

| Questions to consider   | Evidence / comments  |
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| <b>1 Mission of Internal Audit</b>  |  |
| Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?<br><i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i> | <b>Conforms</b><br>The mission statement of Internal Audit conforms to the PSIAS requirements and is set out in the Internal Audit Charter 2020 – 21.  |
| <b>2 Definition of Internal Auditing</b>  |  |
| Based on your review of conformance with other requirements of the PSIAS and LGAN, is the internal audit activity independent and objective?  | <b>Conforms</b><br>The approach to independence and objectivity is set out in the Internal Audit Charter 2020 – 21.  |
| Based on your review of conformance with other requirements of the PSIAS and LGAN, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?   | <b>Conforms</b><br>The mission statement of Internal Audit conforms to the PSIAS requirements in this area and is set out in the Internal Audit Charter 2020 – 21. It is also included in audit scope and responsibilities section of the Audit Charter.<br><br>This approach is confirmed in other evidence in this self-assessment including the areas of audit coverage in the Internal Audit Annual Plan 2020 -21. |
| <b>3 Core Principles</b>  |  |
| <b>Demonstrates integrity.</b><br>Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles  | <b>Conforms</b><br>The approach to integrity is set out in the Internal Audit Charter 2020 – 21, ethics and professionalism section.   |

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| of Public Life), do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?   | In addition, audit staff are required to comply with the Council's Code of Conduct for staff.  |
| <b>Demonstrates competence and due professional care.</b><br>Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care? | <b>Conforms</b><br>The approach to demonstrating competence and due professional care is set out in the Quality Assurance Improvement Programme (QAIP) and through quality monitoring processes.   |
| <b>Is objective and free from undue influence (independent).</b><br>Having regard to your review of conformance with the Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)? | <b>Conforms</b><br>See above evidence, including in the Internal Audit Charter 2020 – 21, organisation section and independence and objectivity section.   |
| <b>Aligns with the strategies, objectives, and risks of the organisation.</b><br>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?  | <b>Conforms</b><br>This is achieved through the Internal Audit planning process including linkage to the strategic risk register, prioritisation of the audit universe using a risk based methodology and discussion of the plan with directorate management teams.  |
| <b>Is appropriately positioned and adequately resourced.</b><br>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being appropriately positioned and adequately resourced?  | <b>Conforms</b><br>The positioning of Audit is appropriate and is set out in the Internal Audit Charter 2020 – 21. Internal audit resourcing is set out in the internal audit annual plan.<br><br>Resourcing has recently been reviewed and a new staffing structure |

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|  | has been implemented to ensure appropriate resources are in place to meet needs going forward.   |
| <p><b>Demonstrates quality and continuous improvement.</b></p> <p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating quality and continuous improvement?</p> | <p><b>Conforms</b></p> <p>The approach to demonstrating quality and continuous improvement is set out in the Quality Assurance Improvement Programme and through quality monitoring, including through reporting on performance measures.</p> <p>The approach is also set out in the Internal Audit manual.</p>                                |
| <p><b>Communicates effectively.</b></p> <p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by communicating effectively?</p>   | <p><b>Conforms</b></p> <p>A number of key communication mechanisms are in place including quarterly Risk Services reports and annual audit reporting to the Audit Committee and Corporate Leadership Team.</p>   |
| <p><b>Provides risk-based assurance.</b></p> <p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?</p>  | <p><b>Conforms</b></p> <p>This is set out in the Internal Audit Manual which details the approach to risk based assurance.</p> <p>Risk based assessment is set out in the audit planning process including assignment planning and the use of Internal Control Evaluation forms identifying risks and controls for areas that are audited.</p> |
| <p><b>Is insightful, proactive, and future-focused.</b></p> <p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being insightful, proactive, and future-focused?</p>     | <p><b>Conforms</b></p> <p>Proactivity and future focus is evidenced through the audit planning process, Head of Audit and Risk's involvement in advice roles in corporate initiatives and corporate risk management.</p>   |

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| <p><b>Promotes organisational improvement.</b></p> <p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by promoting organisational improvement?</p>  | <p><b>Conforms</b></p> <p>This is evidenced through the audit approach taken, confirmed by the QAIP including quality monitoring and Head of Audit and Risk reviews of audits undertaken.</p> <p>Also by promoting organisational improvement through audit advice and consultancy work.</p> <p>The Internal Audit Manual sets out the risk based approach taken.</p> |
| <p><b>4 Code of Ethics</b></p>  |   |
| <p><b>Integrity</b></p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display integrity by:</p> <ul style="list-style-type: none"> <li>• Performing their work with honesty, diligence and responsibility?</li> <li>• Observing the law and making disclosures expected by the law and the profession?</li> <li>• Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation?</li> <li>• Respecting and contributing to the legitimate and ethical objectives of the organisation?</li> </ul> | <p><b>Conforms</b></p> <p>Quality monitoring procedures confirm that no issues have arisen in these areas.</p>  |
| <p><b>Objectivity</b></p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by:</p> <ul style="list-style-type: none"> <li>• Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</li> <li>• Not accepting anything that may impair or be presumed to impair their professional</li> </ul>  | <p><b>Conforms</b></p> <p>Quality monitoring procedures confirm that no issues have arisen in these areas.</p> <p>The approach to independence and objectivity is set out in the Internal Audit Charter 2020 – 21.</p>  |

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| <p>judgement?</p> <ul style="list-style-type: none"> <li>• Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?</li> </ul>  |  |
| <p><b>Confidentiality</b></p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by:</p> <ul style="list-style-type: none"> <li>• Acting prudently when using information acquired in the course of their duties and protecting that information?</li> <li>• Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?</li> </ul> | <p><b>Conforms</b></p> <p>Quality monitoring procedures confirm that no issues have arisen in these areas.</p> <p>The approach to confidentiality is included in the Code of Ethics section of the Internal Audit Manual.</p>  |
| <p><b>Competency</b></p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:</p> <ul style="list-style-type: none"> <li>• Only carrying out services for which they have the necessary knowledge, skills and experience?</li> <li>• Performing services in accordance with the PSIAS?</li> <li>• Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</li> </ul>                      | <p><b>Conforms</b></p> <p>The approach to competency is set out in the Internal Audit Charter 2020 – 21 and compliance with standards is ensured through quality monitoring processes.</p> <p>Engagement planning ensures that auditors have the necessary skills for carrying out assignments that are allocated.</p> <p>Two members of the team are Chartered Internal Auditors and a further two hold the Association of Accounting Technician qualification. Three members of the team are undertaking professional studies.</p> <p>All staff are involved in regular Individual Performance Appraisal processes which identifies development needs for the coming year.</p> |
| <p><b>Seven Principles of Public Life</b></p>  | <p><b>Conforms</b></p>   |

