

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO	AUDIT AND GOVERNANCE COMMITTEE
DATE	6 DECEMBER 2016
SUBJECT	COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)
LEAD OFFICER	HEAD OF INTERNAL AUDIT – MIKE HALSTEAD
CONTACT OFFICER	AUDIT MANAGER - SIONED PARRY
<p>Nature and reason for reporting – In accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 the Internal Audit Service must undertake periodic self-assessments to evaluate conformance with the <i>Definition of Auditing, the Code of Ethics and the Standards</i>. The Head of Audit is required to report the results of the Quality Assurance and Improvement Programme (QAIP) and any instances of non-conformance with PSIAS to the Audit and Governance Committee.</p>	

1. INTRODUCTION

- 1.1 This report is produced in accordance with the Public Sector Internal Audit Standards (2013), whereby the Audit and Governance Committee must review Internal Audit's Checklist for Assessing Conformance with PSIAS and the Local Government Application Note (**Appendix 1**). The checklist was developed to satisfy the requirements set out in PSIAS 1311 for periodic self-assessments as part of the QAIP.
- 1.2 The report provides assurance that Anglesey's Internal Audit Service is fully compliant against **97%** of the **334** individual requirements. The self-assessment identified **5** areas of partial conformance and **6** areas of non-conformance. An Improvement Plan is provided in **Appendix 2**, which shows the areas of non-conformance with the Standards, the recommendations made to address the issues, the actions proposed by the Head of Service and the timescale for completion.

2. RECOMMENDATION

- 2.1 Members are asked to consider the self-assessment in terms of areas of full, partial and non-compliance with the Standards and agree that the current areas of partial or non-compliance do not significantly impact on the Service's ability to demonstrate overall compliance.
- 2.2 Members consider and approve the Improvement Plan 2016/17.

3. BACKGROUND INFORMATION

- 3.1 It is a statutory requirement for Internal Audit to work in compliance with proper audit practices. The Public Sector Internal Audit Standards and the CIPFA Local Government Application Note came into force from 1st April 2013 and superseded the 2006 CIPFA *Code of Practice for Internal Audit in Local Government*. The new standards have been produced by the Relevant Internal Audit Standard Setters (RIASS), including the Chartered Institute

of Public Finance and Accountancy (CIPFA) and are mandatory in nature and applicable to various parts of the UK public sector, including Local Government.

- 3.2 The Standards are intended to promote further improvement in the professionalism, quality and effectiveness of internal audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide senior management and the Audit & Governance Committee with key assurances they need to support them in managing the organisation and in producing the Annual Governance Statement.
- 3.3 The RIASS have developed a checklist to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of PSIAS as well as the Application Note in order to give comprehensive coverage of both documents. Each requirement must be ticked to indicate full, partial or non-conformance with the Standard. Evidence for each response must be provided and reasons for any partial or full non-conformance should be given, together with any compensating measures in place or actions in progress to address this.
- 3.4 The best practice checklist has been completed in order to provide an annual assessment for 2016/17. This is provided in **Appendix 1** and shows that the Service is now fully compliant against **97%** of the **334** individual requirements. The results of the checklist is summarised in the table below:
- 3.5 **Table 1** below summarises the implementation of recommendations as at 31 August 2016:

Table 1 – Conformance with the Standards 2016/17

Conformance with the Standards 2016/17			
	Yes	Partial	No
1. Definition of Internal Auditing	3	0	0
2. Code of Ethics	13	0	0
3. Attribute Standards			
1000 Purpose, Authority & Responsibility	21	0	0
1100 Independence & Objectivity	29	0	2
1200 Proficiency & Due Professional Care	21	0	0
1300 Quality Assurance & Improvement Programme	25	0	2
4. Performance Standards			
2000 Managing the Internal Audit Activity	41	4	1
2100 Nature of the Work	31	0	0
2200 Engagement Planning	57	1	0
2300 Performing the Engagement	22	0	0
2400 Communicating Results	54	0	1
2500 Monitoring Progress	4	0	0
2600 Communicating the Acceptance of Risks	2	0	0
Total	323	5	6
Percentage	97%	1%	2%

- 3.5 The **6** areas of non-compliance are in respect of the following:

- **Standard 1100 Independence & Objectivity:** The Standards require the Internal Audit Charter define the nature of consulting services. Para. 3.3 of the Charter states “*Internal Audit may undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work*”. There is no elaboration or definition of the nature of the consulting services.

The Standards also require the Charter to recognise the mandatory nature of PSIAS. The Charter states that the Council has adopted PSIAS but does not stipulate the mandatory nature of the PSIAS.

The Internal Audit Charter will be amended to reflect both requirements of PSIAS and submitted to the Audit & Governance Committee for approval on 9 February 2017 (**Appendix 2 - Recs. 1 & 2**).

- **Standard 1320 Reporting on the Quality Assurance & Improvement Programme:** The Standards require the Chief Audit Executive (CAE) to include the results of the QAIP and progress against any improvement plans in the Annual Report. The Annual Report provides assurance that the work of the Service has been performed in compliance with the Standards but does not included details of any non-conformance or any progress against improvement plans.

There is also a requirement to report the QAIP Self-Assessment and resulting improvement plan to senior management and the Audit and Governance Committee at least annually. This has not been undertaken to date. The QAIP Self-Assessment 2016/17 and resulting improvement plan is scheduled to be reported to the Senior Leadership Team on 28 November 2016 and to the Audit and Governance Committee on 6 December 2016. Results will be included in the Annual Report 2016/17 (**Appendix 2 – Recs. 3 & 4**).

- **Standard 2050 Coordination:** There is a requirement for the CAE to undertake an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance. An assurance mapping exercise will be undertaken as part of the 2017/18 planning process to ensure the Internal Audit plan is focused on the right sources of assurance to meet the Authority’s needs and circumstance (**Appendix 2 – Rec 8**).
- **Standards 2450 Overall Opinion:** This Standard requires the annual report to include the results of the QAIP and progress against any improvement plans resulting from the QAIP. The QAIP Self-Assessment 2016/17 and the improvement plan will be included in the Annual Report 2016/17 and will be reported to the Audit and Governance Committee in May 2017 (**Appendix 2 – Rec 11**).

3.6 In addition, there are **5** areas assessed as being in **partial conformance**:

- **Standard 2010 Planning:** There is requirement for the Service’s risk based plan to take into account the organisation’s assurance framework. An assurance mapping exercise will be undertaken as part of the 2017/18 planning process to further ensure the Internal Audit plan is focused on the right sources of assurance to meet the Authority’s needs and circumstance (**Appendix 2 – Rec 5**).
- **Standard 2040 Policies and Procedures:** The CAE should develop and put into place policies and procedures to guide the internal audit activity. The Internal Audit Manual includes guidelines for undertaking internal audit activity but dates from when the service was provided by external consultants, Baker Tilly. The Manual requires updating to reflect current practices (**Appendix 2 – Rec 6**).

The policies and procedures should be regularly reviewed and updated to reflect changes in working practices and standards (**Appendix 2 – Rec 7**).

- **Standard 2050 Coordination:** There is a requirement for the CAE to meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans. The External Audit representative is invited to attend the quarterly Audit and Governance Committee meetings and the pre meetings. The CAE is seeking more involvement in meetings with WAO (**Appendix 2 – Rec 9**).
- **Standards 2200 Engagement Planning:** The plan for each audit engagement should include the engagement's resource allocations. The Internal Audit Assignment Planning Sheet (APS) currently notes the assigned auditors. The number of audit days allocated to the engagement, however, is not recorded. The APS will be reviewed to include the allocated audit days with immediate effect (**Appendix 2 – Rec 10**).

3.7 It should also be noted that currently the Service conforms to the following Standards: **1100 Independence & Objectivity**, **1110 Organisational Independence** and **1130 Impairment to Independence or Objectivity**. The CAE has no operational responsibilities other than Internal Audit. The post of Head of Audit & Risk, has recently been advertised, and now includes responsibilities for both insurance and risk. This is non-compliant with the Standards and in future, the CAE will need to declare to the Audit and Governance Committee a conflict of interest and non-compliance with **Standard 1100 Independence & Objectivity**.

3.8 The Standards (**1130.A2**) require any assurance engagements in areas over which the CAE has operational responsibility, are overseen by someone outside of the internal audit activity.

4. CONCLUSION

4.1 In accordance with the Standards, an Improvement Plan is attached in **Appendix 2**, which shows the areas of non-conformance with the Standards, the recommendations made to address the issues, the actions proposed by the CAE and the timescale. Progress against the proposed actions will be reported in the Annual Report 2016/17.

4.2 In accordance with the Standards an **external** assessment must take place at least every five years by a 'qualified, independent assessor or assessment team from outside the organisation.' The Welsh Chief Internal Auditors Group (WCIAG) agreed upon self-assessment with independent external verification and has established the scope of the assessment and a terms of reference. Anglesey's Internal Audit Services' Peer Assessment is scheduled to be performed in early 2017 by the Head of Internal Audit, Denbighshire County Council. The results of the assessor's evaluation with respect to degree of conformance with PSIAS will be reported to the Audit and Governance Committee in May 2017.

Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

Please tick to indicate Y = YES, P = PARTIAL, N = NO. Evidence for each response must be provided and reasons for any partial or full non-conformance should be given, together with any compensating measures in place or actions in progress to address this.

