

Audit Committee

Agenda
Item:

A.10

Meeting Date: 22nd July 2013

Portfolio:

Key Decision:

Within Policy and
Budget Framework

Public / Private Public

Title: **Internal Audit Out-turn Report 2012-13 and Review of the Effectiveness of Internal Audit Services**

Report of: Director of Resources

Report Number: RD25/13

Purpose / Summary:

This report summarises the work carried out by the Internal Audit Shared Service during 2012/13 and provides the annual audit opinion on the adequacy of the control environment for that period.

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:

- **Note the outturn position for 2012/13 and progress made against the Strategic Audit Plan;**
- **Note the Internal Audit opinion provided on the adequacy of the control environment.**
- **Note and agree the information relating to the effectiveness of Audit Services.**

Tracking

Audit Committee:	22 July 2013
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1 INTRODUCTION

1.1 This report should be considered in 3 parts:

- Section 2 - 2012/13 Outturn
This provides a summary of the work undertaken by Audit Services during 2012/13.
- Section 3 - Adequacy of Internal Control 2012/13
This provides Internal Audit's opinion on the adequacy of the control environment during 2012/13.
- Section 4 - 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.

2 2012/13 OUTTURN

2.1 The Strategic and Annual Audit Plans for 2012/13 were presented to the Audit Committee on 16th April 2012 – Report RD03/11 refers.

2.2 Members have received regular quarterly progress reports detailing the position of the Audit Plan. A full breakdown of the 2012/13 Audit Plan showing position of each audit review is shown in **Appendix A**.

2.3 The 2012/13 Audit Plan called for 540 direct audit days and a further 19 days were purchased to support unplanned work. A total of 559 audit days has been delivered in year by the Shared Internal Audit Service.

2.4 It was necessary to make some adjustments to the Audit Plan in year to accommodate 3 areas of unplanned work and defer a further 6 audits at the request / approval of the management. 4 audits were also ongoing.

Total audits in original 2012/13 Audit Plan	40
<i>Less:</i> audits deferred to allow time for unplanned work	3
deferred - due to insufficient time to complete	4
deferred - postponed until quarter 1 2013/14	1
cancelled - time direct at other planned areas	1
ongoing reviews	4
Total audits delivered	<u>27</u>

Appendix A reflects the above changes in the Audit Plan.

2.4.1 Material Systems

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 2012/13 Audit Plan but it was necessary to rescheduled one of these (fixed assets) into 2013/14 (quarter 1) in order to have access to the required information.

Much of the audit work on the material systems 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 2013.

All 11 material system reviews were completed to at least draft report stage by the end of March 2013.

3 ADEQUACY OF INTERNAL CONTROL DURING 2012-13

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.

3.2 Internal Audit examine, appraise and report on the effectiveness of financial and other management controls concerning risk management, corporate governance and other internal controls, to enable it to provide an opinion on the adequacy of the control environment and report any significant control issues.

3.3 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.

3.4 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.

3.5 Opinion on the Adequacy of Internal Control 2012/13

3.5.1 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.

3.5.2 Based on the breadth and depth of the work undertaken by Internal Audit during 2012/13 outlined in section 3.6 above and the additional supporting information provided in 3.7 and 3.8, **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.**

3.6 Completed Audit Reviews and Key Areas of Significance 2012/13

3.6.1 A range of audits were undertaken during 2012/13 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 the adequacy of internal control as each audit is given an assurance evaluation on its completion.

3.6.2 **Appendix B** lists the 27 audits undertaken during the year – all of which have reached the final report stage for which the assurance evaluation is agreed.

5 substantial assurance
17 reasonable assurance
5 partial assurance
27

81% of all audited systems have been assessed as substantial / reasonable assurance.

3.6.3 A summary of those 5 audits categorised as partial assurance and the arrangements in place to address the issues raised is provided below.

Contract Monitoring Arrangements:

This covered the audits of:

- Recycling
- Leisure Time Client
- Bring Sites

These audits highlighted a ‘themed’ weakness in the area of client monitoring of key service contracts. Additional measures have been put in place to address the contract monitoring concerns, which includes adequate staff resourcing and performance reporting arrangements. This matter has also been considered by the Corporate Risk Management Group.

Records Management

This audit raised awareness to the shortfalls in corporate records management arrangements. In response to this audit review, a project was initiated to strengthen the existing records management arrangements and improvements to processes are expected to be introduced in 2013/14.

