year which would have an adverse impact on the Annual Governance Statement. .
Any matters which Audit Services has needed to feed into the Governance Statement Action Plan during the course of the year, including any significant issues arising from audit work.	There were no such issues arising.

Any other matters relating to systems, controls etc to which it is deemed necessary to draw Members' attention.	There were no specific issues where it was necessary to draw Members' attention to in year.
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3.6 Fraud Summary

3.6.1 Counter Fraud Arrangements

The Council has proper documented and up to date counter fraud arrangements in place to deal with instances of suspected fraud and/or irregularities, however these need to be more effectively communicated and understood by officers.

One incident which incurred a lengthy investigation in 2010/11 was brought to Internal Audit's attention on its conclusion in late 2011/12. Whilst being effectively investigated, this did not follow the agreed formal reporting procedures as detailed in the Fraud, Theft and Corruption Response Plan. It is suggested that a wider understanding of the fraud investigating and reporting arrangements in place would have directed the investigation and reporting procedures in line with agreed procedures. It should also be noted that training on Counter Fraud awareness and reporting arrangements, which is aimed at key officers, has been deferred for the last two consecutive years due to lack of attendance.

Whilst Internal Audit have been involved in investigating matters of suspected fraud and irregularities during the year, there have been no confirmed instances arising which have required formal report to the Audit Committee.

There was once reported case of an attempt to defraud the Council by means of a fraudulent request to change the bank account of a key supplier. The vigilance of creditor staff and the adherence to agreed procedures successfully highlighted this attempt and actions were taken to report the matter accordingly in line with Counter Fraud procedures.

3.6.2 National Fraud Initiative (NFI)

The NFI is a data matching exercise led by the Audit Commission and is carried out every 2 years; the last exercise was on 2010 data. It compares information held by and between around 1,300 public sector organisations including local authorities, the police and hospitals. This helps to identify potentially fraudulent claims, errors and overpayments as data matches may warrant further investigation. It is hosted on a secure website which allows for secure authorised contacts to be made if required.

Revenues and Benefits receive and investigate a large percentage of the data matches and these are outside the scope of Internal Audit's responsibilities with this exercise. From the areas investigated by Audit, which predominantly relates to payroll and creditor payments, there were no significant findings arising from this exercise.

What was apparent from this NFI exercise, however, is that the Council would benefit from an NFI lead officer to coordinate, monitor and report on the summary outcome of future NFI data matching exercises for the whole Authority. As the lead responsible

officer, the Director of Resources may wish to delegate this responsibility for future exercises.

4 REVIEW OF THE EFFECTIVENESS OF AUDIT SERVICES 2011/12

- 4.1 The Accounts and Audit (England) Regulations 2011 make it a requirement upon local authorities to carry out an annual review of the effectiveness of the system of internal audit.
- 4.2 The findings of this review are considered by the Members of the Audit Committee and at its meeting in January 2007, Members agreed that in order to meet this requirements (of the then Accounts and Audit (Amendment) (England) Regulations 2006), they would rely on the completion of the detailed questionnaire provided in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. This checklist is still regarded as the CIPFA benchmark for internal audit evaluation.
- 4.3 The Internal Audit Shared Service complies with the CIPFA Code of Practice for Internal Audit in Local Government and assesses its arrangements on an annual basis. It is therefore appropriate for the Audit Committee to receive the 2011/12 assessment, noting the local arrangements in place for Carlisle City. This assessment is attached as **Appendix C**.
- 4.4 The arrangements for Internal Audit at Carlisle City are considered to be robust, although it is recognised that improvements in the areas of client feedback information would further strengthen the audit arrangements in place. Action is being taken to address this matter in 2012/13.
- 4.5 Audit Service's Outturn Report for 2011/12, detailed in sections 2 of this report, highlights effective performance. The 2011/12 Audit Plan was substantially completed and where it was necessary to defer audit work in 2011/12, this was done at the request of the Director of Resources and arrangements have been made to incorporate deferred audits into the 2012/13 Audit Plan.
- 4.6 Appropriate action has been taken to address previous recommendations made which were followed up during the course of the year. There were no reported instances where recommendations were found to be un-actioned i.e. not support with a full reason and agreed by Audit Services.
- 4.7 There were a number of improvements to Internal Audit's approach to its work and reporting arrangements during 2011/12:
- Better reporting of proposed / necessary changes to the Plan was introduced during 2010/11. Control over such changes is an important element of the Shared Service's performance regime. This element was continued alongside other improvements to reporting mechanisms throughout 2011/12; revised audit reporting format and Audit Committee information was implemented in the early part of 2011/12 and is now fully embedded and operating effectively.
 - The time spent on material reviews takes up a significant amount of planned audit days. The team has refocused its approach to these annual audits and has

successfully reduced the actual time taken on material audits during 2011/12 from 158 days (27% of total audit days delivered), compared to 203 days (38% of actual audit days delivered) in 2010/11 – a reduction of 45 days.

The approach to material audits continues to be under review by the Shared Service and the scope and depth of these audits, particularly in the area of Revenues and Benefits, is to be reconsidered once again for 2012/13.