Ref	Conformance with the Standard	Y	P	N	Evidence
1	Definition of Internal Auditing				
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity:				Internal Audit (IA) Annual Report 2015/16 – Para. 6.6
	a) Independent?	✓			IA Charter – Para. 6 Independence Para. 4.4 – The (Chief Audit Executive) CAE is also free to report directly to any member of the Senior Leadership Team or Heads of Service including the Chief Executive and the Monitoring Officer. IA Manual – Declaration of Personal Interests & Auditor independence – All auditors are required to declare any Personal / Business Interests and make an

Ref	Conformance with the Standard	Y	P	N	Evidence
	b) Objective?	✓			<p>annual declaration of Independence and Confidentiality.</p> <p>Internal Auditors appointed from within the Council are not permitted to perform an audit, which is any way related to their previous post for at least 1 year after appointment.</p> <p>As above.</p>
	Using evidence gained from assessing conformance with other Standards, 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?	✓			<p>IA Annual Report 2015/16 – Para. 6.6</p> <p>The IA Protocol and Manual ensures a systematic and disciplined approach – Internal Audit Strategy 2016/17 Internal Audit Strategic Plan 2016/19 Internal Audit Charter – Para. 5 Internal Audit (IA) Annual Report 2015/16</p>
2	Code of Ethics				
	<p>Integrity</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors:</p> <p>a) Perform their work with honesty, diligence and responsibility?</p>	✓			<p>IA Annual Report 2015/16 – Para. 6.6</p> <p>IA Manual - Legal Requirements & Professional Standards</p> <p>All Internal Audit Staff members have signed a Declaration that they have read the PSIAS and that they understand that they must comply with the Standards and its Code of Ethics.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p><u>G:\ Audit\Shared\001 IA Audit Manual Resource\Current Versions\Code of Ethics - PSIAS</u></p> <p>IA Manual - Declaration of Personal Interests & Auditor Independence - All auditors are required to declare any Personal / Business Interests and make an annual declaration of Independence and Confidentiality.</p> <p>Qualified staff and staff undergoing professional training are bound by respective Code of Ethics and their professional body.</p>
	b) Observe the law and make disclosures expected by the law and the profession?	✓			See above.
	c) Not knowingly partake in any illegal activity nor engage in in acts that are discreditable to the profession of internal auditing or to the organisation?	✓			See above.
	d) Respect and contribute to the legitimate and ethical objectives of the organisation?	✓			See above.
	<p>Objectivity</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:</p> <p>a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</p>	✓			<p>IA Annual Report 2015/16 – Para. 6.6</p> <p>IA Manual - Legal Requirements & Professional Standards</p> <p>IA Manual – Declaration of Personal Interests & Auditor Independence - All auditors are required to declare any Personal / Business Interests and make an annual dec-</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					laration of Independence and Confidentiality. Declarations of Personal / Business Interests Declarations of Auditor Independence & Confidentiality
	b) Accepting anything that may impair or be presumed to impair their professional judgment?	✓			IoAC Constitution 5.2 Officers' Code of Conduct - Para. 5.2.8.2 http://www.anglesey.gov.uk/council-and-democracy/councillors-democracy-and-elections/constitution/constitution-part-5-codes-and-protocols/constitution-52-officers-code-of-conduct
	c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	✓			As above.
	Confidentiality Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by: a) Acting prudently when using information acquired in the course of their duties and protecting that information? b) 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?	 ✓ ✓			IA Annual Report 2015/16 – Para. 6.6 IA Manual - Legal Requirements & Professional Standards IA Manual - Declaration of Personal Interests & Auditor Independence - All auditors are required to declare any Personal / Business Interests and make an annual declaration of Independence and Confidentiality. Declarations of Personal / Business Interests Declarations of Auditor Independence & Confidentiality As above.
	Competency				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by: a) Only carrying out services for which they have the necessary knowledge, skills and experience?	✓			The Audit Manager allocates work on a monthly basis, based on the knowledge, skills and experience of individual auditors. IA Protocol - Para. 1 – Audit Planning IA Charter – Para. 9 – Audit Resources IA Annual Report 2015/16 – Para. 6.6
	b) Performing services in accordance with the PSIAS?	✓			IA Manual - Legal Requirements & Professional Standards All Internal Audit Staff members have signed a Declaration that they have read the PSIAS and that they understand that they must comply with the Standards and its Code of Ethics.
	c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?	✓			IA Charter – Para. 10 – Audit Training
	Do internal auditors have regard to the on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	✓			IA Manual - Legal Requirements & Professional Standards Audit staff have made a declaration agreeing to abide the Code of Ethics, including the Seven Principles of Public Life
	Standards				

Ref	Conformance with the Standard	Y	P	N	Evidence
3	Attribute Standards				
3.1	1000 Purpose, Authority and Responsibility				
	<p>Does the internal audit charter include a formal definition of:</p> <p>a) the purpose</p> <p>b) the authority, and</p> <p>c) the responsibility</p> <p>of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>IA Charter – Approved by Audit & Governance Committee 27 April 2015.</p> <p>IA Charter - Para. 5</p> <p>IA Charter - Para. 6.3</p> <p>IA Charter - Para. 4</p>
LGAN	<p>Does the internal audit charter define the terms ‘board’ and ‘senior management’, for the purposes of the internal audit activity?</p> <p><i>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</i></p>	<p>✓</p>			<p>IA Charter - Para. 4.2 – ‘Board’ and ‘Audit Committee’ & Para. 4.4 - ‘Senior Management’</p> <p>IoAC has delegated to its Audit & Governance Committee in its Terms of Reference responsibility for: “ensuring that the authority has a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk and adequate and effective financial management.”</p> <p>Audit & Governance Committee Terms of Reference – approved by Council 14 May 2015.</p>
	<p>Does the internal audit charter also:</p> <p>a) Set out the internal audit activity’s position within the organisation?</p>	<p>✓</p>			<p>IA Charter</p> <p>Para. 1.1 – Introduction – outlines the statutory basis for Internal Audit.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	b) Establish the CAE's functional reporting relationship with the board?	✓			Para.11 – Audit Reporting
LGAN	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	✓			Para. 4.4 – 'Senior Management'
LGAN	d) 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?	✓			Para. 4.2 'Board' and Audit Committee' & 4.4 'Senior Management'.
	e) 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?	✓			Para. 6.3 – Independence Council's Constitution 4.8.5.3.2
LGAN	f) Define the scope of internal audit activities?	✓			Para. 5.1 – Purpose of Internal Audit
LGAN	g) Recognise that internal audit's remit extends to the entire control environment of the organisation?	✓			Para. 5.1 – Purpose of Internal Audit
LGAN	h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (Wales) Regulations 2014?	✓			Para. 1.2 - Introduction
LGAN	i) Establish the organisational independence of internal audit?	✓			Para. 6.2 - Independence
	j) Cover the arrangements for appropriate resourcing?	✓			Para. 9 – Audit Resources
	k) Define the role of internal audit in any fraud-related work?	✓			Para. 7 – Counter Fraud Role
	l) Set out the existing arrangements within the organisation's anti-fraud	✓			Para. 7.3 – Counter Fraud Role

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?</p> <p>m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?</p> <p>n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?</p>	✓			<p>Policy for the Prevention of Fraud & Corruption - Para. 6.5. Approved by the Council 6 December 2012.</p> <p>Para. 6.4 - Independence Members of the Internal Audit Service do not undertake any non-audit duties.</p> <p>Paras. 1.2 - Introduction, 3.3 – Definition of Internal Audit, 5 – Purpose of Internal Audit. IA does not currently provide assurance to parties external to the organisation.</p>
	<p>o) Define the nature of consulting services?</p> <p>p) Recognise the mandatory nature of the PSIAS?</p>			✓	<p>Para. 3.3 - Definition of Internal Audit - states that <i>IA may undertake consulting service at the request of the organisation, subject to there being no impact on the core assurance work</i> but it does not elaborate.</p> <p>Action Plan – Rec 1</p> <p>Para. 1.3 – Introduction - states that the council has adopted PSIAS but does not reference their mandatory nature.</p> <p>Action Plan – Rec 2</p>
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	✓			Last reviewed and approved by Audit & Governance Committee on 27 April 2015. Next review due April 2018.
	Does the CAE attend audit committee meetings?	✓			See minutes of the Audit & Governance Committee meetings. Audit Manager attends all Audit & Governance Committee meetings.
	Does the CAE contribute to audit committee agendas?	✓			See Agenda Sheet for Audit & Governance Committee meetings. The Audit Manager reports to the Audit & Governance Committee – IA Annual Report, IA Strategy & Annual Plan and Quarterly Progress Reports.

