

AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 22nd June 2010

Title: Audit Services Out-turn Report 2009-10 and Review of the Effectiveness of Audit Services

Report of: Interim Audit Manager

Report reference: RD 20/10

Summary:

This report summarises the work carried out by Audit Services for the year 2009-10. It also provides information to Members relating to the effectiveness of Audit Services, 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 Strategic Plan and to note and agree the information relating to the effectiveness of Audit Services.

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AUDIT SERVICES OUT-TURN REPORT 2009-10 AND REVIEW OF THE
EFFECTIVENESS OF AUDIT SERVICES

1 INTRODUCTION

- 1.1 This report summarises the work undertaken by Audit Services for the period 1st April 2009 to 31st March 2010, and provides Members with information to enable a view to be taken on the effectiveness of Audit Services.
- 1.2 The Strategic and Annual Audit Plans for 2009-10 were presented to, and agreed by, Members of the Audit Committee at their meeting on 08th April 2009 – Report CORP 1/09 refers. The report was subsequently presented to and approved by the Executive on 5th May 2009 and subsequently approved at full Council.

2 PROGRESS AGAINST PLAN FOR THE YEAR

- 2.1 As in any financial year there was a drive in 2009-10 to complete and agree all “material reviews” in the year. Whilst this was not fully achieved, there were fewer reports carried forward into 2010-11 requiring completion than were carried forward into 2009-10. The unit was therefore largely successful in the clearance of “material systems” audits during the year.
- 2.2 In 2009-10 fourteen audits were classified as a “material systems” review. During the year, however, two potential audits – Bereavement Services and Planning - were declassified as income had dropped below the material threshold. This was agreed with the Audit Commission. Of the remaining twelve “material systems” audits, nine have been completed and agreed in the year, in addition to ten carried forward from 2008-9. The work regarding the remaining three material systems reviews of 2009-10 has been substantially completed.
- 2.3 A high – impact ICT report produced in 2008-9 was followed up in 2009-10.
- 2.4 Table 1 below gives details of the material systems reviews

Table 1

<u>2008-9 Reports Completed in 2009-10</u>	<u>Material Systems</u>
Council Tax	Final report agreed and issued
Improvement Grants	Final report agreed and issued
NNDR	Final report agreed and issued
ICT Security Policy and Annexes	Final report agreed and issued
Main Accounting System	Final report agreed and issued
Bereavement Services	Final report agreed and issued
Payroll	Final report agreed and issued
Cash Collection	Final report agreed and issued
Car Park Income	Final report agreed and issued
Fixed Assets	Final report agreed and issued
<u>2009-10 Audits</u>	
<u>MATERIAL SYSTEM</u>	<u>STATUS AT 31/03/10</u>
Improvement Grants	Final Report agreed and issued
Housing and Council Tax Benefits	Final Report agreed and issued
NNDR	Final Report agreed and issued
Council Tax	Final Report agreed and issued
Cash Collection and Income Management	Final Report agreed and issued
Creditors	Final Report agreed and issued
Treasury Management	Final Report agreed and issued
Debtors and Miscellaneous Income	Final Report agreed and issued
Main Accounting and Budgetary Controls	Final Report agreed and issued
Payroll	Fieldwork (but report subsequently issued)
Fixed Assets	Fieldwork substantially complete – draft report yet to be issued
Car Park Income	Fieldwork substantially complete – draft report yet to be issued

- 2.5 It was also agreed with Members that all of the “high-risk” areas which had been identified in the Strategic Plan would be given consideration during the year, and that a decision would be taken as to whether an audit review was required or to keep a watching brief.
- 2.6 Table 2 below gives details of the areas which were considered to be high-risk, in addition to other main audits as included in the Strategic Plan

