

**CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND THE LOCAL GOVERNMENT APPLICATION NOTE (LGAN)**

**Key:**

- GC Generally Conforms with PSIAS.** The relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section / category. General conformance does not require complete / perfect conformance, the ideal situation, successful practice, etc.
- PC Partially Conforms with PSIAS.** The activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and / or achieving their objectives.
- DNC Does Not Conform with PSIAS.** The activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many / all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.
- N/A Not Applicable.** The sections marked N/A do not apply to this assessment, i.e. there has not yet been an external assessment, the use of 'conforms with International Standards' or disclosure of non-conformance can only be used after this assessment, there are no external providers of audit services.
- CAE Chief Audit Executive.** A generic title used to describe the person responsible for managing the internal audit activity. In Flintshire, it is the Internal Audit Manager.

|                  | <b>SUMMARY OF RESULTS</b>   | <b>GC</b> | <b>PC</b> | <b>DNC</b> |
|------------------|---|-----------|-----------|------------|
|                  |   |           |           |            |
|                  | <b>Definition of Internal Auditing</b>  | ✓         |           |            |
|                  |   |           |           |            |
|                  | <b>Code of Ethics</b>   | ✓         |           |            |
|                  |   |           |           |            |
|                  | <b>Attribute Standards</b>  |           |           |            |
| <b>Reference</b> |   |           |           |            |
| 1000             | Purpose, Authority and Responsibility   | ✓         |           |            |
| 1010             | Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter | ✓         |           |            |
| 1100             | Independence and Objectivity (The sum of <i>Standards</i> 1100-1130)  | ✓         |           |            |
| 1110             | Organisational Independence   | ✓         |           |            |
| 1111             | Direct Interaction with the Board   | ✓         |           |            |
| 1120             | Individual Objectivity  | ✓         |           |            |
| 1130             | Impairments to Independence or Objectivity  | ✓         |           |            |

|      | <b>SUMMARY OF RESULTS</b>   | <b>GC</b> | <b>PC</b> | <b>DNC</b> |
|------|---|-----------|-----------|------------|
| 1200 | Proficiency and Due Professional Care (The sum of <i>Standards</i> 1210-1230)                       | ✓         |           |            |
| 1210 | Proficiency   | ✓         |           |            |
| 1220 | Due Professional Care   | ✓         |           |            |
| 1230 | Continuing Professional Development   | ✓         |           |            |
| 1300 | Quality Assurance and Improvement Programme (The sum of <i>Standards</i> 1310-1320)                 | ✓         |           |            |
| 1310 | Requirements of the Quality Assurance and Improvement Programme                                     |           | ✓         |            |
| 1311 | Internal Assessments  | ✓         |           |            |
| 1312 | External Assessments  | ✓         |           |            |
| 1320 | Reporting on the Quality Assurance and Improvement Programme  | ✓         |           |            |
| 1321 | Use of Conforms with the International Standards for the Professional Practice of Internal Auditing | ✓         |           |            |
| 1322 | Disclosure of Non-conformance   | ✓         |           |            |

|                  | <b>SUMMARY OF RESULTS</b>  | <b>GC</b> | <b>PC</b> | <b>DNC</b> |
|------------------|--|-----------|-----------|------------|
|                  | <b>Performance Standards</b>   |           |           |            |
| <b>Reference</b> |  |           |           |            |
| 2000             | Managing the Internal Audit Activity (Sum total of <i>Standards</i> 2010 – 2060) | ✓         |           |            |
| 2010             | Planning   | ✓         |           |            |
| 2020             | Communication and Approval   | ✓         |           |            |
| 2030             | Resource Management  | ✓         |           |            |
| 2040             | Policies and Procedures  | ✓         |           |            |
| 2050             | Coordination   | ✓         |           |            |
| 2060             | Reporting to Senior Management and the Board                                     | ✓         |           |            |
| 2070             | External service Provider and Organisational Responsibility for Internal Audit   | N/A       | N/A       | N/A        |
| 2100             | Nature of Work (Sum of <i>Standards</i> 2110 – 2130)                             | ✓         |           |            |
| 2110             | Governance   | ✓         |           |            |
| 2120             | Risk Management  | ✓         |           |            |
| 2130             | Control  | ✓         |           |            |

|      | <b>SUMMARY OF RESULTS</b>   | <b>GC</b> | <b>PC</b> | <b>DNC</b> |
|------|---|-----------|-----------|------------|
| 2200 | Engagement Planning (Sum of <i>Standards</i> 2201-2240)           | ✓         |           |            |
| 2201 | Planning Considerations   | ✓         |           |            |
| 2210 | Engagement Objectives   | ✓         |           |            |
| 2220 | Engagement Scope  | ✓         |           |            |
| 2230 | Engagement Resource Allocation                                    | ✓         |           |            |
| 2240 | Engagement Work Programme   | ✓         |           |            |
| 2300 | Performing the Engagement (The sum of <i>Standards</i> 2300-2340) | ✓         |           |            |
| 2310 | Identifying Information   | ✓         |           |            |
| 2320 | Analysis and Evaluation   | ✓         |           |            |
| 2330 | Documenting Information   | ✓         |           |            |
| 2340 | Engagement Supervision  | ✓         |           |            |
| 2400 | Communicating Results (Sum of <i>Standards</i> 2410-2440)         | ✓         |           |            |
| 2410 | Criteria for Communicating  | ✓         |           |            |
| 2420 | Quality of Communications   | ✓         |           |            |

|      | <b>SUMMARY OF RESULTS</b>  | <b>GC</b> | <b>PC</b> | <b>DNC</b> |
|------|--|-----------|-----------|------------|
| 2421 | Errors and Omissions   | ✓         |           |            |
| 2430 | Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'. | ✓         |           |            |
| 2431 | Engagement Disclosure of Non-conformance   | ✓         |           |            |
| 2440 | Disseminating Results  | ✓         |           |            |
| 2450 | Overall Opinions   | ✓         |           |            |
| 2500 | Monitoring Progress  | ✓         |           |            |
| 2600 | Resolution of Senior Management s Acceptance of Risks  | ✓         |           |            |
|      |  |           |           |            |
|      | <b>OVERALL CONCLUSION – CONFORMANCE WITH PSIAS</b>   | ✓         |           |            |

| Ref      | Conformance with the Standard  | GC               | PC | DNC | Evidence  |
|----------|--|------------------|----|-----|---|
| <b>1</b> | <b>Definition of Internal Auditing</b>   |                  |    |     |   |
|          | Using evidence gained from assessing conformance with other Standards, is the internal audit activity:<br>a) Independent?<br>b) Objective?   | ✓<br>✓           |    |     | See questions below<br>Charter updated during 2013 to reflect the new PSIAS, including the definition of Internal Audit.  |
|          | 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?  | ✓                |    |     | See questions below   |
|          | <b>Definition Conclusion</b>   | ✓                |    |     |   |
| <b>2</b> | <b>Code of Ethics</b>  |                  |    |     |   |
|          | <b>Integrity</b><br>Using evidence gained from assessing conformance with other Standards, do internal auditors:<br>a) Perform their work with honesty, diligence and responsibility?<br>b) Observe the law and make disclosures expected by the law and the profession?<br>c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation?<br>d) Respect and contribute to the legitimate and ethical objectives of the organisation? | ✓<br>✓<br>✓<br>✓ |    |     | See questions below.<br><br>As professional officers, each internal auditor is expected to perform their duties in accordance with the CIAA's code of ethics, as well as FCC's code of conduct. |
|          | <b>Objectivity</b><br>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:<br>a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?<br>b) Accepting anything that may impair or be presumed to impair their professional judgement?<br>c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?                              | ✓<br>✓<br>✓      |    |     | See questions below<br><br>Completion of annual declaration of interest, compliance with FCC Code of Conduct.   |
|          | <b>Confidentiality</b>   |                  |    |     |   |