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| Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i> ? | The approach to integrity is set out in the Internal Audit Charter 2020 – 21, ethics and professionalism section.<br><br>In addition, audit staff are required to comply with the Council's Code of Conduct for staff. |
| <b>5 Attribute Standards</b>  |  |
| <b>5.1 1000 Purpose, Authority and Responsibility</b>   |  |
| Does the internal audit charter conform with the PSIAS by including a formal definition of: <ul style="list-style-type: none"> <li>the purpose</li> <li>the authority, and</li> <li>the responsibility</li> </ul> of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?    | <b>Conforms</b><br>The Internal Audit Charter 2020/21 includes the relevant formal definitions consistent with the PSIAS.  |
| Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?<br>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.            | <b>Conforms</b><br>The Internal Audit Charter 2020 – 21 defines the board as being the Audit Committee and senior management as being the Corporate Leadership Team.   |
| Does the internal audit charter also: <ul style="list-style-type: none"> <li>Set out the internal audit activity's position within the organisation?</li> <li>Establish the chief audit executive's (CAE) functional reporting relationship with the</li> </ul>   | <b>Conforms</b><br>The Internal Audit Charter 2020 - 21 sets out the relevant requirements consistent with the PSIAS.  |

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| <p>board?</p> <ul style="list-style-type: none"> <li>• Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? Where applicable, this will need to encompass shared service or external providers of internal audit, and the role of the contract manager.</li> <li>• Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?</li> <li>• Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</li> <li>• Define the scope of internal audit activities?</li> <li>• Recognise that internal audit's remit extends to the entire control environment of the organisation?</li> <li>• Establish the organisational independence of internal audit?</li> <li>• Cover the arrangements for appropriate resourcing?</li> <li>• Define the role of internal audit in any fraud-related work?</li> <li>• Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety?</li> <li>• Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities?</li> <li>• Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?</li> <li>• Define the nature of consulting services?</li> </ul> |                     |

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| <ul style="list-style-type: none"> <li>Recognise the mandatory nature of the PSIAS?</li> </ul>  |   |
| Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?   | <b>Conforms</b><br>The Internal Audit Charter is reviewed by the Head of Audit and Risk annually and presented to the Audit Committee and CLT for approval.   |
| <b>5.2 1100 Independence and Objectivity</b>  |   |
| Does the CAE have direct and unrestricted access to senior management and the board?<br>Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee? | <b>Conforms</b><br>The Head of Audit and Risk reports direct to the Section 151 Officer and has a dotted reporting line to the Chief Executive.<br><br>The Head of Audit and Risk is a member of the Senior Leadership Team and is able to request an audience with the Corporate Leadership Team as required.<br><br>The Head of Audit and Risk can also report direct to the Chair of the Audit Committee if necessary and works closely with the Council's Monitoring Officer. |
| Does the CAE attend audit committee meetings?<br>Does the CAE contribute to audit committee agendas?  | <b>Conforms</b><br>The Head of Audit and Risk attends all Audit Committee meetings. On the few occasions where they are not available, the Senior Auditor will deputise and attend.<br><br>Democratic Governance draft a work programme for Audit Committee and the Head of Audit and Risk and Section 151 Officer are asked to review and amend this as appropriate.   |



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|  | Prior to a Committee meeting a draft agenda is sent to the Head of Audit and Risk for review and they have the ability to add to this when appropriate. The Head of Audit and Risk also meets with the Chair and Deputy Chair of the Committee four weeks before the actual meeting to discuss areas of concern and points which the Chair may wish to see on the agenda. |
| <p>Are threats to objectivity identified and managed at the following levels:</p> <ul style="list-style-type: none"> <li>• Individual auditor?</li> <li>• Engagement?</li> <li>• Functional?</li> <li>• Organisation?</li> </ul> | <p><b>Conforms</b></p> <p>The Internal Audit Manual as well as the Internal Audit Charter 2020 – 21 outline the processes for managing this.</p>  |

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| <b>1110 Organisational Independence</b>   |   |
| <p>Does the CAE report to an organisational level equal or higher to the corporate management team?</p> <p>Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?</p>   | <p><b>Conforms</b></p> <p>The Head of Audit and Risk is a Head of Service and part of the Senior Leadership Team. The Head of Audit and Risk reports directly to the Section 151 Officer, the Director of Resources, who is a member of the Corporate leadership Team.</p>  |
| <p>Does the CAE's position in the management structure:</p> <ul style="list-style-type: none"> <li>• Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?</li> <li>• Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?</li> </ul> | <p><b>Conforms</b></p> <p>The Head of Audit and Risk is a Head of Service and part of the Senior Leadership Team. The Head of Audit and Risk reports directly to the Section 151 Officer, the Director of Resources, who is a member of the Corporate leadership Team.</p> <p>See above also in relation to Head of Audit and Risk's role with the Audit Committee.</p> |
| <p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p>  | <p><b>Conforms</b></p> <p>This is incorporated in the Internal Audit Charter 2020-21 which details arrangements for independence.</p>   |

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| <p>Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?</p> <p>The 'Interpretation' to PSIAS 1110 provides examples of factors which may indicate that the CAE reports functionally to the Board, which include where the board:</p> <ul style="list-style-type: none"> <li>• approves the internal audit charter</li> <li>• approves the risk-based audit plan</li> <li>• approves the internal audit budget and resource plan</li> <li>• receives communications from the CAE on the activity's performance (in relation to the plan, for example)</li> <li>• approves decisions relating to the appointment and removal of the CAE</li> <li>• approves the remuneration of the CAE</li> <li>• seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.</li> </ul> | <p><b>Conforms</b></p> <p>There is extensive reporting to the Audit Committee including approving the internal audit charter, approving the internal audit plan and quarterly Risk Services reports including reporting on audit performance.</p> <p>The Chair of the Audit Committee has not been involved in the appointment of the Head of Audit and Risk and this is in line with the Councils HR procedures.</p> <p>The Individual Performance Appraisal process adopted by the Council is one in which the Director of Resources sets the objectives for and appraises the performance of the Head of Audit and Risk. The Director of Resources would be able to request input from the Chair of the Audit Committee if required.</p> |
| <b>1111 Direct Interaction with the Board</b>  |   |
| <p>Does the CAE communicate and interact directly with the board?</p>  | <p><b>Conforms</b></p> <p>The Head of Audit and Risk attends Audit Committee meetings, is involved in the agenda setting process and reports regularly to the Committee. Minutes of the meetings which evidence interaction can be found on the Council's website.</p>  |
| <b>1112 Chief Audit Executive Roles Beyond Internal Auditing</b>   |   |
| <p>Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?</p>   | <p><b>Conforms</b></p> <p>The Head of Audit and Risk is responsible for a number of other</p>   |

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| Does the board periodically review these safeguards?  | risk related functions across the Council. The safeguards around limiting independence in these areas are set out in the annual Internal Audit Charter. |
| <i>1120 Individual Objectivity</i>  |   |
| Do internal auditors have an impartial, unbiased attitude?  | <b>Conforms</b><br>The Internal Audit Manual sets out the approach and compliance is confirmed by quality monitoring processes.                         |
| Do internal auditors avoid any conflict of interest, whether apparent or actual?  | <b>Conforms</b><br>The Internal Audit Manual sets out the approach and compliance is confirmed by quality monitoring processes.                         |
| <i>1130 Impairment to Independence or Objectivity</i>   |   |
| If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)? | <b>Conforms</b><br>This is assessed for each audit assignment and any concerns would be disclosed by the Head of Audit and Risk.                        |

