

Public Sector Internal Audit Standards Action Plan

Attribute Standards	Conclusion and recommendations for further development	Response and action date
<p>1000 Purpose, Authority and Responsibility</p> <p>That the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, formally approved in an internal audit charter and periodically reviewed.</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>The Internal Audit Charter does not clearly address all the requirements and needs to be updated to full reflect the standards e.g. it does not currently define the terms ‘board’ and ‘senior management’ for the purposes of Internal Audit.</p> <p>Recommendation(s)</p> <p>Update the Audit Charter and submit to the Audit Committee for review and approval.</p>	<p>Agreed.</p> <p>30 January 2020</p>
<p>1110 Organisational Independence</p> <p>The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The organisation should take adequate steps to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>The CAE’s performance assessment does not currently include the views of the Chief Executive and/or Chair of the Audit Committee.</p>	<p>Agreed.</p> <p>31 March 2020</p>

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<p>not inappropriately influenced by those subject to audit.</p>	<p>Recommendation(s)</p> <p>At least annually the Chief Executive and/or the Chair of the Audit Committee will be provided with an opportunity to review and comment on the CAE's Performance Development Review.</p>	
<p>1130 Impairment to Independence or Objectivity</p> <p>The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting does not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>There is an inherent risk in a small audit team of over-familiarity with audit clients. This risk is managed through the audit file review process, however, this risk and mitigation needs to be clearly documented in the audit manual and for each individual audit.</p> <p>Recommendation(s)</p> <p>Document in the audit manual how the risk of over-familiarity will be managed and ensure the management of this risk is documented on each audit file.</p>	<p>Agreed.</p> <p>31 March 2020</p>

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<p>1220 Due Professional Care</p> <p>Internal auditors must exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> Needs and expectations of clients, including the nature, timing and communication of engagement results Relative complexity and extent of work needed to achieve the engagement's objectives, and Cost of the consulting engagement in relation to potential benefits. 	<p>Conclusion</p> <p>Partially conforming</p> <p>Whilst these points are considered they are not consistently documented in a formal engagement plan.</p> <p>Recommendation(s)</p> <p>All consulting engagements to be agreed and documented through an engagement plan.</p>	<p>Agreed.</p> <p>31 March 2020</p>
<p>1300 Quality Assurance and Improvement Programme</p> <p>The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</p>	<p>Conclusion</p> <p>Not conforming</p> <p>The Internal Audit team is not operating a full Quality Assurance and Improvement Programme.</p> <p>Recommendation(s)</p> <p>Instigate a full Quality Assurance and Improvement Programme ensuring the results and progress against any action plans are reported to CLT and the Audit</p>	<p>Agreed.</p> <p>31 March 2020</p>

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	Committee.	

Performance Standards	Conclusion and recommendations for further development	Response and action date
<p data-bbox="147 507 365 539"><i>2010 Planning</i></p> <p data-bbox="147 582 779 726">The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually.</p>	<p data-bbox="808 507 981 539">Conclusion</p> <p data-bbox="808 582 1115 614">Partially conforming</p> <p data-bbox="808 657 1402 833">The internal audit annual plan does include local and national issues/risks, but it does not clearly document how these will be addressed through internal audit's work.</p> <p data-bbox="808 876 1115 908">Recommendation(s)</p> <p data-bbox="808 951 1402 1094">Ensure that future risk-based plans explain and document how internal audit's work will identify and address local and national issues and risks.</p>	<p data-bbox="1429 507 1541 539">Agreed.</p> <p data-bbox="1429 582 1617 614">30 April 2020</p>

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<p><i>2030 Resource Management</i></p> <p>The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>The timing of individual audits is agreed with management on an audit by audit basis. However, when the annual plan was agreed there were insufficient resources in place to meet delivery.</p> <p>Recommendation(s)</p> <p>Future audit plans should include a comprehensive assessment of the adequacy of resources. Where resources are insufficient a clear plan to address the resource shortfall should be agreed with senior management and the Audit Committee.</p>	<p>Agreed.</p> <p>30 April 2020</p>

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<p>2040 Policies and Procedures</p> <p>The chief audit executive must establish policies and procedures to guide the internal audit activity.</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>Both an audit manual and electronic audit management system are in place to support the audit activity, however both need to be reviewed and updated to reflect changes in working practices and standards.</p> <p>Recommendation(s)</p> <p>Review the audit manual and the electronic audit management system (Galileo) to ensure both reflect current working practices and standards.</p>	<p>Agreed</p> <p>31 March 2020</p>
<p>2050 Coordination</p> <p>The chief audit executive should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.</p>	<p>Conclusion</p> <p>Not conforming</p> <p>Whilst information is shared with other providers of assurance e.g. External Audit the CAE does not regularly meet with other assurance providers to coordinate assurance activities. In addition, the CAE has not developed an approach to evaluate the level of reliance</p>	<p>Agreed.</p> <p>30 April 2020</p>