| Ref         | Conformance with the Standard   | GC          | PC | DNC | Evidence   |
|-------------|---|-------------|----|-----|--|
|             | Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:<br>a) Acting prudently when using information acquired in the course of their duties and protecting that information?<br>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?           | ✓<br>✓      |    |     | See questions below.<br>All work is undertaken in a confidential manner. All documentation is held securely with retention policies in place. All sensitive data is exported using GCSX email accounts. Laptops all encrypted.     |
|             | <b>Competency</b><br>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:<br>a) Only carrying out services for which they have the necessary knowledge, skills and experience?<br>b) Performing services in accordance with the PSIAS?<br>c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes? | ✓<br>✓<br>✓ |    |     | See questions below.<br>Regular training in services to be audited. Expertise developed over time in complex areas.<br>Training plans based on appraisals, now competency based. Development Plan compiled from latest appraisals. |
|             | Do internal auditors have regard to the Standards of Public Life's Seven Principles of Public Life?   | ✓           |    |     | See questions below  |
|             | <b>Code of Ethics Conclusion</b>  | ✓           |    |     |  |
|             |   |             |    |     |  |
|             | Standards   |             |    |     |  |
| <b>3</b>    | <b>Attribute Standards</b>  |             |    |     |  |
| <b>3.1</b>  | <b>1000 Purpose, Authority and Responsibility</b>   |             |    |     |  |
|             | Does the internal audit charter include a formal definition of:<br>a) the purpose<br>b) the authority, and<br>c) the responsibility<br>of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?   | ✓<br>✓<br>✓ |    |     | The Internal Audit Charter includes the responsibilities, independence, role and rights of access. It is part of the Constitution. These are also included in the Council's Financial Regulations.                                 |
| <b>LGAN</b> | Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity?<br>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.   |             | ✓  |     | Sets out each of the functions of the board and where it lies.   |
|             | Does the internal audit charter also:<br>a) Set out the internal audit activity's position within the organisation?   |             |    |     | The Charter includes sections on the Role and Scope of IA, Independence and Authority, Audit   |



| Ref         | Conformance with the Standard  | GC | PC | DNC | Evidence  |
|-------------|--|----|----|-----|---|
| <b>LGAN</b> | b) Establish the CAE's functional reporting relationship with the board?   | ✓  |    |     | <p>Responsibility, Resources, Training, Reporting and Performance Reporting.</p> <p>It includes the reporting relationships of the Audit Manager to statutory officers and the Audit Committee.</p> <p>Unrestricted access to all activities, functions, records and property.</p> <p>The right to require information from officers.</p> <p>The contribution is in place through all audit work and the Audit Manager's chairmanship of the Corporate Governance Working Group.</p> <p>Responsible for investigating potential fraud and irregularity.</p> <p>PSIAS recognised within the scope.</p> |
|             | c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?  | ✓  |    |     |   |
| <b>LGAN</b> | 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?                      | ✓  |    |     |   |
|             | 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? | ✓  |    |     |   |
| <b>LGAN</b> | f) Define the scope of internal audit activities?  | ✓  |    |     |   |
| <b>LGAN</b> | g) Recognise that internal audit's remit extends to the entire control environment of the organisation?  | ✓  |    |     |   |
| <b>LGAN</b> | 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?  | ✓  |    |     |   |
|             | i) Establish the organisational independence of internal audit?  | ✓  |    |     |   |
| <b>LGAN</b> | j) Cover the arrangements for appropriate resourcing?  | ✓  |    |     |   |
|             | k) Define the role of internal audit in any fraud-related work?  | ✓  |    |     |   |
|             | 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?                                | ✓  |    |     |   |
|             | m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?  | ✓  |    |     |   |
|             | n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?   | ✓  |    |     |   |
|             | o) Define the nature of consulting services?   | ✓  |    |     |   |
|             | p) Recognise the mandatory nature of the PSIAS?  | ✓  |    |     |   |
|             | Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?  |    | ✓  |     |   |
|             | Does the CAE attend audit committee meetings?  | ✓  |    |     | Attendance at all meetings.   |
|             | Does the CAE contribute to audit committee agendas?  | ✓  |    |     | Produces the Forward Work Programme.  |
|             |  |    |    |     |   |

| Ref         | Conformance with the Standard  | GC               | PC | DNC | Evidence   |
|-------------|--|------------------|----|-----|--|
|             | <b>1000 Conclusion</b>   | ✓                |    |     |  |
|             |  |                  |    |     |  |
| <b>3.2</b>  | <b>1100 Independence and Objectivity</b>   |                  |    |     |  |
|             | Does the CAE have direct and unrestricted access to senior management and the board?   | ✓                |    |     | The manager reports functionally to the Audit Committee and Administratively to the Chief Officer Governance. He can contact the s151 Officer, any Chief Officer or the Chief Officer Team as a whole at any time, and also can contact the Audit Committee at any time. |
|             | 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?  | ✓                |    |     | Manager can contact Chief Executive and Chair of Audit at any time.  |
|             | Are threats to objectivity identified and managed at the following levels:<br>a) Individual auditor?<br>b) Engagement?<br>c) Functional?<br>d) Organisation?   | ✓<br>✓<br>✓<br>✓ |    |     | Auditors identify any conflict and report them to audit management.<br>All other levels included in the Charter and Constitution.  |
|             |  |                  |    |     |  |
|             | <b>1100 Conclusion</b>   | ✓                |    |     |  |
|             |  |                  |    |     |  |
|             | <i>1110 organisational Independence</i>  |                  |    |     |  |
|             | Does the CAE report to an organisational level equal or higher than the corporate management team?   | ✓                |    |     | See above – manager reports to the Chief Officer Governance.   |
| <b>LGAN</b> | Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?   | ✓                |    |     | See above - manager reports to the Chief Officer Governance.   |
| <b>LGAN</b> | Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity?<br>This is of particular importance when the CAE is line managed by another officer of the authority.   | ✓                |    |     | See above - manager reports to the Chief Officer Governance and the Audit Committee and can contact the Chief Executive at any time.   |
| <b>LGAN</b> | Does the CAE's position in the management structure:<br>a) Reflect the influence he or she has on the control environment?<br>b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?<br>c) Ensure that he or she is sufficiently senior and independent to be able | ✓<br>✓<br>✓      |    |     | Manager is a member of the Governance Management Team. Audit plans are agreed with COT and Audit Committee. Audit Reports, including action plans, are issued to the relevant Chief Officer.   |