Table 2

<u>2008-9 Reports Completed in 2009-10</u>	<u>STATUS AT 31/03/10</u>
Refuse Collection	Final report agreed and issued
<u>2009-10 Audits</u>	<u>STATUS AT 31/03/10</u>
NI 195 a,b,c,& d Litter etc	Final report agreed and issued
NI 187 – Tackling Fuel Poverty	Final report agreed and issued
Flexitime	Final report agreed and issued
Enterprise Centre	Final report agreed and issued
Supporting People	Final report agreed and issued
Highways Maintenance	Final report agreed and issued
Licensing	Final report agreed and issued
Shopmobility	Final report agreed and issued
Dog Wardens and Enforcement	Final report agreed and issued
Job Evaluation Back Pay Testing	Final report agreed and issued
Housing Benefit Fraud	Final report agreed and issued
Personnel and Development	Fieldwork (but subsequently agreed)

- 2.7 Table 3 below summarises other major areas of work undertaken during the year

Table 3

<u>2008-9 Reports Completed in 2009-10</u>	<u>STATUS AT 31/03/10</u>
Talkin Tarn	Final report agreed and issued
Brampton Business Centre	Final report agreed and issued
National Fraud Initiative	Final report agreed and issued

3 SHARED AUDIT SERVICE

- 3.1 Through much of 2009-10 the Council has been discussing possible arrangements for a shared internal audit service with Cumbria County Council, Allerdale Borough Council, and Copeland Borough Council. In December Allerdale Borough Council decided to remain outside the shared internal audit service.
- 3.2 In April 2009 a Project Board was established, to discuss the options for improving the delivery of internal audit services. The Board comprises the relevant Corporate Head of Service and the Head of Internal Audit for each Council.
- 3.3 The key drivers and proposed benefits from a shared audit service are as follows:
- To establish a more robust audit service fully able to meet increasingly complex demands (overcoming recruitment and retention problems) through establishing an audit unit of a critical mass
 - To provide more efficient audits (more audits for the same or less cash) or reduce costs in the long term
 - To increase the range of audit services (a wider mix of audits for the same or less cash e.g. specialist computer audit).
- 3.4 In addition to the Project Board, a Practitioners Group, comprising the District Council Heads of Internal Audit and an Audit Manager from the County Council have met regularly to consider the options available and the practicalities of developing a shared audit service.
- 3.5 The following service delivery options have been reviewed:
- Continue current operations
 - Work in partnership regarding selected audits
 - Joint Organisation with a host authority
 - Joint Organisation -externalised
- 3.6 All offer advantages and disadvantages. However, given the commitment of the three Councils to pursue shared service arrangements, where appropriate, the preferred option is service delivery through a joint organisation with a host authority, the County Council.
- 3.7 The shared service approach provides an opportunity for improved resilience, auditor rotation, independence and improved staff training and development, strengthening the role and position of internal audit.

- 3.8 Updates have been provided to the Audit Committee. Audit staff have been kept informed of progress through the Head of Internal Audit and all audit teams (around 28 staff, half from the County) have met twice to discuss further the arrangements for a shared service and the draft business case. Whilst Allerdale Borough Council have decided not to join the internal shared service, there was full agreement that a shared service hosted by the County Council should be pursued. All three remaining Councils have now approved this course of action.
- 3.9 The Project Board has endorsed a set of broad principles for a shared service involving a joint organisation (which would have a 'brand' identity, separate from the three Councils). One of the principles specifies that an Audit Manager would be assigned to each District Council, spending 50% of their time managing District Council audit work and would attend all of the routine meetings of that Council's Audit Committee. Since the departure of Carlisle City's Head of Audit in December 2009, the service has been managed on an interim basis by the Project Manager (Transformation). Since May 2010 the service has been managed by an Audit Manager from Cumbria County Council. An agreement has been established to allow for up to 7 days of cover per month.
- 3.10 The latest shared service draft timetable is attached as **Appendix B**. This schedules legal agreements established by 1st August 2010, the date anticipated for the TUPE transfer of staff to the County.

