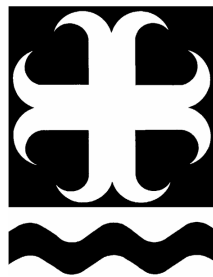**SEFTON COUNCIL**

FINANCE DEPARTMENT

Internal Audit Section

Self Assessment Review of Internal Audit

2011 / 2012

Internal Audit

Self Assessment - Code of Practice for Internal Audit in Local Government 2006

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
1	**Scope of Internal Audit**					
1.1	**Terms of Reference**					
1.1.1.	Do terms of reference: (a) establish the responsibilities and objectives of Internal Audit? (b) establish the organisational independence of Internal Audit? (c) establish the accountability, reporting lines and relationships between the Head of Internal Audit and:- (i) those charged with governance? (ii) those parties to whom the Head of Internal Audit may report? (d) recognise that Internal Audit's remit extends to the entire control environment of the organisation? (e) identify Internal Audit's contribution to the review of the effectiveness of the control Environment? (f) require and enable the Head of Internal Audit to deliver an annual audit opinion? (g) define the role of Internal Audit in any fraud-related or consultancy work? (h) explain how Internal Audit's resource requirements will be assessed? (i) establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information andexplanations as it considers necessary to fulfil its responsibilities?	Y			Terms of reference for Internal Audit and right of access included in i) Council Constitution - Financial Procedure Rules Terms of reference for Internal Audit included in ii) Audit Charter and Mission Statement, approved by Audit & Governance Cttee June 2006 iii) Audit Annual Plan Terms of Reference for Audit & Governance Committee also established Terms of Reference were reviewed as part of review of Governance 2011/12. A further review of governance arrangements is to be undertaken in 2012/13 in response to Localism Bill/Act. Terms of reference will be reviewed in line with this review. Working practices and reporting mechanisms reviewed in 2011/12. This is to continue into 2012/13.	Terms of reference (included in Audit Charter agreed by A&G Cttee in June 2006) to be reviewed in 2012/13 Internal Audit Strategy/ Developmenet Plan to be agreed 2012/13 will include reviewed and revised terms of reference as necessary.
1.1.2	Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?	Y			Content approved by Audit & Governance Cttee June 2006. A & G informed of changes to terms of reference as and when required.	See 1.1.1
1.1.3	Have the terms of reference been formally approved by the organisation?	Y			Audit Charter & Mission Statement approved by Audit & Governance June 2006	See 1.1.1
1.1.3	Are terms of reference regularly reviewed?			N	Not reviewed annually	See 1.1.1

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
1.2.	**Scope of Work**					
1.2.1.	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	Y			Risk Assessment is utilised to determine areas for inclusion in the Strategic and Annual Audit Plans. A Corporate Risk Management Group has been set up which will help embed risk management throughout the Authority. This will include the establishment of risk registers at departmental/service level which will be used by Internal Audit as part of the audit planning process.	Once risk registers are established use in planning process.
1.2.3.	Where services are provided in partnership has the Head of Internal Audit identified (a) how assurance will be sought? (b) agreed access rights where appropriate?	Y Y			a) Where relevant these will be included as part of the Annual Audit Plan. b) Where relevant agreed access rights are included in all contracts / agreements with all partners	Partnership Database needs to be examined and ensure Legal Services continue to include access rights in all new contracts / agreements.
1.3.	**Other Work**					
1.3.1.	Where Internal Audit undertakes consultancy and/or fraud and corruption work does it have the:- (a) skills; and (b) resources to do this?	 Y	P		a) Senior staff within Internal Audit are experienced or have received training in conducting special investigations, disciplinary investigations, investigative interviewing and are appropriately skilled to carry out fraud & corruption work. Additionally all BFIT staff, who are now part of arvato government services are PINS accredited and hold the Advanced Certificate in Investigative Practice. This expertise is also available to Internal Audit. The Chief Internal Auditor, together with Peter Cowley Senior Solicitor Legal are the Single Point of Contact for telecommunications interceptions. Involvement in consultancy work is usually restricted to advising on risk and control measures relating to the implementation of new systems and/or changes to existing systems and responding to requests for advice / guidance from Departments. Responsibility for such consultancy work is allocated to staff that are appropriately experienced to carry out the work effectively. A fraud specialist from Warrington MBC will be provided through a shared service arrangement in 2012/13. b) A contingency is built into the annual Audit Plan to allow for any unplanned consultancy / fraud and corruption work. Where relevant, Auditors are alert to and consider the potential for fraud and corruption in undertaking individual audit reviews.	On going training will be provided to improve skills where required