External Funding

This review raised some concerns over the central grant monitoring arrangements. A key area for improvement was the responsibility placed upon individual directorates to keep Financial Services informed of external funding arrangements in their respective service areas. Also, it was considered that the records maintained by Financial Services for 2011-12 were not as up to date as they should have been.

3.7 Other Supporting Information

3.7.1 There is an agreed practice for bringing any of the following issues to Members’ attention:

Issue	Action required in 2012/13
Any instances where it is not possible to reach agreement on a grade “A” recommendation	There were no such occurrences during 2012/13.

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.	Of the audit follow ups which were undertaken, it was not necessary to report any instances of unactioned recommendations in year
Any matters which are likely to have an adverse effect 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.	Matters concerning actions required to ensure that effective arrangements are in place to manage significant contracts is recognised in the Annual Governance Statement and the resulting action plan.
Any other matters relating to the adequacy of systems, controls etc, to which it is deemed necessary to draw Members' attention.	<p>The audit of Creditor Payments is at draft report stage as there are some outstanding concerns around adherence to procedures and adequacy of internal controls which require further discussion with management before this report can be finalised.</p> <p>The audit of ICT Service Continuity has been completed. There are some concerns raised within this report which, in line with agreed audit reporting practice, require further discussion with senior management in order to bring this audit to a close.</p> <p>The two audits referred to above do not affect the overall opinion referred to in section 3.5 above.</p>

3.8 Fraud Summary

Counter Fraud and Fraud Awareness

- 3.8.1 The Council has documented counter fraud arrangements and a response plan in place to deal with instances of suspected fraud and/or irregularities, however these need to be more effectively communicated and understood by officers to help raise general awareness to fraud matters and ensure a wider understanding of the fraud investigating and reporting arrangements which are in place.
- 3.8.2 Training on Counter Fraud awareness and reporting arrangements, which is aimed at key officers, has not taken place in year. Members are reminded that fraud awareness training was also raised as a matter for report in last year's annual report.
- 3.8.3 Management have been reminded of key contacts to whom concerns about suspected fraud and other irregularities should be reported to and the Council is considering the use of e-learning as a mechanism to roll out future training in this area, but this matter is still to be progressed.

3.8.4 Internal Audit has been involved in investigating matters of suspected fraud and irregularities during the year and all matters referred for investigated were actioned in line with the agreed formal reporting procedures as detailed in the Fraud, Theft and Corruption Response Plan. There was one instance of fraud which was investigated in year.

National Fraud Initiative (NFI)

3.8.5 The NFI is a data matching exercise led by the Audit Commission and is carried out every other year. The last completed exercise was 2010/11.

3.8.6 The exercise matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector organisations involved in the exercise includes local authorities, police authorities, probation, fire and rescue authorities and hospitals. This helps to identify potentially fraudulent claims, errors and overpayments as data matches may warrant further investigation.

3.8.7 The data is hosted on a secure website which allows for secure authorised contacts to be made if required.

3.8.8 Internal Audit investigates the matches for creditors and payroll whilst Revenues and Benefits investigate the matches in relation to Council Tax and Housing Benefit.

3.8.9 The most recent data matches were released at the end of January 2013. Internal Audit will report the outcome of this piece of work later in 2013/14.

4 REVIEW OF THE EFFECTIVENESS OF AUDIT SERVICES 2012/13

4.1 CIPFA Code of Practice for Internal Audit - Checklist

4.1.1 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.

4.1.2 The findings of this review of effectiveness are considered by the Members of the Audit Committee and, at its meeting in January 2007, Members agreed that in order to meet this requirement they would rely on the completion of the detailed checklist 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 in 2012/13.

4.1.3 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 2012/13 assessment, noting the local arrangements in place for Carlisle City. This assessment is attached as **Appendix C**.

4.1.4 It should be noted that the Public Sector Internal Audit Standards became mandatory for all internal audit service providers within the public sector from 1st April 2013. The Standards replace the CIPFA Code of Practice for Internal Audit in Local Government (2006) as 'proper audit practices' as required by the Accounts and Audit Regulations