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| Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?   | <b>Conforms</b><br>The internal audit charter engagement planning section sets out the limitations for an auditor undertaking an audit of an area they have previously had operational involvement in – this is for a 3 year period.  |
| If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?   | <b>Conforms</b><br>The internal audit charter engagement planning section sets out the arrangements for auditing other areas which the Head of Audit and Risk has responsibility for. This is implemented in practice e.g. for audit reviews of Risk Management and Health and Safety which the Head of Audit and Risk also has responsibility for. |
| Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?   | <b>Conforms</b><br>This is done as far as possible over time and is managed by the Senior Auditors on an assignment by assignment basis. It is more difficult to ensure rotation with the size of the audit team and the need to ensure all audit resources are used efficiently.   |
| Have internal auditors declared interests in accordance with organisational requirements?   | <b>Conforms</b><br>All staff complete the online register of interest form at least annually (or more frequently if a change occurs in year).   |
| Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully? | <b>Conforms</b><br>There have been no instances when auditors have done this. Any issues identified would be fully investigated. Staff are required to adhere to the Councils policy in relation to this.   |
| Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?  | <b>Conforms</b><br>No such incidents have been identified and therefore further investigation has not been required.  |

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| Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?   | <b>Conforms</b><br>This is addressed through quality monitoring processes including review of working paper files and of audit reports to ensure compliance.  |
| If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?   | <b>Conforms</b><br>No issues such as these have been identified.  |
| Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?  | <b>Conforms</b><br>If the consultancy assignment was significant then a change to the audit plan would be initiated which would be approved by the Section 151 Officer and reported to the Audit Committee.   |
| <b>5.3 1200 Proficiency and Due Professional Care</b>   |   |
| <b>1210 Proficiency</b>   |   |
| Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?<br>Is the CAE suitably experienced?   | <b>Conforms</b><br>The Head of Audit and Risk is CMIIA qualified and has a Master's degree in Audit Management and Consultancy and a Master's degree in Counter Fraud and Corruption. The Head of Audit and Risk has 20 years' experience in audit, including 5 years as Audit Manager and 7 years as Head of Audit and Risk. |
| Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?<br>Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, | <b>Conforms</b><br>The Head of Audit and Risk is responsible for the recruitment of appropriate internal audit staff in accordance with Council HR processes. The audit team has gone through a restructure exercise in 2019, with updated job descriptions and person specifications   |

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| experience and personal attributes?  | developed.  |
| <p>Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?</p> <p>Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?</p> | <p><b>Conforms</b><br/>The Council's audit restructure undertaken ensures that it has the right, skills knowledge and competencies. The internal audit team has several highly experienced staff.</p>   |
| Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?  | <p><b>Conforms</b><br/>The internal audit team have an awareness of fraud. Internal audit staff complete the Council's I Pool training course on fraud awareness.</p> <p>The Council' Counter Fraud Team is also the responsibility of the Head of Audit and Risk. Therefore more specialist skills are available within the wider Audit and Risk Team if required.</p> |
| Do internal auditors have sufficient knowledge of key information technology risks and controls?   | <p><b>Conforms</b><br/>Lack of in-house specialist ICT audit skills in a small audit team is a weakness that was previously identified in the Strategic Audit Plan. However, to bridge this gap there is an arrangement in place with local authority partners to call off the specialist ICT audit services of Mersey Internal Audit Agency if this is needed.</p>     |
| Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?   | <p><b>Conforms</b><br/>The team have access to IDEA file interrogation software and training on its use have been provided to some of the team.</p>   |

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| <b>1220 Due Professional Care</b>   |  |
| <p>Do internal auditors exercise due professional care by considering the:</p> <ul style="list-style-type: none"> <li>• Extent of work needed to achieve the engagement's objectives?</li> <li>• Relative complexity, materiality or significance of matters to which assurance procedures are applied?</li> <li>• Adequacy and effectiveness of governance, risk management and control processes?</li> <li>• Probability of significant errors, fraud, or non-compliance?</li> <li>• Cost of assurance in relation to potential benefits?</li> </ul> <p>In doing the above, internal auditors must also consider how technology-based audit and other data analysis techniques can provide assurance.</p> | <p><b>Conforms</b></p> <p>The internal audit manual sets out the process to ensure due professional care is applied to all engagements, confirmed by quality monitoring procedures in place.</p> |
| <p>Do internal auditors exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> <li>• Needs and expectations of clients, including the nature, timing and communication of engagement results?</li> <li>• Relative complexity and extent of work needed to achieve the engagement's objectives?</li> <li>• Cost of the consulting engagement in relation to potential benefits?</li> </ul>   | <p><b>Conforms</b></p> <p>The internal audit manual sets out the process to ensure due professional care is applied to all engagements, confirmed by quality monitoring procedures in place.</p> |



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| <b>1230 Continuing Professional Development</b>   |   |
| <p>Has the CAE defined the skills and competencies for each level of auditor?</p> <p>Does the CAE periodically assess individual auditors against the predetermined skills and competencies?</p>  | <p><b>Conforms</b><br/>Skills and competencies have been defined in the job descriptions and person specifications compiled as part of the audit restructure.</p> <p>Periodic assessment is through the regular Individual Performance Appraisal process.</p>   |
| <p>Do internal auditors undertake a programme of continuing professional development?</p> <p>Do internal auditors maintain a record of their professional development and training activities?</p>  | <p><b>Conforms</b><br/>A number of internal audit staff are undertaking professional studies.</p> <p>Auditors record their professional development and training activity information in the individual performance appraisal system.</p>   |
| <b>5.4 1300 Quality Assurance and Improvement Programme</b>   |   |
| <p>Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?</p> <p>Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?</p> <p>Does the CAE maintain the QAIP?</p> <p>Are any statutory requirements for review of the internal audit activity satisfied?</p> | <p><b>Conforms</b><br/>A QAIP covering all aspects of audit activity and enabling evaluation of PSIAS conformance is in place.</p> <p>The QAIP covers the efficiency and effectiveness of activity and identifies opportunities for improvement.</p> <p>The QAIP is maintained by the Senior Auditors and the Head of Audit and Risk.</p> |

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| <b>1310 Requirements of the Quality Assurance and Improvement Programme</b>   |   |
| Does the QAIP include both internal and external assessments?   | <b>Conforms</b><br>Both types of assessment are covered in the QAIP.  |
| <b>1311 Internal Assessments</b>  |   |
| Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?   | <b>Conforms</b><br>The Senior Auditors, in conjunction with the Head of Audit and Risk, are responsible for ensuring that members of the internal audit team are allocated work which is appropriate to them. Any issues or concerns are raised through the monthly one to one process.                                   |
| Do internal assessments include ongoing monitoring of the internal audit activity, such as: <ul style="list-style-type: none"> <li>• Routine quality monitoring processes?</li> <li>• Periodic assessments for evaluating conformance with the PSIAS?</li> </ul>  | <b>Conforms</b><br>Internal assessments include both ongoing reviews and periodic reviews.  |
| Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets? <ul style="list-style-type: none"> <li>• Is there a set of comprehensive targets which between them encompass all significant internal audit activities?</li> <li>• Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?</li> <li>• Does the CAE measure, monitor and report on progress against these targets?</li> </ul> | <b>Conforms</b><br>An agreed suite of performance indicators are in place covering significant activities. The key performance indicators and targets for the service are included in the Strategic Audit Plan which is agreed with the Corporate Leadership Team and Audit Committee.<br><br>The agreed targets include: |

