

**EXECUTIVE MANAGEMENT TEAM – 3 JUNE 2014**  
**AUDIT COMMITTEE – 20 JUNE 2014**

**ANNUAL INTERNAL AUDITOR'S OPINION REPORT 2013/14**

**1.0 INTRODUCTION:**

- 1.1 The purpose of this report is to provide the Internal Auditors' opinion on the adequacy and effectiveness of the control environment and to review the effectiveness of Internal Audit.
- 1.2 This report is produced in compliance with the Public Sector Internal Audit Standards (PSIAS) and the Internal Audit Charter, which requires the Chief Internal Auditor to report annually on the adequacy and effectiveness of the control environment.
- 1.3 The Accounts and Audit (England) Regulations 2011, requires that a "relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems". Regulation 6 specifically requires organisation to annually review the effectiveness of Internal Audit.
- 1.4 The key areas of this report are;
- The Internal Audit Manager's opinion on the adequacy and effectiveness of the Council's control environment. The control environment is defined by the approved Assurance Framework.
  - Any other matters that should be considered for inclusion within the Annual Governance Statement
  - The performance and effectiveness of Internal Audit
  - Conformance against the PSIAS

**2. ANNUAL AUDIT OPINION**

- 2.1 Management are responsible for maintaining adequate and effective control systems, managing risks and complying with Governance arrangements. Internal Audit reviews risk based systems and processes over a four year period. The Auditors' opinion cannot, therefore provide absolute assurance.
- 2.2 The opinion concludes on the overall adequacy and effectiveness of the Councils' framework of governance, risk management and control.
- 2.3 Based on the work undertaken by Internal Audit during 2013/14, it is the opinion of the Internal Audit Manager that:
- Arrangements are in place to ensure there is an adequate and effective control environment
  - Overall systems for managing risks, complying with governance requirements and having good internal control arrangements continue to be effective. Agreed policies and regulations have been complied with in the majority cases.
- 2.4 The outcomes this year have resulted in fewer audits with limited assurance than in previous years with the majority of high priority recommendations completed within agreed deadlines. It is concluded that managers are aware of the importance of maintaining internal controls, managing risk and complying with Governance requirements.
- 2.5 Adequate arrangements are in place to deter and detect fraud although further improvements can be made such as training to inform Officers and Members.
- 2.6 Appendix 1 details the results of all completed audits undertaken during 2013/14. The table below summarises the results for 2013/14 and a comparison to 2012/13;

<b>Assurance Level</b>	<b>Number of Audits in 2013/14</b>	<b>Number of Audits in 2012/13</b>
Substantial	1	1
Reasonable	17	11
Limited	6	9
None	None	None

- 2.7 Progress to implement high priority recommendations are monitored and any uncompleted recommendations are reported to Audit Committee. As at 1<sup>st</sup> June 2014;
- the Payment Card Industry Data Security Standards (PCI DSS) accreditation has not yet been attained. Work is in progress to complete the current self assessment review.
  - One recommendation relating to claiming VAT on employee travel costs has become overdue. Internal Audit are assisting the service in liaising with the software provider to resolve the weakness identify.
  - Three Asset Management recommendations are partially completed. Work is progressing across several teams to help with implementation.  
All three areas are recommended to be included within the Annual Governance Statement.
- 2.8 All other recommendations are completed or substantially completed and no longer pose a high risk to the achievement of objectives.
- 2.9 Two audits were not completed within the year; Planning Obligations and Parking, both audits will be completed during 2014/15 as agreed in March 2014.
- 2.10 Audit outcomes have confirmed that there remains the requirement to update Financial Regulations. It is recommended that this item also be considered for inclusion within the Annual Governance Statement.
- 2.11 Data security and the risk of Cyber threats are regarded by Internal Audit as one of the highest risks that the Council will face in future. During the year the IT Service achieved the PSN accreditation which provided positive assurance to Internal Audit. This third party assurance has been taken into account when forming the annual opinion. No other third party assurances have been used.
- 2.12 Appendix 3 details for Committee the work undertaken against the Assurance Framework (wider controls environment).