- 4.8 Overall, it is considered that the Internal Audit Shared Service has delivered an effective service in 2011/12. Delivery of Internal Audit through the Shared Service arrangement continues to directly benefit the Authority and its position and role has been greatly strengthened, allowing for the service to be more resilient as a result of this arrangement.

5 RECOMMENDATIONS

Members are requested to:

- 5.1 **Receive the report;**
- 5.2 **Note the outturn position for 2011/12 and progress made against the Strategic Audit Plan;**
- 5.3 **Note the opinion provided on the adequacy of Internal Control and the need to raise awareness of the corporate fraud reporting arrangements.**
- 5.4 **Note and agree the information relating to the adequacy and effectiveness of Audit Services.**

Gill Martin
Audit Manager

AUDIT PLAN 2011/12
Outturn Position (to 31st March 2012)

APPENDIX A

<u>Status</u> <u>(at 29.06.12)</u>	<u>Audit</u> <u>Category</u>	<u>Directorate</u>	<u>Audit Area</u>	<u>Allocated</u> <u>Days</u>	<u>Days</u> <u>Taken</u>	<u>Comments</u>
Draft Issued	High Risk	Com. Engagement	Customer Contact Centre	15	17	Final report will be considered at the September 2012 Audit Committee
Draft Issued	High Risk	Com. Engagement	Tullie House	10	11	Final report will be considered at the September 2012 Audit Committee
Deferred	High Risk	Com. Engagement	Community Support	10	0	Deferred until 2012/13 at request of Director of Resources
Deferred	High Risk	Com. Engagement	Events	10	0	Ongoing transformational review of this service area, therefore not practical to commence at this time. Postponed until 2012/13.
Deferred	High Risk	Com. Engagement	Supporting People	15	0	Deferred until 2012/13 at request of Director of Resources
Completed	High Risk	Corporate	Tendering & Contracting (inc. e-Procurement & Frameworks)	25	37	Detailed review. Combined approach undertaken to provide wider coverage of corporate e-procurement activities along side tendering & contracting practices and procedures. Final report to be considered at the July 2012 Audit Committee
Completed	High Risk	Corporate	Risk Management Arrangements	10	21	Comprehensive first review of this area plus contingency. Final report considered by the September 2011 Audit Committee.
Completed	High Risk	Local Env. / Resources	Insurance (inc highways) -	10	30	Difficulty in obtaining information hindered progress. Challenging review which brought in performance management measures. Final report considered by the October 2011 Audit Committee

Deferred	High Risk	Local Environment	Street Cleaning	10	0	Ongoing transformational review of this service area, therefore not practical to commence at this time. Postponed until 2012/13. Agreed June 2011
Ongoing	High Risk	Local Environment	Recycling	15	16	Initial piece of work completed.
Deferred	High Risk	Local Environment	Refuse Collection	10	0	Ongoing transformational review of this service area, not practical to commence at present time therefore postponed until 2012/13 at request of Director of Resources.
Completed	High Risk	Local Environment	Highways Contract & Claimed Rights	15	5	Initial piece of work completed.
Completed	High Risk	Local Environment	Cemeteries & Crematorium (Income)	12	20	Final report was considered by the October 2011 Audit Committee
Deferred	High Risk	Resources	Asset Management	15	0	Deferred until 2012/13 at request of Director of Resources
Ongoing	High Risk	Resources	Transformation	15	0	
Completed	High Risk	Resources	Partnerships	10	15	Final report to be considered by the April 2012 Audit Committee
Completed	High Risk	Resources	Capital Resources / Programme	15	13	Final report to be considered by the April 2012 Audit Committee
Completed	High Risk	Resources	ICT Connect - Shared Service Governance Arrangements	5	8	Joint ICT review with Allerdale BC - Findings & Action Plan was considered by the September 2011 Audit Committee
Completed	High Risk	Resources	Properties for Rent & Industrial Estates	10	20	Combined with work brought forward from 2010/11. Review widened to incorporate Industrial Estates. Final report was considered by the August 2011 Audit Committee
Completed	High Risk	Resources	Facilities Management / Building Maintenance	10	3	Final report will be considered at the July 2012 Audit Committee

TOTAL DAYS FOR HIGHER RISK AUDITS

247 217

Completed	Low Risk	Resources	VAT	10	10	Final report to be considered by the January 2012 Audit Committee
Completed	Low Risk	Local Environment	Pest Control	5	6	Final report was considered by the July 2011 Audit Committee
Completed	Low Risk	Resources	CRB Compliance	5	5	Final report to be presented to the July 2012 Audit Committee
<i>Deferred</i>	<i>Other</i>	<i>Corporate</i>	<i>External Grant Funding</i>	5	0	<i>Quality checking - work to commence after year end</i>
Completed	Other	Corporate	National Fraud Initiative (NFI)	15	18	Briefing on exercise incorporated in the final outturn report
TOTAL DAYS FOR OTHER AUDITS				40	38	
Completed	Material	Resources	Income Management & Cash Collection	12	18	Final report was considered by the April 2012 Audit Committee
Completed	Material	Resources	Fixed Assets	12	9	Final report was considered by the April 2012 Audit Committee
Completed	Material	Resources	Main Accounting System	15	13	Final report was considered by the April 2012 Audit Committee
Completed	Material	Com. Engagement	Housing & Council Tax Benefits	12	21	Final report to be presented to the July 2012 Audit Committee
Completed	Material	Resources	Treasury Management	8	14	Final report was considered by the April 2012 Audit Committee
Completed	Material	Resources	Creditors	8	12	Final report to be presented to the July 2012 Audit Committee
Completed	Material	Com. Engagement	Housing Regeneration (Improvement grants)	8	19	Final report was considered by the January 2012 Audit Committee