| Questions to consider  | Evidence / comments  |
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| <ul style="list-style-type: none"> <li>Does ongoing performance monitoring include obtaining stakeholder feedback?</li> </ul>  | <p>% Audit Plan Completed<br/>           % Audits Delivered in Resource<br/>           % Audits Delivered by Deadline<br/>           % Positive Customer Satisfaction<br/>           % Compliance with Head of Audit and Risk quality review</p> <p>The targets for the above are reviewed each year and agreed with the Director of Resources. Progress against targets is monitored by and reported by the Head of Audit and Risk in quarterly reports to the Audit Committee and CLT.</p> <p>A customer satisfaction survey is issued at the end of each audit assignment and the results are reported to the Corporate Leadership Team and Audit Committee as part of the suite of internal audit PIs.</p> |
| <p>Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?</p> <p>Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.</p> | <p><b>Conforms</b></p> <p>Internal and external assessments are considered. The last external assessment undertaken was in 2016. Internal reviews have been undertaken as part of the approach to service improvement.</p> <p>Benchmarking with other local authorities has also been undertaken to assess performance.</p>  |
| <p>Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?</p>   | <p><b>Conforms</b></p> <p>The Head of Audit and Risk review of activity against the risk based plan is part of the QAIP and performance indicators and quarterly Risk Services reporting to the Audit Committee and CLT.</p>   |

| Questions to consider  | Evidence / comments   |
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| <b>1312 External Assessments</b>   |   |
| <p>Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?</p> <p>Has the CAE discussed the alternative approaches to external assessment with the board? This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether there are factors which might be considered to warrant a demonstrably independent assessment.</p> | <p><b>Conforms</b></p> <p>An external assessment was carried out in 2016 as part of the North West Chief Auditors Group peer review process.</p> <p>The Head of Audit and Risk has considered the options available and discussed the approach to external assessment with the Corporate Leadership Team in June 2019 and the Audit Committee in July 2019. The self-assessment plus independent validation by Lancashire Chief Auditor Group members is deemed to be the most appropriate approach and to be the best value for money.</p> |

| Questions to consider   | Evidence / comments   |
|---|---|
| <p>Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?</p> <p>In doing this, the CAE should consider whether the assessor or assessment team has demonstrated its competence in both the professional practice of internal auditing <i>and</i> the external assessment process. Competence can be demonstrated through both experience and theoretical learning. Experience of similar organisations or sectors is more valuable than less relevant experience. In the case of an assessment team, not all members need to have all the competencies – it is the team as a whole that is qualified.</p> <p>If the capability of the assessor or assessment team is not immediately obvious, the CAE should document how they used professional judgement to decide whether this is sufficient to carry out the external assessment.</p> <p>If the assessor or assessment team has any real or apparent conflicts of interest with the organisation, this should be clearly explained to the board, and safeguards should be put in place to minimise the effect of this on the conduct of the external assessment.</p> <p>Conflict of interest may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.</p> | <p><b>Conforms</b></p> <p>The Council is participating in the Lancashire Chief Auditors Group peer review process where members have appropriate qualifications, independence and knowledge of local government to undertake the external assessment. Blackpool's external assessment will take place in 2020 / 21.</p> |
| <p>Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?</p> <p>The CAE should also agree this scope with the external assessor or assessment team.</p>  | <p><b>Conforms</b></p> <p>The independent validation of a self -assessment against the PSIAS was agreed at the Audit Committee meeting on 25<sup>th</sup> July 2019.</p> <p>The scope of the forthcoming external assessment will be agreed by the Head of Audit and Risk with the external assessment team.</p>        |

| Questions to consider   | Evidence / comments  |
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| <b>1320 Reporting on the Quality Assurance and Improvement Programme</b>  |  |
| <p>Has the CAE reported the results of the QAIP to senior management and the board?</p> <p>Note that:</p> <ul style="list-style-type: none"> <li>the results of both external and periodic internal assessment must be communicated upon completion</li> <li>the results of ongoing monitoring must be communicated at least annually</li> <li>the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.</li> </ul> | <p><b>Conforms</b></p> <p>The results of the QAIP ongoing performance monitoring are reported to the Audit Committee and CLT in quarterly Risk Services reports.</p> <p>The results of the external assessment against the PSIAS were reported to the Audit Committee and CLT.</p>   |
| <p>Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?</p>  | <p><b>Partially Conforms</b></p> <p>The results are included in the QAIP rather than annual report and both these documents are reviewed on an annual basis and reported to the Audit Committee at the same time.</p> <p><b>Recommendation: Reference to progress against the QAIP action plan will also be included in the Annual Report.</b></p> |
| <b>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</b>   |  |
| <p>Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?</p>  | <p><b>Conforms</b></p> <p>QAIP results support conformance with PSIAS.</p>   |
| <b>1322 Disclosure of Non-conformance</b>   |  |
| <p>Has the CAE reported any instances of non-conformance with the PSIAS to the board?</p>   | <p><b>Conforms</b></p>   |

| Questions to consider   | Evidence / comments  |
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|   | No instances of non –conformance have been identified.   |
| If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?   | <b>Conforms</b><br>The self-assessment against the PSIAS has not identified any significant deviations. However, should any be identified as part of the external review then these would be considered as part of the Annual Governance Statement.  |
| <b>6 Performance Standards</b>  |  |
| <b>6.1 2000 Managing the Internal Audit Activity</b>  |  |
| <i>2010 Planning</i>  |  |
| <p>Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?</p> <p>Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?</p> <p>Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:</p> <ul style="list-style-type: none"> <li>• How the internal audit service will be delivered?</li> <li>• How the internal audit service will be developed in accordance with the internal audit charter?</li> <li>• How the internal audit service links to organisational objectives and priorities?</li> </ul> | <b>Conforms</b><br>A risk based plan has been developed. This is achieved through the Internal Audit planning process including linkage to the strategic risk register, prioritisation of the audit universe using a risk based methodology and discussion of the plan with directorate management teams. The audit annual plan links to the strategic audit plan. |

| Questions to consider  | Evidence / comments   |
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| <p>Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?</p> <p>In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?</p> <p>If such a risk management framework does not exist, has the CAE used their judgement of risks after input from senior management and the board and evidenced this?</p> | <p><b>Conforms</b></p> <p>Local and national issues and risks are considered in the internal audit risk based planning process which determines the content of the risk based plan.</p> <p>The Head of Audit and Risk is also responsible for the Council's risk management framework and overseeing the strategic risk register and therefore has a good insight into areas of specific concern.</p>   |
| <p>Does the risk-based plan set out the:</p> <ul style="list-style-type: none"> <li>• Audit work to be carried out?</li> <li>• Respective priorities of those pieces of audit work?</li> <li>• Estimated resources needed for the work?</li> </ul> <p>Does the risk-based plan differentiate between audit and other types of work?</p> <p>Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?</p>                    | <p><b>Partially Conforms</b></p> <p>The audit plan sets out the work to be done, resources and differentiates between types of work. Priorities were assessed as part of drawing up the audit plan but are not highlighted within it.</p> <p>If new risks emerge in year then the Head of Audit and Risk has the option to make a change to the plan and seeks approval for this from the Section 151 Officer and reports to the Audit Committee.</p> <p>Audit assignments are normally planned on a quarterly basis which helps ensure flexibility should risks change in the year.</p> <p><b>Recommendation: Consider including priorities for delivery of internal audit reviews in the internal audit plan.</b></p> |
| <p>Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?</p>  | <p><b>Conforms</b></p> <p>Any changes to the audit plan are reported to Audit Committee as part of the Risk Services Quarterly Report.</p>  |
| <p>Is the internal audit activity's plan of engagements based on a documented risk assessment?</p>   | <p><b>Conforms</b></p>  |