4 STAFFING ISSUES

- 4.1 As in previous years, there was considerable call on Audit Services resources to undertake other duties in addition to those included in the Audit Plan - e.g Job Evaluation, fraud investigations, National Fraud initiative (NFI) work. Also one permanent member of staff was seconded out for a three month period.
- 4.2 Staff resources were stable in 2009-10, with the exception of the Head of Audit's retirement in December 2009. One member of staff completed the ACCA qualification during the year.
- 4.3 The Project manager (Transformation) provided management oversight to audit from December 2009 until the new interim arrangement with the County which commenced in May 2010.

5 ADEQUACY AND EFFECTIVENESS OF INTERNAL CONTROL DURING 2009-10

- 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. The annual “Statement on Internal Control” and the attendant Action Plan, however, provide further assurance on the overall system of internal control.

- 5.2 There is an agreed practice for bringing any of the following to Members’ attention:
- Any instances where it is not possible to reach agreement on a grade “A” recommendation
 - Any instances where no action has been taken on an agreed recommendation and no reasonable explanation has been provided
 - Any matters which are likely to have an adverse effect on the Statement on Internal Control.
 - Any other matters relating to systems, controls etc to which it is deemed necessary to draw Members’ attention.
- 5.3 Members will be aware of the audit of ICT Security Policy which was assigned a “restrictive” level of assurance, and was reported to the Audit Committee in June 2009 – report CORP20/09 refers. The Audit Committee actively monitored progress to action recommendations, and received a follow up report at the December 2009 Committee – report CORP 53/09 refers. This showed that significant action has been taken to remedy weaknesses. Other than this issue it was not necessary to draw Members’ attention to any of the above issues during 2009/10. Based on this, and on the results of the Audit work undertaken as defined earlier in this report, Members can be confident that the Authority’s system of internal control is operating satisfactorily.

6 REVIEW OF THE EFFECTIVENESS OF AUDIT SERVICES

- 6.1 At the meeting of the Audit Committee on 23rd January 2007, Members agreed that in order to meet the requirements of the Accounts and Audit (Amendment)(England) Regulations 2006 relating to the effectiveness of Audit Services, they would rely on the completion of the checklist provided in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, which is attached to this report as **Appendix A**. This checklist is still regarded as the CIPFA benchmark for internal audit evaluation.
- 6.2 The checklist considers the entirety of the arrangements for audit put in place by the Authority, including the activities of any oversight Committee. The CIPFA Code covers the following eleven areas of review:
- Scope of Internal Audit
 - Independence
 - Ethics for Internal Auditors
 - Audit Committee
 - Relationships

- Staffing, Training and Continuing Professional Development
- Audit Strategy and Planning
- Undertaking Audit Work
- Due Professional Care
- Reporting
- Performance, Quality and Effectiveness.

6.3 As demonstrated at Appendix A, the arrangements for audit at Carlisle City are robust. Moreover, the transition to shared services should further strengthen audit processes. As a result of the externalisation of the management of audit and to aid Audit Committee monitoring of the 2010-11 audit plan, days have been assigned to each scheduled audit. Also, the previous Head of Audit performed various corporate audit functions with the potential to compromise audit independence. Under the new arrangements these functions are performed elsewhere in the organisation.

6.4 Carlisle City, along with other Cumbria District Councils, no longer belongs to the CIPFA benchmarking club. However, when comparative data was last obtained Carlisle City was demonstrated to provide an above average service at below average cost. This is unlikely to have changed in the last three years. The shared service will result in services being provided by a larger unit, for which it will be possible to more readily obtain comparative data.

7 RECOMMENDATION

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

Peter Mason
Assistant Director (Resources)
June 2010.

APPENDIX A

CHECKLIST – COMPLIANCE WITH THE CODE

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.