### **3 SUMMARY OF AUDIT WORK AND PERFORMANCE**

#### **Resources**

- 3.1 At the 1<sup>st</sup> April 2013, 6.5 FTEs were employed within the Internal Audit team. The audit plan included time allowance for 1 FTE to be on maternity leave for part of the year and for the Internal Audit Manager to spend 50% (0.5 FTE) of their time working with partners.
- 3.2 Appendix 4 details where Auditor time was spent against budgeted allocations.
- 3.3 The reduction of time available to the team was largely due to the resignation of a qualified Auditor, as reported to the Audit Committee during the year. More time was also spent supporting the procurement process than originally planned. This post has since been filled.
- 3.4 One of the benefits of partnership working allows the smaller audit teams to jointly fund skilled specialist auditors, such IT Auditors. NFDC used the IT Auditor from the Dorset Partnership to undertake the annual IT reviews.
- 3.5 The table below provides a summary of the internal audit budget for 2013/14. A modest underspend was achieved;

<b>Title</b>	<b>Actual (£)</b>
Employee salaries, travelling and training costs	198,500
Supplies and Service costs (controllable)	2,000
Total costs	200,500
Income earnings	41,500
Cost of the service	159,000 * excluding notes below

Note 1: Budget does not include savings in external auditor fees, estimated at £30,000 - £40,000

Note 2: Internal recharges are approximately £36,000

- 3.6 The Internal Audit Manager was content that there was adequate resources and skills within the audit team to deliver an effective service for New Forest District Council whilst maintaining a modest salary budget saving and independence.

#### **Audits Outcomes**

- 3.7 The work of the Internal Audit section is managed through a risk based assessment of a four year Strategic Plan drawing down an annual Operational (Tactical) Plan for the financial year under review.
- 3.8 Appendix 1 details the opinion provided on each audit with a summary of the number of recommendations made. These results have been shared with the Section 151 Officer, Executive Management Team and Audit Committee throughout the year. It is confirmed that all of the fundamental system audits were completed.
- 3.9 Recommendations made as a result of the audit review, (graded as high, medium or low priorities in relation to controls or as an opportunity to improve the efficiency or effectiveness of the process) and recorded in action plans which are discussed and agreed with service managers. Internal Audit monitors implementation of recommendations against agreed target dates. Any overdue high priority recommendations are reported to Executive Management Team and Audit Committee as detailed above.

#### **Additional Audit Work**

- 3.10 Auditors have also worked with Senior Management;
- to help develop more efficient systems and savings (i.e. banking)
  - on corporate projects to help meet Council objectives. (i.e. Housing and Building Works)
  - in developing improved policies and ways of working (i.e. Contract Projects delivering new Contract and Procurement Strategies, Policies and Procedures)
  - providing extensive advice and consultancy support in relation to compliance with key Council policies
  - as well as additional work to support the Section 151 Officer as required

Appendix 2, details further information.

- 3.11 Internal Audit also undertakes further activities such as assessing the risk of fraud in its planning and reviewing and recommending improvement to related fraud policies and undertaking fraud investigations.
- 3.12 The fraud policies were all reviewed, updated where required (Whistleblowing Policy) and approved during the year. An online training package has been developed to improve Officer and Member awareness and understanding of these policies. It was planned that this system be

implemented during the year which the assistance of IT Services. Unfortunately this has not been achieved. This action is now a priority piece of work that is being followed up.

- 3.13 The audit service also undertook work in relation to the completion of the Audit Commission's annual Fraud Survey.
- 3.14 There were 9 fraud cases (6 in 2012/13) referred to Internal Audit. (Further Fraud cases in respect of Benefit and Council Tax are referred to and investigated by a dedicated Investigations team. This team prosecuted 6 cases during the year (12 in 2012/13)). These investigations were largely prompted by management, who together with staff, generally have a very positive attitude towards whistleblowing and anti-fraud. There were no significant systems weaknesses or fundamental break down in controls associated with these reviews and most cases were as a result of an external attempted fraud.
- 3.15 A new incident reporting tool is available on Forestnet, however this is rarely used for internal referrals as officers prefer to speak directly with Auditors. This tool will be extended to the external website as previously reported to Committee.