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
1.3.2.	Do the terms of reference define Internal Audit's role in:- (a) fraud and corruption? (b) consultancy work?	Y			Included in Audit Charter and Audit Manual.	Review of Internal Audit Strategy/Development Plan, Audit Charter and Audit Manual to be undertaken in 2012/13
1.4	**Fraud and Corruption**					
1.4.2.	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Y			Arrangements are detailed in the Council's Anti Fraud,Bribery & Corruption Policy which was reviewed in 2011/12 to include requirements of the Bribery Act 2010.	A fraud response plan is to be developed in 2012/13 which will include notification protocols.
2	**Independence**					
2.1.	**Principals of Independence**					
2.1.1.	Is Internal Audit:- (a) independent of the activities it audits? (b) free from any non-audit (operational) duties?	Y	P		a) Audit are independent of the activities it audits b) The CIA and Audit Managers undertake Bankline CHAPS payment authorisations, It is considered that these duties do not jeopardise Internal Audit's objectivity or create significant concerns about independence. Senior Management is aware of these issues and no immediate change is envisaged.	
2.1.2.	Where Internal Audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?			N	Internal Audit staff may provide independent advice during system, policy or procedure developments and may bring this expertise either individually or as part of a team during any future reviews of these developments. This is not considered to affect the auditors independence.	
2.2.	**Organisational Independence**					
2.2.1.	Does the status of Internal Audit allow it to demonstrate independence?	Y			Independence and accountability recognised in Audit Charter. Internal Audit report independently to Audit & Governance Cttee. Audit Reports are sent to Directors from CIA	
2.2.2.	Does the Head of Internal Audit have direct access to:- (a) Officers? (b) Members?	Y			Included in Audit Manual. Report directly to Directors and Members & Chief Executives where necessary.	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
			P		Reports go in the name of the Head of Corporate Finance and ICT, however contact details and preparation undertaken by CIA.	
2.2.2.	Does the Head of Internal Audit report in his or her own name to Members and Officers?		P		Reports go in the name of the Head of Corporate Finance and ICT, however contact details and preparation undertaken by CIA.	To be reviewed in 2012/13
2.2.3.	(a) Is there an assessment that the budget for Internal Audit is adequate? (b) Does any budget delegated to service areas ensure that:- (i) Internal Audit adherence to the Code is not compromised? (ii) the scope of Internal Audit is not affected? (iii) Internal Audit can continue to provide assurance for the Statement on Internal Control?	Y Y			a) Budget for Internal Audit is part of the Finance Department's budget, and where relevant the Section has to bear its share of savings Within these constraints the budget is considered sufficient to provide for the Internal Audit Establishment. b) Budgets for Internal Audit are not delegated to service level at present. However, this does not affect Internal Audit adherence to the Code, the scope of Internal Audit work or whether Internal Audit can continue to provide assurance for the Statement on Internal Control.	A review of budget delegation is to be undertaken as part of Finance review in 2012/13.
2.3.	**Status of the Head Internal Audit**					
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	Y			The Head of Corporate Finance and ICT is a member of the Strategic Leadership Team. CIA reports directly to Head of Corporate Finance and ICT as Section 151 Officer.	
2.5.	**Independence of Internal Audit Contractors**					
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?				N/A	
2.6	**Declaration of Interest**					
2.6.1	Do Audit staff make formal declarations of interest?	Y			Undertaken annually see Declarations of Work Interest held by CIA.	
2.6.2.	Does the planning process take account of the declarations of interest registered by staff?	Y			Work would be allocated to avoid any potential conflicts of interest where declared	
3.	**Ethics for Internal Auditors**					
3.1.	**Purpose**					
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	Y			Included in the Audit Mission Statement, all staff provided with a copy and is included in the Audit Manual. CIA regularly stresses the need for auditors to demonstrate the highest standards of ethical behaviour at office meetings.	
3.2.	**Integrity**					

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
3.2.1.	Has the Internal Audit team established an environment of trust and confidence?	Y			Good relationships exist with members, colleagues, internal clients and external contacts. Evidenced by Client Surveys and continued high levels of requests for consultancy and advice.	
3.2.1.	Do Internal Auditors demonstrate integrity in all aspects of their work?	Y			Yes - the auditors integrity has never been questioned	
3.3	**Objectivity**					
3.3.2.	Are Internal Auditors perceived as being objective and free from conflicts of interest?	Y			Yes - work is allocated to ensure that auditors are free from conflicts of interests. The scope of all audit work is agreed with the client and the Audit Manager, and is therefore unlikely to be influenced unduly by an individual. Quality control procedures in place and would identify judgements that could not be substantiated.	
Ref	**Adherence to the Standard**	**Y**	**P**	**N**	**Evidence/Self Assessment**	**Areas for Improvement**
3.3.3.	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	Y			No formal policy on this although if necessary a period of 12 months would be applied. This will be formalised during the review of the Audit Manual	To be formalised as part of review of Audit Manual
3.3.4.	Are staff rotated on regular/annually audited areas?	Y			Audit Team is managed as a whole via 2 Audit Managers and the Chief Internal Auditor. Staff are not rotated as audits are allocated based on skill and knowledge. All staff are rotated on regular/annually audited areas.	
3.4.	**Competence**					
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of:- (a) the organisation's aims, objectives, risks and governance arrangements? (b) the purpose, risks and issues of the service area? (c) the scope of each audit assignment? (d) relevant legislation and other regulatory arrangements that relate to the audit?	Y Y Y Y			a) Staff are informed through a variety of means, which include office / team meetings, e-mail, the Intranet, Constitution (revised 2011/12) and Corporate Risk Register. b) The Corporate Risk Register is on the Intranet and all staff have access to Committee Reports. Staff also meet with managers/Heads of Service at the commencement of each assignment to ensure service risks and issues are identified and disussed. c) The scope of each assignment is detailed in an Audit Brief that is discussed with the auditor completing the work. d) Input into each audit is provided by the Audit Manager. This helps ensure that staff are made aware of any relevant legislation and other regulatory arrangements that relate to the audit. Major changes in legislation are notified to auditors as part of Team briefings/external alerts from CIPFA/IIA subscriptions and attendance on relevant courses.	Regular training sessions on specific topics to be introduced to keep auditors up to date
3.5	**Confidentiality**					
3.5.1.	Do internal Audit staff understand their obligations in	Y			Included in Audit Mission Statement. Staff reminded at regular	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
	respect to confidentiality?				intervals by CIA.	
4.	**Audit Committees**					
4.1	**Purpose of the Audit Committee**					
4.1.1.	Does the Council have an independent Audit Committee?	Y			Establishment of Audit & Governance Committee approved by Cabinet April 2006 and Council May 2006. Committee meets on a quarterly basis.	
4.2.	**Internal Audit's Relationship with the Audit Committee**					
4.2.1.	Is there an effective working relationship between the Audit Committee and Internal Audit?	Y			Internal Audit report to quarterly meetings of the Audit & Governance Committee.	
4.2.2.	Does the Committee approve the Internal Audit Strategy and monitor progress?		P		Internal Audit does not currently have an Audit Strategy. Aspects of the Audit Strategy are included in the Audit Charter and Audit Manual. Internal Audit report progress quarterly to the Audit & Governance Committee..	Internal Audit Strategy to be compiled and approved by A & G Committee in 2012/13
Ref	**Adherence to the Standard**	**Y**	**P**	**N**	**Evidence/Self Assessment**	**Areas for Improvement**
4.2.2.	Does the Committee approve the Annual Internal Audit Plan and monitor progress?	Y			The Audit Plan is approved by the A&G Cttee. Progress against the plan is reported to and monitored by the Cttee on a quarterly basis. Reports to A&G were enhanced during 2011/12 in order to ensure that the A&G committee receives appropriate information to enable them to monitor the level of assurance of internal control throughout the council. Reporting will be reviewed on an ongoing basis to ensure it meets Code of Practice requirements.	Continue to review reports to Audit & Governance