| Ref | Conformance with the Standard  | GC                             | PC | DNC | Evidence  |
|-----|--|--------------------------------|----|-----|---|
|     | to provide credibly constructive challenge to senior management?   |                                |    |     |   |
|     | Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?<br>The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity:<br>The board:<br>a) approves the internal audit charter<br><br>b) approves the risk-based audit plan<br><br>c) approves the internal audit budget and resource plan<br>d) receives communications from the CAE on the activity's performance (in relation to the plan, for example)<br>e) approves decisions relating to the appointment and removal of the CAE<br>f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations. | ✓<br><br>✓<br>✓<br>✓<br>✓<br>✓ |    |     | In the Annual Report. Also in annual meeting with the AC.<br><br>Audit Committee<br><br>Chief Officer Team and Audit Committee.<br><br>Chief Officer Governance<br>Audit Committee<br><br>Chief Officer Governance<br><br>Audit Committee |
|     | Does the chief executive or equivalent undertake, Countersign, contribute feedback to or review the performance appraisal of the CAE?  | ✓                              |    |     | First appraisal completed by Chief Officer Governance and Chief Executive March 2015.   |
|     | Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?  | ✓                              |    |     | First appraisal completed by Chief Officer Governance and Chief Executive March 2015. Feedback sought from chair of the Audit Committee.  |
|     |  |                                |    |     |   |
|     | <b>1110 Conclusion</b>   | ✓                              |    |     |   |
|     |  |                                |    |     |   |
|     | <i>1111 Direct Interaction with the Board</i>  |                                |    |     |   |
|     | Does the CAE communicate and interact directly with the board?   | ✓                              |    |     | Reports to each Audit Committee meeting. Private meeting takes place annually. If necessary, Manager can meet with the committee or chair at any time.  |
|     |  |                                |    |     |   |
|     | <b>1111 Conclusion</b>   | ✓                              |    |     |   |
|     |  |                                |    |     |   |

| Ref         | Conformance with the Standard   | GC | PC | DNC | Evidence   |
|-------------|---|----|----|-----|--|
|             | <i>1120 Individual Objectivity</i>  |    |    |     |  |
|             | Do internal auditors have an impartial, unbiased attitude?  | ✓  |    |     |  |
|             | Do internal auditors avoid any conflict of interest, whether apparent or actual?  | ✓  |    |     | Auditors complete annual declaration of interests. Auditors report any potential conflict to audit management. Also considered during the allocation of work to auditors. No members of the team have recently worked in other areas of the Authority. |
|             |   |    |    |     |  |
|             | <b>1120 Conclusion</b>  | ✓  |    |     |  |
|             |   |    |    |     |  |
|             | <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. None has arisen.  |
|             | Have internal auditors assessed specific operations for which they have been responsible within the previous year?  | ✓  |    |     | No members of the team have recently worked in other areas of the Authority.   |
|             | 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?   |    |    |     | N/A. Manager does not have any operational responsibility.   |
| <b>LGAN</b> | Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?   | ✓  |    |     | The team is large enough to allow this.  |
| <b>LGAN</b> | Have internal auditors declared interests in accordance with organisational requirements?   | ✓  |    |     | Auditors sign declarations of interest forms annually.   |
| <b>LGAN</b> | Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?                   |    |    |     | N/A. None accepted. If this happened, they would be recorded in the Portfolio register.  |
| <b>LGAN</b> | Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?   | ✓  |    |     | This has not happened.   |
| <b>LGAN</b> | 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?   | ✓  |    |     | Auditors sign declaration of interest forms annually and report any conflicts of interest if they arise.   |

| Ref         | Conformance with the Standard   | GC | PC | DNC | Evidence  |
|-------------|---|----|----|-----|---|
| <b>LGAN</b> | Have internal auditors complied with the Bribery Act 2010?  | ✓  |    |     | See above.  |
|             | 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?         |    |    |     | N/A. None has arisen.   |
|             | 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?                |    |    |     | N/A. Plan allows time for some consulting work.   |
|             | <b>1130 Conclusion</b>  | ✓  |    |     |   |
| <b>3.3</b>  | <b>1200 Proficiency and Due Professional Care</b>   |    |    |     |   |
|             | 1210 Proficiency  |    |    |     |   |
|             | Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?   | ✓  |    |     | CFIIA, QIAL.  |
|             | Is the CAE suitably experienced?  | ✓  |    |     | In Internal Audit since 1982, management positions since 1999, Manager at FCC since 2005 working for RSM Tenon. Employed by the Council since 2013. |
| <b>LGAN</b> | Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?  | ✓  |    |     | Manager fully responsible for recruitment.  |
| <b>LGAN</b> | 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 and person specifications redefined as part of Finance Function Review, 2012.  |
|             | Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?  | ✓  |    |     | Auditor competencies assessed. Annual competency based appraisals carried out.  |
|             | 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?                                  | ✓  |    |     | If necessary can buy in expertise, e.g. IT audit  |
|             | Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?   | ✓  |    |     | Manager, Principal Auditors and some Senior Auditors keep up to date on fraud requirements and attend training days.                                |
|             | Do internal auditors have sufficient knowledge of key information technology risks and controls?  | ✓  |    |     | Principal Auditors and some Senior Auditors specialise in IT work. A Principal is a qualified IT  |

| Ref         | Conformance with the Standard   | GC                    | PC | DNC | Evidence  |
|-------------|---|-----------------------|----|-----|---|
|             |   |                       |    |     | Auditor.  |
|             | 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?  | ✓                     |    |     | Members of the team keep up to date on Computer Assisted Audit Techniques. IDEA is used for most regulatory reviews.  |
|             | <b>1210 Conclusion</b>  | ✓                     |    |     |   |
|             | <i>1220 Due Professional Care</i>   |                       |    |     |   |
|             | Do internal auditors exercise due professional care by considering the:<br>a) Extent of work needed to achieve the engagement's objectives?<br>b) Relative complexity, materiality or significance of matters to which assurance procedures are applied?<br>c) Adequacy and effectiveness of governance, risk management and control processes?<br>d) Probability of significant errors, fraud, or non-compliance?<br>e) Cost of assurance in relation to potential benefits? | ✓<br>✓<br>✓<br>✓<br>✓ |    |     | Overall consideration for the organisation takes place as part of the annual planning cycle. Analysis of these factors takes place in the planning stage of every assignment. Now use Pre-Audit Questionnaire and scoping meeting to gain information. CAATs used where appropriate. All documented in the audit manual. This was updated in 2015 to reflect the implementation of audit software and the move to electronic files. |
|             | Do internal auditors exercise due professional care during a consulting engagement by considering the:<br>a) Needs and expectations of clients, including the nature, timing and communication of engagement results?<br>b) Relative complexity and extent of work needed to achieve the engagement's objectives?<br>c) Cost of the consulting engagement in relation to potential benefits?  | ✓<br>✓<br>✓           |    |     | Considered during the planning of any consultancy work by auditors and Principal Auditors.  |
|             | <b>1220 Conclusion</b>  | ✓                     |    |     |   |
|             | <i>1230 Continuing Professional Development</i>   |                       |    |     |   |
| <b>LGAN</b> | Has the CAE defined the skills and competencies for each level of auditor?  | ✓                     |    |     | Defined in the person specification for each position.  |
| <b>LGAN</b> | Does the CAE periodically assess individual auditors against the predetermined skills and competencies?   | ✓                     |    |     | Annual competency based appraisal process.  |
|             | Do internal auditors undertake a programme of continuing professional   | ✓                     |    |     | Each auditor is responsible for their own CPD to  |

