

The Highland Council

Audit and Scrutiny Committee – 18th June 2015

Agenda Item	5
Report No	AS/9/15

Compliance with the Public Sector Internal Audit Standards

Report by Head of Audit & Risk Management

Summary

This report refers to a review of the extent to which the Council's Internal Audit Section complies with the Public Sector Internal Audit Standards and the actions being taken towards achieving full compliance.

1. Introduction

- 1.1 From 1st April 2013, new Public Sector Internal Audit Standards (PSIAS), hereafter referred to as "the Standards," came into effect. These Standards were jointly developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA).
- 1.2 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 & Scrutiny Committee with the key assurances they need to support them both in managing the organisation and in producing the Annual Corporate Governance Statement.
- 1.3 The Local Authority Accounts (Scotland) Regulations, which came into force on 10th October 2014, require local authorities to operate a professional and objective internal audit service. The Regulations state that this service must be provided in accordance with the Standards.
- 1.4 The Standards require that there is a periodic self-assessment against the Standards and that the Head of Audit & Risk Management includes a statement on conformance within his annual report. In order to assist this, CIPFA has prepared a best practice checklist which contains 334 best practice questions. The initial self-assessment was first reported to the Audit & Scrutiny Committee on 19th June 2014 in order to support the annual report for 2013/14.
- 1.5 The Head of Audit & Risk Management may state that the internal audit activity conforms to the Standards only if the results of any internal and external assessments support this statement. Any non-conformance with the Standards and the impact must be disclosed to senior management and the Audit & Scrutiny Committee.

2. Progress in Implementing the Standards

- 2.1. The Head of Audit & Risk Management's initial evaluation against the Standards was provided to the Audit & Scrutiny Committee on 19th June 2014 as follows:

	Number	%
Full Compliance with Standard	253	76%
Partial compliance with Standard	48	14%
Non-compliance with Standard	33	10%
	334	100%

2.2 Following the above meeting, an action plan for compliance against the Standards was presented to the meeting on 24th September 2014 and progress has also been reported at subsequent meetings.

2.3 The best practice checklist has again been completed in order to provide an annual assessment for 2014/15. This is provided at **Appendix 1** and shows the service is now fully compliant against 97% of the individual requirements. The results of the checklist is summarised in the table below which also provides a comparison with last year's position.

	2014/15			2013/14		
	Y	P	N	Y	P	N
1. Definition of Audit Risk	3	0	0	3	0	0
2. Code of Ethics	13	0	0	13	0	0
3. Attribute Standards						
1000 Purpose, Authority and Responsibility	23	0	0	12	11	0
1100 Independence and Objectivity	29	0	0	25	3	1
1200 Proficiency and Due Professional Care	21	0	0	19	2	0
1300 Quality Assurance and Improvement Programme	25	0	2	11	1	15
4. Performance Standards						
2000 Managing the Internal Audit Activity	41	5	0	33	8	5
2100 Nature of Work	31	0	0	31	0	0
2200 Engagement Planning	57	1	0	37	18	3
2300 Performing the Engagement	22	0	0	20	2	0
2400 Communicating Results	52	2	1	44	2	9
2500 Monitoring Progress	4	0	0	3	1	0
2600 Communicating the Acceptance of Risks	2	0	0	2	0	0
Total	323	8	3	253	48	33
	97%	2%	1%	76%	14%	10%

The 3 areas of non-compliance are in respect of the following:

- Standard 1300: Quality Assurance and Improvement Programme. The two areas of non-compliance refer to the requirement for an external assessment to take place every 5 years or less “by a qualified, independent assessor or assessment team from outside the organisation.” It was reported at the last meeting in March that the Scottish Local Authorities Chief Internal Auditors Group has developed a framework for assessments and that the Highland Council’s assessment is due to take place in November this year.
- Standard 2400: Communicating Results. The one area of non-compliance refers to the requirement for the annual internal audit opinion to “take into account the expectations of senior management, the board (Audit & Scrutiny Committee) and other stakeholders” In response to this, it has been recognised that Internal Audit needs to develop its approach to “assurance mapping” further to take account of the wider assurance provided to the Council, including reports from external assessments and inspections. This piece of work is included within the Audit

Plan for 2015/16.

In view of the above, it is anticipated that the three areas of non-compliance will be addressed by the end of March 2016.

There are 8 areas of partial compliance. Three of these again relate to the requirement to develop assurance mapping and these will therefore be addressed within the timescale referred to above. The remaining 5 areas are considered to be of less importance and there are no immediate plans to address these.

5. Impact of non-compliance and steps to be taken to ensure compliance.

5.1 As referred to at Section 1.5 above, any non-conformance with the Standards and the impact must be disclosed to senior management and the Audit & Scrutiny Committee. In terms of the review that has been undertaken, this confirms that the impact is not significant, that Internal Audit complies with the Standards in all significant areas and operates independently and objectively. This position is therefore reflected within the Statement on Internal Control and Annual Report which is provided as a separate agenda item.

6. Implications

6.1 There are no resource, legal; equalities; climate change/carbon clever; risk, rural and Gaelic implications as a direct result of this report.