4.2.4.		Does the Head of Internal Audit:-					
		(a) attend the Committee and contribute to its Agenda?	Y			a) CIA attends the A & G Committee and is contact officer on Audit Section Reports	See 4.2.2
		(b) participate in the Committee's review of its own remit and effectiveness?	Y			b) will participate when any review is undertaken	
		(c) ensure that the Committee receives and understands documents that describe how Internal Audit will fulfil its objectives?	Y			c) The Internal Audit Mission Statement and Charter, Audit Plans and performance and fraud reports are presented to this Committee.	
		(d) report on the outcomes of Internal Audit work to the Committee?	Y			d) Progress report and fraud report presented quarterly	
		(e) establish if anything arising from the work of the Committee requires consideration of changes to the Audit Plan, or vice versa?	Y			e) Yes any issues referred by Members would be considered.	
		(f) presents the Annual Internal Audit report to the Committee?	Y			f) Annual report presented to Audit & Governance Committee	
4.2.5		Is there the opportunity for the Head of Internal Audit to meet privately with the Audit Committee?	Y			Opportunity exists to meet privately with the Chairman. The Chairman is routinely briefed by Head of Corporate Finance and ICT and CIA.	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
5.	**Relationships**					
5.1.	**Principles of Good Relationships**					
5.1.2	Is there a protocol that defines the working relationship for Internal Audit with:- (a) management? (b) other Internal Auditors? (c) External Auditors? (d) other regulators and inspectors? (e) Elected Members?	Y Y Y Y Y			a) The Constitution sets out the arrangements of Internal Audit in respect of Accounting & Audit. The Audit Charter sets out the relative roles and responsibilites of Internal Audit and Service Departments. b) Internal Audit is part of the Merseyside CIA Audit Group, which has their own terms of reference. c) A joint working protocol exists in terms of the working relationship with External Audit. d) Working arrangements exist with a range of other agencies, e.g. Police, Council's Bank etc. The Audit Manual outlines roles and responsibilities of Internal Audit within 'Relationships' (Section 4) e) Audit & Governance Committee Tems of Reference sets out the relationship between Internal Audit and the Committee.	
Ref	**Adherence to the Standard**	**Y**	**P**	**N**	**Evidence/Self Assessment**	Areas for Improvement
5.2.	**Relationships with Management**					
5.2.1.	Does the Head of Internal Audit seek to maintain effective relationships between Internal Auditors and managers?	Y			Good relationships exist between Internal Audit and all Service Departments as recognised in Client Survey feedback. Where necessary the CIA and / or Audit Managers would contact Managers to resolve any potential issues.	
5.2.2.	Is the timing of audit work planned in conjunction with management?	Y			Wherever possible the timing of planned audits are mutually agreed.	
5.3.	**Relationships with other Internal Auditors**					
5.3.1.	Do arrangements exist with other Internal Auditors that include joint working, access to working papers, respective roles and confidentiality?	Y			The good working relationships between Sefton IA and other Authority's Internal Audit Sections mean that there is periodically sharing of information and good working practices.	
5.4.	**Relationships with External Auditors**					
5.4.2.	Is it possible for Internal Audit and External Audit to rely on each other's work?	Y			Internal Audit and External Audit meet regularly to review areas each other are working on and information shared where appropriate.	
5.4.3.	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	Y			The CIA meets regularly with External Auditors	
5.4.3.	Are the Internal and External Audit Plans co-ordinated	Y			IA share the Annual Audit Plan with the EA, EA provide their Annual Audit & Inspection Plan.	
5.5.	**Relationships with other Regulators &**					