| Ref         | Conformance with the Standard   | GC | PC | DNC | Evidence   |
|-------------|---|----|----|-----|--|
|             | development?  |    |    |     | meet the requirements of their professional body. Departmental development plan compiled after the last round of appraisals. |
|             | Do internal auditors maintain a record of their professional development and training activities?   | ✓  |    |     | Training log maintained by the department.   |
|             | <b>1230 Conclusion</b>  | ✓  |    |     |  |
| <b>3.4</b>  | <b>1300 Quality Assurance and Improvement Programme</b>   |    |    |     |  |
|             | Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?                              | ✓  |    |     | QAIP in place based on overall requirements and results of last year's internal assessment.                                  |
|             | Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?  | ✓  |    |     | Assessment last year used as a starting point.   |
|             | Does the CAE maintain the QAIP?   | ✓  |    |     | QAIP developed by the manager.   |
| <b>LGAN</b> | 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)? |    |    |     | Now also a requirement in Wales. This review meets the requirement.  |
|             | <b>1300 Conclusion</b>  | ✓  |    |     |  |
|             | <i>1310 Requirements of the Quality Assurance and Improvement Programme</i>   |    |    |     |  |
|             | Does the QAIP include both internal and external assessments?   |    | ✓  |     | Internal assessments completed each year, external assessment to be completed in 2016/17.                                    |
|             | <b>1310 Conclusion</b>  |    | ✓  |     |  |
|             | <i>1311 Internal Assessments</i>  |    |    |     |  |
| <b>LGAN</b> | Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?   | ✓  |    |     | Part of the planning process annually and for individual assignments.  |

| Ref         | Conformance with the Standard   | GC     | PC | DNC | Evidence   |
|-------------|---|--------|----|-----|--|
|             | Do internal assessments include ongoing monitoring of the internal audit activity such as:<br>a) Routine quality monitoring processes?<br>b) Periodic assessments for evaluating conformance with the PSIAS?  | ✓<br>✓ |    |     | All work is subject to quality review.<br>Annual internal assessments  |
| <b>LGAN</b> | Does ongoing performance monitoring include comprehensive performance targets?  | ✓      |    |     | There are performance targets for the department and each staff member.  |
| <b>LGAN</b> | Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?   | ✓      |    |     | Departmental targets agreed with Audit Committee. Entered into the Service Plan. Individual targets agreed during annual appraisals.   |
| <b>LGAN</b> | Does the CAE measure, monitor and report on progress against these targets?   | ✓      |    |     | Progress against departmental targets reported to Audit Committee quarterly.   |
| <b>LGAN</b> | Does ongoing performance monitoring include obtaining stakeholder feedback?   | ✓      |    |     | Feedback questionnaires issued on completion of every assignment. Results are positive.  |
|             | 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?<br>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. | ✓      |    |     | Self Assessments have been carried out against these Standards by the Audit Manager and Principal Auditors.  |
| <b>LGAN</b> | Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?   | ✓      |    |     |  |
|             |   |        |    |     |  |
|             | <b>1311 Conclusion</b>  | ✓      |    |     |  |
|             |   |        |    |     |  |
|             | <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?   | ✓      |    |     | QA review of files carried out by RSM Tenon during 2012/13. External review against PSIAS planned for 2016/17.   |
| <b>LGAN</b> | Has the CAE considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?   | ✓      |    |     | Yes. Self assessment plus independent validation to be completed. Organised via the Wales Chief Auditors Group and to be carried out by the Head of Internal Audit Ceredigion. |
|             | Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment  | ✓      |    |     | Part of this paper to the Audit Committee.   |



| Ref         | Conformance with the Standard   | GC | PC | DNC | Evidence  |
|-------------|---|----|----|-----|---|
|             | team with the board?  |    |    |     |   |
| <b>LGAN</b> | Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CEO or the chief executive?  |    |    |     | N/A. To be completed in planning the review.  |
|             | Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?  |    |    |     | N/A. To be completed in planning the review.  |
|             | Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process?<br>Competence can be determined in the following ways:<br>a) experience gained in organisations of similar size<br>b) complexity<br>c) sector (i.e. the public sector)<br>d) industry (i.e. local government), and<br>e) technical experience.<br>Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member. |    |    |     | N/A. Not yet completed.   |
|             | How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?   |    |    |     | N/A. Not yet completed.   |
|             | 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.   | ✓  |    |     | Peer review to be completed by the Head of Internal Audit for Ceredigion.   |
|             | <b>1312 Conclusion</b>  |    |    |     | N/A   |
|             | <i>1320 Reporting on the Quality Assurance and Improvement Programme</i>  |    |    |     |   |
|             | Has the CAE reported the results of the QAIP to senior management and the board?<br>Note that:<br>a) the results of both external and periodic internal assessment must be communicated upon completion<br>b) the results of ongoing monitoring must be communicated at least annually<br>c) the results must include the assessor's or assessment team's   | ✓  |    |     | This report for 2015/16. Report for 2014/15 presented to Audit Committee in March 2015. Progress against action plan also reported. |

| Ref        | Conformance with the Standard   | GC | PC | DNC | Evidence   |
|------------|---|----|----|-----|--|
|            | evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.  |    |    |     |  |
|            | Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?   | ✓  |    |     | Included in the report to this meeting.  |
|            | <b>1320 Conclusion</b>  | ✓  |    |     |  |
|            | <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?                                       | ✓  |    |     | Based on the results of the previous assessment. Stated in each audit report.  |
|            | <b>1321 Conclusion</b>  | ✓  |    |     |  |
|            | <i>1322 Disclosure of Non-conformance</i>   |    |    |     |  |
|            | Has the CAE reported any instances of non-conformance with the PSIAS to the board?  | ✓  |    |     | This report shows conformance or non-conformance.  |
|            | Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?                             | ✓  |    |     | Considered for the governance statement.   |
|            | <b>1322 Conclusion</b>  | ✓  |    |     |  |
| <b>4</b>   | <b>Performance Standards</b>  |    |    |     |  |
| <b>4.1</b> | <b>2000 Managing the Internal Audit Activity</b>  |    |    |     |  |
|            | 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?         | ✓  |    |     | Through the audit plan, as reported in the annual report.  |
|            | Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i>   | ✓  |    |     | Through the Charter and the audit manual.  |
|            | 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> ? | ✓  |    |     | Through the audit manual. All work subject to review. All complete a Declaration of Interests form.                      |
|            | Does the internal audit activity add value to the organisation and its stakeholders by<br>a) Providing objective and relevant assurance?                        | ✓  |    |     | Audit plan is based on the organisation's objectives. Audit reports contain recommendations to improve effectiveness and |