Completed	Material	Resources	Payroll	10	9	Final report to be presented to the July 2012 Audit Committee
Completed	Material	Resources	Debtors	8	8	Final report was considered by the April 2012 Audit Committee
Completed	Material	Com. Engagement	NNDR	10	16	Final report to be presented to the July 2012 Audit Committee
Completed	Material	Com. Engagement	Council Tax	12	12	Final report was considered by the April 2012 Audit Committee
Completed	Material	Local Environment	Car Parking	10	8	Final report to be presented to the July 2012 Audit Committee
			TOTAL DAYS FOR MATERIAL AUDITS	125	158	
Draft Issued	ICT		IT Strategy	10	4	Final will be presented to September 2012 Committee
Completed	ICT		Network Controls	10	6	Final report to be presented to the July 2012 Audit Committee
<i>Deferred</i>	<i>ICT</i>		<i>Service Desk, Incident & Problem Management</i>	<i>10</i>	<i>0</i>	<i>Deferred until 2012/13 at request of Director of Resources</i>
			TOTAL DAYS FOR ICT AUDITS	30	10	
			TOTAL DAYS FOR CONTINGENCY	43	38	Relates to additional time allocations, VFM and other misc. advice / support / "hot assurance" work.
			AUDIT MANAGEMENT	40	51	Audit Management, Reporting, Planning and Committees. Also includes attendance at Corporate Risk Management Group - unplanned time
			AUDIT FOLLOW UP REVIEWS	10	11	
<u>Other Work:</u>						
Completed	B/fwd 2010/11	Governance	Health & Safety	-	12	Final report was considered by the July 2011 Audit Committee

Completed	Local Environment	Connect 2 Cycleway Project - Sustrans Grant	-	41	Findings to be presented to the July 2012 Audit Committee
Completed	Com. Engagement	Housing Benefits Overpayments	-	15	Final report was considered by the August 2011 Audit Committee
		TOTAL DAYS FOR UNPLANNED AUDITS		68	
		TOTAL AUDIT DAYS	535	591	

**Carlisle City - Record of Assignments
2011-2012**

(Audit Scope) Narrative	Risk Rating	Draft Report Sent	Final Report Sent	Assessment
Customer Contact Centre	High	29.05.12		
Partnerships	High	27.01.12	08.03.12	reasonable
eTendering & Contracting	High	08.12.11	29.06.12	restricted
Capital Resources / Programme	High	01.02.11	30.03.12	substantial
Industrial Estates - lettings / Properties with Rents	High	04.08.11	04.08.11	reasonable
Tullie House	High	30.03.12		
Insurance (inc highways)	High	04.10.11	20.11.11	reasonable
ICT Shared Service / Service Level Mgt	High	15.09.11	20.11.11	reasonable
Facilities Mgt / Building Maintenance	High	19.06.11	29.06.12	reasonable
Risk Management Arrangements	High	04.08.11	12.09.11	reasonable
Cemeteries, Crematorium	High	13.10.11	20.10.11	reasonable
VAT	Medium	22.12.11	04.01.12	reasonable
Pest Control	Medium	21.06.11	21.06.11	reasonable
CRB Compliance	Medium	17.05.12	26.06.12	reasonable
Income Management & Cash Collection	Material	20.03.12	30.03.12	substantial
Fixed Assets	Material	30.03.12	30.03.12	reasonable
Main Accounting System	Material	29.03.12	29.03.12	substantial
Housing & Council Tax Benefits	Material	09.03.12	28.05.12	reasonable
Treasury Management	Material	29.03.12	30.03.12	substantial
Creditors	Material	30.03.12	26.06.12	reasonable
Housing Regeneration (Improvement grants)	Material	13.12.11	20.12.11	reasonable
Payroll	Material	28.03.12	30.03.12	reasonable
Debtors	Material	09.02.12	30.03.12	reasonable
NNDR	Material	10.03.12	17.05.12	reasonable
Council Tax	Material	19.03.12	30.03.12	reasonable
Car Parking	Material	29.03.12	09.05.12	reasonable
IT Strategy	ICT	28.06.12		
Network Controls	ICT	24.04.12	29.05.12	reasonable
Health & Safety	Unplanned	23.06.11	23.06.11	reasonable
Connect 2 Cycleway Project	Unplanned	15.03.12	02.06.12	<i>*restricted</i>
HB Overpayments	Unplanned	06.07.11	06.07.11	restricted

See paragraph 3.4.2. (iii)

CHECKLIST – COMPLIANCE WITH THE CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT IN LOCAL GOVERNMENT

Updated by Gill Martin, Audit Manager 28/6/12

Please tick to indicate Y = YES, P = PARTIAL, N = NO. Where ‘partial’ or ‘no’, you should give reasons for any non-compliance, and any compensating measures in place or actions in progress to address this.