Recommendation

Members are asked to:

- (i) Note the progress that has been made to date in implementing the Standards.
- (ii) Consider the attached assessment in terms of areas of full, partial and non-compliance.
- (iii) Note that the current areas of partial or non-compliance do not impact significantly on the ability to demonstrate overall compliance with the Standards.

Designation: Head of Audit & Risk Management

Date: 9th June 2015

Author: Nigel Rose, Head of Audit & Risk Management

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:				Section 1 below provides a summary of the evidence obtained from an assessment of compliance with the Attribute Standards (Section 3) and the Performance Standards (Section 4).
	a) Independent?	✓			The CAE reports directly to the Director of Finance who is a member of the Executive Leadership Team. In addition, the Audit Charter gives the CAE direct access and freedom to report to the Chief Executive and senior management. The CAE also has direct access and reports in his own name to the Audit & Scrutiny Committee. All auditors are required to declare any issues that would affect their independence and objectivity in performing individual reviews in order that any conflicts are avoided.
	b) Objective?	✓			The CAE presents all audit reports and the Statement on Internal Control in his own name. All audit reviews are appropriately supervised and managed to ensure that work is performed objectively.

Ref	Conformance with the Standard	Y	P	N	Evidence
					As above, all auditors are required to declare any issues that would affect their independence and objectivity in performing individual reviews in order that any conflicts are avoided.
	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?	✓			The Audit Manual ensures a systematic and disciplined approach.
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>b) Observe the law and make disclosures expected by the law and the profession?</p> <p>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?</p> <p>d) Respect and contribute to the legitimate and ethical objectives of the organisation?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>Qualified staff and staff undergoing professional training are bound by the respective Code of Ethics of their professional body</p> <p>The CAE is not aware of any issues which bring this into question</p> <p>The CAE is not aware of any issues which bring this into question</p> <p>The CAE is not aware of any issues which bring this into question. If any concern arose, this would be investigated in terms of the Council's Disciplinary Procedures.</p> <p>The CAE is not aware of any issues which bring this into question. Through their work, auditors are responsible for reinforcing ethical behaviour across the Council.</p>
	<p>Objectivity</p> <p>Using evidence gained from assessing conformance with other</p>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>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>b) Accepting anything that may impair or be presumed to impair their professional judgement?</p> <p>c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>The CAE is not aware of any issues which bring this into question</p> <p>The Council has a Code of Conduct for Employees which governs the receipt of gifts and hospitality. The CAE is not aware of any issues which brings this into question</p> <p>The CAE is not aware of any issues which bring this into question. This is ensured by appropriate supervision and management</p>
	<p>Confidentiality</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Acting prudently when using information acquired in the course of their duties and protecting that information?</p> <p>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?</p>	<p>✓</p> <p>✓</p>			<p>The CAE is not aware of any issues which bring this into question</p> <p>The CAE is not aware of any issues which bring this into question. If any concern arose, this would be investigated in terms of the Council's Disciplinary Procedures.</p>
	<p>Competency</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Only carrying out services for which they have the necessary knowledge, skills and experience?</p>	<p>✓</p>			<p>This is considered when audit engagements are assigned to individual auditors.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	b) Performing services in accordance with the PSIAS?	✓			Audit staff are aware of the PSIAS and the requirement to comply with these. The action plan arising from the completion of this checklist will reinforce the PSIAS. The Council's Employee Review & Development process assists in supporting CPD requirements.
	c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?	✓			
	Do internal auditors have regard to the on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	✓			The seven principles are referred to within the Council's Code of Conduct for Employees.
	Standards				
3	Attribute Standards				
3.1	1000 Purpose, Authority and Responsibility				
	Does the internal audit charter include a formal definition of: a) the purpose b) the authority, and c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?	✓ ✓ ✓			See Internal Audit Charter, last approved by A&S Committee on 24/09/14
	Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.	✓			See Internal Audit Charter
	Does the internal audit charter also:				

Ref	Conformance with the Standard	Y	P	N	Evidence
	a) Set out the internal audit activity's position within the organisation?	✓			There are various references within the Charter
	b) Establish the CAE's functional reporting relationship with the board?	✓			The Charter states that the CAE reports in own name to the A&S Committee.
	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	✓			The Charter sets out who the CAE reports to functionally and administratively.
	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?	✓			The key role and responsibilities of the board and the Executive Leadership Team are set out in the Charter.
	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?	✓			The Charter provides for unrestricted access
	f) Define the scope of internal audit activities?	✓			The Charter sets out the range of internal audit activities
	g) Recognise that internal audit's remit extends to the entire control environment of the organisation?	✓			The Charter refers to the Council's control environment as a whole
	h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011?	✓			N/A
	i) Establish the organisational independence of internal audit?	✓			The Charter confirms that the CAE reports in own name to Directors and A&S Committee but reports administratively to the Director of Finance.
	j) Cover the arrangements for appropriate resourcing?	✓			The Charter sets out the arrangements for resourcing and the process to be followed in the event of any perceived shortfall.
	k) Define the role of internal audit in any fraud-related work?	✓			The Charter refers to the investigation of "any suspected fraud or irregularity." Clarification required