| Questions to consider   | Evidence / comments   |
|---|---|
| Is the risk assessment used to develop the plan of engagements undertaken at least annually?  | Internal audit planning includes an annual documented risk assessment of the audit universe.  |
| <p>In developing the risk-based plan, has the CAE also given sufficient consideration to:</p> <ul style="list-style-type: none"> <li>Any declarations of interest (for the avoidance for conflicts of interest)?</li> <li>The requirement to use specialists, eg IT or contract and procurement auditors?</li> <li>Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?</li> <li>The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?</li> </ul> | <p><b>Conforms</b></p> <p>This is allowed for in the internal audit plan, including audit management time allocation.</p>   |
| <p>In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?</p> <p>Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?</p>  | <p><b>Conforms</b></p> <p>At an internal audit team audit planning meeting each member of the team is asked to give a presentation on what they feel that the key risks faced by the organisation are in the coming financial year. This is followed by a risk assessment against the audit universe.</p> <p>The Head of Audit and Risk then attends all Departmental Management Teams to obtain senior management input into key risks to be covered in the internal plan and has individual meetings with the Section 151 Officer and Chief Executive.</p> <p>This information is used to produce a full list of potential areas of coverage and then this is assessed by the Head of Audit and Risk and matched against available audit resource for the new financial year.</p> |

| Questions to consider  | Evidence / comments  |
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| <p>Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?</p> <p>Are consulting engagements that have been accepted included in the risk-based plan?</p>   | <p><b>Conforms</b></p> <p>The approach to consultancy, advice and support is outlined in the internal audit plan.</p> <p>Any consulting engagements that would be accepted would be included in the provision in internal audit plan. Contingency is built into the plan to enable these to be undertaken when appropriate to do so.</p> |
| <i>2020 Communication and Approval</i>   |  |
| <p>Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?</p> <p>Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?</p> | <p><b>Conforms</b></p> <p>The internal audit plan is considered and approved by the Audit Committee and the CLT.</p> <p>Any changes to the plan or resource requirements would be reported in the Risk Services Quarterly Report which goes to the Corporate Leadership Team and Audit Committee.</p>                                    |
| <p>Has the CAE communicated the impact of any resource limitations to senior management and the board?</p>   | <p><b>Conforms</b></p> <p>Resource requirement are set out in the Audit Plan and any issues would be reported via the Risk Services Quarterly Report.</p>  |
| <i>2030 Resource Management</i>  |  |
| <p>Does the risk-based plan explain how internal audit's resource requirements have been assessed?</p>   | <p><b>Conforms</b></p> <p>The resource requirements are assessed through the internal audit planning process including an internal audit resource analysis and potential audits are prioritised for completion within the annual audit plan as either higher perceived risk or have not recently</p>                                     |

| Questions to consider   | Evidence / comments   |
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|   | been subject to audit activity.   |
| Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?   | <b>Conforms</b><br>The timing of individual engagements is planned with management and an agreed client notification is issued.   |
| <p>If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?</p> <p>This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.</p>                     | <b>Conforms</b><br>Any issues with delivering the plan would be reported via the Risk Services Quarterly Report.  |
| <b>2040 Policies and Procedures</b>   |   |
| <p>Has the CAE developed and put into place policies and procedures to guide the internal audit activity?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems to guide staff in performing their duties in a manner that conforms to the PSIAS.</p> <p>Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?</p> | <p><b>Conforms</b></p> <p>This is incorporated into the internal audit manual which is reviewed and updated.</p> <p>Annual service improvement days are held which give the opportunity for policies and procedures to be reviewed.</p> |

| Questions to consider   | Evidence / comments   |
|---|---|
| <b>2050 Coordination</b>  |   |
| <p>Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?</p> <p>The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers. They should also meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans.</p> <p>Where key organisational risks relate to work undertaken through partnerships, the auditor may be able to take assurance from work undertaken by others, or by obtaining assurance directly.</p> | <p><b>Partially Conforms</b></p> <p>This is discussed with senior managers when the Head of Audit and Risk attends Departmental Management Teams as part of the audit planning process and any external inspections may influence whether a review will be included on the audit annual plan e.g. Ofsted inspection results.</p> <p>Periodic meetings take place between the Head of Audit and Risk and the Council's external auditors and key findings shared as appropriate. Both parties also attend all Audit Committees.</p> <p><b>Recommendation: Further improve the documentation of other sources of assurance which are considered when preparing the internal audit plan.</b></p> |
| <b>2060 Reporting to Senior Management and the Board</b>  |   |
| <p>Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?</p> <p>Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?</p> <p>Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?</p>   | <p><b>Conforms</b></p> <p>This is done via the Risk Services Quarterly Report which is taken to the Corporate Leadership Team and Audit Committee and which includes risks and issues identified through internal audit work.</p> <p>If an urgent matter came to light this would be raised immediately by the Head of Audit and Risk rather than waiting for the formal quarterly reporting cycle.</p>   |

| Questions to consider  | Evidence / comments  |
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| <b>2070 External Service Provider and Organisational Responsibility for Internal Auditing</b>  |  |
| Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?   | Not applicable.  |
| <b>6.2 2100 Nature of Work</b>   |  |
| <b>2110 Governance</b>   |  |
| <p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> <li>• Making strategic and operational decisions?</li> <li>• Overseeing risk management and control?</li> <li>• Promoting appropriate ethics and values within the organisation?</li> <li>• Ensuring effective organisational performance management and accountability?</li> <li>• Communicating risk and control information to appropriate areas of the organisation?</li> <li>• Coordinating the activities of and communicating information among the board, external and internal auditors and management?</li> </ul> | <p><b>Conforms</b></p> <p>This is built into the audit processes as defined in the internal audit manual.</p>  |
| Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.  | <p><b>Conforms</b></p> <p>The Head of Audit and Risk was part of the consultation process for the development of the Employees Code of Conduct. Periodic internal audits of culture take place. The Council also actively uses LGA Peer reviews which provide some level of assurance in these areas and the Head of Audit and Risk participates in these as</p> |

| Questions to consider  | Evidence / comments   |
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|  | <p>appropriate.</p> <p>In addition, the Head of Audit and Risk participates in the Good Governance Group which is chaired by the Council's Monitoring Officer.</p>  |
| Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives? This is an area where the CAE may be able to use other sources of assurance.  | <p><b>Conforms</b></p> <p>Information governance, ICT security and ICT software are subject to audit reviews. Information security also is covered on a system to system basis.</p>   |
| <b>2120 Risk Management</b>  |   |
| <p>Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:</p> <ul style="list-style-type: none"> <li>• Organisational objectives support and align with the organisation's mission?</li> <li>• Significant risks are identified and assessed?</li> <li>• Appropriate risk responses are selected that align risks with the organisation's risk appetite?</li> <li>• Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?</li> </ul> | <p><b>Conforms</b></p> <p>The Head of Audit and Risk is also responsible for setting the Council's Risk Management Framework and therefore is able to influence whether the Council is taking adequate steps to effectively manage risk.</p> <p>A recent audit of corporate risk management processes has taken place which found that the controls in place were good.</p> <p>Risk registers are looked at routinely as part of audit reviews to ensure that these are in place.</p> |