Note: Ref numbers relate to the Standards in the Code of Practice and are not always in chronological order.

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
1	Scope of Internal Audit					
1.1	Terms of Reference					
1.1.1	Do terms of reference: (a) establish the responsibilities and objectives of Internal Audit? (b) establish the organisational independence of Internal Audit? (c) establish the accountability, reporting lines and relationships between the Head of Internal Audit and: (i) those charged with governance? (ii) those parties to whom the Head of Internal Audit may report? (d) recognise that Internal Audit’s remit extends to	√ √ √ √			See Internal Audit Shared Service contract Audit Committee Rules of Governance agreed by Audit Committee 17 th July 2006. Financial Procedure Rules C22 (Page 56) set out the responsibilities and access	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
1.1.1 cont'd	<p>the entire control environment of the organisation?</p> <p>(e) identify Internal Audit's contribution to the review of the effectiveness of the control environment?</p> <p>(f) require and enable the Head of Internal Audit to deliver an annual audit opinion?</p> <p>(g) define the role of Internal Audit in any fraud-related or consultancy work (see also 1.3.2)?</p> <p>(h) explain how Internal Audit's resource requirements will be assessed?</p> <p>(i) establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</p>	√			<p>rights of Internal Audit.</p> <p>Detailed in the Fraud Theft and Corruption Response Plan.</p>	
1.1.2	Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?	√			<p>Terms of reference for Internal Audit are in shared service contract.</p> <p>The Audit Strategy is agreed by the Audit Committee annually.</p>	
1.1.3	Have the terms of reference been formally approved by the organisation?	√			<p>Included in the Shared Service contract.</p> <p>Audit Strategy approved by Audit Committee 11 April 2011.</p>	
1.1.3	Are terms of reference regularly reviewed?	√			<p>Terms of reference for Internal Audit</p>	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
					are in shared service contract. Audit Strategy is agreed by the Audit Committee annually.	

1.2	Scope of Work					
1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	√			Annual risk assessment of auditable areas. See RD5/11 on 11 April 2011. This includes a review of the corporate Strategic and Operational Risk Registers.	
1.2.3	Where services are provided in partnership has the Head of Internal Audit identified: (a) how assurance will be sought? (b) agreed access rights where appropriate?	√ √			Carlisle City has entered into a Internal Audit Shared Service – arrangements established to ensure that proper assurance processes are established and access rights agreed.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
1.3	Other Work					
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the: (a) skills, and (b) resources to do this?	√ √			Shared Internal Audit Service can access necessary skills and resources as required. Specialist counter fraud support is provided by NHS Cumbria. There is also a dedicated Fraud Team in Revenues & Benefits. They largely deal with Benefits fraud but also investigate other potential fraud, as part of the National Fraud Initiative exercise.	
1.3.2	Do the terms of reference define Internal Audit's role in: (a) fraud and corruption? (b) consultancy work?	√ √			In Shared service contract	
1.4	Fraud and Corruption					
1.4.2	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	√			Instructions to managers /employees are set out in the Fraud theft and Corruption Response Plan. There is a Counter Fraud and Corruption Policy and Confidential Reporting Policy, both of which Audit has an involvement. Audit Manager is one of	

					the named contacts.	
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Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
2	Independence					
2.1	Principles of Independence					
2.1.1	Is Internal Audit: (a) independent of the activities it audits? (b) free from any non-audit (operational) duties?	√ √			Internal audit is independent of the activities it audits and is free from any non-audit duties.	
2.1.2	Where internal audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	√			Audit may have been consulted but it would be clear that such consultation would not prejudice any future comment / review of that area.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
2.2	Organisational Independence					
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	√			<p>Internal Audit reports directly to the s.151 Officer - the Director Resources.</p> <p>Independence is gained via Internal Audit being provided by non-Carlisle City staff via a shared service arrangement.</p> <p>The Financial Procedure Rules also give the Head of Audit direct access to the Chief Executive and to the Chairman of the Audit Committee.</p>	
2.2.2	Does the Head of Internal Audit have direct access to: (a) officers? (b) members?	√ √			See 2.2.1 above	
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers?		√		<p>Outturn reports are in the name of the Audit Manager.</p> <p>Progress reports remain in the name of the Director of Resources although the Audit Manager is the Key Contact.</p>	