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>l) Set out the existing arrangements within the organisation's anti-fraud 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>o) Define the nature of consulting services?</p> <p>p) Recognise the mandatory nature of the PSIAS?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>as to the role of the Council's Fraud Investigation Team.</p> <p>The policies concerned are referred to within the Charter.</p> <p>Internal Audit does not undertake non-audit activity.</p> <p>The Charter identifies all organisations which are served by Internal Audit.</p> <p>Reference is made to the consultancy role of Internal Audit.</p> <p>The Charter makes explicit reference to the PSIAS and states that the PSIAS require a Charter. The covering Committee report of 24/09/14 refers both to the Local Authority Accounts (Scotland) Regulations 2014 and the mandatory nature of the PSIAS.</p>
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	✓			Reviewed by the A&S Committee on 24/09/2014
	Does the CAE attend audit committee meetings?	✓			All meetings attended - see A&S Committee agendas, minutes and webcast
	Does the CAE contribute to audit committee agendas?	✓			The CAE contributes to the planning of all A&S Committee agendas
3.2	1100 Independence and Objectivity				
	Does the CAE have direct and unrestricted access to senior management and the board?	✓			Referred to in the Audit Charter

Ref	Conformance with the Standard	Y	P	N	Evidence
	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?	✓			Referred to in the Audit Charter
	Are threats to objectivity identified and managed at the following levels:				
	a) Individual auditor?	✓			All audit staff complete annual Declaration of Independence forms.
	b) Engagement?	✓			Declarations of Interest are considered in allocating work to individual auditors.
	c) Functional?	✓			Direct reporting by the CAE to the A & S Committee ensures that there is no threat to objectivity.
	d) Organisation?	✓			See above
	<i>1110 Organisational Independence</i>				
	Does the CAE report to an organisational level equal or higher to the corporate management team?	✓			To Director of Finance who is a member of the Executive Leadership Team.
	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓			See above
	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.	✓			See above
	Does the CAE's position in the management structure:				
	a) Reflect the influence he or she has on the control environment?	✓			This is reflected within the Charter and within the Council's Financial Regulations.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<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>c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?</p>	<p>✓</p> <p>✓</p>			<p>The CAE contributes to Audit & Scrutiny Committee agenda planning and submits reports in his own name. The CAE has delivered training to Members on Internal Audit and has led a review of the Effectiveness of the Audit & Scrutiny Committee, using the Cipfa template.</p>
	<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p> <p>The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity:</p> <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>Included within annual report and within the Charter.</p>
	<p>Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?</p>	<p>✓</p>			<p>The CAE attends Quarterly Performance Reviews with the Chief Executive. An annual Employee Review & Development meeting is held with the Director of Finance who also seeks feedback from the Chief Executive.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	✓			The Director of Finance seeks feedback as part of the Employee Review & Development process.
	<i>1111 Direct Interaction with the Board</i>				
	Does the CAE communicate and interact directly with the board?	✓			Reports in own name and acts as the lead officer
	<i>1120 Individual Objectivity</i>				
	Do internal auditors have an impartial, unbiased attitude?	✓			Dictated by standards and codes of ethics of respective professional bodies
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓			The Audit Manual provides appropriate guidance and assignments are rotated as far as possible to avoid over-familiarity. Annual Declaration of Independence forms are completed by all audit staff which are considered when allocating assignments to individual auditors.
	<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)?	✓			N/A
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?	✓			The answer is "no" but is a "yes" with regard to compliance with the Standards.
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	✓			This will need to be considered further in due course in order to audit the Council's risk management arrangements.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	✓			As far as possible.
	Have internal auditors declared interests in accordance with organisational requirements?	✓			Declaration of Independence forms. These will be updated annually.
	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?	✓			Staff are aware of the requirements of the Council's Code of Conduct for Employees which does not allow the acceptance of gifts or hospitality. There have been no known instances of staff accepting such benefits.
	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	✓			The answer is "no" but is a "yes" with regard to compliance with the Standards. Any such instance would be dealt with in terms of the Council's Disciplinary Procedures.
	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?	✓			All working papers and reports are reviewed to ensure that all material facts are reported.
	Have internal auditors complied with the Bribery Act 2010?	✓			Staff have an awareness of the requirements of the Bribery Act
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	✓			Consulting engagements are rare. Such an issue has never occurred
	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?	✓			No significant additional consulting services outwith those identified within the audit plan
3.3	1200 Proficiency and Due Professional Care				

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>1210 Proficiency</i>				
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	✓			CMIIA
	Is the CAE suitably experienced?	✓			Approximately 30 years within Internal Audit
	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓			The CAE is involved in the recruitment of all staff and this follows the Council's Recruitment and Selection Procedures.
	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 exist for all levels of staff which refer to the qualifications, competencies, skills etc required. These were all revised in March 2015.
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓			The Employee Review & Development process ensures that training/knowledge gaps are identified and addressed.
	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?	✓			There are very few instances where this has happened but appropriate advice and assistance would be sought.
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓			Staff have received appropriate anti-fraud training
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓			A dedicated IT audit team is in place.
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform	✓			Staff trained in ACL (Audit Command Language) data analysis software and EXCEL.