Ref	Adherence to the Standard	Y	P	N	Evidence
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?	Y			Audit Services TOR agreed by Audit Committee 2nd August 06
	(b) establish the organisational independence of Internal Audit?	Y			
	(c) establish the accountability, reporting lines and relationships between the Head of Internal Audit and:	Y			
	(i) those charged with governance?				Audit Committee Rules of Governance agreed by Audit Committee 17 th July 07
	(ii) those parties to whom the Head of Internal Audit may report?				
	(c) recognise that Internal Audit’s remit extends to the entire control environment of the organisation?	Y			
	(e) identify Internal Audit’s contribution to the review of the effectiveness of the control environment?	Y			
	(f) require and enable the Head of Internal Audit to deliver an annual audit opinion?	Y			
	(g) define the role of Internal Audit in any fraud-related or consultancy work (see also 1.3.2)?	Y			(g) Theft Fraud and Corruption Response Plan
	(h) explain how Internal Audit’s resource requirements will be assessed?			N	
	(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?	Y			(h) For 2010-11 staffing levels have been determined by the shared audit service business case.
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?	Y			Terms of Reference
1.1.3	Have the terms of reference been formally approved by the	Y			Audit Committee

Ref	Adherence to the Standard	Y	P	N	Evidence
	organisation?				2nd August 2006
1.1.3	Are terms of reference regularly reviewed?		P		Last review was August 2006. Terms of reference will be further reviewed in 2010 under the shared service arrangement
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?	Y			As outlined in report RD4/10 to Audit Committee 10 th April 2010.
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?		P		Carlisle City is entering a shared audit service with the County and Copeland Borough Council. Arrangements will ensure proper assurance processes are established and access rights agreed.
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?	Y			Head of Audit Services and Principal Auditor are both professionally qualified and highly experienced. All team members have experience of fraud work.
1.3.2	Do the terms of reference define Internal Audit's role in: (a) fraud and corruption? (b) consultancy work?	Y			(a) Theft Fraud and Corruption Response Plan (b) Not applicable
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?	Y			(c) Theft Fraud and Corruption Response Plan – also had input into the Counter Fraud Policy and Action Plan
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?	(a)Y (b)Y			

Ref	Adherence to the Standard	Y	P	N	Evidence
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?				Not applicable – Audit Services may be consulted but it would be made clear that such consultation would not prejudice any future comment/review
2.2	Organisational Independence				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	Y			As far as possible within the current thinking relating to Audit independence
2.2.2	Does the Head of Internal Audit have direct access to: (a) officers? (b) members?	(a)Y (a)Y			
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers?			N	Reports are in the name of the Assistant Director (Resources)
2.2.3	(a) Is there an assessment that the budget for Internal Audit is adequate? (b) Does any budget delegated to service areas ensure that: (i) Internal Audit adherence to the Code is not compromised? (ii) the scope of Internal Audit is not affected? (iii) Internal Audit can continue to provide assurance for the Statement on Internal Control?	Y			An analysis has been performed of the number of audit days required under the shared service. This will ensure similar coverage to previous years. The shared audit service will ensure adherence to the CIPFA Code.
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?	Y			Assistant Director (Resources).
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.
2.6	Declaration of Interest				
2.6.1	Do audit staff make formal declarations of interest?		P		This is currently under negotiation.
2.6.2	Does the planning process take account of the declarations of interest registered by staff?				No “interests” have been declared-but would be taken into account if there were any.
3	Ethics for Internal Auditors				
3.1	Purpose				
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	Y			All Audit staff are aware of such

Ref	Adherence to the Standard	Y	P	N	Evidence
					responsibilities – including those Codes of Ethics relating to professional bodies.
3.2	Integrity				
3.2.1	Has the internal audit team established an environment of trust and confidence?	Y			
3.2.1	Do internal auditors demonstrate integrity in all aspects of their work?	Y			
3.3	Objectivity				
3.3.2	Are internal auditors perceived as being objective and free from conflicts of interest?	Y			
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?	Y			Audit staff may not work in any area, in which they have had a direct involvement, until at least two years have passed.
3.3.4	Are staff rotated on regular/annually audited areas?	Y			Every effort is made to ensure that all Audit staff undertake a variety of audits.
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?	(a-d)Y			This is done before, during and after each audit assignment, by HAS.
3.5	Confidentiality				
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	Y			All staff are made aware of this requirement.
4	Audit Committees				
4.1	Purpose of the Audit Committee				
4.1.1	Does the organisation have an independent audit committee?	Y			W.e.f. June 2006
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?	Y			HAS attends all Audit Committee