Ref	Conformance with the Standard	Y	P	N	Evidence
3.2	1100 Independence and Objectivity				
	Does the CAE have direct and unrestricted access to senior management and the board?	✓			IA Charter- Para. 4.4 – Roles & Responsibilities, 6.3 - Independence
	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?	✓			As above.
	Are threats to objectivity identified and managed at the following levels: a) Individual auditor?	✓			<p>The IA activity complies with the definition of Internal Auditing, the Code of Ethics, Mission and Standards contained in the PSIAS, which came into force in April 2013 and were reviewed in March 2016.</p> <p>IA Manual - Declaration of Personal Interests & Auditor Independence - All auditors are required to declare any Personal / Business Interests and make an annual declaration of Independence and Confidentiality. Declarations of Personal / Business Interests Declarations of Auditor Independence & Confidentiality</p> <p>All IA staff members have signed a Declaration that they have read the PSIAS and that they understand that they must comply with the Standards and its Code of Ethics.</p> <p>IoAC Constitution 5.2 Officers' Code of Conduct Para. 5.2.8.2</p>
	b) Engagement?	✓			IA Manual - Audit Manager assess possible conflicts of interest during the planning process. Internal Auditors are refrained from assessing specific operations for which they were previously responsible within the pre-

Ref	Conformance with the Standard	Y	P	N	Evidence
					vious year.
	c) Functional?	✓			<p>IA Charter – Para. 6 – Independence – IA is currently independent of the audited activities.</p> <p>N.B. The Head of Audit & Risk post has been recently advertised and the CAE will now have responsibility for insurance and risk. In order to ensure independence and objectivity of the audit function the CAE will have to declare to the Audit & Governance Committee a conflict of interest and non-compliance with PSIAS 1130.A2.</p> <p>See Action Plan.</p>
	d) Organisation?	✓			<p>IA Charter – Para. 4.4 – ‘Senior Management’ The CAE is also free to report directly to any member of the Senior Leadership Team (SLT) or Heads of Services including the Chief Executive and the Monitoring Officer and any Member of the Executive and Members of the Audit & Governance Committee.</p> <p>The Audit & Governance Committee approves the IA Charter, IA Strategy and Annual Plan, Annual Report and receives quarterly reports from the Audit Manager to monitor progress against the Annual Plan and performance of the service against approved targets.</p> <p>The functional reporting does not include the remuneration of the CAE – See Public Sector Interpretation – underlying principle is that the independence is safeguarded by ensuring the remuneration of CAE or assessment is not inappropriately influenced by those subject to the audit.</p>
	<i>1110 Organisational Independence</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the CAE report to an organisational level equal or higher to the corporate management team?	✓			IA Charter - Para. 4.4 – ‘Senior Management’ See above.
LGAN	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓			IA Charter - Para. 11.1 – Audit Reporting Audit & Governance Committee Terms of Reference The CAE reports quarterly to the Audit & Governance Committee to monitor progress against the Annual Plan and performance of the service against approved targets. The Committee approves the IA Charter, IA Strategy and Annual Plan, Annual Report and receives quarterly reports.
LGAN	Have reporting and management arrangements been put in place that preserves the CAE’s independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority.	✓			CAE is currently an employee of Conwy County Borough Council who are contracted to provide strategic and operational management to the Internal Audit Service. N.B. The Head of Audit & Risk post has been recently advertised and the CAE will now have responsibility for insurance and risk. In order to ensure independence and objectivity of the audit function the CAE will have to declare to the Audit & Governance Committee a conflict of interest and non-compliance with PSIAS 1130.A2.
LGAN	Does the CAE’s position in the management structure: a) Reflect the influence he or she has on the control environment?	✓			IoAC Constitution 4.8.5.3.2 IA Charter – Para. 4.4 ‘Senior Management’, Para. 6 – Independence. IA has unrestricted access to all council activities, records, assets, SMT, Members and all employees.

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>IA Manual - The scope of IA allows for unrestricted access to all records and asserts deemed necessary by auditors in the course of an audit and IA have unrestricted access to:</p> <ul style="list-style-type: none"> • The Audit & Governance Committee • The Chief Executive • Members of the Council. • Individual Directors & Hos • All Authority employees.
	<p>b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?</p>	✓			<p>Audit plans, reports and action plans are all discussed with the Audit Committee.</p> <p>IA Charter – Part Para. 11.1 – Audit Reporting Audit & Governance Committee Terms of Reference</p> <p>The CAE reports to the Audit & Governance Committee on a quarterly basis. The Committee approves the:</p> <ul style="list-style-type: none"> • IA Charter • IA Strategy & Annual Plan • IA Annual Report • Quarterly update on the IA performance relative to its plan and targets.
	<p>c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?</p>	✓			<p>IA Manual – Reporting Lines & Relationships IA Charter – Para. 4.4 – ‘Senior Management’</p>
	<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p> <p><i>The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity:</i></p>	✓			<p>Internal Audit Report 2015/16 - Para. 7.1.2</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>The board:</p> <p>a) approves the internal audit charter</p> <p>b) approves the risk-based audit plan</p> <p>c) approves the internal audit budget and resource plan</p> <p>d) receives communications from the CAE on the activity's performance (in relation to the plan, for example)</p> <p>e) approves decisions relating to the appointment and removal of the CAE</p> <p>f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>WP 3.2.2 Audit and Governance Committee Minutes 27/04/2015 - Para.3.</p> <p>WP 3.2.3 Audit and Governance Committee Minutes 15/03/2016 - Para.9.</p> <p>IA Strategy & Annual Plan 2016/17 WP 3.2.4 Audit and Governance Committee Terms of Reference - Para. 3.4.8.5.4. The IA financial budget is approved by the Council in accordance with the normal budget setting cycle.</p> <p>IA Charter - Para. 4.5 The Audit & Governance Committee receives quarterly reports from the Audit Manager to monitor progress against the Annual Plan and the performance of the service against approved targets.</p> <p>WP 3.2.4 Audit & Governance Committee Terms of Reference - Para. 3.4.8.5.2 state that the Committee will <i>"Approve decisions regarding the appointment and removal of the chief audit executive and the remuneration of the chief audit executive"</i>.</p> <p>Any resource constraints are highlighted in the CAE's Annual Report. The CAE is responsible for ensuring resources of the service are sufficient to meet its responsibilities and objectives. If resources are insufficient the CAE would formally report to the Section 151 Officer and the Audit & Governance Committee. Audit & Governance Committee Minutes 15/03/2016 -</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					Para.8: <i>Assistant Chief Executive to raise the Committee's concern about the resourcing of the Internal Audit Service with the Senior Leadership Team.</i>
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	✓			N/A CAE currently is an employee of Conwy County Borough Council. Performance appraisal process undertaken by Head of Internal Audit & Procurement Services, CCBC. When a new CAE is appointed the CAE's Appraisal will be undertaken by the Head of Function (Resources) & S151 Officer.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?			✓	See above. Internal Audit are currently subject to the biannual Resources Service Performance Reviews where performance is monitored by: <ul style="list-style-type: none"> • Chief Executive • Leader • Portfolio Holder – Finance • Portfolio Holder – Council Business, Performance, Transformation, HR & IT • Shadow Portfolio Holder – Corporate Services • Head of Service • SLT
	<i>1111 Direct Interaction with the Board</i>				
	Does the CAE communicate and interact directly with the board?	✓			IA Charter - Para. 6.3 <i>"IA has full and free access to the Audit and Governance Committee via the Audit Manager".</i>
	<i>1120 Individual Objectivity</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Do internal auditors have an impartial, unbiased attitude?	✓			IA Manual - Declaration of Personal Interests & Auditor Independence - All auditors are required to declare any Personal / Business Interests and make an annual declaration of Independence and Confidentiality. Declarations of Personal / Business Interests Declarations of Auditor Independence & Confidentiality
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓			Audit manager will take into account any declarations during the planning process and when assigning engagements. Audit staff have agreed to abide the Code of Ethics.
	<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)?	✓			There have been no instances of an auditor's independence or objectivity being impaired. N.B. The Head of Audit & Risk post has been recently advertised and the CAE will now have responsibility for insurance and risk. In order to ensure independence and objectivity of the audit function the CAE will have to declare to the Audit & Governance Committee a conflict of interest and non-compliance with PSIAS 1130.A2.
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?			✓	The CAE assesses possible conflicts of interest during the planning process and are precluded from audits where necessary. Internal auditors refrain from auditing areas for which the auditor had responsibility within the previous year as per PSIAS 1130.A1.
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been				N/A <i>CAE currently only has responsibility for the IA service.</i>

Ref	Conformance with the Standard	Y	P	N	Evidence
	overseen by someone outside of the internal audit activity?				
LGAN	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	✓			The CAE ensures assignments are rotated as far as possible within a small audit team – with consideration for staff capabilities.
LGAN	Have internal auditors declared interests in accordance with organisational requirements?	✓			IA Manual - Declaration of Personal Interests & Auditor Independence - All auditors are required to declare any Personal / Business Interests and make an annual declaration of Independence and Confidentiality. Declarations of Personal / Business Interests Declarations of Auditor Independence & Confidentiality
LGAN	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?				N/A – Auditors have not accepted and gifts or hospitality and are aware of the Council's Code of Conduct and the Gifts & Hospitality Policy.
LGAN	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?			✓	No evidence to suggest auditors have used information obtained during the course of duties for personal gain.
LGAN	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?	✓			IA Manual - Declaration of Personal Interests & Auditor Independence Declarations of Auditor Independence & Confidentiality
LGAN	Have internal auditors complied with the Bribery Act 2010?	✓			All officers are required to comply with the Authority's Policy for the Prevention of Fraud & Corruption, which includes the requirements of the Bribery Act 2010. Audit staff have attended Bribery training provided by CIPFA. All auditors are aware of the Bribery Act 2010.
	If there has been any real or apparent impairment of independence or			✓	N/A – No impairment of independence or objectivity.