2.2.3	<p>(a) Is there an assessment that the budget for Internal Audit is adequate?</p> <p>(b) Does any budget delegated to service areas ensure that:</p> <p>(i) Internal Audit adherence to the Code is not compromised?</p> <p>(ii) the scope of Internal Audit is not affected?</p> <p>(iii) Internal Audit can continue to provide assurance for the Statement on Internal Control?</p>	√			<p>(a) Reviewed annually, but subject to arrangements in shared service contract. This includes an efficiency factor which Carlisle City may choose to take as reduced cost or additional audit days.</p> <p>(b) Not applicable – budget for IA held corporately.</p>	
2.3	Status of the Head of Internal Audit					
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	√			Reporting line is to the Director of Resources– a member of the Senior Management Team - via the Financial Services Manager.	
2.5	Independence of Internal Audit Contractors					
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?				Not applicable – no non-audit services provided.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
2.6	Declaration of Interest					
2.6.1	Do audit staff make formal declarations of interest?	√			Annual declarations made by all members of Audit Shared Service and independently reviewed by line manager noting any actions required, such as restrictions on where work can be done to avoid any potential conflict of interest.	
2.6.2	Does the planning process take account of the declarations of interest registered by staff?	√			See 2.6.1.	
3	Ethics for Internal Auditors					
3.1	Purpose					
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	√			Audit Standards covered at induction and when codes updated. Most staff are also members of professional bodies with their own ethics code. All audit work is quality-checked to ensure objectivity and that report points	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
					are evidence-based.	
3.2	Integrity					
3.2.1	Has the internal audit team established an environment of trust and confidence?	√				
3.2.1	Do internal auditors demonstrate integrity in all aspects of their work?	√			As 3.1.1 - each audit report is independently reviewed.	
3.3	Objectivity					
3.3.2	Are internal auditors perceived as being objective and free from conflicts of interest?	√			As 2.1.1 & 2.1.2 Auditors adhere to relevant professional guidelines on ethical compliance.	
3.3.3	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	√			Audit staff may not undertake audit work in an area in which they have had direct involvement until at least two years has passed.	
3.3.4	Are staff rotated on regular/annually audited areas?	√			Every effort is made to ensure that all audit staff undertake a variety of duties commensurate with their grade.	

3.4	Competence					
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of: (a) the organisation's aims, objectives, risks and governance arrangements? (b) the purpose, risks and issues of the service area? (c) the scope of each audit assignment? (d) relevant legislation and other regulatory arrangements that relate to the audit?	√ √ √ √			Competencies are set out in individual job descriptions for each grade of staff. The County Council's appraisal process incorporates a review of training needs and all staff are encouraged to become professionally qualified and continually update their skills by attending specific training or undertaking new areas of work.	
Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
3.5	Confidentiality					
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	√			Internal audit staff understand their obligations in respect of confidentiality.	
4	Audit Committees					
4.1	Purpose of the Audit Committee					
4.1.1	Does the organisation have an independent audit	√			Yes	

	committee?					
4.2	Internal Audit's Relationship with the Audit Committee					
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	√			Yes, Audit Manager attends all briefings and committee meetings and has direct access to the Chair.	
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	√			Yes – Audit Committee approves annual plan alongside strategy and receives quarterly monitoring reports throughout the year.	
4.2.2	Does the committee approve the annual internal audit plan and monitor progress?	√			As 4.2.2	

4.2.4	<p>Does the Head of Internal Audit:</p> <p>(a) attend the committee and contribute to its agenda?</p> <p>(b) participate in the committee's review of its own remit and effectiveness?</p> <p>(c) ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives?</p> <p>(d) report on the outcomes of internal audit work to the committee?</p> <p>(e) establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa?</p> <p>(f) present the annual internal audit report to the committee?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>			<p>The Audit Manager contributes to the agenda, attends briefings and Committee meetings, reports on the outcome of internal audit work. She identifies necessary changes to the audit plan, and presents an annual report, including an opinion on the internal control and risk management framework</p>	
4.2.5	<p>Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?</p>	<p>√</p>			<p>Yes, if required</p>	
5	Relationships					
5.1	Principles of Good Relationships					
5.1.2	<p>Is there a protocol that defines the working relationship for Internal Audit with:</p>					

	(a) management? (b) other internal auditors? (c) external auditors? (d) other regulators and inspectors? (e) elected members?	√ √ √ √ √	√		a- Procedures in place and no issues with these but no formal protocol established. b- Audit procedures / CIPFA standards define roles & responsibilities for internal auditors. Work with other internal auditors via the Cumbria Audit Group. All work to, and are bound by, the CIPFA Code of Practice for Internal Audit in Local Government. c- Audit protocol agreed with external auditors (Audit Commission). d- not applicable e - Head of Audit has access to Chair of Audit Committee if required.	<i>Develop protocol for management that sets out agreement of scope, response required within agreed period & responsibility for implementing recommendations in agreed timescale</i>
5.2	Relationships with Management					
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	√			Consultation with managers in drawing up Audit Plan and prior to each individual audit; audit briefs and draft reports are agreed.	