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
	Inspectors					
5.5.1.	Has the Head of Internal Audit sought to establish a dialogue with the regulatory inspection agencies that interact with the organisation?	Y			Review with inspection agencies are arranged with the Council. If specific issues arose from inspection visits that were relevant to the work of IA, contact would be made with the relevant organisation.	
5.6.	**Elected Members**					
5.6.1	Do the terms of reference for Internal Audit define the channels of communication with Members and describe how such relationships should operate?	Y			Informal communication channels exist between the CIA and the Chair of A&G. Included in Audit Manual.	.
5.6.1.	Does the Head of Internal Audit maintain good working relationships with Members?	Y			Positive feedback was received from A&G Cttee during 2011/12.	
6.	**Staffing, Training & Continuing Professional Development**					
6.1.	**Staffing Internal Audit**					
6.1.1.	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	Y			The Section is staffed with a suitable mix of professionally qualified, part qualified, Accounting technician, and experienced staff appropriate to the requirements of the Audit Plan; refer to Audit Plan 2012/13. The section has been reduced to 8 staff in 2011/12. This will be monitored throughout 2012/13 to ensure Internal Audit remains appropriately staffed.	
Ref	**Adherence to the Standard**	**Y**	**P**	**N**	**Evidence/Self Assessment**	**Areas for Improvement**
6.1.1.	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the Internal Audit team?	Y			The Audit Section has in place appropriate resources including in regard to the specialist areas of Information Services and Contract and Procurement. A company (Sapphire) is employed in instances where Computer Forensic work is required. If required, external support would be sought where that skill/expense does not exist within the Audit Team.	
6.1.2.	Is the Head of Internal Audit professionally qualified and experienced?	Y			The CIA is MIIA qualified and has over 25 years Local Government experience.	
6.1.2.	Does the Head of Internal Audit have wide experience of Internal Audit and management?	Y			The current CIA has been in post since April 2010 and was previously an Audit Manager within different Local Authorities for over 10 years.	
6.1.3.	(a) Do all Internal Audit staff have up-to-date job descriptions? (b) Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for Internal Audit	Y Y			(a) All Job Descriptions reviewed as part of the job evaluation process. Further review of Job Descriptions undertaken as part of review/restructureof Internal Audit. (b) Person specifications are available for all posts	

	staff?					
6.2	**Training & Continuing Professional Development**					
6.2.1.	(a) Has the Head of Internal Audit defined the skills and competencies for each level of Auditor? (b) Are Individual Auditors periodically assessed against these predetermined skills and competencies? (c) Are training or development needs identified and included in an appropriate ongoing development programme (d) Is the development programme recorded, regularly reviewed and monitored?	Y Y Y	P		(a) Skills and competencies are set out in the person specification (b) Initially undertaken as part of recruitment process. Skills and competencies are reviewed as part of the 1 to 1 process and quality review process for audits. All relevant staff are registered for CPD. (c) Training and development needs are formally undertaken through the PRD process. Whilst this is not currently undertaken formally, training needs are reviewed as part of 1 to 1's. Training requests submitted by staff will be reviewed and approved as appropriate. (d) All staff have their own Personal Communication and Development Record, however it is not regularly reviewed and monitored.	Consider reviewing skills and competencies using CIPFA's skills and competency framework. Review and Monitor Development Plans.
6.2.2.	Do Individual Auditors maintain a record of their professional training and development activities?		P		All staff have their own Personal Communication and Development Record. Not all staff maintain a record of professional training and development activities.	Establish records of professional training and development for all staff
7.	**Audit Strategy & Planning**					
7.1	**Audit Strategy**					
7.1.1.	(a) Is there is an Internal Audit Strategy for delivering the service? (b) Is it kept up to date with the organisation and its changing priorities?		P P		The Audit Strategy is a combination of the Annual Audit Plan, Audit Charter and Mission Statement.	Audit Strategy Development Plan to be compiled and approved by A & G Committee in 2012/13