### **Working with Partners and Other Inspection Agencies**

- 3.16 To avoid the duplication of work and to improve the effectiveness and efficiency of audit, Internal Audit discusses planned work with the external auditor. The team carried out all of the Benefit Subsidy grant work during 2013/14, resulting in improved skills within the team but also a significant saving in external audit fees. This arrangement will continue into 2014/15 with all workbooks being undertaken by Internal Audit.
- 3.17 The internal audit team continues to act as the internal auditor for the New Forest National Park Authority. This work is undertaken under a Service Level Agreement (SLA) for an agreed sum.
- 3.18 Internal Audit also acted as the Internal Auditor for two Town Councils during 2013/14. This work is completed for a small fee and will continue into 2014/15.
- 3.19 As referred to in paragraph 3.1 the Internal Audit Manager has successfully provided a Management role to four district councils for an agreed fee under an SLA. This is a developing partnership and has successfully continued into 2014/15. The Dorset authorities work in numerous partnerships, changes in the last year have resulted in the Internal Audit Manager also working with a Dorset unitary authority to deliver at least 3 joint audits in 2014/15.

### **Summary of All Work Delivered**

- 3.20 A summary of time spent against the approved plan is recorded in Appendix 4. The total number of working days available was 128 less than originally planned. This was due to an Officer going on maternity leave slightly earlier than expected and the resignation of an Auditor.
- 3.21 24 of the 26 audits were undertaken within the year, a completion rate of 92% against a target of 85%.
- 3.22 There were two audits which were not completed during the year. Both have been included within the audit plan for 2014/15. The audits which were removed from the audit plan during the year, as agreed, have all been included within the 2014/15 plan also.
- 3.23 All partner agreements were completed in full.

### **Maintaining Performance and Standards**

- 3.24 Auditor's performance is maintained through for example; independent management review of each audit, through annual appraisals (in line with Council policy), through ongoing training and through review of sickness records and attendance at joint Internal Audit Groups.
- 3.25 After each audit a post audit questionnaire is issued asking managers to assess different areas of the performance of the audit and rank their scores from 'completely agree/satisfied' (5) to 'totally disagree/dissatisfied' (1). There was a poor response rate, with only five questionnaires returned. Each questionnaire contains 10 questions. Of the 50 individual responses;

Rating Score	Number Received
4 & 5 (Good and Totally Satisfied)	32 /50 (Included Land Charges, Trees and Rents)
3 (Average)	16/50 (10 of these were from Central Purchasing)
2 (Not satisfied)	2/50 (Both were from ICT and related to Timing of the audit and Value to the Service)
1 (Poor and Totally Dissatisfied)	None

It is important to improve the return rate to provide the Internal Audit Manager with more feedback on auditor performance.

- 3.26 In undertaking all audit reviews our officers have acted independently, objectively and ethically at all times. Each Auditor has signed up to an additional declaration to confirm they will remain independent. Any potential conflicts of Interest are reported to the Internal Audit Manager. It is further confirmed that the work of the Auditor supporting the contracts process did not pose an independence issue as allocated work was reissued.
- 3.27 Through internal self assessment it is considered by the Internal Audit Manager that all the basic standards with the Public Sector Internal Audit Standards have been achieved. There are however areas where the Internal Audit Manager would like to make further improvements and has therefore generated an action plan for improvement as detailed in **Appendix 5**.

#### **4 EFFECTIVENESS OF INTERNAL AUDIT**

- 4.1 The Accounts and Audit (England) Regulations 2011 require organisations to annually review the effectiveness of Internal Audit. In order to determine the effectiveness of Internal Audit, Members need to consider the contents of this Auditor's Annual Report.