2011. Future reviews of Internal Audit will be undertaken to ensure conformance to the Public Sector Internal Standards

4.2 In Year Improvements

Client Evaluation Forms

- 4.2.1 A key in year improvement to the Internal Audit service provided at Carlisle City was the introduction of Client Evaluation forms. The draft evaluation form was considered by the Audit Committee at its meeting on 26th September 2012 (RD 37/12 refers) and it was agreed that a summary of completed client evaluation feedback would be considered along side the effectiveness of internal audit CIPFA Checklist referred to in section 4.1 above.
- 4.2.2 Completed Client Evaluation forms are not always received back and managers will be further encouraged to complete these for all audit reviews undertaken in their respective areas. Of the completed evaluation forms received – based on the 7 forms received:
- 92% of management were either very satisfied / satisfied with the Internal Audit Service received.
 - Feedback indicated 3 areas where improvements could be made:
 - Timing of audits
 - Significance and fair presentation of the findings of the audit
 - Receipt of ongoing updates provided on progress of the audit
- 4.2.3 The Shared Internal Audit Service will consider these findings within the planned work streams for improvement to be undertaken in 2013/14 as part of its own evaluation of service delivery against the new Public Sector Internal Audit Standards.

Assurance Evaluations and Recommendations

- 4.2.4 Developments to risk based audit planning have been achieved through further buy in from senior management into the audit planning process for the 2013/14 Audit Plan.
- 4.2.5 Audit Progress Report (Ref 05/13 - section 6), which was received by the Audit Committee meeting on 15th April 2013, highlighted other improvements to audit reporting arrangements including further clarification over the assurance evaluations in use and the grading of audit recommendations.

4.3 Conclusion

- 4.3.1 Internal Audit Outturn Report for 2012/13, detailed in section 2 of this report, highlights effective performance in terms of service delivery. The 2012/13 Audit Plan was substantially completed and where it was necessary to defer audit work in 2012/13, this was done with the approval of the Director of Resources and arrangements have been made to incorporate deferred audits into the 2013/14 Audit Plan.
- 4.3.2 The self assessment undertaken against the CIPFA Checklist shows that the Shared Internal Audit Service is substantially compliant to the requirements of the CIPFA Code of Practice for Internal Audit in Local Government and further service improvements were also made at Carlisle City in year.

4.3.3 Overall, it is considered that the Internal Audit Shared Service has delivered an effective service in 2012/13. 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 CONSULTATION

5.1. Not applicable

6 CONCLUSION AND REASONS FOR RECOMMENDATIONS

Members are requested to:

- **Note the outturn position for 2012/13 and progress made against the Strategic Audit Plan;**
- **Note the Internal Audit opinion provided on the adequacy of the control environment.**
- **Note and agree the information relating to the effectiveness of Audit Services.**

7 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

7.1. To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

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Audit Manager
(Shared Internal Audit Service)

Appendices attached to report:
A – Audit Plan 2012/13
B – Record of Completed Assignments 2012/13
C – Checklist on Compliance with the CIPFA Code of Practice for Internal Audit in Local Government

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

CARLISLE CITY COUNCIL

Audit Plan 2012/13

APPENDIX A

Directorate	Service Area	Audit Area	Days Allocated	Status	Assurance Evaluation	Date Received by Audit Committee
<u>High Risk Reviews</u>						
Chief Executive's Office	Policy & Performance	Data Quality			Reasonable	
Community Engagement	Community, Housing & Health	Records Management	12	Completed	Partial	26-Sep-12
Community Engagement	Community, Housing & Health	Supporting People	15	Ongoing	-	
Community Engagement	Community, Housing & Health	HB Overpayments	10	Completed	Reasonable	11-Jan-13
Community Engagement	Community, Housing & Health	Leisure Time Client	10	Completed	Partial	15-Apr-13
Community Engagement	Customer Services	Customer Services	12	Completed	-	15-Apr-13
Community Engagement	Museums and Gallery	Tullie House	5	Completed	Reasonable	11-Jan-13
Economic Development	Planning	Development Management	15	Completed	Reasonable	26-Sep-12
Governance	Democratic Services	Electoral Registration & Administration	10	<i>Deferred 13-14</i>		
Governance	Governance	Gifts & Hospitality	5	Completed	Reasonable	26-Sep-12
Local Environment	Bereavement Services	Cemeteries & Crematorium	12	Completed	Reasonable	15-Apr-13
Local Environment	Highways	Highways - Contract & Claimed Rights	15	Completed	Substantial	11-Jan-13
<i>Local Environment</i>	<i>Highways</i>	<i>Street Cleaning</i>	<i>0</i>	<i>Deferred 13-14</i>		
Local Environment	Highways	CCTV	10	Completed	Reasonable	26-Sep-12
Local Environment	Waste Services	Recycling	20	Completed	Partial	15-Apr-13
	Waste Services	Bring Sites	10	Completed	Partial	15-Apr-13
<i>Local Environment</i>	<i>Waste Services</i>	<i>Refuse Collection</i>		<i>Cancelled</i>		
Resources	Corporate	Grants Protocol / Procedures	10	Completed	Partial	11-Jan-13
Resources	Corporate	Transformation	15	<i>Deferred 13-14</i>		
Resources	Corporate	Early Retirement & Redundancy	10	Completed	Reasonable	26-Sep-12
Resources	Corporate	Systems Administration	10	Completed	Reasonable	15-Apr-13
Resources	Corporate	Market Rents	5	Completed	Reasonable	22-Jul-13
Resources	Financial Service	Procurement	15	Ongoing	-	
Resources	Corporate	Tendering & Contracting	10	<i>Deferred 13-14</i>	-	