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
7.1.2.	Does the strategy include:- (a) Internal Audit objectives and outcomes? (b) how the Head of Internal Audit will form and evidence his or her opinion on the control environment? (c) how Internal Audit's work will identify and address local and national issues and risks? (d) how the service will be provided, i.e. internally, externally or a mix of the two? (e) the resources and skills required to deliver the Strategy?	Y Y Y Y	P		See above	See 7.1.1
7.1.3.	Has the Strategy been approved by the Audit Committee?	Y			See Above	See 7.1.1
7.2	**Audit Planning**					
7.2.1.	Is there a risk based plan that is informed by the organisation's risk management, performance management and other assurance processes?		P		The audit planning process takes account of the risk management, performance management, other assurance processes and other external inspections. A review of corporate risk is in progress. .	i) A review of the Assurance Framework to be undertaken in 2012/13 and outcomes considered as part of the planning process. (ii) As the review of corporate risk is undertaken, this will correlate with audit planning.
7.2.1.	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?		P		The Audit Plan is determined by IA's own risk assessment process. As part of the improvement plan for 2012/13, there will be a review of the risk assessment process. Once the risk assessment process has been reviewed, a reassessment of all auditable areas will be undertaken.	(i) Review risk assessment methodology and process (ii) Consult with SLT/ Departmental Management Teams and Heads of Service as part of audit planning process
7.2.1.	Are stakeholders consulted on the Audit Plan?	Y			Consultation undertaken with Strategic Leadership Team and Heads of Service for the 2012/13 Audit Plan.	
7.2.2.	Does the Plan demonstrate a clear understanding of the organisation's functions?	Y			The Internal Audit Plan is compiled using information obtained from meetings with Heads of Service, invlovement in business transformation activities, analysis of departmental structures/functions and review of items reported to committees.	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
7.2.3.	Does the plan:- (a) cover a fixed period of no longer than one year? (b) outline the assignments to be carried out? (c) prioritise assignments? (d) estimate the resources required? (e) differentiate between assurance and other work? (f) allow a degree of flexibility?	Y Y Y Y Y Y			a) Given the on-going restructure of the Council, the 2011/12 plan was split into two periods of 3 months and 9 months. b) Outlined in Audit Plan c) All assignments are prioritised as High, Medium and Low Risk. All assignments in 2011/12 were deemed high risk. d) A calculation of the Audit resources is undertaken as part of the Planning process. e) Plan is split into 5 work areas : Probity & Compliance, ICT, Value for Money (VFM), Anti-Fraud/NFI and Project Support Work. f) The Plan is flexible and also includes a contingency element to allow for any unplanned work.	
7.2.4.	If there is an imbalance between the resources available and resources needed to deliver the plan, is the Audit Committee informed of proposed solutions?	Y			The establishment provides for the resources required to service the audit plan. The plan for 2011/12 was based on available resources and so there was no imbalance in 2011/12.	
7.2.4.	Has the plan been approved by the Audit Committee?	Y			Two Audit Plans were compiled in 2011/12. These were approved in March 2011 (3 months) and June 2011 (9 months) respectively.	
7.2.5.	If significant matters arise that jeopardise the delivery of the Plan are these addressed and reported to the Audit Committee?	Y			Any significant issues would be advised to Members as part of the quarterly reports e.g. secondment of Senior Auditor to Merseyside Police Authority was reported in December 2011.	
8.	**Undertaking Audit Work**					
8.1	**Planning**					
8.1.1.	(a) Is a brief prepared for each audit? (b) Is the brief discussed and agreed with the relevant managers?	Y Y			(a) Where relevant an Audit Brief is prepared. New format introduced for Audit Brief for 2011/12. (b) Yes.	
8.1.1.	Does the brief set out:- (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements?	 Y Y Y Y Y			Yes see template	
8.2	**Approach**					
8.2.1.	Is a risk based audit approach used?		P		Where relevant a risk based approach is utilised, however all audits focus on areas of high risk.	Risk Based Audit approach to be fully developed in 2012/13.
8.2.3.	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	Y			The Audit Manual provides guidance on this and the Audit Brief states that management will be informed during the course of the audit should any significant issues be identified..	
8.2.4.	Does the audit approach include a quality review process for each audit?	Y			Audit Managers review all files and reports. The CIA reviews all reports which have a Weak or Poor audit opinion and other reports on an ad hoc basis. The CIA also reviews a sample of files prior to issue.	