Ref	Conformance with the Standard	Y	P	N	Evidence
	their work, including data analysis techniques?				
	<i>1220 Due Professional Care</i>				
	Do internal auditors exercise due professional care by considering the:				
	a) Extent of work needed to achieve the engagement's objectives?	✓			The Audit Manual refers to the importance of planning each engagement. Terms of Reference are drafted for each engagement which are signed off by the CAE.
	b) Relative complexity, materiality or significance of matters to which assurance procedures are applied?	✓			Ongoing supervision and weekly team meetings enable such matters to be considered
	c) Adequacy and effectiveness of governance, risk management and control processes?	✓			As above
	d) Probability of significant errors, fraud, or non-compliance?	✓			As above
	e) Cost of assurance in relation to potential benefits?	✓			As above
	Do internal auditors exercise due professional care during a consulting engagement by considering the:				Consulting engagements are very rare
	a) Needs and expectations of clients, including the nature, timing and communication of engagement results?	✓			
	b) Relative complexity and extent of work needed to achieve the engagement's objectives?	✓			
	c) Cost of the consulting engagement in relation to potential benefits?	✓			
	<i>1230 Continuing Professional Development</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Has the CAE defined the skills and competencies for each level of auditor?	✓			See 1210 above. Job descriptions exist for all levels of staff which refer to the qualifications, competencies, skills etc. required..
	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓			As part of annual Employee Review & Development process.
	Do internal auditors undertake a programme of continuing professional development?	✓			CPD training requirements are discussed as part of the annual Employee Review & Development process. CPD is also a requirement of the various professional bodies of which audit staff are members.
	Do internal auditors maintain a record of their professional development and training activities?	✓			As part of the Employee Review & Development process.
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?	✓			Approved by the A&S Committee on 24/09/14.
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	✓			Performance measures are referred to within the QAIP.
	Does the CAE maintain the QAIP?	✓			
	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
	<i>1310 Requirements of the Quality Assurance and Improvement</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>Programme</i>				
	Does the QAIP include both internal and external assessments?	✓			QAIP requires both and details how these are to be performed.
	<i>1311 Internal Assessments</i>				
	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓			Work is allocated by the respective managers (Audit & Risk Manager and the Computer Auditor) in consultation with the CAE.
	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?	✓ ✓			All work is subject to quality review by the respective manager. The CAE reviews all reports. Annual assessments are to be undertaken in order to support the CAE's annual audit report to the A&S Committee.
	Does ongoing performance monitoring include comprehensive performance targets?	✓			Performance targets are in place in respect of the internal audit service as a whole.
	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	✓			Performance targets are determined by the Head of Internal Audit & Risk Management in accordance with professional guidance. In addition, there are national performance indicators determined by the Scottish Directors of Finance.
	Does the CAE measure, monitor and report on progress against these targets?	✓			Reported to the Audit & Scrutiny Committee
	Does ongoing performance monitoring include obtaining stakeholder feedback?	✓			Stakeholder feedback is sought at the end of each review and is summarised and reported to the Audit & Scrutiny Committee annually.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?</p> <p>Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.</p>	✓			Annual self-assessments are carried out by the CAE and are checked by the Audit & Risk Manager.
	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓			Reviews of activity against the audit plan are provided routinely to the Audit & Scrutiny Committee.
	<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?	✓			It is planned to carry out an external assessment at least once in every 5 years. This was confirmed in a report to the Audit & Scrutiny Committee on 26/09/13 (agenda item 6). This assessment is scheduled to be undertaken during 2015/16
	Has the CAE considered the pros and cons for the different types of external assessment (ie 'full' or self-assessment plus 'independent validation')?	✓			Has been subject to discussion at the Scottish Local Authorities Chief Internal Auditors Group.
	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?	✓			The nature and timing of the proposed assessment was reported to the Audit & Scrutiny Committee on 26/03/15.
	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?			✓	Will be discussed in due course once options and proposals are developed.
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?			✓	Will be discussed in due course once options and proposals are developed.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<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> <ul style="list-style-type: none"> a) experience gained in organisations of similar size b) complexity c) sector (ie the public sector) d) industry (ie local government), and e) technical experience. <p>Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.</p>	✓			Will be quality assured by the Scottish Local Authorities Chief Internal Auditors Group.
	<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?</p>	✓			As above, competence will be determined by the process put in place by the Scottish Local Authorities Chief Internal Auditors Group.
	<p>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.</p>	✓			The process put in place by the Scottish Local Authorities Chief Internal Auditors Group ensures that no conflicts exist when appointing assessment teams to individual authorities
	<p><i>1320 Reporting on the Quality Assurance and Improvement Programme</i></p>				
	<p>Has the CAE reported the results of the QAIP to senior management and the board?</p> <p>Note that:</p>	✓			Reported with effect from 2014/15 within the annual report to A&S Committee of 18/06/15