| Questions to consider   | Evidence / comments   |
|---|---|
| <p>Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> <li>• Achievement of the organisation's strategic objectives?</li> <li>• Reliability and integrity of financial and operational information?</li> <li>• Effectiveness and efficiency of operations and programmes?</li> <li>• Safeguarding of assets?</li> <li>• Compliance with laws, regulations, policies, procedures and contracts?</li> </ul> | <p><b>Conforms</b></p> <p>This is built into the audit process as identified in the internal audit manual and the responsibility section of the internal audit charter.</p>   |
| <p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p> <p>CIPFA has issued a <i>Code of Practice on Managing the Risk of Fraud and Corruption</i>, and strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk.</p>   | <p><b>Conforms</b></p> <p>The potential for fraud is considered as part of the annual audit planning process.</p> <p>The Head of Audit and Risk oversees the counter fraud framework and there is a fraud prevention charter in place which is reviewed annually.</p> |
| <p>Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?</p> <p>Are internal auditors alert to other significant risks when undertaking consulting engagements?</p> <p>Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes?</p>  | <p><b>Conforms</b></p> <p>A consultancy engagement would only be accepted by the Head of Audit and Risk if it focused on risk and control issues.</p>   |

| Questions to consider  | Evidence / comments  |
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| Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?  | <b>Conforms</b><br>Any risks identified are reported through an internal audit report for action by the relevant service rather than the internal audit team.  |
| <b>2130 Control</b>  |  |
| Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the: <ul style="list-style-type: none"> <li>• Achievement of the organisation's strategic objectives?</li> <li>• Reliability and integrity of financial and operational information?</li> <li>• Effectiveness and efficiency of operations and programmes?</li> <li>• Safeguarding of assets?</li> <li>• Compliance with laws, regulations, policies, procedures and contracts?</li> </ul> | <b>Conforms</b><br>This is achieved through following the procedures outlined in the internal audit manual and using the suite of core audit documents.  |
| Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?  | <b>Conforms</b><br>All members of the audit team feed control knowledge into the planning process, both annual audit planning and engagement planning through identifying ideas on risks and controls. |



| Questions to consider  | Evidence / comments   |
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| <b>6.3 2200 Engagement Planning</b>  |   |
| <p>Do internal auditors develop and document a plan for each engagement?</p> <p>Does the engagement plan include the engagements:</p> <ul style="list-style-type: none"> <li>• Objectives?</li> <li>• Scope?</li> <li>• Timing?</li> <li>• Resource allocations?</li> </ul>  | <p><b>Conforms</b></p> <p>A client notification is issued for every assignment.</p>   |
| <p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> <li>• The objectives of the activity being reviewed?</li> <li>• The means by which the activity controls its performance?</li> <li>• The significant risks to the activity being audited?</li> <li>• The activity's resources?</li> <li>• The activity's operations?</li> <li>• The means by which the potential impact of risk is kept to an acceptable level?</li> <li>• The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?</li> <li>• The opportunities for making significant improvements to the activity's governance, risk management and control processes?</li> </ul> | <p><b>Conforms</b></p> <p>This is set out in the internal audit manual and through the completion of the client notification and internal control evaluation forms.</p> |

| Questions to consider   | Evidence / comments   |
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| <p>Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:</p> <ul style="list-style-type: none"> <li>• Objectives?</li> <li>• Scope?</li> <li>• The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?</li> </ul> | <p><b>Conforms</b><br/>This would be no different to undertaking an internal assignment and a client notification would be issued including this information.</p> <p>Client notifications are used for assignments undertaken by the internal audit team with the Council's wholly owned companies.</p> |
| <p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <ul style="list-style-type: none"> <li>• Objectives?</li> <li>• Scope?</li> <li>• The respective responsibilities of the internal auditors and the client and other client expectations?</li> </ul> <p>For significant consulting engagements, has this understanding been documented?</p>  | <p><b>Conforms</b><br/>This would be discussed and agreed on an assignment by assignment basis and a client notification issued as appropriate.</p>   |

| Questions to consider   | Evidence / comments  |
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| <b>2210 Engagement Objectives</b>   |  |
| <p>Have objectives been agreed for each engagement?</p> <p>Have internal auditors carried out a preliminary risk assessment of the activity under review?</p> <p>Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?</p> <p>Have internal auditors considered the probability of the following when developing the engagement objectives:</p> <ul style="list-style-type: none"> <li>• Significant errors?</li> <li>• Fraud?</li> <li>• Non-compliance?</li> <li>• Any other risks?</li> </ul> | <p><b>Conforms</b></p> <p>Objectives are agreed with the client at the scoping meeting and then formalised in a client notification.</p>   |
| <p>Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?</p>  | <p><b>Conforms</b></p> <p>Internal audit undertake periodic reviews of performance management across the Council.</p> <p>The need for review of performance management is identified as part of the annual audit planning risk assessment process.</p> |
| <p>If the criteria has been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?</p>  | <p><b>Conforms</b></p> <p>Performance management is an area which is picked up as a standard control in audit assignments.</p>   |
| <p>If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?</p>   | <p><b>Conforms</b></p> <p>Such issues would be reported in an audit review of performance management and agreement to the recommendations would be</p>   |

| Questions to consider  | Evidence / comments   |
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|  | obtained from senior management.  |
| If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?   | <b>Conforms</b><br>Value is one of the control objectives used in all audit reviews.  |
| Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?<br>Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?   | <b>Conforms</b><br>This would be agreed on a case by case basis with the client for each consultancy assignment.<br><br>The Head of Audit and Risk would make an assessment based on the request for consultancy engagement to determine whether it was consistent with the Council's objectives. If not, the assignment would not be accepted. |
| <b>2220 Engagement Scope</b>   |   |
| Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?<br>Does the scope for each engagement include consideration of relevant systems, records, personnel and physical properties? Does this consideration include areas under the control of outside parties, where appropriate?  | <b>Conforms</b><br>The precise scope would be confirmed in the client notification, once agreed with the customer at a scoping meeting.   |
| Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?<br>Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting standards? | <b>Conforms</b><br>This would be agreed on a case by case basis dependent on the nature of the consulting assignment and reflected in the client notification.  |

| Questions to consider  | Evidence / comments  |
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| <p>For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?</p> <p>If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?</p> <p>During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?</p> <p>During consulting engagements, were internal auditors alert to any significant control issues?</p> | <p><b>Conforms</b><br/>This would be agreed with the client at the scoping meeting and reflected in the client notification.</p> <p>Any concerns would be flagged with the Head of Audit and Risk / Senior Auditor who would raise this with the client.</p> <p>Prior to the issue of consultancy advice this would be reviewed by the Senior Auditor / Head of Audit and Risk. This review process ensures that the controls have been sufficiently addressed.</p> <p>Internal auditors are mindful of control issues and if a matter was significant enough this would be reported to the Head of Audit and Risk / Senior Auditor.</p> |
| <b>2230 Engagement Resource Allocation</b>   |  |
| <p>Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement based on:</p> <ul style="list-style-type: none"> <li>a) The nature and complexity of the individual engagement?</li> <li>b) Any time constraints?</li> <li>c) The resources available?</li> </ul>   | <p><b>Conforms</b><br/>An estimated resource is included in the internal audit plan at the outset of each financial year. These timescales are usually adhered to unless there is a reason to amend.</p> <p>Any requirement for increased resource will be considered by the Head of Audit and Risk once an issue has been flagged by the auditor.</p> <p>If the allocated number of days are not required then the auditor</p>  |

