



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

Action Plan to ensure Compliance with the Public Sector Internal Audit Standards and the Local Government Application

Note

This action plan has been produced following the completion of the checklist that was 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. The action plan identifies those areas where at present Internal Audit do not fully meet the requirements of the standards and as such a programme of work is now required to ensure compliance.

Key to Terminology used in the document;

PSIAS	Public Sector Internal Audit Standards	LGAN	Local Government Application Note
CIPFA	Chartered Institute of Public Finance & Accountancy	AAT	Association of Accounting Technicians
ACCA	Association of Certified Chartered Accountants	CPD	Continuing Professional Development
A&R	Audit and Risk Committee	EMT	Executive Management Team
WMT	Wider Management Team	HoS	Heads of Service
BM	Business Managers	SCAG	Staffordshire Chief Auditors Group
SCFOG	Staffordshire Chief Financial Officers Group	AGS	Annual Governance Statement
WP	Working Papers	CAE	Chief Audit Executive
CFO	Chief Finance Officer	QAIP	Quality Assurance Improvement Programme
GRACE	Councils Risk Management System		

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?			N		March 2015
	Do internal auditors have sufficient knowledge of key information technology risks and controls?		P		<p>This has been identified as an area of weakness within the team as it is such a specialist area of work. The size of the audit team does not justify a FTE Computer Audit Specialist therefore the Audit service currently buys in 30 days specialist computer audit work as part of the annual audit plan.</p> <p>In addition to this the Staffordshire Chief Auditors Group are trying to develop the IT skills within our own teams through an IT Sub Group which comprises auditors with some IT awareness – the aim of the group is to share best practice in order to enhance the skills in this area.</p>	March 2015
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?		P		This is an area that needs to be developed further and is an area of work being considered by the Staffordshire Chief Auditors IT Sub Group	March 2015
	Do internal auditors maintain a record of their professional development and training activities?		P		Training records need to be reviewed and updated	March 2015

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	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?		P		A more formalised QAIP needs to be developed in line with the PSIAS	March 2015
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?		P		A more formalised QAIP needs to be developed in line with the PSIAS	March 2015
	Does the CAE maintain the QAIP		P		A more formalised QAIP needs to be developed in line with the PSIAS	March 2015
	Does the QAIP include both internal and external assessments?		P		At present the QAIP is an internal assessment only, the SCAG is currently looking at how external assessments can be developed.	March 2015
	Do internal assessments include on-going monitoring of the internal audit activity, such as:- a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	Y	P		All reports are reviewed at the draft stage by the Audit Manager before they are issued. In addition a further review is made of the final report once the findings and recommendations have been discussed and agreed. Working papers are reviewed – however given that they are stored as word/excel documents within Microsoft office – it is not practical for the Audit Manager to go in and sign off every WP. The introduction of a fully integrated audit management system would assist with this process	March 2016

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	Are periodic self-assessments or assessments carried out by people external to the internal activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.?			N	This is on the work programme for SCAG and is to be discussed at their July meeting	March 2015
LGAN	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?			N	This will be included as part of the external assessment work that SCAG are currently looking at.	March 2015
	Has an external assessment been carried out, or is planned to be carried out, at least once every 5 years?			N	A timetable for the completion of external assessments will be looked at by SCAG.	March 2015
	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?			N	A report will be submitted to the Audit and Risk Committee with regards to the proposals for an external assessment	March 2015
LGAN	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?			N	The scope of the assessment will be discussed and agreed with S151 officer who attends SCFOG	March 2015
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?			N	The external assessment programme that is being looked at with SCAG will define the scope of the assessment.	March 2015

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	<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 an organisation of similar size b) complexity c) sector (i.e. the public sector) d) industry (i.e. 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>			N	Assessment has not yet been undertaken. These issues will be incorporated into the scope of the external assessment	March 2015
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?			N	The criteria for this will be defined by SCAG	March 2015
	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 part of or under the control of the organisation to which the internal audit activity belongs.			N	The external assessment team will not be part of the organisation to which internal audit belongs	March 2015