Directorate	Service Area	Audit Area	Days Allocated	Status	Assurance Evaluation	Date Received by Audit Committee
<u>Material Reviews:</u>						
Community Engagement	Revenues & Benefits	Council Tax	12	Completed	Substantial	15-Apr-13
Community Engagement	Revenues & Benefits	Housing and Council Tax Benefits	16	Completed	Substantial	22-Jul-13
Community Engagement	Revenues & Benefits	National Non Domestic Rates (NNDR)	12	Completed	Reasonable	22-Jul-13
Community Engagement	Community, Housing & Health	Improvement Grants	8	Completed	Reasonable	11-Jan-13
Local Environment	Highways	Car Parking Income	10	Completed	Reasonable	15-Apr-13
Resources	Financial Services	Asset Management / Fixed Assets	15	<i>Deferred 13-14</i>	-	
Resources	Financial Services	Income Management	12	Completed	Reasonable	22-Jul-13
Resources	Financial Services	Main Accounting System	14	Completed	Substantial	22-Jul-13
Resources	Financial Services	Treasury Management	10	Completed	Substantial	15-Apr-13
Resources	Service Support	Creditors	10	Ongoing	-	-
Resources	Service Support	Debtors	10	Completed	Reasonable	22-Jul-13
Resources	Service Support	Payroll	12	Completed	Reasonable	22-Jul-13
<u>ICT Reviews:</u>						
		Service Continuity,	10	Ongoing	-	
		Project Management	10	<i>Deferred 13-14</i>	-	
		Service Desk, Incident & Problem Management	10	Completed	Reasonable	22-Jul-13
<u>Other:</u>						
		Audit Management, Committee, Planning & Reporting	45			
		Follow Ups	10			
		Counter Fraud	10			
		Contingency	48			
		Other unplanned work (investigations)	20			
		Total Days as per Agreed Audit Plan	540			
		Additional days purchased	19			
		Total Audit Days to be Delivered	559			

CARLISLE CITY COUNCIL
Record of Completed Assignments 2012/13

APPENDIX B

Audit Area	Original Risk Rating	Draft Report Sent	Final Report Sent	Assurance Evaluation
Highways - Contract & Claimed Rights	Medium Risk	29/11/2012	19/12/2012	Substantial
Council Tax	Material System	20/03/2013	03/04/2013	Substantial
Housing and Council Tax Benefits	Material System	28/03/2013	30/04/2013	Substantial
Main Accounting System	Material System	28/03/2013	09/07/2013	Substantial
Treasury Management	Material System	28/03/2013	03/04/2013	Substantial
Car Parking Income	Material System	19/02/2013	03/04/2013	Reasonable
Data Quality	High Risk	16/07/2012	04/09/2012	Reasonable
HB Overpayments	Medium Risk	18/09/2012	08/11/2012	Reasonable
Tullie House	Medium Risk	26/07/2012	19/12/2012	Reasonable
Development Management	Medium Risk	24/07/2012	30/08/2012	Reasonable
Cemeteries & Crematorium	Medium Risk	13/03/2013	03/04/2013	Reasonable
CCTV	Medium Risk	20/08/2012	06/09/2012	Reasonable
Payroll	Material System	19/03/2013	09/07/2013	Reasonable
National Non Domestic Rates (NNDR)	Material System	28/03/2013	04/07/2013	Reasonable
Improvement Grants	Material System	16/11/2012	21/11/2013	Reasonable
Income Management	Material System	21/03/2013	09/07/2013	Reasonable
Debtors	Material System	28/03/2013	09/07/2013	Reasonable
Gifts & Hospitality	Low Risk	22/08/2013	17/09/2012	Reasonable
Early Retirement & Redundancy	Low Risk	01/08/2012	17/09/2012	Reasonable
Systems Administration	Low Risk	29/01/2013	14/03/2013	Reasonable
Market Rents	Low Risk	07/03/2013	24/06/2013	Reasonable
Service Desk, Incident & Problem Management	ICT	12/03/2013	29/04/2013	Reasonable
Bring Sites	Unplanned	21/12/2012	27/03/2013	Partial
Leisure Time Client	Low Risk	17/12/2012	11/03/2013	Partial
Records Management	High Risk	16/07/2012	04/09/2012	Partial
Recycling	High Risk	21/12/2012	27/03/2013	Partial
Grants Protocol / Procedures	High Risk	04/09/2012	26/11/2012	Partial