Ref	Conformance with the Standard	Y	P	N	Evidence
	objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?				
	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?	✓			IA Annual Report 2015/16 – Para. 4.3 The CAE reports any significant matters e.g. any additional consultancy work or non-audit duties, which result in slippage from the Annual Plan to the Audit 7 Governance Committee.
3.3	1200 Proficiency and Due Professional Care				
	<i>1210 Proficiency</i>				
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	✓			The CAE is CIPFA qualified
	Is the CAE suitably experienced?	✓			CAE has 14 years' experience in local government audit.
LGAN	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓			IA Manual - Organisational Structure of IA Recruitment & Selection undertaken in accordance with the Corporate Human Resources Recruitment & Selection Policy. http://monitor.anglesey.gov.uk/corporate-resource/human-resources/hr-policies-and-guidelines/hr-policies/recruitment-and-selection-policy/
LGAN	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, experience and personal attributes?	✓			Job descriptions updated January 2015 as part of the Job Evaluation process and have been independently evaluated. Person specifications define the required qualifications, competencies, skills, experience and personal attributes

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓			IA Charter – Para. 9 – Audit Resources IA Manual – Organisational Structure illustrates the structure as of January 2015 and the auditors’ professional qualifications. Strategic Plan 2016/17-2018/19 & Annual Plan 2016/17 Para. 1.4.2: <i>Some expertise may need to be outsourced with regards to IT audits</i>
	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?	✓			IA Charter - Para. 9.3 – Audit Resources
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓			IA Manual – Fraud, Corruption & Investigations IA Manual – Development & Review IA Charter – Para. 7 – Counter Fraud Role IA has a dedicated Counter-Fraud officer. Auditors have previously attended Proceeds of Crime training. All IA employees undergo annual appraisal process, which uses a competency framework to identify training requirements. See individual PDR files.
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓			See above.
	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?	✓			See above. Auditors consider the use of technology based audit and other data analysis techniques – IDEA training. One internal auditor has received IDEA training.
	<i>1220 Due Professional Care</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>Do internal auditors exercise due professional care by considering the:</p> <p>a) Extent of work needed to achieve the engagement's objectives?</p>	✓			<p>There is a statutory requirement for IA to work in accordance with the "proper audit practices". The PSIAS and the CIPFA Local Government Application Note which came into force 1 April 2013. The Standards have been adopted by the IoAC's IA Section. All IA employees have agreed to work in accordance with PSIAS – which includes the need to exhibit due professional care.</p> <p>IA Charter IA Manual – Legal Requirements & Professional Standards.</p> <p>Assignment Planning Sheets (APS) and Evaluations of Objective Risks and Controls (ORCs) are completed before each audit and approved by the CAE.</p> <p>These outline knowledge required to undertake a particular audit in terms of risks, governance arrangements, scope of audit and relevant legislation. Key risks are highlighted.</p>
	b) Relative complexity, materiality or significance of matters to which assurance procedures are applied?	✓			See above.
	c) Adequacy and effectiveness of governance, risk management and control processes?	✓			See above.
	d) Probability of significant errors, fraud, or non-compliance?	✓			See above.
	e) Cost of assurance in relation to potential benefits?	✓			<p>During the audit planning process the amount of resources allocated to an engagement, i.e. man-days are equated to the relative risk to the Authority.</p> <p>Regular monitoring of audit progress is undertaken by the Audit Manager and audit areas can be curtailed if in</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p data-bbox="1442 197 2163 293">danger of exceeding planned target days to ensure that all high and medium risks are reviewed ensuring that the cost of assurance does not outweigh the benefit.</p> <p data-bbox="1442 331 2163 427">This issue was raised at the WCIAG September 2016 – no representative from authorities attending had a formal costing and benefits as difficult to quantify.</p>
	<p data-bbox="230 483 1144 555">Do internal auditors exercise due professional care during a consulting engagement by considering the:</p> <p data-bbox="230 818 1144 890">a) Needs and expectations of clients, including the nature, timing and communication of engagement results?</p> <p data-bbox="230 954 1144 1026">b) Relative complexity and extent of work needed to achieve the engagement's objectives?</p> <p data-bbox="230 1074 1144 1106">c) Cost of the consulting engagement in relation to potential benefits?</p>	<p data-bbox="1216 834 1256 866">✓</p> <p data-bbox="1216 962 1256 994">✓</p> <p data-bbox="1216 1241 1256 1273">✓</p>			<p data-bbox="1442 467 2163 667">Consulting engagements if they result in a piece of work being undertaken are referred to as Additional Unplanned Work and are reported to the Audit & Governance Committee in the IA Annual Report – Para. 4.3. 6 additional jobs were performed during 2015/16 accounting for 37.88 days.</p> <p data-bbox="1442 707 2163 762">IA Strategy & Plan 2016/17 identify resource budget of 120 days.</p> <p data-bbox="1442 802 2163 890">Assignment Planning Sheets are signed by clients to indicate agreement before the engagement begins – see above.</p> <p data-bbox="1442 930 2163 986">Included on the APS & ORC and approved by CAE – see above.</p> <p data-bbox="1442 1058 2163 1217">IA Strategy & Annual Plan 2016/17 - Paras. 19 & 20 – IA provide a range of consultancy services to management, which includes advice and guidance ; number of days allocated, including special investigations, amounts to 150 days.</p> <p data-bbox="1442 1257 2163 1457">IA Annual Report 2015/16 – Paras. 4.5.2 & 4.5.2 - As with all activities, the cost (in man-days) of a potential consulting engagement in resources will be assessed in comparison with the potential benefits. A consulting engagement will only be performed of the potential benefits outweigh the cost.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>1230 Continuing Professional Development</i>				
LGAN	Has the CAE defined the skills and competencies for each level of auditor?	✓			IA Manual – Development & Review Job descriptions and Person Specifications updated January 2015. Advice was sought from CCBC which used the Excellent Auditor Skills Matrix.
LGAN	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓			All staff undergo annual performance appraisals in which skills and competencies for each level of auditor are compared to the Competency Framework.
	Do internal auditors undertake a programme of continuing professional development?	✓			IA Charter - Para. 10 – Audit Training CPD training requirements are discussed as part of annual PDRs. CPD is also requirement of various professional bodies, of which audit staff are members e.g. ACCA. In the Annual Plan 2016/17, there is a budget of 10 days for training.
	Do internal auditors maintain a record of their professional development and training activities?	✓			Training records maintained on each individual auditor's file.
3.4	1300 Quality Assurance and Improvement Programme				
	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?	✓			Annual Report 2015/16 – Para. 6.6 & 6.7 A Self-Assessment to ensure compliance with PSIAS is conducted on an annual basis – <u>G:\Audit\Shared\PSIAS Self-Assessment</u> IA Manual IA has a quality assurance programme that is designed to provide assurance both internally and externally that: <ul style="list-style-type: none"> • The work of IA is compliant with Standards • Achieves its objectives, and • Sustain a commentary on compliance with the Standards and in the Annual Audit Report.

Ref	Conformance with the Standard	Y	P	N	Evidence
					The Service Review process and Resources Service Plan also identify improvements.
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	✓			<p>See PSIAS Self-Assessment above.</p> <p>IA performance is reviewed by management and reported to the Audit & Governance Committee on a quarterly basis e.g. Performance Targets developed in consultation with All Wales IA Benchmarking Group. All PIs are monitored and reported by the Transformation Team and reviewed as part of the Service Performance Reviews.</p> <p>IA Charter – Para. 7 – Quality Control – A quality questionnaire is issued to the relevant senior manager with each Final Report to allow the standard of the service to be monitored and to identify any improvements.</p> <p>An annual review of all files is undertaken to ensure conformance with the Definition of IA and the Standards and an evaluation of whether the auditors apply the Code of Ethics.</p>
	Does the CAE maintain the QAIP?	✓			The PSIAS Self-Assessment is undertaken by the CAE and reported to the Audit & Governance Committee annually.
LGAN	If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?				N/A

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?	✓			Internal Assessments – A Self-Assessment to ensure compliance with PSIAS is conducted on an annual basis G:\Audit\Shared\PSIAS Self-Assessment External Assessment – by Denbighshire Council is scheduled for early 2017.
	<i>1311 Internal Assessments</i>				
LGAN	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓			IA Charter – Para. 9 – Resources IA Manual – Allocation & Monitoring of Audit Projects. Work is allocated by the CAE who have appropriate skills, experience and knowledge. APS and ORCs are completed before each audit and approved by the CAE. These outline knowledge required to undertake a particular audit in terms of risks, governance arrangements, scope of audit and relevant legislation. Key risks are highlighted.
	Do internal assessments include ongoing monitoring of the internal audit activity, such as: a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	✓ ✓			IA Protocol – Para. 7 – Quality Control IA Report 2015/16 Para. 6.6 & 6.7 For example, client satisfaction questionnaires, review of working papers & reports, annual appraisals. Annual PSAIS self-assessment conducted.
LGAN	Does ongoing performance monitoring include comprehensive performance targets?	✓			Strategic & Annual Plans 2016/17 - Appendix A para. 23; Appendix E IA Annual Report 2015/16 – Appendix A

Ref	Conformance with the Standard	Y	P	N	Evidence
					IA performance reviewed by management and reported to the Audit & Governance Committee on a quarterly basis e.g. Performance Targets developed in consultation with All Wales IA Benchmarking Group.
LGAN	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	✓			Targets developed in consultation with All Wales IA Benchmarking Group.
LGAN	Does the CAE measure, monitor and report on progress against these targets?	✓			CAE reports progress in quarterly reports to the Audit & Governance Committee. IA Annual Report 2015/16 compares performance against targets set for the year.
LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?	✓			IA Protocol - Para. 7.2 – Quality Control
	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? 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.	✓			Internal self-assessment conducted by CAE. External Assessment scheduled for early 2017 by a qualified, independent assessor or assessment team from outside the organisation.
LGAN	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓			IA Annual Report 2015/16 – report includes review of activity against annual risk based plan.
	<i>1312 External Assessments</i>				
	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	✓			External assessment due to be conducted in early 2017.
LGAN	Has the CAE considered the pros and cons for the different types of				N/A - The Welsh Chief Internal Auditors Group (WCIAG)