| Ref         | Conformance with the Standard   | GC          | PC | DNC | Evidence  |
|-------------|---|-------------|----|-----|---|
|             | b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?  | ✓           |    |     | efficiency. Additional advisory work and presence on project groups requested by management.                              |
|             | <b>2000 Conclusion</b>  | ✓           |    |     |   |
|             | <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?  | ✓           |    |     | RBIA in place. Strategic and operational plan based on the organisations objectives and risks, from the Improvement Plan. |
|             | Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?   | ✓           |    |     | Strategic and operational plan designed to provide evidence needed for annual opinion.                                    |
|             | Does the risk-based plan take into account the organisation's assurance framework?  | ✓           |    |     | Sources of assurance considered during planning.  |
|             | Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:<br>a) How the internal audit service will be delivered?<br>b) How the internal audit service will be developed in accordance with the internal audit charter?<br>c) How the internal audit service links to organisational objectives and priorities? | ✓<br>✓<br>✓ |    |     | Part of the Strategic Plan.<br><br>Stated in the Plan.<br><br>Part of the Strategic Plan.                                 |
|             | Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?   | ✓           |    |     | Strategic Plan includes how the plan was developed, including links to risk management.                                   |
|             | 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?  | ✓           |    |     | Risk management framework assessed by internal audit. Audit Universe given audit risk ratings.                            |
|             | If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?   |             |    |     | N/A   |
| <b>LGAN</b> | Does the risk-based plan set out the:<br>a) Audit work to be carried out?<br>b) Respective priorities of those pieces of audit work?<br>c) Estimated resources needed for the work?   | ✓<br>✓<br>✓ |    |     | All included in the plan.   |
| <b>LGAN</b> | Does the risk-based plan differentiate between audit and other types of work?   | ✓           |    |     | All work categorised within the plan.   |

| Ref         | Conformance with the Standard  | GC               | PC | DNC | Evidence   |
|-------------|--|------------------|----|-----|--|
| <b>LGAN</b> | Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?   | ✓                |    |     | The plan includes a contingency allowance, and is subject to review throughout the year.   |
|             | 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?   | ✓                |    |     | The plan is subject to review throughout the year, with amendments reported to the Audit Committee.  |
|             | Is the internal audit activity's plan of engagements based on a documented risk assessment?  | ✓                |    |     | The Council's strategic and operational risks are assessed and used in audit planning.   |
|             | Is the risk assessment used to develop the plan of engagements undertaken at least annually?   | ✓                |    |     | The Council's strategic and operational risks are assessed at least annually.  |
| <b>LGAN</b> | In developing the risk-based plan, has the CAE also considered the following:<br>a) Any declarations of interest (for the avoidance for conflicts of interest)?<br>b) The requirement to use specialists, e.g. IT or contract and procurement auditors?<br>c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?<br>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? | ✓<br>✓<br>✓<br>✓ |    |     | Considered in strategic and assignment planning.<br>Considered in strategic and assignment planning.<br>Included in the plan.<br><br>Included in the plan. |
|             | Is the input of senior management and the board considered in the risk assessment process?   | ✓                |    |     | Consultation takes place with senior management whilst producing the audit plan. Audit Committee views also taken into account.                            |
|             | Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?   | ✓                |    |     | During audit planning.   |
|             | 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?   | ✓                |    |     | All proposed consulting work is considered before it is accepted.  |
|             | Are consulting engagements that have been accepted included in the risk-based plan?  | ✓                |    |     | Added to the plan and reported to the Audit Committee.   |
|             |  |                  |    |     |  |
|             | <b>2010 Conclusion</b>   | ✓                |    |     |  |

| Ref         | Conformance with the Standard  | GC | PC | DNC | Evidence   |
|-------------|--|----|----|-----|--|
|             |  |    |    |     |  |
|             | <i>2020 Communication and Approval</i>   |    |    |     |  |
|             | Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?   | ✓  |    |     | Reported to Chief Officer Team and Audit Committee. Resource level supported by senior management and Audit Committee.                               |
|             | 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?  | ✓  |    |     | Reported to the Audit Committee if necessary.  |
|             | Has the CAE communicated the impact of any resource limitations to senior management and the board?  | ✓  |    |     | Reported to the Audit Committee and CMT. Annual plan included possible deferrals.  |
|             |  |    |    |     |  |
|             | <b>2020 Conclusion</b>   | ✓  |    |     |  |
|             |  |    |    |     |  |
|             | <i>2030 Resource Management</i>  |    |    |     |  |
|             | Does the risk-based plan explain how internal audit's resource requirements have been assessed?  | ✓  |    |     | From experience and in line with others.   |
| <b>LGAN</b> | Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?  | ✓  |    |     | Discussed in planning meetings and planned throughout the year.  |
| <b>LGAN</b> | If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?<br>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. | ✓  |    |     | Audit plan uses the resources available, sufficient to provide the audit opinion. May need to bring in specialised external resource for IT reviews. |
|             |  |    |    |     |  |
|             | <b>2030 Conclusion</b>   | ✓  |    |     |  |
|             |  |    |    |     |  |
|             | <i>2040 Policies and Procedures</i>  |    |    |     |  |
|             | Has the CAE developed and put into place policies and procedures to guide the internal audit activity?   | ✓  |    |     | Policies and procedures in place. Audit manual updated in 2015 after the introduction of integrated audit software. MKI checklist also produced.     |

| Ref         | Conformance with the Standard   | GC | PC | DNC | Evidence   |
|-------------|---|----|----|-----|--|
| <b>LGAN</b> | Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.  | ✓  |    |     | Policies and procedures in place. Audit manual updated in 2015 after the introduction of integrated audit software. MKI checklist also produced.               |
| <b>LGAN</b> | Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?   | ✓  |    |     | See above – updated during 2015.   |
|             | <b>2040 Conclusion</b>  | ✓  |    |     |  |
|             | <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?   | ✓  |    |     | Reliance placed on external auditors and regulators.   |
| <b>LGAN</b> | Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?  |    |    | ✓   | Assurance mapping to be completed in 2016.   |
|             | Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?   | ✓  |    |     | Regular meetings with external auditors.   |
| <b>LGAN</b> | Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?   | ✓  |    |     | Regular meetings with external auditors. Protocol in place with WAO  |
|             | <b>2050 Conclusion</b>  | ✓  |    |     |  |
|             | <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?   | ✓  |    |     | Quarterly reports to Audit Committee.  |
|             | 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?  | ✓  |    |     | Major findings reported. In addition, reports provided as requested by the Audit Committee.  |
|             | 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? | ✓  |    |     | Standard quarterly reporting. However, additional reporting would take place if there was sufficient importance and urgency. Major reports dealt with in full. |

| Ref        | Conformance with the Standard   | GC               | PC | DNC | Evidence  |
|------------|---|------------------|----|-----|---|
|            |   |                  |    |     | When necessary management called to attend AC meetings.                               |
|            | <b>2060 Conclusion</b>  | ✓                |    |     |   |
|            | <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   |
|            | <b>2070 Conclusion</b>  |                  |    |     | N/A   |
| <b>4.2</b> | <b>2100 Nature of Work</b>  |                  |    |     |   |
|            | Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?   | ✓                |    |     | Overall aim of the department. Manager chairs the Corporate Governance Working Group. |
|            | Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?   | ✓                |    |     | Through the completion of the audit plan.   |
|            | <b>2100 Conclusion</b>  | ✓                |    |     |   |
|            | <i>2110 Governance</i>  |                  |    |     |   |
|            | Does the internal audit activity:<br>a) Promote appropriate ethics and values within the organisation?<br>b) Ensure effective organisational performance management and accountability?<br>c) Communicate risk and control information to appropriate areas of the organisation?<br>d) Coordinate the activities of and communicate information among the board, external and internal auditors and management? | ✓<br>✓<br>✓<br>✓ |    |     | Through the completion of the audit plan and communication of findings to management. |