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

Updated by Gill Martin, Audit Manager – 9th July 2013

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	√ √ √ √			See Internal Audit Shared Service contract Audit Committee Rules of Governance agreed by Audit Committee 17 th July 2006.	

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>Audit may report?</p> <p>(d) recognise that Internal Audit's remit extends to 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>Financial Procedure Rules C22 (Page 56) set out the responsibilities and access 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 in April 2012.</p>	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
1.1.3	Are terms of reference regularly reviewed?	√			Terms of reference for Internal Audit 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 RD3/12 on 16 April 2012. 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 an 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</p>	

					Audit Manager is the Key Contact.	
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 (S151)– a member of the Senior Management Team delegated to the Financial Services Manager (deputy S151).	
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 committee?	√			Yes	
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	Does the Head of Internal Audit: (a) attend the committee and contribute to its agenda? (b) participate in the committee's review of its own remit and effectiveness? (c) ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives? (d) report on the outcomes of internal audit work to the committee? (e) establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa? (f) present the annual internal audit report to the committee?	v v v v v v			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	
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	v			Yes, if required	
5	Relationships					
5.1	Principles of Good Relationships					
5.1.2	Is there a protocol that defines the working relationship for Internal Audit with:					

	(a) management? (b) other internal auditors? (c) external auditors? (d) other regulators and inspectors? (e) elected members?	√ √ √ √ √	√		<p>a- Procedures in place and no issues with these but no formal protocol established.</p> <p>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.</p> <p>c- Audit protocol agreed with external auditors (Audit Commission).</p> <p>d- not applicable</p> <p>e - Head of Audit has access to Chair of Audit Committee if required.</p>	<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</p>	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
					financial systems.	
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?	√			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. The Audit Commission is consulted on the Internal Audit plan each year.	

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 e.g. 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.	

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

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
	externally, or a mix of the two? (e) the resources and skills required to deliver the 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.	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
					Audit Committee is consulted on 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 advise 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 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.</p> <p>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
	<p>(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?</p> <p>(f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed?</p> <p>(g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>(h) disclosing any non-compliance with these standards?</p> <p>(i) not using information they gain in the course of their duties for personal use?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>				
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?	√			<p>Review of all audit work undertaken / all reports issued to reinforce standards.</p> <p>Review checklist is filed on each system audit file.</p> <p>On-the-job supervision and training.</p>	

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 are considered by the Audit Committee along with the agreed action plan for each review. 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 email. 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. The 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	Does the Head of Internal Audit's annual report: (a) include an opinion on the overall adequacy and effectiveness of the organisation's control environment? (b) disclose any qualifications to that opinion, together with the reasons for the qualification? (c) present as summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies? (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] ? (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? (f) comment on compliance with the standards of the Code? (g) communicate the results of the internal audit quality assurance programme?	√ √ √ √ √ √ √			As 10.4.1 above Yes Summary is attached as appendix to annual report Significant issues are highlighted Yes Yes Quality assurance built into the standard process. Client Evaluation feedback forms were introduced in 2012/13	

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?		√		<p>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.</p> <p>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.</p>	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:					

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
	(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 to reflect changes in working practices and standards?		√		See 11.1.1	
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.	
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 were introduced at Carlisle City in 2012/13 although managers need to be encouraged to complete and return	See 11.1.1
	(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.		
	(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	

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
	<p>(b) compliant with the Code?</p> <p>(c) meeting internal quality standards?</p> <p>(d) effective, efficient, continuously improving?</p> <p>(e) adding value and assisting the organisation in achieving its objectives?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>			<p>Yes</p> <p>Yes</p> <p>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.</p> <p>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.</p>	
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?	√			<p>Annual report on Internal Control to the Audit Committee .</p> <p>Review of the Effectiveness of the Audit Committee reports the opinion, based on the Audit Manager’s self-assessment and supporting evidence.</p>	

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.	