| Questions to consider  | Evidence / comments  |
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|  | has the flexibility to deliver under planned resource as long as the objectives of the scope have been met, which is confirmed by management review of working papers and reports.   |
| <b>2240 Engagement Work Programme</b>  |  |
| <p>Have internal auditors developed and documented work programmes that achieve the engagement objectives?</p> <p>Do the engagement work programmes include procedures for:</p> <ul style="list-style-type: none"> <li>• Identifying information?</li> <li>• Analysing information?</li> <li>• Evaluating information?</li> <li>• Documenting information?</li> </ul> <p>Were work programmes approved prior to implementation for each engagement?</p> <p>Were any adjustments required to work programmes approved promptly?</p> | <p><b>Conforms</b></p> <p>The approach to work programmes is set out in the internal audit manual and involves the completion of core audit documents. There are standard financial control assurance testing templates in place.</p> <p>The work programme / internal control evaluation template and test schedules are approved by the Senior Auditor.</p> <p>Any adjustments would be approved by the Senior Auditor and if necessary and significant by the Head of Audit and Risk as required.</p> |
| <b>6.4 2300 Performing the Engagement</b>  |  |
| <b>2310 Identifying Information</b>  |  |
| <p>Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?</p>  | <p><b>Conforms</b></p> <p>This is achieved through the completion of the core audit documents in line with the requirements of the internal audit manual. This is confirmed as part of the audit management review process.</p>  |

| Questions to consider   | Evidence / comments  |
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| <b>2320 Analysis and Evaluation</b>   |  |
| Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?  | <b>Conforms</b><br>This is achieved through the completion of the core audit documents in line with the requirements of the internal audit manual. This is confirmed as part of the audit management review process.   |
| Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented: <ul style="list-style-type: none"> <li>• Intentional wrongdoing?</li> <li>• Errors and omissions?</li> <li>• Poor value for money?</li> <li>• Failure to comply with management policy?</li> <li>• Conflicts of interest?</li> </ul> | <b>Conforms</b><br>As part of each assignment the auditor needs to complete an internal control evaluation form which lists all relevant risks, expected controls, actual controls and then an evaluation of the outcome. As part of this the template includes a number of specific risks which should be considered during audits. |
| <b>2330 Documenting Information</b>   |  |
| Have internal auditors documented the relevant information required to support engagement conclusions and results?<br><br>Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?           | <b>Conforms</b><br>The relevant information is recorded on the suite of core documents as defined in the internal audit manual.<br><br>There is documented review of working papers by the Senior Auditor to ensure that working papers are sufficiently complete and detailed.  |

| Questions to consider   | Evidence / comments  |
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| <p>Does the CAE control access to engagement records?</p> <p>Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?</p> <p>Has the CAE developed and implemented retention requirements for all types of engagement records?</p> | <p><b>Conforms</b><br/>Access to engagement records is controlled by the Head of Audit and Risk.</p> <p>The retention policy is set out in the internal audit manual and is consistent with relevant guidelines.</p>   |
| <p>Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?</p>  | <p><b>Conforms</b><br/>Retention requirements for internal audit are included in the Council's overall retention schedule.</p>   |
| <p><b>2340 Engagement Supervision</b></p>   |  |
| <p>Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?</p> <p>Is appropriate evidence of supervision documented and retained for each engagement?</p>  | <p><b>Conforms</b><br/>The Senior Auditor attends the scoping meeting with the auditor to ensure a shared knowledge of the objectives of the assignment.</p> <p>A management review process is built in through the assignments to ensure that adequate supervision arrangements are in place.</p> |



| Questions to consider  | Evidence / comments   |
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| <b>6.5 2400 Communicating Results</b>  |   |
| <i><b>2410 Criteria for Communicating</b></i>  |   |
| <p>Do the communications of engagement results include the following:</p> <ul style="list-style-type: none"> <li>• The engagement's objectives?</li> <li>• The scope of the engagement?</li> <li>• Applicable conclusions?</li> <li>• Recommendations and action plans, if appropriate?</li> </ul>   | <p><b>Conforms</b></p> <p>Communication of engagement results include these areas in draft and final reports issued by the Head of Audit and Risk. Standard report templates are used which ensure that the scope of the audit, executive summary, assurance statement, findings and recommendations and action plan are completed for each review.</p>   |
| <p>Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?</p>  | <p><b>Conforms</b></p> <p>The auditor and Senior Auditor attend the close-out meeting to discuss draft reports and recommendations and to agree the action plan for the final report.</p>   |
| <p>If recommendations and an action plan have been included, are recommendations prioritised according to risk?</p> <p>If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?</p> <p>If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?</p> | <p><b>Conforms</b></p> <p>All recommendations are graded with a priority one being high risk, priority two medium risk and priority three low risk / best practice.</p> <p>The agreed action plan is included in the final report and incorporates timescales and responsible officers.</p> <p>Areas of disagreement which cannot be resolved happen very rarely as agreement is reached through negotiation. If a recommendation could not be agreed then it would be recorded as 'Not Agreed' in the action plan and included in the final audit report which goes to the Section 151 Officer. Such information</p> |

| Questions to consider  | Evidence / comments   |
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|  | would also be reported to the Corporate Leadership Team and Audit Committee as part of the Risk Services Quarterly Report.  |
| <p>Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?</p> | <p><b>Conforms</b><br/>Auditors are expected to disclose material facts in the report and this is checked by the Senior Auditor when reviewing the fieldwork.</p> <p>On rare occasions, the Section 151 Officer may deem it to not be appropriate for a report to go in the public domain via Audit Committee due to the confidentiality of the information. Where this is the case the Monitoring Officer and Chair of Audit Committee are notified and briefed as to the reasons why this decision has been taken.</p> <p>If fraud had been identified as part of the audit this would be referred to the Head of Audit and Risk who would reallocate the element of the work to the Corporate Fraud Team for further investigation (criminal, civil or disciplinary as appropriate).</p> |
| <p>Opinions should be supported by sufficient, reliable, relevant and useful information (in line with responses to questions for PSIAS 2300).</p> <p>Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?</p>  | <p><b>Conforms</b><br/>This is achieved through the internal auditors and audit management complying with the requirements of the Audit Manual, confirmed by audit management review.</p> <p>If identified good practice is included in the audit reports and the assurance statements allow for 'good' to be stated as the overall conclusion for an assignment.</p>   |
| When engagement results have been released to parties outside of the organisation, does the  | <b>Conforms</b>   |

| Questions to consider  | Evidence / comments  |
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| communication include limitations on the distribution and use of the results?  | Only the Head of Audit and Risk has the authority to release reports with the approval of the relevant Director or Section 151 Officer.  |
| Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services? | <p><b>Conforms</b></p> <p>When undertaking reviews of partnership arrangements these are done on behalf of the Council and a scope is set which ensure that the audit focuses on the Council's interests.</p> <p>Internal audit provides a service to the Council's wholly owned companies and the Council's annual audit plan and agreed audit plans with the companies ensures that risks to the Council's core audit service are managed effectively.</p> |