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>a) the results of both external and periodic internal assessment must be communicated upon completion</p> <p>b) the results of ongoing monitoring must be communicated at least annually</p> <p>c) 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.</p>				
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	✓			Annual report provides detailed assessment against the individual Standards.
	<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?	✓			This statement is supported by the evidence contained within the QAIP assessment.
	<i>1322 Disclosure of Non-conformance</i>				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	✓			Since June 2014 there have been reports to each A&S Committee setting out the level of compliance and also highlighting areas of non-compliance and its impact.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	✓			The assessments performed show no significant deviations.
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	✓			This is achieved through the completion of the audit plan, together with wider fraud and advisory work and is reported to the Audit & Scrutiny Committee.
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?	✓			As referred to within the Internal Audit Charter.
	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> ?	✓			The requirement to conform to the Code of Ethics and the Standards is referred to within the Internal Audit Manual and the Internal Audit Charter.
	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?	✓			The Annual Audit Plan takes into consideration the organisation's objectives. All audit reports give a clear opinion with regard to the level of assurance that can be provided Audit reports consider effectiveness and efficiency; risk management and internal control.
	<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?	✓			Annual Audit Plan which takes account of the Programme for the Highland Council (Working together for the Highlands)
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	✓			In addition to the Plan providing for audits of key financial systems and corporate governance assurance, the Plan provides for specific work on the Statement on Internal Control which provides the opinion.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the risk-based plan take into account the organisation's assurance framework?		✓		The Plan takes account of the assurance framework, however, it is recognised that this needs to be developed further.
	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?	✓ ✓ ✓			The report to A&S Committee which accompanies the Plan refers to the audit service being delivered in accordance with the Standards. The Plan is prepared in accordance with the PSIAS and the Charter The report accompanying the Audit Plan for 2015/16 referred to this considering Programme commitments.
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓			The preparation of the Plan provides for discussion with each Service Director thus allowing the opportunity to consider local and national issues for incorporation therein.
	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	✓			The meetings with held with each Service Director consider their Service Risks and any Corporate Risks that are their responsibility.
	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?	✓			The CAE's judgement is used in addition to the input from senior management and the Audit & Scrutiny Committee.
	Does the risk-based plan set out the: a) Audit work to be carried out?	✓			An outline scope is provided for each audit engagement.

Ref	Conformance with the Standard	Y	P	N	Evidence
	b) Respective priorities of those pieces of audit work?	✓			The Plan provides categories of priority.
	c) Estimated resources needed for the work?	✓			The estimated number of days for each engagement is provided.
	Does the risk-based plan differentiate between audit and other types of work?	✓			The Plan differentiates between planned audit work; follow up reviews and scrutiny work. Reference is also made within the Plan to provision being made for fraud and irregularity work.
	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	✓			The Plan provides for a contingency to provide for unknown events. If during the course of the year it was felt necessary to amend the Plan, proposals would be submitted to the A&S Committee for consideration and approval.
	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?	✓			See above. The Plan was amended during 2013/14 in response to concerns expressed by Members regarding Inverness Arts – this was later added to the Plan.
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	✓			Records are held of the annual planning meetings held with Service Directors. In addition, the rationale behind the Plan is documented further.
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	✓			See above
	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)?	✓			Declaration of Interest forms are completed by each member of staff in advance of the Plan being finalised. These are then considered when allocating individual audit engagements.
	b) The requirement to use specialists, e.g. IT or contract and procurement	✓			In house Computer Audit team in place. Staff have

Ref	Conformance with the Standard	Y	P	N	Evidence
	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?	✓ ✓			received procurement /contract training but would obtain specialist advice from within the organisation if this was needed. Contingency time is provided for within the Plan for such matters. Time is provided within the Plan for audit management which includes preparation of the Plan, reporting to the A&S Committee, staff meetings, Employee Review & Development meetings and any other similar matters.
	Is the input of senior management and the board considered in the risk assessment process?	✓			Risk registers are discussed at the annual audit planning meetings.
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	✓			Meetings are held with all Service Directors, the Chief Executive, the Chair and Vice Chair of A&S and Audit Scotland.
	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?	✓			Such engagements would be taken into account during the preparation of the Plan but there are no planned consulting engagements in respect of 2014/15. If any arise during the course of the year, these will be reported to the A&S Committee, after proper consideration of the extent to which these may add value.
	Are consulting engagements that have been accepted included in the risk-based plan?	✓			See above
	<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		✓		The Plan is provided to senior management in advance of the A&S meeting and is then presented to A&S Committee for review and approval. The Plan

Ref	Conformance with the Standard	Y	P	N	Evidence
	and approval?				does not provide the resource requirements as these are dictated by the staffing budget provided to the CAE. However, a piece of work will be undertaken during 2015/16 (as part of assurance mapping work) to more closely consider demands versus resources. See also 2030 below.
	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?	✓			In respect of 2014/15 the CAE reported on the changes to the Plan during the course of the year.
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	✓			There were no resource limitations in respect of 2014/15 but this has been an issue in previous years and has been reported accordingly.
	<i>2030 Resource Management</i>				
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?		✓		As referred to above, resources are set by the budget given to the CAE. These resources are benchmarked with other local authorities to ensure these are reasonable. The demands for audit time have, historically, always exceeded those available so engagements are prioritised. Any engagements not incorporated within the Plan would be undertaken if time allowed or would be carried forward to the following year. A piece of work will be undertaken during 2015/16 (as part of assurance mapping work) to more closely consider demands versus resources.
	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	✓			The timing of engagements is discussed and agreed with Service Directors at audit planning meetings. However, the timing of audits of the main financial systems needs to be at the end of each year in order to sample test transactions from each month.
	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	✓			See above