#### **5. ACKNOWLEDGEMENT**

- 5.1 The Auditors would like to thank all the staff involved for the help and co-operation that they have given during the course of the audit reviews.

#### **6.0 FINANCIAL IMPLICATIONS:**

- 6.1 There are no financial consequences arising directly from this report, although a robust internal audit function helps to protect the Council from financial loss.

#### **7.0 EQUALITY & DIVERSITY AND ENVIRONMENTAL MATTERS:**

- 7.1 No equality and diversity or environmental matters are associated with this report.

#### **8.0 CRIME & DISORDER IMPLICATIONS:**

8.1 The service has responsibility for the prevention and detection of fraud but there are no direct crime and disorder implications arising from this report.

**9.0 RECOMMENDATIONS:**

9.1 To consider the annual report and opinion and the level of assurance it can give over the adequacy of Council's internal control, risk management and governance systems.

9.2 To consider the effectiveness of the internal audit function in line with the Accounts and Audit Regulations 2011.

*For Further Information Contact:*

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*Background Papers:*

Audit Plan 2013/14 (Audit Committee March 2013)

Audit / Service Area	Status	Assurance level	Number of Recommendations				Additional Comments
			High	Medium	Low	VFM	
<b>EMT</b>							
Treasury Management	Completed	Substantial	0	0	0	0	
Main Accounting System inc bank reconciliation	Completed	Reasonable	0	5	1	1	
Information Governance	Completed	Reasonable	2	1	2	2	
<b>HOUSING &amp; CUSTOMER SERVICES</b>							
Resident Involvement	Completed	Reasonable	0	4	4	1	
NNDR	Completed	Reasonable	0	8	2	1	
Council Tax	Completed	Reasonable	0	11	1	4	
Accounts Receivable	Completed	Reasonable	1	6	5	1	
Housing Needs/ Homelessness / Housing Register/B&B	Completed	Reasonable	1	12	6	2	
Landlord services (rents)	Completed	Reasonable	2	12	0	1	
Benefits & Fraud Investigation	Completed	Reasonable	2	12	2	4	
Income	Completed	Limited	0	20	5	1	
<b>PUBLIC HEALTH &amp; COMMUNITY SAFETY</b>							
Dog Wardening	Completed	Reasonable	0	5	7	0	
Pest Control	Completed	Reasonable	0	6	4	2	
<b>IT SERVICES</b>							
IT Audit	Completed	Reasonable	0	7	1	6	Inc IT Maintenance
<b>HUMAN RESOURCES</b>							
NEW Human Resources	Completed	Reasonable	0	8	2	1	Linked to Payroll audit
Payroll (inc NFNPA testing)	Completed	Limited	1	15	4	4	
<b>PLANNING &amp; TRANSPORTATION</b>							
Land Charges	Completed	Reasonable	1	3	0	0	
<b>ENVIRONMENT SERVICES</b>							
Engineering Works	Completed	Reasonable	1	15	3	3	
Trees (Council owned)	Completed	Reasonable	2	10	6	0	
<b>PROPERTY SERVICES</b>							
Procurement/Contract Management	Completed	Reasonable	2	3	0	2	
Accounts Payable	Completed	Limited	2	13	9	1	
Asset & Estate Management Valuers	Completed	Limited	3	3	1	0	
Central Purchasing/Stores	Completed	Limited	5	8	3	3	
<b>LEISURE &amp; EMPLOYMENT</b>							
Sports, Play Development & Other Community Grants	Completed	Limited	4	4	1	3	
<b>OTHER</b>							
Income streams	Completed	N/A	N/A	N/A	N/A	N/A	
Expenditure streams	Completed	N/A	N/A	N/A	N/A	N/A	
Subsidy Testing	Completed	N/A	N/A	N/A	N/A	N/A	
Governance	Completed	N/A	N/A	N/A	N/A	N/A	Review of Local Code of Good Governance
NEW Treasury Management SLA	Completed	N/A	N/A	N/A	N/A	N/A	