| Questions to consider   | Evidence / comments  |
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| <b>2420 Quality of Communications</b>   |  |
| Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?   | <p><b>Conforms</b><br/>All fieldwork is reviewed by the Senior Auditor and the draft report is reviewed by the Head of Audit and Risk to ensure the relevant requirements are met.</p> <p>A draft report deadline is agreed with the client at the outset of the assignment. The auditor then plans their work to ensure that the deadline is achieved. Performance against deadline is one of the PIs agreed as part of the strategic audit plan and performance is reported each quarter to the senior management team and Audit Committee</p> <p>Reports are initially issued as draft and a meeting held with the service to agree the findings and recommendations before the final report is issued.</p> |
| <b>2421 Errors and Omissions</b>  |  |
| If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication? | <p><b>Conforms</b><br/>The factual accuracy of the report is dealt with at draft report stage where a close-out meeting is held with the client to agree the findings and recommendations.</p> <p>On the rare occasion where any further errors are identified in the final report the client would contact the Head of Audit and Risk who would make an assessment on whether change was necessary and if so amend the final report and recirculate to all recipients.</p>  |

| Questions to consider  | Evidence / comments   |
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| <b>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</b>  |   |
| Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?   | <b>Conforms</b><br>Conformance is reported to senior management and the Audit Committee on an annual basis on the basis of results from the QAIP. |
| <b>2431 Engagement Disclosure of Non-conformance</b>   |   |
| Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: <ul style="list-style-type: none"> <li>The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?</li> <li>The reason(s) for non-conformance?</li> <li>The impact of non-conformance on the engagement and the engagement results?</li> </ul> | <b>Conforms</b><br>Any non - conformance impacting on a specific engagement would be disclosed.   |

| Questions to consider   | Evidence / comments   |
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| <b>2440 Disseminating Results</b>   |   |
| Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?  | <p><b>Conforms</b><br/>Reporting lines are agreed with the client at the assignment scoping meeting. This will usually be at draft report stage the relevant Director, Head of Service and any service manager the Director also wants including. The final report will go to all of the above and the Director of Resources (Section 151 Officer). The assurance statement from each piece of work will be reported to Audit Committee.</p> <p>Should any other officer require a copy of the report a request must be made to the Head of Audit and Risk who will then either seek approval from the Section 151 Officer or relevant Director requesting authorisation to release the report. The exception to this is external audit who are able to have a copy of audit reports as required.</p> |
| Has the CAE communicated engagement results to all appropriate parties?   | <p><b>Conforms</b><br/>After a draft report close out meeting has been held and the final report prepared this is reviewed by the Head of Audit and Risk and reported in line with the circulation of audit report arrangements.</p>  |
| Before releasing engagement results to parties outside the organisation, did the CAE: <ul style="list-style-type: none"> <li>Assess the potential risk to the organisation?</li> <li>Consult with senior management and/or legal counsel as appropriate?</li> <li>Control dissemination by restricting the use of the results?</li> </ul> | <p><b>Conforms</b><br/>Engagement results are only released outside the organisation to external audit.</p>   |
| Where any significant governance, risk management and control issues were identified during   | <b>Conforms</b>   |

| Questions to consider   | Evidence / comments   |
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| consulting engagements, were these communicated to senior management and the board?   | When undertaking a consultancy engagement the results of this would be reported to the service commissioning the work. However, if serious issues were identified then the Head of Audit and Risk would flag these with the Section 151 Officer and if necessary instigate a change to the audit plan so that the issues can be looked at in more detail. |
| <b>2450 Overall Opinion</b>   |   |
| <p>Has the CAE delivered an annual internal audit opinion?</p> <p>Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?</p> <p>Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?</p> <p>Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information (having regard to the answers to questions on PSIAS 2300)?</p>  | <p><b>Conforms</b></p> <p>This is reported in the annual audit report and opinion which is reported to the Corporate Leadership Team and Audit Committee.</p>   |
| <p>Does the communication identify the following:</p> <ul style="list-style-type: none"> <li>• The scope of the opinion, including the time period to which the opinion relates?</li> <li>• Any scope limitations?</li> <li>• The consideration of all related projects including the reliance on other assurance?</li> <li>• The risk or control framework or other criteria used as a basis for the overall opinion?</li> </ul> <p>Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated? Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?</p> | <p><b>Conforms</b></p> <p>The annual audit report and opinion meets these requirements.</p>   |

| Questions to consider   | Evidence / comments   |
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| <p>Does the annual report incorporate the following:</p> <ul style="list-style-type: none"> <li>• The annual internal audit opinion?</li> <li>• A summary of the work that supports the opinion?</li> <li>• A disclosure of any qualifications to the opinion?</li> <li>• The reasons for any qualifications to the opinion?</li> <li>• A disclosure of any impairments or restriction in scope?</li> <li>• A comparison of work actually carried out with the work planned?</li> <li>• A statement on conformance with the PSIAS?</li> <li>• The results of the QAIP?</li> <li>• Progress against any improvement plans resulting from the QAIP?</li> <li>• A summary of the performance of the internal audit activity against its performance measures and targets?</li> </ul> <p>Any other issues that the CAE judges is relevant to the preparation of the governance statement?</p> | <p><b>Partially Conforms</b></p> <p>The annual audit report and opinion complies with some of the requirements.</p> <p><b>Recommendation: Consider inserting in the annual audit report and opinion a statement on conformance with PSIAS, information on QAIP and improvement plans and summary of performance against audit PI's.</b></p> |
| 6.6 2500 Monitoring Progress  |   |



| Questions to consider   | Evidence / comments   |
|---|---|
| <p>Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?</p> <p>Do the results of monitoring management actions inform the risk-based planning of future audit work?</p> | <p><b>Conforms</b></p> <p>The Head of Audit and Risk will follow-up all priority one (high risk) recommendations to ensure that they have been implemented.</p> <p>On issue of a final report the Head of Audit and Risk will record all priority one recommendations on the follow-up database. This is then checked on a quarterly basis to determine when follow-ups are due. An e-mail is sent to the Head of Service and Director who is responsible for the implementation of the recommendation and they are asked to produce evidence which will be followed up by an audit visit where necessary.</p> <p>Results of progress are reported at summary level to the Audit Committee each quarter and in detail to the Corporate Leadership Team.</p> <p>The results of monitoring management actions are considered in the annual risk based audit planning process, as part of the review of the audit universe.</p> <p>In addition to the process in place within the internal audit team the Audit Committee select a sample of internal audit reports and ask for an update in relation to all recommendations to be presented to the Committee.</p> |
| <p>Does the internal audit activity monitor the results of consulting engagements as agreed with the client?</p>  | <p><b>Conforms</b></p> <p>This is agreed on a case by case basis with service management.</p>   |

| Questions to consider  | Evidence / comments  |
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| <b>6.7 2600 Communicating the Acceptance of Risks</b>  |  |
| <p>If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?</p> <p>If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?</p> | <p><b>Conforms</b></p> <p>If agreement could not be reached then this would be recorded in the internal audit report. This would then be taken to the Corporate Leadership Team and Audit Committee as part of the Risk Services Quarterly Report.</p> <p>This had not happened in recent years and usually agreement is reached with senior management through negotiations prior to reaching the escalation stage.</p> |