Ref	Conformance with the Standard	Y	P	N	Evidence
	external assessment (i.e. 'full' or self-assessment plus 'independent validation')?				<p>considered the pros and cons of the types of assessment and agreed upon self-assessment with independent external verification.</p> <p>Peer assessments are being planned for 2016/17 and WCIAG Peer Review Packs have been produced which include:</p> <ul style="list-style-type: none"> • Terms of Reference • Report\template • PSIAS LG Application Note • Table of Assessors
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	✓			Now that more details about the process – such as the Terms of Reference – have been received, the external self-assessment will be discussed with the Audit & Governance Committee on 6 December 2016.
LGAN	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>As above.</p> <p>The external assessment will be discussed at the Audit & Governance Committee 6 December 2016.</p> <p>The CAE has already agreed the scope of the assessment with the Head of Function (Resources) and Section 151 Officer and will be reported to SLT.</p>
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	✓			The WCIAG has established the scope.
	<p>Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process?</p> <p>Competence can be determined in the following ways:</p> <ol style="list-style-type: none"> a) experience gained in organisations of similar size b) complexity c) sector (i.e. the public sector) 	✓			The External Assessor is Head of Internal Audit at Denbighshire County Borough Council and is competent in all areas to undertake the assessment.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>d) industry (i.e. local government), and</p> <p>e) technical experience.</p> <p><i>Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.</i></p>				
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?	✓			N/A – The WCIAG has established the scope of the assessment and the Terms of Reference identifies that the assessors must be appropriately qualified and competent.
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This 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.			✓	Employee of Denbighshire County Borough Council – no apparent conflicts of interest.
	<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>				
	Has the CAE reported the results of the QAIP to senior management and the board?			✓	<p>The PSIAS Self-assessment will be reported to SLT on 28 November 2016 and to the Audit & Governance Committee 6 December 2016.</p> <p>IA Annual Report 2015/16 – Para. 6.6 – States compliance with IA Standards but the QAIP and Improvement Plan not reported.</p> <p>Action Plan – Rec 3</p>
	<p><i>Note that:</i></p> <p>a) <i>the results of both external and periodic internal assessment must be communicated upon completion</i></p> <p>b) <i>the results of ongoing monitoring must be communicated at least</i></p>				<p>As above.</p> <p>As above.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p><i>annually</i></p> <p>c) <i>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.</i></p>				As above.
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?			✓	<p>IA Annual Report 2015/16 – Para. 6.6 confirm compliance with PSIAS but result of the self-assessment have not been included.</p> <p>Action Plan – Rec 4</p>
	<i>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	✓			The results of the 2016/17 PSIAS Self-assessment confirm compliance of IA activity with the Standards.
	<i>1322 Disclosure of Non-conformance</i>				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	✓			PSIAS non-conformance and improvement action plan reported to the Audit & Governance Committee 6 December 2016.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	✓			N/A – no significant deviations from PSIAS but will be included where appropriate.
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				
	Do the results of the internal audit activity's work achieve the purposes	✓			IA Annual Report 2015/16

Ref	Conformance with the Standard	Y	P	N	Evidence
	and responsibility of the activity, as set out in the internal audit charter?				
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?	✓			IA Annual Report 2015/16 - Para. 6.6
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i> and the <i>Standards</i> ?	✓			All audit staff have signed a Declaration that they have read PSAIS and that they understand and must comply with the Standards and its Code of Ethics – Appendix A. IA Report 2015/16 - Para. 7.1.1
	Does the internal audit activity add value to the organisation and its stakeholders by a) Providing objective and relevant assurance? b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	✓ ✓			IA Annual Report 2015/16 IA Charter The Council is required annually to conduct a review of the effectiveness of the system of internal control. IA is an integral part of that system and is a significant contributor to the Annual Governance Statement (AGS) The role of IA is to provide assurances that the key risks of the Council are being adequately mitigated and to examine and evaluate the adequacy of the effectiveness of the system of internal control, governance and risk management as operated in all areas of the Council.
	<i>2010 Planning</i>				
	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?	✓			Audit Plan & Strategy Report 2016/17 Strategic IA Plan 2016/17 to 2018/19 & Annual Plan 2016/17

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	✓			Audit Plan & Strategy Report 2016/17 - Para. 1.1.2
	Does the risk-based plan take into account the organisation's assurance framework?		✓		Audit Plan & Strategy Report 2016/17 – Para. 1.2 Audit Needs Assessment The CAE membership of the Performance Review Group allows the plan to take account of the external regulators and the organisation's assurance framework. An assurance mapping exercise will be undertaken as part of the 2017/18 planning process to further ensure that the plan is focused on the right sources of assurance to meet the Authority's needs and circumstance. Action Plan – Rec 5
	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of: a) How the internal audit service will be delivered? b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational objectives and priorities?	✓			Audit Plan & Strategy Report 2016/17 Strategic IA Plan 2016/17 to 2018/19 & Annual Plan 2016/17
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓			Audit Plan & Strategy Report 2016/17 Strategic IA Plan 2016/17 to 2018/19 & Annual Plan 2016/17
	In developing the risk-based plan, has the CAE taken into account the	✓			Audit Plan & Strategy Report 2016/17 – Para. 1.2.6

Ref	Conformance with the Standard	Y	P	N	Evidence
	organisation's risk management framework and relative risk maturity of the organisation?				Strategic IA Plan 2016/17 to 2018/19 & Annual Plan 2016/17
	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	✓			N/A – Risk Management Framework exists.
LGAN	Does the risk-based plan set out the: a) Audit work to be carried out? b) Respective priorities of those pieces of audit work? c) Estimated resources needed for the work?	✓ ✓ ✓			Strategic IA Plan 2016/17 to 2018/19 & Annual Plan 2016/17 The Strategy & Annual Plan is approved by the Audit & Governance Committee every February. It is a risk based plan which sets out the audit work to be performed, the priorities and the resources required. Annual Plan 2016/17
LGAN	Does the risk-based plan differentiate between audit and other types of work?	✓			Operational Plan 2016/17 - Appendix B
LGAN	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	✓			Strategic IA Plan 2016/17 to 2018/19 - Appendix A - Para. 31
	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?	✓			Strategic IA Plan 2016/17 to 2018/19 - Appendix A - Para. 31. The CAE reports any changes to the Audit & Governance Committee on a quarterly basis.
	Is the internal audit activity's plan of engagements based on a	✓			Audit Plan & Strategy Report 2016/17 – Para. 1.2.4. – Audit Needs Assessment Process

Ref	Conformance with the Standard	Y	P	N	Evidence
	documented risk assessment?				<i>IA plans based on Council's Corporate Risk Register & Service Risk Register.</i>
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	✓			Audit Plan & Strategy Report 2016/17 – Para. 1.2.4. – Audit Needs Assessment Process – Ongoing.
LGAN	In developing the risk-based plan, has the CAE also considered the following: a) Any declarations of interest (for the avoidance for conflicts of interest)? b) The requirement to use specialists, e.g. IT or contract and procurement auditors? c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? d) 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?	✓ ✓ ✓ ✓			The CAE takes into account any declarations during the planning process. Audit Plan & Strategy Report 2016/17 – Para. 1.4.2 Strategic IA Plan 2016/17 to 2018/19 - Appendix A - Para. 31. Counter Fraud Work – 150 days Contingency – 120 days Strategic IA Plan 2016/17 to 2018/19 - Appendix A - Para. 31. Operational Plan 2016/17 - Appendix B Planning – 20 days Administration – 40 days Liaison HoS etc. – 15 days
	Is the input of senior management and the board considered in the risk assessment process?	✓			Audit Plan & Strategy Report 2016/17 – Para. 1.3 Consultation with Directors, Heads of Functions and HoS prior to developing the annual plan.
	Does the CAE identify and consider the expectations of senior	✓			Audit Plan & Strategy Report 2016/17 – Para. 1.3 Consultation with Directors, Heads of Functions and

Ref	Conformance with the Standard	Y	P	N	Evidence
	management, the board and other stakeholders for internal audit opinion and any other conclusions?				HoS prior to developing the annual plan. Pre Audit & Governance Committee briefings with Chair & Vice. CAE is keen for IA to have more involvement with SMT as currently does not attend SMT.
	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?	✓			Audit Plan & Strategy Report 2016/17 – Paras. 1.2 & 1.3. Quarterly meetings with Performance Review Group to discuss Corporate Risk Register and external regulators' reports. Cumulative knowledge of the Organisation through previous IA work.
	Are consulting engagements that have been accepted included in the risk-based plan?	✓			Operational Plan 2016/17 - Appendix B Consultancy work - 30 days.
	<i>2020 Communication and Approval</i>				
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	✓			Audit Plan & Strategy Report 2016/17 – Para. 1.2.6 Strategic IA Plan 2016/17 to 2018/19 & Annual Plan 2016/17 Presented and approved by SLT 26 January 2016 and Audit & Governance Committee 15 March 2016.
	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?	✓			Strategic IA Plan 2016/17 to 2018/19 - Appendix A - Para. 31. IA Performance Reports are submitted to the Audit & Governance Committee on a quarterly basis with any changes to the plan reported and approved.
	Has the CAE communicated the impact of any resource limitations to	✓			IA Charter – Para. 9 - Resources IA Annual Report 2015/16 - Paras. 3.2.2 & 3.5.1

Ref	Conformance with the Standard	Y	P	N	Evidence
	senior management and the board?				IA Performance Reports are submitted to the Audit & Governance Committee on a quarterly basis
	<i>2030 Resource Management</i>				
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	✓			Strategic IA Plan 2016/17 to 2018/19 - Appendix A - Para. 32 & 33 explain how the plan has been compiled. Appendix C details the needs of each area, the current assurance rating and the number of audit days required. Appendix D identifies available IA Resource 2016/17.
LGAN	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	✓			IA Protocol - Para.1.2 Senior managers are informed of each area under their control that will be audited. There will also be discussions on broad indications of dates in order to avoid peak times and cause the least disruption to Services.
LGAN	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? 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.	✓			Strategic IA Plan 2016/17 to 2018/19 - Appendix A - Para. 28. Where resources available are not considered adequate it will be reported through the Audit and Governance Committee. IA Annual Report 2015/16 - Para. 3.5.1 - identifies slippage of 316 days.
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?		✓		IA Manual Includes guidelines for undertaking IA activities, however as the manual dates from when IA was provided by Baker Tilly it no longer reflects current practices in all areas. See Action Plan - Rec 6