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8.3	**Recording Audit Assignments**					
8.3.1.	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Y			Standard working papers and audit documentation are included in the Audit Manual. Templates of all documents are maintained on the Audit shared drive.	
8.3.1.	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	Y			Assessed as part of the Audit Manager / CIA review process	
8.3.2.	Are working papers such that an experienced Auditor can easily:- (a) identify the work that has been performed? (b) re-perform it if necessary? (c) see how the work supports the conclusions reached?	Y Y Y			Assessed as part of the above Management review process	
8.3.3.	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Y			Council has Guidelines for Document Retention and Disposal. An Internal Audit Retention Policy has been developed and implemented This is reviewed on an ongoing basis.	
8.3.3.	Do all retention and access policies conform to appropriate legislation, i.e. Data Protection Act, Freedom of Information Act, etc., and any organisational requirements?	Y			All appropriate legislation has been taken into account in the Internal Audit Retention Policy.	
8.3.3.	Is there an access policy for audit files and records?			N	Whilst there is no formal policy regarding access to all files and records, it is restricted to all audit staff.	Policy to be developed in relation to access and booking out
9.	**Due Professional Care**					
9.2.	**Responsibilities of the Individual Auditor**					
9.2.1.	Are there documents that set out the requirements on all Audit staff in terms of:- (a) being fair and not allowing prejudice or bias to override objectivity? (b) declaring interests that could be perceived to be conflicting or could potentially lead to conflict? (c) receiving and giving gifts and hospitality from employees, clients, suppliers or third parties? (d) using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions? (e) being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest? (f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed?	Y Y Y Y Y Y			All these aspects are included in the Section's Audit Manual, where necessary additional comments are provided below a) objectivity is commented on in the Audit Mission Statement b) annual declaration by Auditors c) extensively covered in Employees Code of Conduct. All staff formally required to familiarise themselves with the Code of Conduct Policy in 2011/12. d) Audit Manual e) Audit Manual f) All staff are experienced and aware that they need to be alert to the possibilty of fraud when carrying out audit work.	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
	(g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?	Y			g) this is an explicit expectation of all auditors. All auditors have been provided with a copy of the Code of Practice and have beenm asked to familiarise themselves with the content.	Continue to develop staff understanding of the CIPFA Code of Practice.
	(h) disclosing any non-compliance with these standards?	Y			h) this is an explicit expectation of all auditors. All auditors have been provided with a copy of the Code of Practice and have been asked to familiarise themselves with the content	
	(i) not using information they gain in the course of their duties for personal use?	Y			i) this is an explicit expectation of all auditors. All auditors have been provided with a copy of the Code of Practice and have been asked to familiarise themselves with the content .	
9.3	Responsibilities of the Head of Internal Audit					
9.3.1.	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	Y			Due professional care is monitored and reviewed via the quality assurance review of all audit files and reports by Audit Managers/CIA.	
9.3.2.	Are there systems in place for individual Auditors to disclose any suspicions of fraud, corruption or improper conduct?	Y			Included in the Audit Manual, all auditors would bring such matters to the attention of the Audit Managers / CIA. In addtion, all staff have confirmed that they are familiar themselves with the Confidential Reporting Policy and Anti Fraud, Bribery & Corruption Policy in 2011/12.	
10.	Reporting					
10.1	Principles of Reporting					
10.1.1.	Is an opinion on the control environment and risk exposure given in each audit report?	Y			Audit opinion forms part of the report template, where relevant	
10.1.3.	Has the Head of Internal Audit determined the way in which Internal Audit will report?	Y			Outlined in Audit Manual and Standard Audit Report Template and Audit Charter	
10.1.4.	Has the Head of Internal Audit set out the standards for Internal Audit reporting?	Y			See Audit Manual and Audit Charter	
10.1.5.	Are there laid down timescales for reports to be issued?			N	A protocol for issuing reports including timescales has been drafted.	Protocol for issuing reports to be implemented.
10.2	Reporting on Audit Work					
10.1.4 10.1.4.	Do the reporting standards include:- (a) format of the reports? (b) quality assurance of reports?	Y Y			a)&b) Included within Audit Manual	New Audit Report format to be introduced.
10.2.2.	(c) the need to state the scope and purpose of the audit?	Y			c)&d) Included within standard report template	
10.2.1. 10.1.4.	(d) the requirement to give an opinion? (e) process for agreeing reports with the Recipient?	Y		N	e) See 10.1.5	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
10.2.1	f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	Y			f) Action plan forms part of the standard report template and includes management agreement and appropriate timescales.	
10.2.3.	Does the audit reporting process include discussion and agreement of reports?	Y			Reporting process includes discussion and agreement of Draft Report with Clients.	See 10.1.5
10.2.4.	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	Y			Standardised grading of recommendations see Audit Manual Section 10.9 and appendix 34.	
10.2.5.	Are areas of disagreement recorded appropriately?	Y			Action Plan provides for management response. Where recommendation are not agreed or if not satisfied with Management response this would require further follow up and if significant would be reported to Senior Management and Audit & Governance Committee as necessary.	Escalation Policy to be compiled and approved by the Audit and Governance Committee.
10.2.5.	Are those weaknesses giving rise to significant risks that are not agreed are drawn to the attention of senior management?	Y			As above	
10.2.6.	Is the circulation of each audit report determined when preparing the audit brief?	Y			The Audit Brief states that a final report will be issued to the auditee, their Director and that a copy of each report will be issued to the Head of Corporate Finance and ICT.	
10.2.6.	(a) Does the reporting process include details of circulation of that particular audit report? (b) Is this included in the brief for each individual audit	Y Y			Circulation details are included on the front of each report Intended circulation is included in the brief template (see above), but may change subject to the findings within the report	
10.2.7.	Does the Head of Internal Audit have mechanisms in place to ensure that:- (a) recommendations that have a wider impact are reported to the appropriate forums? (b) risk registers are updated?	 Y Y			a) Recommendations that impact on other Sections / Departments would be directed to the appropriate Officers within those Sections / Departments. This would be via formal memo or report. b) Where appropriate, recommendations would be made to Departments to include risks identified via Audit work in their relevant risk registers.	
10.3	**Follow-up Audits & Reporting**					
10.3.1.	Has the Head of Internal Audit defined the need for and the form of any follow-up action?		P		There is a follow up process included at 9.39 of the Internal Audit Manual, although this does not reflect current practice which is to follow-up audit recommendastions where the control environment is classed as Weak or Poor within 6 months.	Review Follow-up mechanisms in Audit Manual.
10.3.2.	Has the Head of Internal Audit established appropriate escalation procedures for Internal Audit recommendations not implemented by the agreed date?		P		The Audit Manual refers to an escalation process in Paragraph 9.40. However, a formal Escalation Policy has not been compiled.	See 10.2.5