Ref	Adherence to the Standard	Y	P	N	Evidence
					meetings and has direct access to the Chair if required
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	Y			Strategic and Annual Plans, together with quarterly progress reports.
4.2.2	Does the committee approve the annual internal audit plan and monitor progress?	Y			Strategic and Annual Plans, together with quarterly progress reports.
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?	(a)Y (c)Y (d)Y (e)Y (f) Y		(b)N	(b) Not seen as a role for HAS (d)All Audit reports are presented to Committee (e) Any matters for members attention would be so identified.
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?		P		HAS meets privately with Chair of Committee if needed.
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?	Y			Terms of Reference and as detailed in the Audit Manual
5.2	Relationships with Management				
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	Y			
5.2.2	Is the timing of audit work planned in conjunction with management?	Y			As far as possible bearing in mind staff availability etc
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?	Y			HAS is a member of the Cumbria Audit Group where best practice is discussed and shared. As the shared service is rolled out Carlisle City audit will increasingly benefit from joint

Ref	Adherence to the Standard	Y	P	N	Evidence
					working and shared working papers.
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?	Y			External Audit has confirmed their reliance on Audit Service's work. Audit Services need no reliance on External Audit's work, as it has no direct relevance.
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?		P		Meetings are held on an ad-doc basis. Under future shared service arrangements External Audit liaison will be more formalised.
5.4.3	Are the internal and external audit plans co-ordinated?				As far as possible, bearing in mind that they are based on different needs and criteria
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?			N	Would do so ad-hoc if/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?	Y			
5.6.1	Does the Head of Internal Audit maintain good working relationships with members?	Y			
6	Staffing, Training and Continuing Professional Development				
6.1	Staffing Internal Audit				
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	Y			
6.1.1	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?	Y			Specialist work has been "bought in" as needed in the past e.g. specialist computer-audit skills. Carlisle City will derive benefit from the shared service regarding resource skills..

Ref	Adherence to the Standard	Y	P	N	Evidence
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	Y			The Interim Head of Audit qualified with CIPFA in 1987.
6.1.2	Does the Head of Internal Audit have wide experience of internal audit and management?	Y			23 years qualified experience in audit and management in both the public and private sectors.
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?	(a)Y (b)Y			Job content, roles and responsibilities have been updated as a part of job-evaluation exercise.
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.	(a)Y (b)Y (c)Y (d)Y			(a)Updated job descriptions and criteria for progression. (b)Annual appraisals (c)Forms the outcome of the appraisal (d)Agreed record of appraisal, together with 6-monthly review of progress.
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	Y			A central record is held of all such information - this is available on request
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?	Y Y			As above- risk-based Strategic Plan.
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 strategy?	(a)Y (b)Y (c)Y		(d)N	(e) Not applicable-Team is appointed before the Plan is set.
7.1.3	Has the strategy been approved by the audit committee?	Y			
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?	Y			Based on Nationally agreed risk formula and Authority's Risk Registers.
7.2.1	Where the risk management process is not fully developed or reliable,	Y			Done in conjunction

Ref	Adherence to the Standard	Y	P	N	Evidence
	does the Head of Internal Audit undertake his or her own risk assessment process?				with above.
7.2.1	Are stakeholders consulted on the audit plan?	Y			SMT has the opportunity to comment on Plan before submission to Audit Committee. Also Executive approval is sought prior to full Council approval.
7.2.2	Does the plan demonstrate a clear understanding of the organisation's functions?	Y			
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?	(a)Y (b)Y (c)Y (d)Y (e)Y (f)Y			
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?	Y			
7.2.4	Has the plan been approved by the audit committee?	Y			
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	Y			
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?	(a)Y (b)Y			
8.1.1	Does the brief set out: (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements?	(a)Y (b)Y (c)Y (d)Y (e)Y			
8.2	Approach				
8.2.1	Is a risk-based audit approach used?	Y			
8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	Y			
8.2.4	Does the audit approach include a quality review process for each	Y			All work is scrutinised by HAS.