| Ref         | Conformance with the Standard  | GC               | PC | DNC | Evidence   |
|-------------|--|------------------|----|-----|--|
|             | Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?   | ✓                |    |     | Through individual assignments and by the input of the manager to the Corporate Governance Working Group.  |
|             | Has the internal audit activity evaluated the:<br>a) design<br>b) implementation, and<br>c) effectiveness<br>of the organisation's ethics-related objectives, programmes and activities?   |                  | ✓  |     | Audit work is based on the Council's objectives and priorities and covers some of the areas in the Code of Corporate Governance such as organisational performance management and communication of risk and control information. |
|             | Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?   | ✓                |    |     | Information technology governance included in the audit plan.  |
| <b>LGAN</b> | 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?  | ✓                |    |     | All competing priorities are considered when finalising the plan.  |
|             |  |                  |    |     |  |
|             | <b>2110 Conclusion</b>   | ✓                |    |     |  |
|             |  |                  |    |     |  |
|             | <i>2120 Risk Management</i>  |                  |    |     |  |
|             | Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:<br>a) Organisational objectives support and align with the organisation's mission?<br>b) Significant risks are identified and assessed?<br>c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?<br>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? | ✓<br>✓<br>✓<br>✓ |    |     | Risk management included in the audit plan every year.<br>Risks now aligned within the Improvement Plan.<br><br>Reported to O&S in Performance Reports.  |
|             | Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:<br>a) Achievement of the organisation's strategic objectives?<br>b) Reliability and integrity of financial and operational information?   | ✓<br>✓           |    |     | As part of audit planning and the completion of individual audit assignments.<br>Evaluated and reported to O&S in Performance Reports.<br><br>Within specific audits.  |



| Ref | Conformance with the Standard  | GC                    | PC | DNC | Evidence   |
|-----|--|-----------------------|----|-----|--|
|     | c) Effectiveness and efficiency of operations and programmes?<br>d) Safeguarding of assets?<br>e) Compliance with laws, regulations, policies, procedures and contracts?   | ✓<br>✓<br>✓           |    |     | Within specific audits.<br>Within specific audits.<br>Within specific audits.  |
|     | Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?   |                       | ✓  |     | As part of audit planning, question in PAQ asks management to consider the risk of fraud in their area. The department is responsible for the maintenance of the Anti Fraud Strategy, Fraud Response Plan and Whistleblowing procedure. All updated during 2014/15. Fraud risks not fully evaluated. |
|     | Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?  | ✓                     |    |     | Dependent on the nature of the assignment.   |
|     | Are internal auditors alert to other significant risks when undertaking consulting engagements?  | ✓                     |    |     | Any other risks are reported to audit management.  |
|     | 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?  | ✓                     |    |     | Auditors do not take on management responsibility or risk management roles.  |
|     |  |                       |    |     |  |
|     | <b>2120 Conclusion</b>   | ✓                     |    |     |  |
|     |  |                       |    |     |  |
|     | <i>2130 Control</i>  |                       |    |     |  |
|     | Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:<br>a) Achievement of the organisation's strategic objectives?<br>b) Reliability and integrity of financial and operational information?<br>c) Effectiveness and efficiency of operations and programmes?<br>d) Safeguarding of assets?<br>e) Compliance with laws, regulations, policies, procedures and contracts? | ✓<br>✓<br>✓<br>✓<br>✓ |    |     | As part of audit planning and the completion of individual risk based audit assignments.   |
|     | Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control   | ✓                     |    |     | All relevant knowledge is used.  |

| Ref        | Conformance with the Standard  | GC                                   | PC | DNC | Evidence   |
|------------|--|--------------------------------------|----|-----|--|
|            | processes?   |                                      |    |     |  |
|            | <b>2130 Conclusion</b>   | ✓                                    |    |     |  |
| <b>4.3</b> | <b>2200 Engagement Planning</b>  |                                      |    |     |  |
|            | Do internal auditors develop and document a plan for each engagement?  | ✓                                    |    |     | Planning Document completed for each audit.  |
|            | Does the engagement plan include the engagement's:<br>a) Objectives?<br>b) Scope?<br>c) Timing?<br>d) Resource allocations?  | ✓<br>✓<br>✓<br>✓                     |    |     | Standard format that includes all these.   |
|            | Do internal auditors consider the following in planning an engagement, and is this documented:<br>a) The objectives of the activity being reviewed?<br>b) The means by which the activity controls its performance?<br>c) The significant risks to the activity being audited?<br>d) The activity's resources?<br>e) The activity's operations?<br>f) The means by which the potential impact of risk is kept to an acceptable level?<br>g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?<br>h) The opportunities for making significant improvements to the activity's governance, risk management and control processes? | ✓<br>✓<br>✓<br>✓<br>✓<br>✓<br>✓<br>✓ |    |     | Pre Audit Questionnaire used to gain information.<br>Documented in the Planning Document where relevant. Not all are relevant to each audit. |
|            | 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:<br>a) Objectives?<br>b) Scope?<br>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)?   | ✓                                    |    |     | NWRWTP – objectives and scope of the audits agreed. Responsibility of IA included in Inter-Authority Agreement.                              |
|            | For consulting engagements, have internal auditors established an  |                                      |    |     | Agreed with management at the start of the   |

| Ref         | Conformance with the Standard  | GC               | PC | DNC | Evidence  |
|-------------|--|------------------|----|-----|---|
|             | understanding with the engagement clients about the following:<br>a) Objectives?<br>b) Scope?<br>c) The respective responsibilities of the internal auditors and the client and other client expectations? | ✓<br>✓<br>✓      |    |     | work.   |
|             | For significant consulting engagements, has this understanding been documented?  |                  |    |     | N/A   |
|             | <b>2200 Conclusion</b>   | ✓                |    |     |   |
|             | <i>2210 Engagement Objectives</i>  |                  |    |     |   |
|             | Have objectives been agreed for each engagement?   | ✓                |    |     | Part of the Planning Document.  |
|             | Have internal auditors carried out a preliminary risk assessment of the activity under review?   | ✓                |    |     | Where applicable. Strategic and operational risks considered. Carried out using the Pre Audit Questionnaire and Scoping Meeting |
|             | Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?   | ✓                |    |     | Where applicable.   |
|             | Have internal auditors considered the probability of the following, when developing the engagement objectives:<br>a) Significant errors?<br>b) Fraud?<br>c) Non-compliance?<br>d) Any other risks?         | ✓<br>✓<br>✓<br>✓ |    |     | When developing the Planning Document.  |
|             | 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?                   | ✓                |    |     | PI's included within the audits.  |
|             | If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?   | ✓                |    |     | Part of overall evaluation.   |
|             | If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?  |                  | ✓  |     | Lack of PIs reported where applicable, not developed by IA.   |
| <b>LGAN</b> | 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?                                  | ✓                |    |     | Where referred to. Increased focus on value for money assignments during the year.  |