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
10.3.3.	Where appropriate is a revised opinion given following a follow-up audit and reported to management?	Y			Where after a follow up review circumstances warrant a change in audit opinion this would be revised and reported accordingly.	
10.3.4.	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Y			Auditors consider previous audit reports during the planning of current audit work. With regard to the audit plan Audit Managers consider previous audit work as part of the audit risk assessment.	
10.4	**Annual Reporting & Presentation of Audit Opinion**					
10.4.1.	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control?	Y			An Annual Internal Audit Report is produced and reported to the Audit & Governance Committee, this forms part of the assurances for the Annual Governance Statement (previously the SIC) .	
10.4.2.	Does the Head of Internal Audit's annual report:- (a) include an opinion on the overall adequacy and effectiveness of the organisation's control environment? (b) disclose any qualifications to that opinion, together with the reasons for the qualification? (c) present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies? (d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control? (e) compare the actual work undertaken with the planned work and summarise the performance of the Internal Audit function against its performance measures and Targets? (f) comment on compliance with the standards of the Code? (g) communicate the results of the Internal Audit quality assurance programme?	Y Y Y Y Y Y Y			Points (a) to (g) would all be commented on in the Annual Audit Report, any additional comments are included below. g) Performance Indicators / Quality Assurance is reported as part of the Annual Audit Report, this includes the results of Internal Audit Client Survey and statistics on numbers of recommendations accepted, however these are to be further developed.	Research comparitors, develop further targets to measure performance and processes for collection. Report progress against these regularly and summarise results in annual report. This is to include compliance with CIPFA Code and reporting of Self Assessment.
10.4.3.	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	Y			Quarterly reports to Audit & Governance Committee and regular updates to Head of Corporate Finance and ICT.	Develop reporting to Senior Leadership Team

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
11.	**Performance, Quality & Effectiveness**					
11.1	**Principles of Performance, Quality & Effectiveness**					
11.1.1.	Is there is an audit manual?	Y			There is an Audit Manual available to all Audit staff electronically.	See 1.3.2
11.1.1.	Does the audit manual provide guidance on:- (a) carrying out day-to-day audit work? (b) complying with the Code?	Y Y			These areas are included in the Audit Manual.	
11.1.1.	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?		P		Audit Manual is reviewed and updatd on an ad hoc basis. An overall review wil be undertaken as a result of changes in working practices	See 1.3.2
11.1.2.	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of:- (a) each individual audit? (b) the Internal Audit service as a whole?	Y Y			a) Audit Managers review all files and reports, CIA reviews reports/files where the opinion is Weak or Poor. CIA will also reviews sample of files. In addition Internal Audit Client Surveys are issued after each Audit. b) Audit Performance is reported quarterly/annually to Audit & Governance Committee. The effectiveness of Internal Audit is reviewed using the self-assessment document against the Code of Practice.	
11.2	**Quality Assurance of Audit Work**					
11.2.1.	Does the Head of Internal Audit have a process in place to ensure that work is allocated to Auditors who have the appropriate skills, experience and competence?	Y			Work is allocated to individual auditors by the Audit Managers. The allocation of work reflects the appropriate skills, experience and competence of individuals. Work is allocated to the most appropriate persons and assigned to an Audit Manager to manage.	
11.2.2.	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?	Y			Audit Managers ensure that each auditor receives appropriate supervision at all times. There is regular two way contact on progress throughout the audit.	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
11.2.2.	Does the supervisory process cover:- (a) monitoring progress? (b) assessing quality of audit work? (c) coaching staff?	Y Y Y			a) Progress is monitored throughout the audit by the Audit Manager. Progress is formally monitored via 1 to 1 meetings between the Audit Manager and Auditor. b) Quality of work is assessed through report and file reviews by Audit Managers and CIA. c) Staff are coached as required, both on a formal and informal basis, and where necessary it forms an integral part of each audit.	
11.3	**Performance & Effectiveness of the Internal Audit Service**					
11.3.1.	Does the Head of Internal Audit have a performance management and quality assurance programme in place	Y			Audit Managers review all files and reports, CIA reviews files, reports (where the opinion is Weak or Poor) and correspondence. In addition Internal Audit Client Surveys are issued after each Audit. Audit Performance is reported quarterly to Audit & Governance Committee, regular updates are provided to FD. Performance Indicators / Quality Assurance is reported as part of the Annual Audit Report, this includes the Internal Audit Client Survey, however these are to be further developed.	See 10.4.2

11.3.2	Does the performance management and quality assurance framework include as a minimum:-
	(a) a comprehensive set of targets to measure performance:-
	   (i) which are developed in consultation with appropriate parties?
	   (ii) which are included in service level agreements, where appropriate?
	   (iii) against which the Head of Internal Audit measures, monitors and reports appropriately on progress?
	(b) user feedback obtained for each individual audit and periodically for the whole service?
	
	(c) a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy?
	(d) internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?
	(e) an action plan to implement improvements?
			P
			
			P
			
			P
					a) Performance Indicators have been developed and are detailed in the Audit Manual, these are reported to A&G as part of the Annual Audit Report. Performance indicators are to be further developed.
					
					b) Internal Audit Client Surveys are issued for each audit, these are reported to A&G in the quarterly performance reports and Annual Audit Report.
					c) Annual review of the service through self assessment will inform any future revised strategy.
					
					d) Self assessment undertaken annually will ensure compliance with code and Audit Manual.
					
					e) An action plan will be produced annually following self assessment as part of the review of the effectiveness of Internal Audit.
						See 10.4.2