**Audit Plan Timetable and Outcomes 2013/14**

Leader Programme (on 3rd party behalf)	Completed	N/A	N/A	N/A	N/A	N/A	
Safeguarding	Completed	No public report issued. Time used for DHR as agreed with CEO. Recommendations made					
Elections	Completed	No report issued, time for advice/consultancy re RTI as agreed with CEO and CFO					
Section 106 follow up	WIP	No significant issues identified to date. Report will be completed in 14/15					
Parking	WIP	Internal Audit Plan 14/15 allows time to complete this audit					
Building Works - Reactive	WIP/Hold	This is linked to a project which is ongoing into 2014/15.					

During Quarter one, both Town Council audits were also completed. This equated to 11 days of work for a fee.

During Quarter two and three, audit time also provided to NFNPA. Result of these audits are not provided to NFDC.

**Approved amendments to the audit plan during the year****Added**

Human Resources  
Treasury Management SLA  
Banking Arrangements

**Removed**

Environmental Health - Commercial (in 2014/15)  
Domestic Refuse - Waste and Recycling inc special collections and garden waste (in 2014/15)  
Highways & Traffic Management (in procurement audit 14/15)  
Community Safety and CCTV re assessed now to be included within new inhouse service including Out of Hours and Lifelines (in 14/15)  
Partnership and Economic Development (in 14/15)



Audit Work	Comment
<b>Advice and Liaison</b>	
Ernst & Young (External Audit)	Ongoing liaison throughout the year
Authorised Signatories	Ongoing - providing advice for managers
Contracts Advice	Ongoing - providing advice for managers - this role was increased until 6th December 2013. The work has now been reallocated to the Central Purchasing Audit.
Waivers	Ongoing - providing advice for managers and EMT. Report for 2012/13 presented to Audit Committee in September 2013
Financial Regulations	Ongoing - providing advice for managers.
<b>Projects/Policy Review</b>	
Financial Regulations	Work in progress - recommendation in AGS. Regulations redrafted and ready for consultation.
Corporate Projects (inc Housing and Reactive Works)	Part of Housing review team. Project for purchase of contractor system (Building Works)
<b>Fraud/ Investigation Related</b>	
Investigations	Internal Audit will investigate all reported cases - no serious cases to report at this time
Annual Fraud Survey	Completed
Banking - Irregularities and general H&L queries	Nothing to report to Committee as a significant concern at this time.
Fraud Training	New training module in place. Being rolled out with assistance from ICT as an e-learning process
Policy review	Completed and Whistleblowing updated to reflect new legislation
NFI overview	Matches reviewed by services. Current match between Elections data and Single Person Discounts in place
Incident Reporting	New e-form template in place and working - completed
<b>3 Party Contracts</b>	
Town Council - Audit 1	Completed
Town Council - Audit 2	Completed
NFNPA	In progress - separately reported
Dorset partners	Ongoing throughout the year
<b>Other</b>	
Contingencies	Ongoing
Audit Management (inc Performance Management, Planning, Supervision/signing off of audits, Meeting and Committee attendance, annual reporting, liaison with external audit etc) and Team training and development, office routine, meetings and Contingency	Ongoing