5.2.2	Is the timing of audit work planned in conjunction with management?	√			General timing of planned audits discussed at liaison meetings with Directors (at audit annual planning stage) and with individual Service Managers for individual audits.	
5.3	Relationships with Other Internal Auditors					
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?	√			Evidence of joint working with other districts outside the Internal Audit shared service – example joint ICT working undertaken with Allerdale BC	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
5.4	Relationships with External Auditors					
5.4.2	Is it possible for Internal Audit and External Audit to rely on each other's work?	√			<p>The Triennial Review of Internal Audit by the Audit Commission (Sept 2009) confirmed that Internal Audit complied with the CIPFA standards for internal audit.</p> <p>External Audit places reliance on the work of Internal Audit, particularly for the work undertaken on the main financial systems.</p>	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	√			Regular dialogue is maintained	.
5.4.3	Are the internal and external audit plans co-ordinated?	√			<p>Yes – fundamental systems work is carried out towards end of year so that external auditor can place reliance on Internal Audit work. System flowcharts and key controls documentation is also shared so a common understanding of main systems and key controls is developed. In 2011/12 this included conducting joint walkthrough testing for some systems.</p> <p>The Audit Commission is consulted on the Internal Audit plan each year.</p>	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
5.5	Relationships with Other Regulators and Inspectors					
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?	√			Would do so if and /when necessary.	
5.6	Relationships with Elected Members					
5.6.1	Do the terms of reference for Internal Audit define the channels of communication with members and describe how such relationships should operate?	√			Financial Procedure Rules give access to Chair of Audit Committee.	
5.6.1	Does the Head of Internal Audit maintain good working relationships with members?	√			Only contact is via the Audit Committee and contribution to portfolio holder's report.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
6	Staffing, Training and Continuing Professional Development					
6.1	Staffing Internal Audit					
6.1.1 (a)	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	√			Head of Audit maintains an appropriate staffing structure for Internal Audit Shared Service.	
6.1.1 (b)	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the internal audit team?	√			Where skills are not available in-house these are purchased from elsewhere eg counter fraud/investigatory skills.	
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	√			Head of Internal Audit is CIPFA qualified with significant Internal Audit experience. Audit Manager is MIIA qualified with substantial internal audit experience.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
6.1.2	Does the Head of Internal Audit have wide experience of internal audit and management?	√			Both Head of Internal Audit and Audit Manager have wide experience of internal audit management.	
6.1.3	(a) Do all internal audit staff have up-to-date job descriptions? (b) Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?	√ √			All staff have up-to-date job descriptions.	
6.2	Training and Continuing Professional Development					
6.2.1	(a) Has the Head of Internal Audit defined the skills and competencies for each level of auditor? (b) Are individual auditors periodically assessed against these predetermined skills and competencies? (c) Are training or development needs identified and included in an appropriate ongoing development programme? (d) Is the development programme recorded, regularly reviewed and monitored.	√ √ √ √			Training needs are assessed on an annual basis via appraisals and following this an annual training & development plan is produced, which links training to the objectives of the Unit. Completed training is documented in the training & development plan.	
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	√			Completed training is documented in the training & development plan.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
7	Audit Strategy and Planning					
7.1	Audit Strategy					
7.1.1	(a) Is there an internal audit strategy for delivering the service? (b) Is it kept up to date with the organisation and its changing priorities?	√ √			Audit Strategy is reviewed annually and approved by the Audit Committee.	
7.1.2	Does the strategy include: (a) Internal Audit objectives and outcomes? (b) how the Head of Internal Audit will form and evidence his or her opinion on the control environment? (c) how Internal Audit's work will identify and address local and national issues and risks? (d) how the service will be provided, ie internally, externally, or a mix of the two? (e) the resources and skills required to deliver the	√ √ √ √ √			Yes	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
	strategy?					
7.1.3	Has the strategy been approved by the audit committee?	√			See 7.1.1	
7.2	Audit Planning					
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	√			Annual plan is based on risk assessment which includes due consideration of Carlisle City's strategic and operational risk registers.	
7.2.1	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?	√			Risk assessment for setting annual plan takes into account Audit Manager's risk assessment which includes materiality, previous audit assessments and consultation with managers.	
7.2.1	Are stakeholders consulted on the audit plan?	√			Individual Directors comment upon the strategic plan for their respective areas. The Plan will be considered by SMT in future years. Audit Committee is consulted on	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
					the draft audit plan. Also copied to the external auditor for comments.	
7.2.2	Does the plan demonstrate a clear understanding of the organisation's functions?	√			Yes.	
7.2.3	Does the plan: (a) cover a fixed period of no longer than one year? (b) outline the assignments to be carried out? (c) prioritise assignments? (d) estimate the resources required? (e) differentiate between assurance and other work? (f) allow a degree of flexibility?	√ √ √ √ √			An annual plan is produced. Yes Yes Yes Yes Yes – contingency included	
7.2.4	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?	√			Yes – quarterly reports may advised Audit Committee of any resources issues.	
7.2.5	Has the plan been approved by the audit committee?	√			Annual plan is approved by Audit Committee. 2012/13 plan was approved in April 2012.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
7.2.6	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	√			Yes	

8	Undertaking Audit Work					
8.1	Planning					
8.1.1	(a) Is a brief prepared for each audit? (b) Is the brief discussed and agreed with the relevant managers?	√ √			An audit brief is prepared for each audit which is agreed with the Audit Manager and the relevant service manager. This provides an opportunity to request additional work if there are areas of concern.	
8.1.1	Does the brief set out: (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements?	√ √ √ √ √			Template used which covers all of these areas.	