Ref	Conformance with the Standard	Y	P	N	Evidence
	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.				
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	✓			Internal Audit Charter and Internal Audit Manual, both of which were revised during 2014/15.
	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.	✓			Internal Audit Manual which provides the strategy, policy and operations of the Audit Section and a Galileo User Manual which details the procedures in respect of the electronic Audit Management System (Galileo).
	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	✓			See above – revised during 2014/15
	<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?		✓		This was considered in drafting the Audit Plan for 2015/16 but it is recognised that assurance mapping needs to be developed further which will assist in addressing this requirement.
	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?		✓		See above
	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	✓			Information is shared and activities are coordinated with Audit Scotland. Audit Scotland coordinate the Assurance and Improvement Programme which

Ref	Conformance with the Standard	Y	P	N	Evidence
					details the work of the other inspection agencies. This needs to be developed in respect of Integrating Care.
	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	✓			Regular meetings are held with Audit Scotland.
	<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?	✓			The CAE provides a quarterly activity report to the Audit & Scrutiny Committee which provides progress against the plan. This report is available to senior management. The Plan does not refer to the purpose, authority and responsibility of Internal Audit as this is explicitly detailed within the Charter.
	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?	✓			The CAE's activity report picks up on any such issues.
	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?	✓			Reports are quarterly – as dictated by the Committee cycle. Consideration has been given to the frequency of A&S Committee meetings and quarterly was deemed to be appropriate.
	<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

Ref	Conformance with the Standard	Y	P	N	Evidence
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?	✓			N/A
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	✓			N/A
	<i>2110 Governance</i>				
	Does the internal audit activity:				Through the completion of the audit plan, communication of findings to management and reporting to the Audit & Scrutiny Committee. In addition, the CAE is the author of the Council's Financial Regulations and has contributed to the Council's Code of Conduct for Employees which refers to the behaviours expected of staff.
	a) Promote appropriate ethics and values within the organisation?	✓			
	b) Ensure effective organisational performance management and accountability?	✓			
	c) Communicate risk and control information to appropriate areas of the organisation?	✓			
	d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	✓			
	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of	✓			Through individual audit assignments and through the CAE's Annual Statement on Internal Control.

Ref	Conformance with the Standard	Y	P	N	Evidence
	accomplishing the above objectives?				
	Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	✓ ✓ ✓			Audit work considers the Council's objectives and priorities.
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	✓			IT governance is included within the Annual Audit Plan and is reported in the CAE's Annual Statement on Internal Control
	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?	✓			Various competing demands and priorities are considered when drafting the Annual Audit Plan.
	<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? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?	✓ ✓ ✓			This is considered as part of the CAE's Annual Statement on Internal Control. In addition audit reviews of risk management are planned every 3 years.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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?	✓			
	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? 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?	✓ ✓ ✓ ✓ ✓			As part of the annual planning process, through the performance of individual audit reviews and through the Statement on Internal Control checklist.
	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	✓			Considered as part of annual audit planning. Internal Audit is responsible for the Council's anti-fraud and anti-corruption strategy.
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	✓			According to the nature of the individual audit review.
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	✓			Consulting engagements are a rare occurrence but this would be considered.
	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	✓			The responsibility for risk management sits with the CAE but this is delegated to one member of staff (the Audit & Risk Manager). This role does not include the management of individual risks but, instead, the process as a whole (nb the Audit & Risk Manager does not "own" any risks).

Ref	Conformance with the Standard	Y	P	N	Evidence
	<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>			The CAE provides an Annual Statement on Internal Control which covers such matters.
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	✓			As referred to above, Consulting engagements are a rare occurrence but this would be considered
4.3	2200 Engagement Planning				
	Do internal auditors develop and document a plan for each engagement?	✓			Terms of Reference are produced for each engagement.
	<p>Does the engagement plan include the engagement's:</p> <p>a) Objectives?</p> <p>b) Scope?</p> <p>c) Timing?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			Including the proposed reporting date to A&S Committee

Ref	Conformance with the Standard	Y	P	N	Evidence
	d) Resource allocations?	✓			Shown as the budgeted number of days
	<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <p>a) The objectives of the activity being reviewed?</p> <p>b) The means by which the activity controls its performance?</p> <p>c) The significant risks to the activity being audited?</p> <p>d) The activity's resources?</p> <p>e) The activity's operations?</p> <p>f) The means by which the potential impact of risk is kept to an acceptable level?</p> <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>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			The Terms of Reference document was revised during 2014/15 in order to accommodate these specific requirements.
	<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>Refers to High Life Highland and Assessors only.</p> <p>Terms of Reference are issued</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	b) Scope?	✓			Terms of Reference are issued
	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)?		✓		In place regarding High Life Highland but not Assessors and Hi-trans.
	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:				As referred to above, consulting engagements are rare.
	a) Objectives?	✓			
	b) Scope?	✓			
	c) The respective responsibilities of the internal auditors and the client and other client expectations?	✓			
	For significant consulting engagements, has this understanding been documented?	✓			This would be documented.
	<i>2210 Engagement Objectives</i>				
	Have objectives been agreed for each engagement?	✓			Provided within the Terms of Reference for each engagement.
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	✓			In circumstances where this is appropriate.
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	✓			As above, where applicable.
	Have internal auditors considered the probability of the following, when developing the engagement objectives:				Considered when preparing the Terms of Reference.