ASSURANCE FRAMEWORK

<b>Assurance</b>	<b>Internal Audit Assurance Work</b>
Internal Audit Reports	Sufficient coverage undertaken, including all fundamental systems and across all service heads. Details provided within Appendix 1 (records opinion of each audit and number of recommendations) Additional non assurance work undertaken, such as supporting Senior Management in key projects. No serious fraud investigations undertaken resulting in prosecutions. Participated in NFI. Fraud policies reviewed and updated although further training in this area is required.
Asset Management	A follow up audit was undertaken. Whilst some improvements have been made within the year not all recommendations made have been fully embedded. This area is reviewed annually.
Financial Management	Budgeting covered within the main accounting audit. No significant issues identified. Financial Regulations being reviewed. Financial Reports provided to Members during the year. Medium Term Financial Plans in place.
Performance Management	There was some performance indicator testing carried out within creditors, Council Tax and Benefits audits with no significant concerns raised. Exception reporting in place for all agreed performance indicators.
Business Continuity	A separate audit was undertaken on this area during 2012/13. There was a desk top exercise undertaken during the year. Events during the year also tested how robust HoS contingency plans are. The profile and importance of contingency planning has improved since the governance review. During this year follow up work has been undertaken in the IT audit.
Health and Safety	Internal Audit received a report from the HSE and Zurich on H&S related arrangements in 12/13. Action has been taken in year to address recommendations made. Separate testing was undertaken in some audits (i.e. Trees) where H&S was considered as part of lone working. Officers are also required to attend mandatory H&S training events.
Corporate Governance	Heads of Service are required to provide assurance statements. Local Code review in place which included recommendations made by the Monitoring Officer. Council minutes in place. Annual complaints report is produced. AGS approved by Section 151 Officer with findings from Internal Audit included. Mid year review undertaken on progress made on last years recommendations.
Information Governance	Audit undertaken in the year with reasonable assurance given. There was a potential breach reported to the Information Commissioner Office. This area has been included within the audit plan for 2014/15
Risk Management	Policy review during the year and updates being taken to Audit Committee in September. The corporate risk register is also reviewed. Services consider risks in relation to service plans. No separate audit has been undertaken although it was included within the risk assessment of each audit.
HR/Recruitment etc	Starters testing undertaken in payroll audit (annual test). Poor performance and Recruitment and Selection training programmes in place as mandatory for relevant officers. HR adequate undertaken with reasonable assurance given. HR included within the risk assessment of audits.

## Actual Time against the approved Annual Audit Plan 2013/14

Audit Work	Original Audit Plan 2013/14 (A)	Revised Audit Plan (B)	Actual Time spent (C)	Variance (C-B)	Comment
Main Financial Audits/ Fundamental systems	225	225	258	33	Couple of days over on most audits in this area. 13 days due to Subsidy testing
Other Systems Audits including; follow ups, IT and contract audit work	385	325 (reduction of 60 days)	308	-17	5 audits removed as agreed in January and March 2014, totalling 75 days. Additional HR audit added of 15 days. Balance relates to Planning Obligations and Parking which were not completed within the year.
Advisory Core Work (Inc additional Contract Support)	50	110 (increase of 60 days)	105	-5	Additional time requested by S151 Officer to support Contracts Process of 60 days
H&L Queries	10	10	10	0	
Value for Money and Corporate Consultancy	50	50	36	-14	Time spent on Housing and Building Works projects. Building Works put on hold. Additional time allowed for Bank Tender, Security Carrier Contract and HCC SLA (TM)
Corporate Fraud and Irregularity work	20	20	16	-4	
S151 support work	50	50	15	-35	Requests resulted in work allocated in other areas such as Bank Tender and Contracts
<b>Total NFDC time</b>	<b>790</b>	<b>790</b>	<b>748</b>	<b>-42</b>	
External Work	165	790	130	-35	Contingency time not required
Management, Training, Contingencies	276	276	225	-51	Mainly due to Maternity leave and Resignation of an Auditor. Training time fully utilised.
<b>Total Days</b>	<b>1231</b>	<b>1231</b>	<b>1103</b>	<b>-128</b>	