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	<p>Has the CAE reported the result of the QAIP to senior management and the board?</p> <p>Note that:</p> <ul style="list-style-type: none"> a) the results of both external and periodic internal assessment must be communicated upon completion b) the results of the on-going monitoring must be completed annually 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		<p>External Assessment has not yet been undertaken.</p> <p>However a report has been taken regarding the internal self-assessment against the PSIAS</p>	March 2015
LGAN	Does the risk based plan differentiate between audit and other types of work?			N	The audit plan relates to those areas identified for review as a result of the risk assessment however the Audit Manager when calculating the resource available to complete the plan will have days set aside as a contingency to cover investigations and any consultancy work. The consultancy days are not detailed in the audit plan. The Audit Manager will look to identify these days with the plan	March 2015

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	<p>Has the CAE developed and put into place policies and procedures to guide the internal audit activity?</p>		P		<p>A folder is maintained electronically of all Audit Documentation – this contains audit briefs and programmes.</p> <p>CIPFA Audit Manual is available for all auditors</p> <p>Audit Protocol sets out procedures for auditors to follow – this document is also circulated to EMT, HoS & Business Managers as well as being available on the intranet.</p> <p>The audit documentation folder needs further development – this would be assisted with a fully integrated audit management system.</p>	<p>March 2015</p>

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LGAN	<p>Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems.</p>		P		<p>A folder is maintained electronically of all Audit Documentation – this contains audit briefs and programmes.</p> <p>CIPFA Audit Manual is available for all auditors</p> <p>Audit Protocol sets out procedures for auditors to follow – this document is also circulated to EMT, HoS & Business Managers as well as being available on the intranet.</p> <p>The audit documentation folder needs further development – this would be assisted with a fully integrated audit management system.</p>	March 2015
	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?			N	An assurance mapping process needs to be developed	March 2015
LGAN	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?			N	An assurance mapping process needs to be developed	March 2015
	Does the internal audit activity evaluate and contribute to the improvement of the above using a disciplined and systematic approach and is this evidenced?			N	Evidence of the assurance mapping process will be documented.	March 2015

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	<p>Has the internal audit activity evaluated the:</p> <ul style="list-style-type: none"> a) Design b) Implementation, and c) Effectiveness <p>of the organisation's ethics related objectives, programmes and activities?</p>			N	<p>The Audit Manager will look to incorporate an audit of 'ethical governance' in the audit plan for 2015/16</p>	March 2016
	<p>For significant consulting engagements, has this understanding been documented?</p>		P		<p>This would normally be in the form of email correspondence.</p> <p>A formal process will be defined along similar lines to the audit briefs that are produced for the audit areas contained within the audit plan.</p>	March 2015

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	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?		P		Where additional issues arise that require consideration – Audit Manager will consult with management – dependent upon the issues that have been identified these will either be reviewed at the time as an additional piece of work or will be included in next year’s audit plan. Resources within a small team do not allow every issue to be reviewed.	March 2015
	Is appropriate evidence of supervision documented and retained for each engagement?		P		There will be email correspondence that evidences this but nothing formal is in place. A process needs to be developed – the implementation of an integrated audit management system would assist with this.	March 2015
	Do internal auditors report that engagements are “conducted in conformance with the PSIAS” only if the results of the QAIP support such a statement?			N	Internal Audit reports do not state that they have been conducted in accordance with the PSIAS standards. The audit manager will review the report template and look to include a suitable form of words that will cover this.	March 2015

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	<p>Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:</p> <ul style="list-style-type: none"> a) The principle rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results? 			N	<p>This is not done at present consideration will be given to the need to disclose such information as part of the audit assignments – in the event that this should occur</p>	<p>March 2015</p>

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
LGAN LGAN LGAN LGAN LGAN LGAN	Does the annual report incorporate the following: a) The annual internal audit opinion b) A summary of the work that supports that opinion? c) A disclosure of any qualifications to the opinion? d) The reasons for any for any qualifications to the opinion? e) A disclosure of any impairments or restrictions in scope? f) A comparison or work actually carried out with the work planned? g) A statement on conformance with the PSIAS h) The results of the QAIP i) Progress against any improvement plans resulting form the QAIP? j) A summary of the performance of the internal audit activity against its performance measures and targets? k) Any other issues which the CAE judges is relevant to the preparation of the governance statement?		P		At present there is no formal QAIP therefore this is not included in the annual report. Once developed, the QAIP will ensure that these issues are covered.	March 2015
	Where issues have changed during the follow-up process, has the CAE considered revising the internal audit opinion?			N	Audit opinion is based on findings at time of review – this would be reviewed as part of the next audit assignment	March 2015