8.2	Approach				
8.2.1	Is a risk-based audit approach used?	√			Annual risk assessment exercise assesses risks associated with each system. Also use CIPFA Matrices guide to risks for individual system audits.
8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	√			Audit approach raises interim key issues with managers in advance of the draft report
8.2.4	Does the audit approach include a quality review process for each audit?	√			<p>Audit Manager undertakes a review of the draft report and working papers.</p> <p>A review checklist held on each file which is completed the auditor who has carried out the audit. Auditor independent of the audit review undertakes final file quality check as part of closure.</p>

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
8.3	Recording Audit Assignments					
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	√			Standard documentation and working papers used.	
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	√			Review includes a check that the standard file and report format has been used.	
8.3.2	Are working papers such that an experienced auditor can easily: (a) identify the work that has been performed? (b) re-perform it if necessary? (c) see how the work supports the conclusions reached?	√ √ √			All tests have a testing summary sheet which describes the testing undertaken for each area and the results. This is cross-referenced to the supporting working papers.	
8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	√			Corporate retention guidelines.	
8.3.3	Do all retention and access policies conform to appropriate legislation, ie Data Protection Act, Freedom of Information Act, etc and any organisational requirements?	√			Corporate retention guidelines are based on national standards.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
8.3.3	Is there an access policy for audit files and records?	√			Freedom of Information policy. Audit reports are presented to Audit Committee and therefore in the public domain.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
9	Due Professional Care					
9.2	Responsibilities of the Individual Auditor					
9.2.1	Are there documents that set out the requirements on all audit staff in terms of: (a) being fair and not allowing prejudice or bias to override objectivity? (b) declaring interests that could be perceived to be conflicting or could potentially lead to conflict? (c) receiving and giving gifts and hospitality from employees, clients, suppliers or third parties? (d) using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions?	√ √ √ √			All internal auditors are aware of their individual responsibilities for due professional care.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
	(e) being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest? (f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed? (g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice? (h) disclosing any non-compliance with these standards? (i) not using information they gain in the course of their duties for personal use?	√ √ √ √ √ √				
9.3	Responsibilities of the Head of Internal Audit					
9.3.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	√			Review of all audit work undertaken / all reports issued to reinforce standards. Review checklist is filed on each system audit file. On-the-job supervision and training.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	√			Confidential Reporting Policy and Counter Fraud and Corruption Policy.	
10	Reporting					
10.1	Principles of Reporting					
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	√			Contained in the management summary of the report.	
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report? <i>(note – there is no 10.1.2)</i>	√			Standard format report issued following each audit to relevant Director, Service Manager and key auditees. The key findings from each review is considered by the Audit Committee ort along with the agreed action plan. Annual report on Internal Control to the Audit Committee.	
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	√			Standard format report.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
10.1.5	Are there laid-down timescales for reports to be issued?	√			Protocol in place for the issue of reports.	
10.2	Reporting on Audit Work					
10.1.4 10.1.4 10.2.2 10.2.1 10.1.4 10.2.1	Do the reporting standards include: (a) format of the reports? (b) quality assurance of reports? (c) the need to state the scope and purpose of the audit? (d) the requirement to give an opinion? (e) process for agreeing reports with the recipient? (f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	√ √ √ √ √ √			Standard format for report. Quality assurance of report included in review checklist Retained on relevant audit file. Process for agreeing reports included in audit procedures. An action plan detailing issue raised, action to be taken, responsible officer and timescale is included with each report which has recommendations arising.	
10.2.3	Does the audit reporting process include discussion and agreement of reports?	√			If this is a routine annual audit, often simply agreed by e.mail. Alternatively a meeting can be arranged with the relevant service manager.	
10.2.4	Has the Head of Internal Audit determined a	√			Detailed in the management	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
	process for prioritising recommendations according to risk?				summary of the report.	
10.2.5	Are areas of disagreement recorded appropriately?	√			Recorded in the "Action Agreed" column of the action plan. Where agreement can not be reached this would be discussed with the Director of Resources. Failure to agree at that level would lead to a report to the Audit Committee.	
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention of senior management?	√			As 10.2.5 above. Senior management receive a copy of the report. Also copied in to Quarterly Monitoring Report to the Audit Committee. S.151 Officer attends the Audit Committee plus other members of the Senior Leadership Team, as available and depending upon agenda items.	
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	√			Standard circulation is known at the start of the audit – as 10.1.3	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
					above. Finalised when the audit is complete, as test results may result in an action for an employee that has not been foreseen at the start of the audit.	
10.2.6	(a) Does the reporting process include details of circulation of that particular audit report? (b) Is this included in the brief for each individual audit?	√ √			Included in the covering report distribution email. Key contacts included on Audit Brief.	
10.2.7	Does the Head of Internal Audit have mechanisms in place to ensure that: (a) recommendations that have a wider impact are reported to the appropriate forums? (b) risk registers are updated?	√ √			Appendices to all audit reports ensure that recommendations are brought to the attention of all relevant parties including the Audit Committee. Any specific risks noted by the audit review would be brought to the attention of management and if necessary the Corporate Risk Management Group (Audit Manager attends Group meetings)	
10.3	Follow-up Audits and Reporting					