**PSIAS Conformance Action Plan 2014**

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p><b>Competency</b></p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Only carrying out services for which they have the necessary knowledge, skills and experience?</p>	Y			<p>Managed during allocation of work Takes into account education and experience, but also need to rotate work and allow for staff development. IT audits done by qualified IT Auditor</p> <p><b>Action: To strengthen contract and procurement skills of Auditors</b></p>
	Do internal auditors have regard to the on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	Y			<p>In annual governance review all staff confirmed.</p> <p><b>Action: to add reference to standards in annual declaration</b></p>
	e) Board approves decisions relating to the appointment and removal of the CAE			Y	<p>This is the decision of the Executive Director (S151) and would be reported to CEO and Audit Committee.</p> <p><b>No planned changes to this. In action plan for information only</b></p>
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?		Y		<p>This process is undertaken by the Executive Director (S151). In forming a review EMT, HoS and partners have an opportunity to comment. This process could be improved</p> <p><b>Action: To improvement the process from 2014, a short evaluation form will be issued to key stake-</b></p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					<b>holders</b>
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?			Y	Not formally undertaken, but concerns of the Audit Committee could be reported to CEO and Executive Director (S151). Improvement could be made.  <b>Improvement to be made from 2014 to introduce a short evaluation form</b>
<b>LGAN</b>	Have internal auditors complied with the Bribery Act 2010?	Y			As per council policy and declarations. <b>Action: ensure staff undertake new on line training.</b>
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?		Y		Will be lead by NFDC Senior Auditor - qualified NVQ Investigators Practice. <b>Action: Training scheduled as above</b>
	Do internal auditors have sufficient knowledge of key information technology risks and controls?		Y		IT Auditor now in place, <b>however opportunity to improve team learning as technology changes at a fast pace.</b>
	<i>1220 Due Professional Care</i>				
	Do internal auditors exercise due professional care by considering the:  c) Adequacy and effectiveness of governance, risk management and control processes?	Y			<b>Opportunity to improve the statement in the final reports to clearly identify this and within the risk as-</b>

Ref	Conformance with the Standard	Y	P	N	Evidence
					essment template
	<i>1230 Continuing Professional Development</i>				
<b>LGAN</b>	Has the CAE defined the skills and competencies for each level of auditor?		Y		As per job description and in annual appraisal, <b>however new year appraisals to commence imminently and these can be checked to ensure still current.</b>
<b>3.4</b>	<b>1300 Quality Assurance and Improvement Programme</b>				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	Y			However additions could be made by Audit Committee on 20.6.14
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?		Y		Doesn't contain final decision on external assessment yet. This is an action. Due within 4 years. Looking to have a review first, then have formal assessment completed. Looking to find consortium of similar bodies who are independent. If not got contacts of independents
	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?	Y			Used strategic risk register, <b>however improvement can be made to formally demonstrate the risk maturity level</b>

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Y			Manual – <b>although needs updating to take into account the improvements identified from this review</b>
<b>LGAN</b>	Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.		Y		<b>Opportunity to improve as above</b>
<b>LGAN</b>	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?		Y		<b>Needs to be done more regularly</b>
	Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?		Y		<b>Need to undertake further reviews in this area</b>
	f) Do Auditors record the means by which the potential impact of risk is kept to an acceptable level? (formally within working papers)		Y		<b>Not always documented - area to improve evidence</b>

Progress will be reported back to Audit Committee by January 2015.

**Summary of Conformance Against the PSIAS**

<b>Section</b>	<b>Standard</b>	<b>Compliance Yes</b>	<b>Compliance Partial</b>	<b>Compliance No</b>	<b>Compliance N/A</b>	<b>Total</b>
1	Definition of Internal Auditing	3	0	0	0	3
2	Code of Ethics	13	0	0	0	13
<b>3</b>	<b>Attribute Standards</b>					
3.1	Purpose, Authority and Responsibility	23	0	0	0	23
3.2	Independence and Objectivity	25	1	1	7	34
3.3	Proficiency and Due Professional Care	18	2	1	0	21
3.4	Quality Assurance & Improvement Programme	16	1	0	10	27
<b>4</b>	<b>Performance Standards</b>					
4.1	Managing the Internal Audit Activity	42	2	0	3	47
4.2	Nature of Work	27	1	0	3	31
4.3	Engagement Planning	55	2	0	1	58
4.4	Performing the Engagement	23	0	0	0	23
4.5	Communicating Results	49	0	0	6	55
4.6	Monitoring Progress	4	0	0	0	4
4.7	Communicating the Acceptance of Risks	0	0	0	2	2
<b>Totals</b>		<b>298</b>	<b>9</b>	<b>2</b>	<b>32</b>	<b>341</b>