Ref	Conformance with the Standard	Y	P	N	Evidence
	a) Significant errors?	✓			
	b) Fraud?	✓			
	c) Non-compliance?	✓			
	d) Any other risks?	✓			
	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?	✓			This is now a requirement within the Terms of Reference document and is also provided for within the Audit Manual.
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	✓			As above.
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	✓			As above.
	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?	✓			As above.
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓			As referred to above, consulting engagements are rare. However, the terms of reference for such work would be agreed with the client and would address such matters as considered necessary.
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	✓			
	<i>2220 Engagement Scope</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	✓			Terms of Reference document refers to scope and objectives of each engagement. This is agreed with the client prior to the engagement.
	Does the engagement scope include consideration of the following relevant areas of the organisation: a) Systems? b) Records? c) Personnel? d) Premises?	✓ ✓ ✓ ✓			Terms of Reference document amended during 2015/16
	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?	✓ ✓ ✓ ✓			As above
	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?	✓			Consulting work has not arisen through assurance engagements but through other means.
	Where significant consulting opportunities have arisen during an	✓			Consulting work has not arisen through assurance engagements but through other means.

Ref	Conformance with the Standard	Y	P	N	Evidence
	assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?				
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	✓			
	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?	✓			N/A
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	✓			
	During consulting engagements, were internal auditors alert to any significant control issues?	✓			
	<i>2230 Engagement Resource Allocation</i>				
	<p>Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on:</p> <p>a) The nature and complexity of each individual engagement?</p> <p>b) Any time constraints?</p> <p>c) The resources available?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			The Audit Plan refers to the required resources for each engagement, based upon the undernoted three factors. These are considered further when preparing the Terms of Reference for each engagement.
	<i>2240 Engagement Work Programme</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	✓			Work programmes are prepared for each engagement once the Terms of Reference have been agreed.
	Do the engagement work programmes include the following procedures for: a) Identifying information? b) Analysing information? c) Evaluating information? d) Documenting information?	✓ ✓ ✓ ✓			Appropriate procedures are provided in the Audit Manual and the Galileo User Manual.
	Were work programmes approved prior to implementation for each engagement?	✓			Approved by the appropriate Manager
	Were any adjustments required to work programmes approved promptly?	✓			Discussed at weekly team meetings and approved by the appropriate manager.
4.4	2300 Performing the Engagement				
	Have internal auditors carried out the following in order to achieve each engagement's objectives: a) Identify sufficient information? b) Analyse sufficient information?	✓ ✓			Reviews of working papers, matters for discussion summaries, draft audit reports and final audit reports are reviewed by the appropriate manager. The CAE reviews all audit reports.

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) Evaluate sufficient information?	✓			
	d) Document sufficient information?	✓			
	<i>2310 Identifying Information</i>				
	Have internal auditors identified the following in order to achieve each engagement's objectives:				As above, reviews of working papers, matters for discussion summaries, draft audit reports and final audit reports are reviewed by the appropriate manager. The CAE reviews all audit reports.
	a) Sufficient information?	✓			
	b) Reliable information?	✓			
	c) Relevant information?	✓			
	d) Useful information?	✓			
	<i>2320 Analysis and Evaluation</i>				
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	✓			Requirement to comply with Internal Audit Manual and review of work by appropriate manager.
	Have internal auditors remained alert to the possibility of the following when performing their individual audits, and has this been documented?:				Requirement to comply with Internal Audit Manual and review of work by appropriate manager
	a) intentional wrongdoing	✓			
	b) errors and omissions	✓			
	c) poor value for money	✓			

Ref	Conformance with the Standard	Y	P	N	Evidence
	d) failure to comply with management policy, and e) conflicts of interest	✓ ✓			
	<i>2330 Documenting Information</i>				
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓			Working papers are reviewed by the appropriate manager to ensure that these are consistent with the report findings and conclusions.
	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?	✓			Requirements of working papers set out in Audit manual and Galileo User Manual.
	Does the CAE control access to engagement records?	✓			The CAE is responsible for the Audit management system (Galileo) which contains all engagement records. These are restricted to particular staff on a "need to know" basis.
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	✓			Any requests for information would be discussed with the Council's Freedom of Information Officer.
	Has the CAE developed and implemented retention requirements for all types of engagement records?	✓			Retention schedule in place
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	✓			
	<i>2340 Engagement Supervision</i>				
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	✓			Supervised by appropriate manager