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	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.	✓			IA Manual IA Protocol IA Manual & Protocol reflects the need to conform to the PSIAS.
LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?		✓		IA Protocol – Revised and approved by Audit & Governance Committee 8/12/15. IA Manual - As noted above, the current IA Manual needs to be updated as it no longer reflects current working practices due to recent management changes. See Action Plan – Rec 7
	<i>2050 Coordination</i>				
	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	✓			Strategic IA Plan 2016/17 to 2018/19 - Appendix A - Para. 29 IA Annual Report 2015/16 – Paras. 6.1.2 & 6.4 The work performed by WAO, PwC and other external regulators. Quarterly meetings of Performance Review Group
LGAN	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?			✓	Following the Audit manager’s attendance as an <i>Assurance Mapping in the Public Sector</i> Workshop in October 2015 – Assurance mapping exercise will be carried out as part of the 2017/18 planning process to further ensure that the Internal Audit plan is focused on the right sources of assurance to meet the Authority’s needs and circumstance. See Action Plan – Rec 8
	Does the CAE share information and coordinate activities with other	✓			Quarterly meetings of Performance Review Group

Ref	Conformance with the Standard	Y	P	N	Evidence
	internal and external providers of assurance and consulting services?				WAO invited to attend pre Audit and Governance Committee meetings with Chair, Section 151 and CAE and Audit Manager.
LGAN	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?		✓		<p>IA Charter - Para.8</p> <p>External audit representative invited to attend quarterly Audit & Governance Committee meetings and the pre meeting.</p> <p>IA seeking more involvement in meetings with WAO.</p> <p>See Action Plan – Rec 9</p>
	<i>2060 Reporting to Senior Management and the Board</i>				
	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>Audit & Governance Committee Terms of Reference IA Charter – Para. 4.5</p> <p>The Audit Committee receives quarterly progress reports from the CAE.</p> <p>Performance and progress relative to the plan is reported to the Audit & Governance Committee on a quarterly basis.</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?	✓			As above.
	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>As above.</p> <p>Quarterly reporting to the Audit & Governance Committee, as per the IA Charter and Audit & Governance Committee Terms of Reference.</p> <p>Additional meetings may be called as required in excep-</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					tional circumstances.
	<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>				
	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?				N/A
4.2	2100 Nature of Work				
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	✓			IA Charter - Para. 5 – Purpose of IA IA Annual Report 2015/16 – CAE provides the Audit & Governance Committee with assurance on the whole system of internal Control, including the adequacy of risk management and corporate governance arrangements.
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	✓			The following documents provide a systematic and disciplined approach: <ul style="list-style-type: none"> • IA Charter • IA Manual • IA Annual Report 2015/16 • IA Strategy & Annual Plan
	<i>2110 Governance</i>				
	Does the internal audit activity: <p>a) Promote appropriate ethics and values within the organisation?</p>	✓			IA Annual Report 2015/16 All auditors must comply with the Code of Ethics as set out in the PSIAS to promote an ethical culture in the profession of IA. The CAE provides the Audit & Governance Committee with assurance on the whole system of

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>b) Ensure effective organisational performance management and accountability?</p> <p>c) Communicate risk and control information to appropriate areas of the organisation?</p> <p>d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>internal control, including the adequacy of risk management and corporate governance arrangements.</p> <p>The Performance Management processes of services and functions are assessed during the conduct of individual audits.</p> <p>IA Protocol - Para. 6 – Issuing Final Reports.</p> <p>IA reports communicate risk and control information to the Organisation. All reports issued to relevant HoS and available to Members of the Audit & Governance Committee on request. The Audit & Governance Committee receives details of all Final IA Reports that have received a Limited or Minimal Assurance rating.</p> <p>As above.</p>
	<p>Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?</p>	<p>✓</p>			<p>IA Manual – Audit Recommendations & Audit Opinion.</p> <p>IA Protocol – Para. 6 – Issuing Final Reports – Audit Opinions</p> <p>IA Annual Report 2015/16 – Appendix G details outstanding recommendations.</p> <p>The IA Annual Report relevant issues and overall opinion feeds into the AGS.</p>
	<p>Has the internal audit activity evaluated the:</p> <p>a) design</p>	<p>✓</p>			<p>Strategic IA Plan 2016/17 to 2018/19 - Appendix A</p> <p>Strategic Plan - Appendix C</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	b) implementation, and	✓			15 days a year are allocated to an audit of Ethical Culture from 2016/17.
	c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	✓			Policies & Procedures, Gifts & Hospitality and Declaration of Interests previously reviewed.
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	✓			IT audits are programmed each year to enable IA to assess whether the Authority's IT governance supports its strategies and objectives (40 days). IA has dedicated a lot of time to ICT Disaster & Recovery – a key focus of the Audit & Governance Committee. Audit Plan & Strategy Report 2016/17 – Para.1.4.2 identifies the need to outsource some expertise with regards to IT audits.
LGAN	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan?	✓			Annual Plan 2016/17 – Appendix B Strategic IA Plan 2016/17 to 2018/19 – Appendix C In 2016/17 Operational Plan, 15 days are allocated to an audit of Ethical Culture and 40 days to IT, out of a total of 924 operational days.
	<i>2120 Risk Management</i>				
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: a) Organisational objectives support and align with the organisation's mission?	✓			Strategic IA Plan 2016/17 to 2018/19 - Appendix A – Para. 16 – Risk Management. IA Annual Report 2015/16 – Para. 4.6 Audit Plan & Strategy Report 2016/17 Para. 1.2 - Audit Needs Assessment – following considered: <ul style="list-style-type: none"> Corporate Plan 2013 – 2017

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>b) Significant risks are identified and assessed?</p> <p>c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?</p> <p>d) 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?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<ul style="list-style-type: none"> • WAO - Corporate Assessment December 2015 and Annual Improvement Report 2014/15 • Consultancy Work and preparatory work for AGS. <p>Corporate & Service Risk Registers. The Risk Management process is reviewed as part of individual audit assignments.</p> <p>Quarterly Performance Review Meetings with Transformation Team and Risk Manager.</p> <p>IA Annual Report 2015/16 – Para. 1.2.4 - Needs Assessment. Resources targeted to higher risk areas based on risk profile. Assurance mapping will ensure assurance gained from the control measures in place.</p> <p>IA Protocol - Audit reports issued on a timely basis. Quarterly reports to the Audit Committee.</p>
	<p>Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:</p> <p>a) Achievement of the organisation's strategic objectives?</p>	<p>✓</p>			<p>IA uses a risk-based approach. All will be evaluated as part of each individual audit assignment</p> <p>IA Manual IA Charter IA Annual Report 2015/16 Audit Plan & Strategy Report 2016/17 - Planning Process</p> <p>All audits assess compliance Review Corporate & Service Risk Registers IA consultancy work with Performance Review Group – to assess external regulatory reports and risk assessment.</p> <p>Audit Plan & Strategy Report 2016/17 Para. 1.2 - Audit Needs Assessment – following considered:</p> <ul style="list-style-type: none"> • Corporate Plan 2013 – 2017 • WAO - Corporate Assessment December 2015

Ref	Conformance with the Standard	Y	P	N	Evidence
	b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	 ✓ ✓ ✓ ✓			and Annual Improvement Report 2014/15 <ul style="list-style-type: none"> Consultancy Work and preparatory work for AGS
	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	✓			Audit Plan & Strategy Report 2016/17 Annual Plan 2016/17 – Appendix B – Counter Fraud Work - 150 days Strategic IA Plan 2016/17 to 2018/19 – Appendix C IA will review the robustness of the Authority's arrangements, the counter fraud framework and the identification of areas of fraud risk. The Authority's Policy for the Prevention of Fraud & Corruption was last updated in 2012 and is now due for review. Annual Report 2015/16 - Appendix H – Summary of Irregularity Work – 72.34 days.
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	✓			Risk is considered during all audit assignments. Corporate & Service Risk Registers Project Briefs - ORCs Discussions with management prior to audit.
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	✓			See above.
	Do internal auditors successfully avoid managing risks themselves, which	✓			IA advise and consult but would not directly manage risk