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	<p>that could be placed on other assurance providers and has not completed an assurance mapping exercise and therefore may be missing opportunities to place reliance on the work of other assurance providers e.g. Ofsted.</p> <p>Recommendation(s)</p> <p>The CAE should have a clear understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services within the Council. To that end the CAE should develop an approach to assessing other assurance providers, map the work of any other assurance providers against planned activity and where appropriate coordinate and place reliance on the work of those providers through regular meetings.</p>	
<p>2110 Governance</p> <p>The internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes.</p> <p>The internal audit activity must evaluate the</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>Each individual audit considers the governance, risk management and control processes, however there has not been a specific audit of corporate</p>	<p>Agreed</p> <p>31 March 2020.</p>

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<p>design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.</p> <p>The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.</p>	<p>governance in the last two years.</p> <p>Whilst individual audits may have addressed elements of the ethics programmes and activities, no overall audit or opinion has been provided.</p> <p>There were no IT audits in 2018/19 and as a result the scope of the CAE's annual opinion was limited. 100 days has been allocated for IT audit in 2019/20 but to date no audits have been planned or undertaken.</p> <p>Recommendation(s)</p> <p>Undertake an authority wide audit of Corporate Governance.</p> <p>Internal Audit must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.</p> <p>Internal Audit must review whether the organisation's information technology governance supports the organisation's strategies and objectives.</p>	

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<p>2201 Engagement Planning</p> <p>Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities and other client expectations. For significant engagements, this understanding must be documented.</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>Whilst consulting engagements are typically agreed with the client, and often in writing by email, a formal engagement plan is not consistently issued.</p> <p>Recommendation(s)</p> <p>An engagement plan must be issued for every consultancy engagement.</p>	<p>Agreed.</p> <p>31 March 2020</p>
<p>2210 Engagement Objectives</p> <p>Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must identify appropriate evaluation criteria through discussion with management and/or the board.</p> <p>Types of criteria may include internal</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>Internal audit does discuss and research policies and procedures, applicable law and regulation and best practice when planning an audit, however this is not clearly documented as evaluation criteria in the audit file or in the engagement plan.</p> <p>Whilst consulting engagements are typically agreed with the client, and often in writing by email, a formal engagement plan is not consistently issued.</p>	<p>Agreed.</p> <p>31 March 2020</p>

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<p>policies and procedures, laws and regulations imposed by statutory bodies and leading practices (e.g. industry and professional guidance).</p> <p>Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.</p> <p>Consulting engagement objectives must be consistent with the organisation's values, strategies and objectives.</p>	<p>Recommendation(s)</p> <p>Internal auditors must identify appropriate evaluation criteria through discussion with management and/or the board. The criteria should be documented in the engagement plan and audit file.</p> <p>An engagement plan must be issued for every consultancy engagement and the objectives set for consulting engagements must be consistent with the organisation's values, strategies and objectives and address governance, risk management and control processes as agreed with the client.</p> <p>The results of the subsequent engagement must be consistently communicated to senior management and the board.</p>	

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<p>2440 Disseminating Results</p> <p>During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>Significant governance, risk management and control issues that have been identified during consulting engagements have been communicated to senior management and the board but not in a consistent format.</p> <p>Recommendation(s)</p> <p>The outcomes of consultancy engagements should be reported to senior management and the board in a consistent format. Report recipients should be advised that the outcome of consultancy engagements may still be used to inform the annual opinion. Furthermore, managements implementation of recommendations arising from consultancy engagements should be monitored and reported by Internal Audit.</p>	<p>Agreed.</p> <p>31 March 2020</p>
<p>2450 Overall Opinion</p> <p>When an overall opinion is issued, it must take into account the strategies, objectives and risks of the organisation and the</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>An annual report and opinion was</p>	<p>Agreed</p> <p>31 July 2020.</p>

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<p>expectations of senior management, the board and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant and useful information.</p>	<p>presented to the Audit Committee however it did not cover all the elements recommended by the standards and application note e.g. performance against KPI's.</p> <p>Recommendation(s)</p> <p>The annual report and opinion should incorporate all the elements recommended by the standards and application note.</p>	
<p>2500 Monitoring Progress</p> <p>The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</p>	<p>Conclusion</p> <p>Partially conforming</p> <p>Management's implementation of recommendations arising from assurance and consultancy engagements are not consistently and persistently followed up and reported by Internal Audit.</p> <p>Recommendation(s)</p> <p>Review the processes for monitoring and reporting management's implementation of agreed actions and ensure the results are regularly reported to senior management and the Audit Committee.</p>	<p>Agreed.</p> <p>31 March 2020.</p>