Ref	Conformance with the Standard	Y	P	N	Evidence
	Is appropriate evidence of supervision documented and retained for each engagement?	✓			Supervision is recorded within Galileo in the form of review points and review of working papers.
4.5	2400 Communicating Results				
	Do internal auditors communicate the results of engagements?	✓			Matters for discussion meetings to “close off” all engagements and through draft and final reports.
	<i>2410 Criteria for Communicating</i>				
	Do the communications of engagement results include the following: a) The engagement’s objectives? b) The scope of the engagement? c) Applicable conclusions? d) Recommendations and action plans, if appropriate?	✓ ✓ ✓ ✓			A standard report template is in place.
	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?	✓			Achieved through “matters for discussion” meetings which refer to all draft report findings. Also draft reports are issued with a view to confirming the factual accuracy, seeking comments and addressing the audit recommendations through agreed management actions.
	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓			Recommendations are prioritised as high, medium and low.
	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	✓			The final audit report provides for timescales against the recommendations and actions.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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?	✓			These are rare but would be recorded in this manner.
	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?	✓			Reports provide for all material facts.
	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?	✓			An overall opinion is provided in each engagement report in the form of: full assurance; substantial assurance; reasonable assurance: limited assurance and no assurance. The opinions provided in these reports support the CAE's overall annual opinion.
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	✓			The opinion is communicated in the draft report and may be subject to discussion but this remains the opinion of the CAE which is evidenced by the results of the work performed.
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	✓			Opinions are supported by the report findings and conclusions which are backed up by the detailed working papers.
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓			Areas of good practice and areas where the engagement objectives have been achieved are acknowledged within each report.
	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?	✓			Engagement results are reported to the Audit & Scrutiny Committee and are in the public domain. Some limited exceptions apply where reports are considered in private and, in these cases, information requested through FOI requests would be redacted.
	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		✓		Relevant to HLH and Assessors but the level of that work is not significant.

Ref	Conformance with the Standard	Y	P	N	Evidence
	obliged to provide internal audit services?				
	<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>			Achieved through compliance with the Internal Audit Manual and managerial review.
	<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?	✓			This hasn't occurred as draft reports are issued which allow any factual inaccuracies, errors or omissions to be identified and corrected
	<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 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	✓			

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>2431 Engagement Disclosure of Nonconformance</i>				
	<p>Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:</p> <p>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?</p> <p>b) The reason(s) for non-conformance?</p> <p>c) The impact of non-conformance on the engagement and the engagement results?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			This hasn't arisen as PSIAS are conformed with.
	<i>2440 Disseminating Results</i>				
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓			The circulation is defined at the start of each audit engagement and is set out in the Terms of Reference. This is on a "need to know" basis. Final reports are issued to the appropriate Director. The Audit Manual refers to the process for requests for audit reports and considers the requirement to comply with FOI legislation.
	Has the CAE communicated engagement results to all appropriate parties?	✓			Communicated through Matters for Discussion meetings, draft reports and final reports.
	<p>Before releasing engagement results to parties outside the organisation, did the CAE:</p> <p>a) Assess the potential risk to the organisation?</p> <p>b) Consult with senior management and/or legal counsel as appropriate?</p>	<p>✓</p> <p>✓</p>			Any requests for audit reports would be considered in terms of FOI legislation and would be discussed and agreed with the responsible officer.

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) Control dissemination by restricting the use of the results?	✓			
	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓			Although consulting engagements are rare, these issues would be reported accordingly.
	<i>2450 Overall Opinion</i>				
	Has the CAE delivered an annual internal audit opinion?	✓			An annual Statement on Internal Control is completed
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	✓			
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?			✓	The Statement on Internal Control provides the opinion of the CAE. Expectations of other stakeholders will be considered further when assurance mapping is developed.
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	✓			Built up from different sources of evidence including: planned work during the year; testing of key financial systems and use of a specific checklist.
	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?		✓		To be developed further as part of assurance mapping but other assurances considered at present, e.g. PSN
	d) The risk or control framework or other criteria used as a basis for the	✓			Risk framework is referred to in the Statement on

Ref	Conformance with the Standard	Y	P	N	Evidence
	overall opinion?				Internal Control.
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	✓			Such an opinion has not been provided previously but, if one was to be provided, the reasons would be stated.
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	✓			The Statement on Internal Control is referred to within the Corporate Governance Assurance Statement.
	Does the annual report incorporate the following:				An annual report is prepared which accompanies the Statement on Internal Control.
	a) The annual internal audit opinion?	✓			
	b) A summary of the work that supports the opinion?	✓			
	c) A disclosure of any qualifications to the opinion?	✓			As above. Qualifications have not been provided previously but would be disclosed if appropriate.
	d) The reasons for any qualifications to the opinion?	✓			As above. Qualifications have not been provided previously but would be disclosed if appropriate.
	e) A disclosure of any impairments or restriction in scope?	✓			
	f) A comparison of work actually carried out with the work planned?	✓			Any work not carried out is reported throughout the year to the Audit & Scrutiny Committee and also reflected in the annual report.
	g) A statement on conformance with the PSIAS?	✓			To be provided with effect from the 2013/14 Statement on Internal Control.
	h) The results of the QAIP?	✓			QAIP completed during 2014/15. Results provided in annual report.
	i) Progress against any improvement plans resulting from the QAIP?	✓			As above
	j) A summary of the performance of the internal audit activity against its	✓			

Ref	Conformance with the Standard	Y	P	N	Evidence
	performance measures and targets? k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	✓			
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?	✓			All management actions are followed up, either by way of specific follow up audits or through routine "action tracking." The results of this are reported to the Audit & Scrutiny Committee.
	Where issues have during the follow-up process, has the CAE considered revising the internal audit opinion?	✓			Where specific follow up reviews are undertaken this enables the opinion provided previously to be revised.
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	✓			Would be considered as part of the following year's audit plan.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓			Consulting engagements are rare but it would be ensured that any actions are monitored.
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?	✓			Although this has not happened previously, such discussions would take place.
	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?	✓			Although this has not happened previously, such discussions would take place.

Ref	Conformance with the Standard	Y	P	N	Evidence
		323	8	3	