Ref	Conformance with the Standard	Y	P	N	Evidence
	would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?				management process.
	<i>2130 Control</i>				
	<p>Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:</p> <p>a) Achievement of the organisation's strategic objectives?</p> <p>b) Reliability and integrity of financial and operational information?</p> <p>c) Effectiveness and efficiency of operations and programmes?</p> <p>d) Safeguarding of assets?</p> <p>e) Compliance with laws, regulations, policies, procedures and contracts?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>IA Annual Report 2015/16 – evaluated and provided assurance to the Audit & Governance Committee on the adequacy of controls in the Authority's governance, operations and information systems.</p> <p>Para. 7.1 Statement of Assurance</p>
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	✓			<p>IA Annual Report 2015/16 Audit Plan & Strategy Report 2016/17 – Para. 1.2 – Audit Needs Assessment Process</p>
4.3	2200 Engagement Planning				
	Do internal auditors develop and document a plan for each engagement?	✓			<p>IA Manual - <i>Assignment Planning Sheet completed for each audit.</i></p> <p>Assignment Planning Sheets (APS) and Evaluations of Objective Risks and Controls (ORCs) are completed be-</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					fore each audit and approved by the CAE.
	Does the engagement plan include the engagement's:				
	a) Objectives?	✓			
	b) Scope?	✓			
	c) Timing?	✓			
	d) Resource allocations?		✓		Assigned auditors are noted but the number of audit days allocated to the engagement is not. See Action Plan – Rec 10
	Do internal auditors consider the following in planning an engagement, and is this documented:				IA Protocol – Para. 1 – Audit Planning
	a) The objectives of the activity being reviewed?	✓			Included on the Audit Planning Sheet.
	b) The means by which the activity controls its performance?	✓			Performance measures included on the Audit Planning Sheet.
	c) The significant risks to the activity being audited?	✓			Service Risk Register consulted. Key risks included on Audit Planning Sheet.
	d) The activity's resources?	✓			APS
	e) The activity's operations?	✓			APS
	f) The means by which the potential impact of risk is kept to an acceptable level?	✓			Service Risk Register and mitigating actions consulted.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?</p> <p>h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?</p>	<p>✓</p> <p>✓</p>			<p>Recommendations and the associated risks are currently classified in accordance with the Corporate Risk Assessment matrix.</p> <p>An Action Plan is created for each report and contains recommendations to management agreed with the client to address any internal control issues that have been identified during the course of the review.</p> <p>Action Plans identify the relevant risks with the report.</p>
	<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> <p>a) Objectives?</p> <p>b) Scope?</p> <p>c) 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)?</p>				<p>N/A</p>
	<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <p>a) Objectives?</p> <p>b) Scope?</p>	<p>✓</p> <p>✓</p>			<p>An Assignment Planning Sheet would be completed as with assurance engagements.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) The respective responsibilities of the internal auditors and the client and other client expectations?	✓			
	For significant consulting engagements, has this understanding been documented?				IA Protocol - Para. 1.9 All Assignment Planning Sheets should be signed off by the senior manager or nominated Contact Officer prior to the start of the fieldwork.
	<i>2210 Engagement Objectives</i>				
	Have objectives been agreed for each engagement?	✓			IA Protocol - Para. 1.9 Assignment Planning Sheets set out the objectives of the review and should be signed off by the senior manager or nominated Contact Officer prior to the start of the field work.
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	✓			IA Protocol - Para. 1.1
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	✓			IA Protocol - Para. 1.4
	Have internal auditors considered the probability of the following, when developing the engagement objectives: a) Significant errors? b) Fraud? c) Non-compliance? d) Any other risks?	✓ ✓ ✓ ✓			IA Protocol – Para. 1 APS & ORCs completed for each assignment.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	✓			<p>IA Manual – Conduct of an Audit</p> <p>IA Annual Report 2015/16 – Audit & Governance Committee to provide scrutiny those objectives archived.</p> <p>IA Charter – Pars. 4.2 & 4.5 – Audit & Governance Committee receive quarterly reports to monitor progress against the annual plan and the performance of the device against approved targets.</p> <p>AGS & resulting action plan approved by Audit & Governance Committee.</p>
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	✓			<p>IA Manual – Conduct of an Audit</p> <p>APS and ORCs are completed before each audit and approved by the CAE. These outline knowledge required to undertake a particular audit in terms of risks, governance arrangements, scope of audit and relevant legislation. Key risks are highlighted.</p>
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	✓			<p>IA Protocol – Para. 1.4 – scoping meeting carried out with HoS or designated key contact prior to issuing of APS</p> <p>APS and ORCs are completed before each audit and approved by the CAE.</p>
LGAN	If the value-for-money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	✓			<p>IA charter – Para. 5 – Purpose of Internal Audit</p> <p>IA Manual– Organisational Structure of IA outlines the types of audit undertaken including VFM. VFM intrinsic to all audits and includes all resources.</p>
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓			As with assurance engagements.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	✓			As with assurance engagements.
	<i>2220 Engagement Scope</i>				
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	✓			IA Protocol - Para. 1.9 The Audit Planning Sheet includes the objectives of the review and the limitations to its scope and is with the relevant manager before the audit begins.
	Does the engagement scope include consideration of the following relevant areas of the organisation: a) Systems? b) Records? c) Personnel? d) Premises?	✓ ✓ ✓ ✓			See Audit Planning Sheets.
	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate: a) Systems? b) Records? c) Personnel? d) Premises?	✓ ✓ ✓ ✓			See Audit Planning Sheets.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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?	✓			N/A
	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?	✓			N/A
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	✓			IA Protocol - Para. 1.9 The Audit Planning Sheet includes the objectives of the review and the limitations to its scope and is with the relevant manager before the audit begins.
	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?	✓			IA Protocol - Para. 2.2 If initial findings identify significant areas of risk, problems or unexpected factors then these will be referred back to the relevant senior manager and any additional work necessary will be discussed.
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	✓			IA Manual Key risks and controls within the scope of the engagement will be identified
	During consulting engagements, were internal auditors alert to any significant control issues?	✓			IA Protocol - Para. 2.2 As above.
	<i>2230 Engagement Resource Allocation</i>				
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on:				IA Manual IA Protocol – Para. 1.9 - APS and ORCs are completed before each audit and approved by the CAE. These outline knowledge required to undertake a particular audit

Ref	Conformance with the Standard	Y	P	N	Evidence
	a) The nature and complexity of each individual engagement? b) Any time constraints? c) The resources available?	 ✓ ✓ ✓			in terms of risks, governance arrangements, scope of audit and relevant legislation. Key risks are highlighted.
	<i>2240 Engagement Work Programme</i>				
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	✓			ORC Evaluation sheets are completed for each audit. <u>G:\Audit\Shared\1 - Working Papers</u>
	Do the engagement work programmes include the following procedures for: a) Identifying information? b) Analysing information? c) Evaluating information? d) Documenting information?	 ✓ ✓ ✓ ✓			See ORC evaluation sheets. <u>G:\Audit\Shared\1 - Working Papers</u>
	Were work programmes approved prior to implementation for each engagement?	✓			IA Protocol – Para. 1.9 APS & ORC approved by Audit Manager before work begins.
	Were any adjustments required to work programmes approved promptly?	✓			As above.

Ref	Conformance with the Standard	Y	P	N	Evidence
4.4	2300 Performing the Engagement				
	<p>Have internal auditors carried out the following in order to achieve each engagement's objectives:</p> <p>a) Identify sufficient information?</p> <p>b) Analyse sufficient information?</p> <p>c) Evaluate sufficient information?</p> <p>d) Document sufficient information?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>IA Protocol - Para. 2.3 All audit work is reviewed by the Audit Manager to ensure all the work identified in the APS has been carried out satisfactorily and that the standard of the audit is in accordance with the requirements of the Audit Manual and the PSIAS.</p> <p>IA Manual</p>
	<i>2310 Identifying Information</i>				
	<p>Have internal auditors identified the following in order to achieve each engagement's objectives:</p> <p>a) Sufficient information?</p> <p>b) Reliable information?</p> <p>c) Relevant information?</p> <p>d) Useful information?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			As above.
	<i>2320 Analysis and Evaluation</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	✓			As above.
LGAN	Have internal auditors remained alert to the possibility of the following: a) intentional wrongdoing b) errors and omissions c) poor value for money d) failure to comply with management policy, and e) conflicts of interest when performing their individual audits, and has this been documented?	✓ ✓ ✓ ✓ ✓			As above.
	<i>2330 Documenting Information</i>				
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓			IA Manual Sufficient supporting documentation must be obtained by the auditor and referenced and retained on the audit file, to support all test results and findings.
LGAN	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?	✓			IA Manual Testing should be documented with sufficient detail to allow the test to be re-performed. All files reviewed by CAE or Principal Internal Auditor.
	Does the CAE control access to engagement records?	✓			All files kept in filing cabinets within the IA office. Access to the office requires a code so only IA staff have access.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	✓			IA Protocol – Para. 6 – <i>Issuing Final Reports</i> IA reports are confidential but IA Protocol states that reports may be given to the external auditors on request. The CAE would only release information subsequent to advice from the Authority's Information Governance Manager.
	Has the CAE developed and implemented retention requirements for all types of engagement records?	✓			IA Manual – <i>Management Review Process</i> IA has established a Retention Schedule for all types of audit documentation. All records held for at least 3 financial years or until the same area has been audited again.
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	✓			IoAC Retention Guidelines.
	<i>2340 Engagement Supervision</i>				
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	✓			IA Protocol - Para. 2.3 All audit work is reviewed by the CAE to ensure all the work identified in the APS has been carried out satisfactorily and that the standard of the audit is in accordance with the requirements of the Audit Manual and the PSIAS.
	Is appropriate evidence of supervision documented and retained for each engagement?	✓			IA Manual All completed internal audit files must be reviewed by the Internal Audit Manager at the same time as reviewing the Draft Report.
4.5	2400 Communicating Results				
	Do internal auditors communicate the results of engagements?	✓			IA Protocol -Para. 6.3 Final reports are issued to the relevant senior manage-