Ref	Adherence to the Standard	Y	P	N	Evidence
	audit?				
8.3	Recording Audit Assignments				
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Y			There is a standard set of working papers.
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	Y			A Review sheet is completed by HAS at the completion of each draft report, and there is a "closure" sheet to ensure that all working papers etc are present and correctly referenced.
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?	(a)Y (b)Y (c)Y			
8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Y			Agreed retention policy included in Audit Manual. For material reviews, the last two files are retained. For all other reviews, the last file is retained.
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?	Y			No statutory retention period for Audit files.
8.3.3	Is there an access policy for audit files and records?	Y			All files and records are maintained confidentially.
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? (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,	Y			All requirements are as laid out in the Audit Manual, Section 3- Independence, Ethics and Due Professional Care. (c) –specifically referred to in the Financial Procedure Rules.

Ref	Adherence to the Standard	Y	P	N	Evidence
	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?	Y			All Audit Briefs are agreed by HAS before commencement of work. All draft reports, files and working papers are reviewed by HAS- Review Sheet is completed and actioned.
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	Y			Theft Fraud and Corruption Response Plan applies to all Authority staff, including Audit Team.
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?	Y			All reports are written on the “risk-based” approach, and conclusions drawn for each of the risk-areas reviewed.
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report?	Y			Standard form of report- also agreed by Audit Committee.
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	Y			As above – all draft and final reports are reviewed by HAS before issue, in order to maintain the high standard.
10.1.5	Are there laid-down timescales for reports to be issued?	Y			A protocol is 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?	(a)Y (b)Y (c)Y (d)Y (e)Y (f)Y			(a –f) Standard Report template

Ref	Adherence to the Standard	Y	P	N	Evidence
10.2.3	Does the audit reporting process include discussion and agreement of reports?	Y			Either a written response to the draft report, or a meeting to discuss the issues raised.
10.2.4	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	Y			Agreed ranking of recommendations, as outlined in all reports.
10.2.5	Are areas of disagreement recorded appropriately?	Y			The respondent's view would be recorded in the report, and this would be reported to Audit Committee if significant.
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?	Y			As above. Where agreement can not be reached, this would initially be drawn to the attention of the Assistant Director (Resources) Failure to agree at that level would lead to the issue being reported to the Audit Committee.
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?			N	The circulation of each report is dependent on the outcome/conclusions and recommendations made.
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?	(a)Y			(a) Circulation of each report is noted on the frontispiece. (b) See above.
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?	(a)Y (b)Y			(a) The Appendices to all Audit Reports ensure that recommendations are brought to the attention of all relevant parties, including the Audit Committee. (b) Any significant risks noted during an Audit review would be brought to the attention of

Ref	Adherence to the Standard	Y	P	N	Evidence
					the Corporate Risk management Group.
10.3 Follow-up Audits and Reporting					
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	Y			There is a standard follow-up procedure for all Audit reports- the results of which are reported to the Audit Committee in due course.
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	Y			Any recommendations which have not been actioned, and for which there is acceptable reason, would be drawn to the attention of the Audit Committee
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	Y			As above – further action would be taken if the results of the follow-up review were not satisfactory.
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Y			This would be reflected as an element in the agreed Risk-formula for the Strategic 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?	Y			This report refers
10.4.2	Does the Head of Internal Audit’s annual report: <ul style="list-style-type: none"> (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? (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 	(a)Y (b)Y (c)Y (d)Y (e)Y (f)Y			(c)No other “assurance bodies” are involved. (g) Quality assurance is built in