| Ref | Conformance with the Standard   | GC | PC | DNC | Evidence   |
|-----|---|----|----|-----|--|
|     | Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?   | ✓  |    |     | Objectives agreed with the client.   |
|     | Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?   | ✓  |    |     | Objectives agreed with the client.   |
|     | <b>2210 Conclusion</b>  | ✓  |    |     |  |
|     | <i>2220 Engagement Scope</i>  |    |    |     |  |
|     | Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?  | ✓  |    |     | Recorded in Planning Document  |
|     | Does the engagement scope include consideration of the following relevant areas of the organisation:<br>a) Systems?<br>b) Records?<br>c) Personnel?<br>d) Premises?   | ✓  |    |     | All include consideration of systems.<br>Others considered when appropriate, |
|     | Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate:<br>a) Systems?<br>b) Records?<br>c) Personnel?<br>d) Premises?               |    |    |     | N/A  |
|     | Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up? |    |    |     | N/A  |
|     | Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?               |    |    |     | N/A  |
|     | For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?  | ✓  |    |     | Scope agreed at the start of the audit.                                      |
|     | 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         |    |    |     | N/A  |

| Ref | Conformance with the Standard  | GC          | PC | DNC | Evidence   |
|-----|--|-------------|----|-----|--|
|     | whether or not to continue with the engagement?  |             |    |     |  |
|     | During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?  | ✓           |    |     | As normal procedure.   |
|     | During consulting engagements, were internal auditors alert to any significant control issues?   | ✓           |    |     | As normal procedure.   |
|     |  |             |    |     |  |
|     | <b>2220 Conclusion</b>   | ✓           |    |     |  |
|     |  |             |    |     |  |
|     | <i>2230 Engagement Resource Allocation</i>   |             |    |     |  |
|     | Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on:<br>a) The nature and complexity of each individual engagement?<br>b) Any time constraints?<br>c) The resources available? | ✓<br>✓<br>✓ |    |     | Planned at start of the year, then amended with detailed planning.               |
|     |  |             |    |     |  |
|     | <b>2230 Conclusion</b>   | ✓           |    |     |  |
|     |  |             |    |     |  |
|     | <i>2240 Engagement Work Programme</i>  |             |    |     |  |
|     | Have internal auditors developed and documented work programmes that achieve the engagement objectives?  | ✓           |    |     | Work programmes developed by auditors and reviewed by PAs for each engagement.   |
|     | Do the engagement work programmes include the following procedures for:<br>a) Identifying information?<br>b) Analysing information?<br>c) Evaluating information?<br>d) Documenting information?   | ✓           |    |     | Information, including analysis and evaluation, recorded in the engagement file. |
|     | Were work programmes approved prior to implementation for each engagement?   | ✓           |    |     | Reviewed by Principal Auditors.  |
|     | Were any adjustments required to work programmes approved promptly?  | ✓           |    |     | By Principal Auditors.   |
|     |  |             |    |     |  |
|     | <b>2240 Conclusion</b>   | ✓           |    |     |  |

| Ref         | Conformance with the Standard   | GC | PC | DNC | Evidence  |
|-------------|---|----|----|-----|---|
| <b>4.4</b>  | <b>2300 Performing the Engagement</b>   |    |    |     |   |
|             | Have internal auditors carried out the following in order to achieve each engagement's objectives:<br>a) Identify sufficient information?<br>b) Analyse sufficient information?<br>c) Evaluate sufficient information?<br>d) Document sufficient information?   | ✓  |    |     | Standard methodology, trained and experienced staff, files reviewed by Principal Auditors and retained. Audit software and electronic files used.   |
|             | <b>2300 Conclusion</b>  | ✓  |    |     |   |
|             | <i>2310 Identifying In formation</i>  |    |    |     |   |
|             | Have internal auditors identified the following in order to achieve each engagement's objectives:<br>a) Sufficient information?<br>b) Reliable information?<br>c) Relevant information?<br>d) Useful information?   | ✓  |    |     | Information requested prior to the audit. Files contain test sheets and results. Standard methodology, trained and experienced staff, files reviewed by Principal Auditors and retained. CAATs used where applicable. Some data not extracted by IA directly. |
|             | <b>2310 Conclusion</b>  | ✓  |    |     |   |
|             | <i>2320 Analysis and Evaluation</i>   |    |    |     |   |
|             | Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?  | ✓  |    |     | Requirements set out in audit manual. Electronic files contain test sheets and results. Files reviewed by Principal Auditors and retained.  |
| <b>LGAN</b> | Have internal auditors remained alert to the possibility of the following:<br>a) intentional wrongdoing<br>b) errors and omissions<br>c) poor value for money<br>d) failure to comply with management policy, and<br>e) conflicts of interest<br>when performing their individual audits, and has this been documented? | ✓  |    |     | Requirements set out in audit manual, standard methodology. Electronic files reviewed by Principal Auditors. Auditors are trained and experienced.  |
|             | <b>2320 Conclusion</b>  | ✓  |    |     |   |

| Ref         | Conformance with the Standard   | GC | PC | DNC | Evidence   |
|-------------|---|----|----|-----|--|
|             | <i>2330 Documenting Information</i>   |    |    |     |  |
|             | Have internal auditors documented the relevant information required to support engagement conclusions and results?  | ✓  |    |     | Requirements set out in audit manual. Files reviewed by Principal Auditors   |
| <b>LGAN</b> | 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 set out in audit manual. Files contain test sheets and results, reviewed by Principal Auditors and retained electronically.                                 |
|             | Does the CAE control access to engagement records?  | ✓  |    |     | Electronic files used. Security and backup arrangements for the new software approved by ICT before procurement. Each auditor has their own unique user ID and password. |
|             | Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?   |    |    |     | N/A. Only released to WAO.   |
|             | Has the CAE developed and implemented retention requirements for all types of engagement records?   | ✓  |    |     | Retention in line with FCC and Data Protection guidelines  |
|             | Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?   | ✓  |    |     | Policy is in line with FCC and Data Protection guidelines.   |
|             |   |    |    |     |  |
|             | <b>2330 Conclusion</b>  | ✓  |    |     |  |
|             |   |    |    |     |  |
|             | <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 Principal Auditors – scope agreed, work reviewed.  |
|             | Is appropriate evidence of supervision documented and retained for each engagement?   | ✓  |    |     | Recorded in the files.   |
|             |   |    |    |     |  |
|             | <b>2330 Conclusion</b>  | ✓  |    |     |  |
|             |   |    |    |     |  |
| <b>4.5</b>  | <b>2400 Communicating Results</b>   |    |    |     |  |
|             | Do internal auditors communicate the results of engagements?  | ✓  |    |     | At debrief meeting, draft and final reports.   |