Ref	Conformance with the Standard	Y	P	N	Evidence
					ment [...] and to the S.151 Officer.
	<i>2410 Criteria for Communicating</i>				
	<p>Do the communications of engagement results include the following:</p> <p>a) The engagement's objectives?</p> <p>b) The scope of the engagement?</p> <p>c) Applicable conclusions?</p> <p>d) Recommendations and action plans, if appropriate?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>See Final Reports G:\Audit\Shared\Final Reports</p> <p>IA Manual – Internal Audit Reports – all reports include the scope & objectives, conclusions and recommendations of the audit.</p>
LGAN	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	✓			<p>IA Charter - Para 11.2 IA Protocol – Para. 5.2</p>
LGAN	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓			<p>Strategic & Annual Plans Appendix A - Para. 32 <i>All recommendations are ranked as Critical, major, Moderate or Minor. This is in accordance with the way the Authority assesses and measures risk. It has been decided that recommendations and the associated risk should be categorised in accordance with the Corporate Risk Assessment Template.</i></p>
LGAN	If recommendations and an action plan have been included, does the communication also state agreements already reached with management,	✓			<p>IA Protocol - Para. 5.1 After draft reports are issued management are expected to return a completed action plan including timescales</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	together with appropriate timescales?				and the nominated responsible employee. This completed action plan is then included in the final report.
LGAN	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?	✓			IA Protocol - Para. 6.2 Any disagreements will be noted in the Management Action Plan where the CAE will detail why they believe significant or material risk remains.
LGAN	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, subject to confidentiality requirements?	✓			Audit staff have agreed to abide the Code of Ethics
LGAN	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	✓			IA Protocol – Para. 6.6 All audit reports include an audit opinion and a definition of the relevant assurance level.
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	✓			IA Protocol – Paras. 4 & 5 Managers are given an opportunity to state whether or not they agree with recommendations made, and this is included in the final report.
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	✓			IA Manual Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions.
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓			IA Manual – IA Reports IA Protocol Reports include results of all audit tests performed whether positive or negative.
	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?				N/A External auditors are the only 'outside party' who may receive copies of a report. However, in theory, once a report is 'final' it is considered to be a public document, available on request.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services?	✓			N/A
	<i>2420 Quality of Communications</i>				
	<p>Are communications:</p> <p>a) Accurate?</p> <p>b) Objective?</p> <p>c) Clear?</p> <p>d) Concise?</p> <p>e) Constructive?</p> <p>f) Complete?</p> <p>g) Timely?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>IA Manual – Conduct of an Audit IA Manual – IA Reports IA Manual – Management Review Process</p> <p>Audit Planning Sheets and reports are reviewed by Audit Manager before being issued.</p> <p>PIs monitor timely communications and the management review process ensures the quality of the communications.</p> <p>IA Report for 2015/16 - Appendix A Timeliness measured as part of IA performance indicators. Draft reports issued in 6.61 days and final reports in 2.41 days on average in 2015/16.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>2421 Errors and Omissions</i>				
	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?	✓			N/A Should a significant error occur the correction would be communicated.
	<i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Do internal auditors report that engagements are ' <i>conducted in conformance with the PSIAS</i> ' only if the results of the QAIP support such a statement?	✓			IA Annual Report 2015/16 - Paras. 6.6 & 6.7 - Compliance with Internal Audit Standards, reports that the work of the IA Service has been performed in accordance with the PSIAS.
	<i>2431 Engagement Disclosure of Non-conformance</i>				
	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) 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? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?	✓ ✓ ✓			N/A Any non-conformance would be reported in accordance with PSIAS 2431 Engagement Disclosure of Non-conformance.
	<i>2440 Disseminating Results</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓			IA Charter - Para. 11 Formal reports issued to the relevant manager, Head of Service and the Section 151 Officer.
	Has the CAE communicated engagement results to all appropriate parties?	✓			IA Charter - Para. 11 Debrief meetings, draft reports & final reports. A summary of all reports is presented to the Audit & Governance Committee in the quarterly Progress Reports.
	Before releasing engagement results to parties outside the organisation, did the CAE: a) Assess the potential risk to the organisation? b) Consult with senior management and/or legal counsel as appropriate? c) Control dissemination by restricting the use of the results?	✓ ✓ ✓			N/A – external auditors are the only ‘outside parties’ who currently receive reports. However, in theory, once the final report is published it is considered a public document, available on request. Should a request be made by an external party, the CAE would consult the Legal team for advice.
	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓			IA Manual Any significant weaknesses are reported to SLT and highlighted in the reports to the Audit & Governance Committee.
	<i>2450 Overall Opinion</i>				
	Has the CAE delivered an annual internal audit opinion?	✓			IA Annual Report 2015/16 - Para. 7.2
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control?	✓			IA Annual Report 2015/16 - Para. 2.1

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	✓			IA Annual Report 2015/16 - Para. 7.2 Where appropriate – senior management expectations may not align with IA expectations.
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	✓			IA Annual Report 2015/16 - Para. 4.2
	Does the communication identify the following: a) The scope of the opinion, including the time period to which the opinion relates? b) Any scope limitations? c) The consideration of all related projects including the reliance on other assurance providers? d) The risk or control framework or other criteria used as a basis for the overall opinion?	✓ ✓ ✓			IA Annual Report 2015/16: Para. 7.2 Paras. 4.1, 6.1.1, 6.1.2 Paras. 4.5.3, 6.4.1 Paras.7.1.3, 7.2
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	✓			N/A
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	✓			IA Annual Report 2015/16 - Para. 7.2
LGAN	Does the annual report incorporate the following: a) The annual internal audit opinion? b) A summary of the work that supports the opinion?	✓ ✓			IA Annual Report 2015/16: Para. 7.2 Paras. 4.2.1 – 4.7.1

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	c) A disclosure of any qualifications to the opinion?	✓			Para. 6.1
LGAN	d) The reasons for any qualifications to the opinion?	✓			Para. 6.1
LGAN	e) A disclosure of any impairments or restriction in scope?	✓			Para. 3.5
LGAN	f) A comparison or work actually carried out with the work planned?	✓			Paras. 3.2.2, 3.2.3
	g) A statement on conformance with the PSIAS?	✓			Para. 7.1.1
LGAN	h) The results of the QAIP?			✓	The results of the previous year's QAIP have not been reported to the Audit & Governance Committee. The QAIP Self-Assessment 2016/17 and improvement plan is scheduled to be reported to the Audit & Governance Committee on 6 December 2016.
LGAN	i) Progress against any improvement plans resulting from the QAIP?			✓	As above. See Action Plan – Rec 11
LGAN	j) A summary of the performance of the internal audit activity against its performance measures and targets?	✓			Para. 3.2
	k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	✓			IA Annual Report 2015/16
4.6	2500 Monitoring Progress				
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	✓			IA Protocol - Para. 10 A follow up normally takes place within 6 months of the issue of the final report to assess managerial action taken and establish its effectiveness.
	Where issues have during the follow-up process, has the CAE considered	✓			IA Protocol - Para. 10.7

Ref	Conformance with the Standard	Y	P	N	Evidence
	revising the internal audit opinion?				Where appropriate a revised audit opinion will be provided and reported to management.
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	✓			IA Manual – Planning, Controlling Audit Work Results of follow-ups inform the risk assessment criteria managed by the CAE.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓			Any recommendations that arise are entered into the 4Action system as with those from assurance engagements and progress will be monitored in the same way.
4.7	2600 Communicating the Acceptance of Risks				
	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?	✓			IA Manual – Recommendations & the Audit Opinion Where management disagree with recommendations made by IA is recorded in the performance indicator (PI) schedule and the percentage of recommendations accepted by management in the year is one of the service PIs reported to the Audit & Governance Committee in the Annual Report. IA Annual Report 2015/16 – Para. 6.3 Only had disagreements over very low level risks to date. Although all refusal to agree recommendations is reported to the Audit & Governance Committee it would be further escalated (up to WAO if necessary) if management were deemed to be accepting a high level of risk.
	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?	✓			N/A See above.

Chief Internal Auditor

Date:

Report Distribution
Audit & Governance Committee
Section 151 Officer
WAO

PSIAS & LGAN – Self-Assessment Action Plan

Ref	Standard	Action to address non/partial compliance	Who is responsible for implementing the action	Target Completion Date
	Standards			
3.1	1100 Independence & Objectivity			
Rec 1	Does the internal audit charter also define the nature of consulting services?	Amend the IA Charter to include the nature of the consulting services undertaken.	Audit Manager	31/12/16
Rec 2	Does the internal audit charter also recognise the mandatory nature of the PSIAS?	Amend the IA Charter to make clear that conformance with the PSIAS is mandatory.	Audit Manager	31/12/16
3.3	1300 Quality Assurance & Improvement Programme			
	1320 Reporting on the Quality Assurance & Improvement Programme			
Rec 3	Has the CAE reported the results of the QAIP to senior management and the board?	The results of the QAIP will be reported to: <ul style="list-style-type: none"> The Senior Leadership Team The Audit & Governance Committee 	Audit Manager	28/11/16 6/12/16
Rec 4	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	Results of the QAIP and progress against the improvement plan will be included in the Annual Report 2016/17.	Audit Manager	30/4/17

Ref	Standard	Action to address non/partial compliance	Who is responsible for implementing the action	Target Completion Date
4.1	2000 Managing the Internal Audit Activity			
	<i>2010 Planning</i>			
Rec 5	Does the risk-based plan take into account the organisation's assurance framework?	An assurance mapping exercise will be undertaken as part of the 2017/18 planning process to ensure the Internal Audit Plan is focused on the right sources of assurance to meet the Authority's needs and circumstance.	Audit Manager	31/03/17
	<i>2040 Policies and Procedures</i>			
Rec 6	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	The IA Manual to be updated to reflect current working practices and approved by the Audit & Governance Committee 9/2/17.	Audit Manager	31/12/16
Rec 7	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	The IA Manual to be annually reviewed to reflect current working practices and the Standards.	Audit Manager	Ongoing
	<i>2050 Coordination</i>			
Rec 8	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	See 2010 Planning above.	Audit Manager	31/03/17
Rec 9	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	CAE to seek more IA involvement through more regular meetings with WAO.	Audit Manager	31/03/17

4.3	2200 Engagement Planning			
Rec 10	Does the engagement plan include the engagement's resource allocations?	Include the number of audit days allocated to the engagement in each engagement plan.	Audit Manager	With immediate effect.
4.5	2400 Communicating Results			
	2450 Overall Opinion			
Rec 11	Does the annual report incorporate the following: <ul style="list-style-type: none"> • The results of the QAIP • Progress against any improvement plans resulting from the QAIP? 	The QAIP Self-Assessment 2016/17 and the improvement plan will be included in the Annual Report 2016/17 and reported to the Audit & Governance Committee in May 2017.	Audit Manager	30/04/17