Ref	Adherence to the Standard	Y	P	N	Evidence
	programme?				to the standard process- all work is reviewed by HAS. SMT is invited to review/comment upon the Strategic Plan. Recipients of audit reports are invited to comment on the outcome of audit reviews.
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	Y			Standard quarterly reports to Audit Committee
11	Performance, Quality and Effectiveness				
11.1	Principles of Performance, Quality and Effectiveness				
11.1.1	Is there an audit manual?	Y			Based on the CIPFA model, as customised for this Authority
11.1.1	Does the audit manual provide guidance on: (a) carrying out day-to-day audit work? (b) complying with the Code?	(a)Y (b)Y			
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?		P		Last revised 2006. The shared audit service will result in the application of a revised audit manual.
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?	(a)Y (b)Y			As already noted above. Continuous monitoring of quality and effectiveness of audit work.
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?	Y			Work is always allocated as far as possible to reflect each Auditor's experience-and in such cases as are required, an appropriate level of direction and guidance is given by HAS
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?	Y			HAS oversee all audits as they progress. There is a formal process to ensure that this is

Ref	Adherence to the Standard	Y	P	N	Evidence
					undertaken.
11.2.2	Does the supervisory process cover: (a) monitoring progress? (b) assessing quality of audit work? (c) coaching staff?	(a)Y (b)Y (c)Y			
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?	Y			<input type="checkbox"/> HAS monitor work in progress <input type="checkbox"/> Quality checks on reports and working papers <input type="checkbox"/> Time recording against individual reviews <input type="checkbox"/> External benchmarking <input type="checkbox"/> General compliance with best practice from other Authorities <input type="checkbox"/> Quarterly monitoring and reporting 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? (b) user feedback obtained for each individual audit and periodically for the whole service? (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? (d) Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual? (e) an action plan to implement improvements?	Y			There is an agreed method of assessing the performance of Audit Services, as outlined in this report. There is continuous monitoring and updating of our strategy and performance via Team meetings, TIR meetings etc. The HAS ensures that there is compliance to the Code of Practice. Monitoring processes have been strengthened under the shared service model as the 2010/11 audit plan includes an allocation of days to each audit.
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?	Y			As above- this is a continuous process.

Ref	Adherence to the Standard	Y	P	N	Evidence
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? (b) compliant with the Code? (c) meeting internal quality standards? (d) effective, efficient, continuously improving? (e) adding value and assisting the organisation in achieving its objectives?	(a to e)Y			As above.
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?	Y			As above
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?	Y			The Audit Committee has agreed a standard process for their review of the effectiveness of Audit Services, of which this questionnaire forms a significant part.

DRAFT TIMETABLE : Pre TUPE transfer

(updated 10th June 2010)

Start:	End	Task complete?	
01 st February 2010	Mid March 2010	Yes	Each of the three organisations completes individual 2010/11 audit plans
Mid March 2010	1 st April 2010	Partial	2010/11 audit plans reviewed to identify 'common' areas of audit
24 th February 2010	10 th May 2010	In discussion with legal	Agreement established to allow the County to bill Carlisle City Council for the time of management
	10 th May 2010	Yes	Audit Manager from the County takes responsibility for managing Carlisle City audit
26 th March 2010	9 th April 2010	Yes	Letter to County and Copeland staff and Trades Unions advising of anticipated TUPE transfer
24 th February 2010	14 th May 2010	Yes	Request from Districts details of staff affected by the transfer and compare terms and conditions
26 th March 2010	14 th May 2010	Yes	Communications update to all stakeholders
	27 th May 2010	Yes	2 nd Joint Trades Unions meeting
4 th May 2010	18 th June 2010		Informal and formal staff and Trades Unions consultation (including 1-1 meetings)
	16 th July 2010		Formal notification of transfer
	16 th July 2010		Contract agreements established between County and Districts
	1 st August 2010		TUPE transfer occurs, staff employed by the County
	1 st August 2010		County arranges to invoice Districts