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	√			There is a standard follow up procedure for all Audit reports.	
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	√			Any un-actioned recommendations for which there is no acceptable reason are reported to the Audit Committee..	
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	√			As above – further action would be taken if the results of the follow up were not satisfactory.	
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	√			Previous audit assessments form part of as part of the annual risk assessment exercise used to draw up the annual Audit Plan.	
10.4	Annual Reporting and Presentation of Audit Opinion					
10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control “SIC”? [“SIC” replaced by Annual Governance Statement	√			Annual report on Internal Control submitted to the Audit Committee –this forms part of the annual outturn report.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
	(AGS) in 2008/09.]					
10.4.2	<p>Does the Head of Internal Audit's annual report:</p> <p>(a) include an opinion on the overall adequacy and effectiveness of the organisation's control environment?</p> <p>(b) disclose any qualifications to that opinion, together with the reasons for the qualification?</p> <p>(c) present as summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies?</p> <p>(d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control [Annual Governance Statement] ?</p> <p>(e) compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets?</p> <p>(f) comment on compliance with the standards of the Code?</p> <p>(g) communicate the results of the internal audit quality assurance programme?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>			<p>As 10.4.1 above</p> <p>Yes</p> <p>Summary is attached as appendix to annual report</p> <p>Significant issues are highlighted</p> <p>Yes</p> <p>Yes</p> <p>Quality assurance built into the standard process. Recognised that the use of client surveys would be of additional benefit.</p>	<p>Client surveys to be introduced at Carlisle City in 2012/13</p>

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
11	Performance, Quality and Effectiveness					
11.1	Principles of Performance, Quality and Effectiveness					
11.1.1	Is there an audit manual?		√		Original policies and procedures (many of which are still current and therefore remain unchanged following transferred to the County Council as part of the shared service arrangement) are defined in the Internal Audit Manual which comprises the CIPFA manual and a set of local procedures. It is recognised that some updates are required, but these will be progressed for the shared service as a whole, rather than specifically for the Carlisle City team.	It is recognised that elements of the 'local' Audit Manual require updating; this is on hold pending a wider reconfiguration of the "Audit Manual" for the Internal Audit Shared Service.
11.1.1	Does the audit manual provide guidance on: (a) carrying out day-to-day audit work? (b) complying with the Code?	√ √			See 11.1.1	
11.1.1	Is the audit manual reviewed regularly and updated		√		See 11.1.1	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
	to reflect changes in working practices and standards?					
11.1.2	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of: (a) each individual audit? (b) the internal audit service as a whole?	√	√		Quality review of each audit undertaken. Recognised that the use of client surveys would be of additional benefit.	
11.2	Quality Assurance of Audit Work					
11.2.1	Does the Head of Internal Audit have a process in place to ensure that work is allocated to auditors who have the appropriate skills, experience and competence?	√			Audits are assigned according to the skills required.	
11.2.2	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?	√			All auditors work in the same office. Ongoing supervision and monitoring of progress and quality reviewed at the end of each audit, prior to issue of the draft audit report.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
11.2.3	Does the supervisory process cover: (a) monitoring progress? (b) assessing quality of audit work? (c) coaching staff?	√ √ √			As 11.2.2 above	
11.3	Performance and Effectiveness of the Internal Audit Service					
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	√			Monthly performance monitoring within Shared Service. Quarterly performance monitoring to the Director of Resources and to the Audit Committee.	
11.3.2	Does the performance management and quality assurance framework include as a minimum: (a) a comprehensive set of targets to measure performance: (i) which are developed in consultation with appropriate parties? (ii) which are included in service level agreements, where appropriate? (iii) against which the Head of Internal Audit measures, monitors and reports appropriately on progress?	√ √ √			Performance measures are included in the quarterly monitoring report to the Audit Committee. These have been discussed at the Internal Audit Shared Service Operational Board.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
	(b) user feedback obtained for each individual audit and periodically for the whole service?			√		Client surveys to be introduced at Carlisle City in 2012/13
	(c) a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy?	√			Quarterly monitoring report to Audit Committee. Cumulative PI's show progress during the year and corrective action is taken.	See 11.1.1
	(c) Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?	√	√		Annual review of compliance with Code.	
	(e) an action plan to implement improvements?	√			Actions are identified to implement improvements where appropriate.	
11.3.3	Does the Head of Internal Audit compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?	√			Performance indicators and targets monitored with previous years, together with feedback received more generally.	
11.3.1	Do the results of the performance management and quality assurance programme evidence that the internal audit service is:					
	(a) meeting its aims and objectives?	√			Yes	
	(b) compliant with the Code?	√			Yes	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
	(c) meeting internal quality standards?	√			Yes	
	(d) effective, efficient, continuously improving?	√			Yes – efficiencies gained from shared service shared with all participants. These include a 2% cost saving per audit day and access to a broader skill base/greater resilience etc.	
	(e) adding value and assisting the organisation in achieving its objectives?	√			Provide assurance over fundamental systems, which is essential for external audit; identify risks in key systems/processes and make recommendations to improve these; contribute to fraud deterrence/identification and also value for money/efficiency agenda.	
11.3.4	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	√			Annual report on Internal Control to the Audit Committee . Review of the Effectiveness of the Audit Committee reports the opinion, based on the Audit Manager’s self-assessment and supporting evidence.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
11.3.5	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?	√			This checklist provides the evidence for consideration by Corporate Team and then the Audit Committee.	