| Ref         | Conformance with the Standard  | GC | PC | DNC | Evidence   |
|-------------|--|----|----|-----|--|
|             |  |    |    |     |  |
|             | <b>2400 Conclusion</b>   | ✓  |    |     |  |
|             |  |    |    |     |  |
|             | <i>2410 Criteria for Communicating</i>   |    |    |     |  |
|             | Do the communications of engagement results include the following:<br>a) The engagement's objectives?<br>b) The scope of the engagement?<br>c) Applicable conclusions?<br>d) Recommendations and action plans, if appropriate? | ✓  |    |     | Opening meeting held, and included in scoping document.<br>Debrief meeting held to discuss all findings.<br>Included in all reports. |
| <b>LGAN</b> | 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?                      | ✓  |    |     | Standard practice to have a closing meeting.   |
| <b>LGAN</b> | If recommendations and an action plan have been included, are recommendations prioritised according to risk?   | ✓  |    |     | Red, amber, green.   |
| <b>LGAN</b> | If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?  | ✓  |    |     | Included in final report.  |
| <b>LGAN</b> | 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?                           |    |    |     | N/A. Disagreements are resolved.   |
| <b>LGAN</b> | 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?                 | ✓  |    |     | All material known facts disclosed.  |
| <b>LGAN</b> | 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?                 | ✓  |    |     | Included in the final report.  |
|             | When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?   | ✓  |    |     | Prior communication via the debrief meeting and draft report. Views considered, but the opinion remains the auditors                 |
|             | When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?   | ✓  |    |     | Reports supported by evidence in the file.   |
|             | Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?  | ✓  |    |     | Included in report.  |
|             | When engagement results have been released to parties outside of the organisation, does the communication include limitations on the   | ✓  |    |     | WAO only. Status of reports included in communications.  |



| Ref         | Conformance with the Standard  | GC | PC | DNC | Evidence  |
|-------------|--|----|----|-----|---|
|             | distribution and use of the results?   |    |    |     |   |
| <b>LGAN</b> | If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services? | ✓  |    |     | Reports to NWRWTP.  |
|             | <b>2410 Conclusion</b>   | ✓  |    |     |   |
|             | <i>2420 Quality of Communications</i>  |    |    |     |   |
|             | Are communications:<br>a) Accurate?<br>b) Objective?<br>c) Clear?<br>d) Concise?<br>e) Constructive?<br>f) Complete?<br>g) Timely?   | ✓  |    |     | Aim for all of these, through specified report format, audit manual requirements, training and experience, review of files and reports. |
|             | <b>2420 Conclusion</b>   | ✓  |    |     |   |
|             | <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?  | ✓  |    |     | One report re-issued with updated information.  |
|             | <b>2421 Conclusion</b>   | ✓  |    |     |   |
|             | <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?   | ✓  |    |     | Included in all reports.  |
|             | <b>2421 Conclusion</b>   | ✓  |    |     |   |

| Ref | Conformance with the Standard  | GC | PC | DNC | Evidence  |
|-----|--|----|----|-----|---|
|     | <i>2431 Engagement Disclosure of Non conformance</i>   |    |    |     |   |
|     | Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:<br>a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved?<br>b) The reason(s) for non-conformance?<br>c) The impact of non-conformance on the engagement and the engagement results? |    |    |     | N/A. Not happened.  |
|     | <b>2431 Conclusion</b>   |    |    |     | N/A   |
|     | <i>2440 Disseminating Results</i>  |    |    |     |   |
|     | Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?   | ✓  |    |     | Reports issued to Chief Officers, relevant managers.  |
|     | Has the CAE communicated engagement results to all appropriate parties?  | ✓  |    |     | Through debrief meetings, draft and final reports.  |
|     | Before releasing engagement results to parties outside the organisation, did the CAE:<br>a) Assess the potential risk to the organisation?<br>b) Consult with senior management and/or legal counsel as appropriate?<br>c) Control dissemination by restricting the use of the results?  | ✓  |    |     | WAO only for FCC reports. NWRWTP – reports seen by senior management / legal before they are issued.        |
|     | Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?  | ✓  |    |     | Included in reports and issued to Chief Officers. Also reported to Audit Committee, in summary or in total. |
|     | <b>2440 Conclusion</b>   | ✓  |    |     |   |
|     | <i>2450 Overall Opinion</i>  |    |    |     |   |
|     | Has the CAE delivered an annual internal audit opinion?  | ✓  |    |     | Annual Report   |
|     | Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?  | ✓  |    |     | Annual Report includes the opinions.  |

| Ref   | Conformance with the Standard  | GC                                       | PC | DNC | Evidence   |
|---|--|--|----|-----|--|
|   | Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?  | ✓  |    |     | Expectations taken into account, but it remains the audit opinion. |
|   | Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?   | ✓  |    |     | Built up from all reports in the year.                             |
|   | Does the communication identify the following:<br>a) The scope of the opinion, including the time period to which the opinion relates?<br>b) Any scope limitations?<br>c) The consideration of all related projects including the reliance on other assurance providers?<br>d) The risk or control framework or other criteria used as a basis for the overall opinion?  | ✓  |    |     | All included in the Annual Report.                                 |
|   | Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?   |  |    |     | N/A. Not given. If this were the case, reasons would be included.  |
|   | Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?  | ✓  |    |     | Used and quoted in the AGS.  |
| <b>LGAN</b><br><b>LGAN</b><br><b>LGAN</b><br><b>LGAN</b><br><b>LGAN</b><br><b>LGAN</b><br><b>LGAN</b> | Does the annual report incorporate the following:<br>a) The annual internal audit opinion?<br>b) A summary of the work that supports the opinion?<br>c) A disclosure of any qualifications to the opinion?<br>d) The reasons for any qualifications to the opinion?<br><br>e) A disclosure of any impairments or restriction in scope?<br>f) A comparison or work actually carried out with the work planned?<br>g) A statement on conformance with the PSIAS?<br>h) The results of the QAIP?<br>i) Progress against any improvement plans resulting from the QAIP?<br><br>j) A summary of the performance of the internal audit activity against its performance measures and targets?<br>k) Any other issues that the CAE judges is relevant to the preparation of the governance statement? | ✓<br>✓<br><br>✓<br>✓<br>✓<br>✓<br>✓<br>✓ |    |     | N/A. No qualifications<br>N/A. No qualifications                   |
|   | <b>2450 Conclusion</b>   | ✓  |    |     |  |
| <b>4.6</b>  | <b>2500 Monitoring Progress</b>  |  |    |     |  |

| Ref        | Conformance with the Standard  | GC | PC | DNC | Evidence  |
|------------|--|----|----|-----|---|
|            | 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? |    | ✓  |     | Recommendation tracking in operation for all recommendations using audit software which gives direct access to managers to update and monitor progress. Also some follow up reviews. Managers called to Audit Committee if inadequate action. |
|            | Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?   | ✓  |    |     | Issue new report after the follow up if necessary.  |
|            | Do the results of monitoring management actions inform the risk-based planning of future audit work?   | ✓  |    |     | Included in planning for the year.  |
|            | Does the internal audit activity monitor the results of consulting engagements as agreed with the client?  | ✓  |    |     | At a later time by a different auditor, to ensure independence is maintained.   |
|            |  |    |    |     |   |
|            | <b>2500 Conclusion</b>   | ✓  |    |     |   |
|            |  |    |    |     |   |
| <b>4.7</b> | <b>2600 Communicating the Acceptance of Risks</b>  |    |    |     |   |
|            | 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?                             | ✓  |    |     |   |
|            | 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?          | ✓  |    |     |   |
|            |  |    |    |     |   |
|            | <b>2600 Conclusion</b>   | ✓  |    |     |   |