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
11.3.3.	Does the Head of Internal Audit compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?		P		This is undertaken on an ongoing basis, some PI's reported in Annual Audit Plan, including results of Internal Audit Client Surveys and statistics on the number of recommendations accepted.	See 10.4.2
11.3.1.	Do the results of the performance management and quality assurance programme evidence that the Internal Audit service is:- (a) meeting its aims and objectives? (b) compliant with the Code? c) meeting internal quality standards? (d) effective, efficient, continuously improving? (e) adding value and assisting the organisation in achieving its objectives?	 Y Y Y	 P P		a) Current performance targets and quality assurance measures evidence that Internal Audit is meeting its aims and objectives (e.g. Customer Satisfaction Surveys and recommendations agreed). b) Compliance with the Code is evidenced via the self assessment and through quality review by Audit Managers and Chief Internal Auditor c) Documented review of files and reports by Audit Managers/CIA provide evidence that internal quality standrards are being met. d) & e) Improvements are made continuously to make the service more effective and efficient. The consistently high percentage of recommendations agreed and positve Customer Client Feedback evidences that the Internal Audit servce is adding value and assisting the organisation in achieving its objectives.	See 10.4.2
11.3.4.	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	Y			Performance Indicators / Quality Assurance is reported as part of the Annual Audit Report, this includes the Internal Audit Client Survey and statistics on the number of recommendations accepted.	See 10.4.2
11.3.5.	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality on the Internal Audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of Internal Audit?	Y			Annual Report is included as part of the evidence for the AGS, see Annual Audit Report 2011/12.	See 10.4.2

Sefton Internal Audit Section - 2012/13 Improvement Plan

Drawn from Self Assessment Review 2011/12 (Code of Practice for Internal Audit in Local Government 2006)

Action	Source SA	Priority 1 - Low 2 - Med 3 -High	Responsible Officer	Action By (Date) / Progress
Scope of Internal Audit				
Review of Terms of Reference for Internal Audit	SA	1	CIA / Audit Manager	December 2012
Partnership Database needs to be examined and ensure Legal Department continue to include access rights in all new contracts / agreements	SA	1	CIA/Audit Manager	Remind Legal Department by September 2012.
Provide ongoing training in respect of fraud & corruption work to be provided to improve skills	SA	3	CIA/Audit Manager	March 2013
Review of Audit Strategy/Development Plan, Audit Charter and Audit Manual	SA	3	CIA/Audit Manager	March 2013
A fraud response plan is to be developed in 2012/13 which will include notification protocols.	SA	2	CIA/Audit Manager	March 2013
Independence				
CIA reporting to Members and Officers in her own name to be reviewed	SA	3	CIA/Head of Corporate Finance & ICT	March 2013
A review of budget delegation is to be undertaken as part of Finance review	SA	2	CIA/Financial Support Services	March 2013
Ethics for Internal Auditors				
Formal Policy to be compiled re time period set for staff where they do not undertake an audit in an area where they have had previous operational roles.	SA	1	CIA/Audit Manager	December 2012
Regular training sessions on specific topics to be introduced to keep auditors up to date	SA	2	CIA	Ongoing
Audit Committees				
Continue to improve and enhance Audit & Governance Committee Reports	SA	3	CIA/Audit Manager/Computer Auditor	Ongoing

Action	Source SA	Priority 1 - Low 2 - Med 3 -High	Responsible Officer	Action By (Date) / Progress
Staffing, Training & Continuing Professional Development				
Consider reviewing skills and competencies using CIPFA's skills and competency framework as part of PRD process.	SA	1	CIA / Audit Manager	Complete for 2013/14 PDR process
Review and monitor development plans	SA	1	CIA/Audit Manager	March 2013
Establish records of professional training and development for all staff	SA	1	All Audit Staff	September 2012
Audit Strategy & Planning				
Internal Audit Strategy to be compiled and approved by Audit & Governance Committee	SA	3	CIA/Audit Manager	March 2013
A review of the Assurance Framework to be undertaken in 2012/13 and outcomes considered as part of the planning process.	SA	3	CIA/Audit Manager	December 2012
Use risk registers in planning processs once they are established	SA	3	CIA/Audit Manager/Computer Auditor	Complete for 2013/14 planning process
(i) Review risk assessment methodology and process (ii) Consult with Senior Leadership Team, Departmental Management Team and Senior Managers as part of audit planning process	SA	3	CIA/Audit Manager/Computer Auditor	(i) Complete for 2013/14 planning process. (ii) Complete for 2012/13 planning process.
Undertaking Audit Work				
Risk Based Audit approach to be fully developed in 2012/13.	SA	3	CIA/Audit Manager	March 2013
Recording Audit Assignments				
Policy to be developed in relation to access and booking out of audit files and records	SA	1	CIA/Audit Manager	March 2013
Reporting				
Protocol for issuing Audit Reports to be agreed and implemented.	SA	3	CIA/Audit Manager/Computer Auditor	June 2012
New Audit Report format to be agreed and implemented.	SA	3	CIA/Audit Manager/Computer Auditor	June 2012
Review follow-up mechanisms and include in Audit Manual	SA	3	CIA/Audit Manager	December 2012

Action	Source SA	Priority 1 - Low 2 - Med 3 -High	Responsible Officer	Action By (Date) / Progress
Escalation Policy to be compiled and approved by SLT and Audit & Governance Committee	SA	3	CIA/Audit Manager	September 2012
Develop reporting to the Senior Leadership Team	SA	3	CIA/Audit Manager	September 2012
Performance, Quality & Effectiveness				
Research comparitors, develop further targets to measure performance and processes for collection. Report progress against these regularly and summarise results in annual report. This to include compliance with CIPFA Code and reporting of Self Assessment.	SA	2	CIA/Audit Manager	December 2012.

SA - Self Assessment of Internal Audit