








	Issue Identified	Recommendation	Category	Action / Audit Response	Implementation Date
7	<p>Annual Report The CAE produces an Annual Audit report which summarises the years work and includes analysis of performance. The opinion reflects;</p> <p>2015/16 <i>“Taking into account the issues identified in the audits included in the table above and listed in Appendix B, the issues identified during the investigation and referred to above, and reviews by other assurance providers, it is only possible to provide qualified assurance regarding the systems of internal control operated by the Council. It should be noted that significant control issues were identified only in a small number of the assignments completed, however these issues related to key systems.”</i></p> <p>2016/17 <i>“Taking into account the issues identified in the audits included in the table above and listed in Appendix B, and where appropriate reviews by other assurance providers, the governance arrangements were generally found to be sound and fit for purpose. However the wider risk exposure linked to some of the significant issues reported result in it only being possible to give a qualified assurance”.</i></p> <p>The form required by the PSIAS requires a wider statement which must also include <i>“significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board”</i></p>	<p>In alignment with recommendations made earlier, the internal audit plan should be constructed to provide an explicit link to risk, governance and control and reflecting the other assurances available so that the CAE is able to provide wider assurance to the Authority in support of the governance statement and in the terms specified within the PSIAS. Best practice is that the Annual Report should also contain reference to all significant (residual) risks and therefore co-ordination with and an understanding of issues being raised by the range of assurance sources available is essential in order to meet this broader scope. This links to the recommendations earlier regarding the need to progress the identification of those assurances which are available – where such assurance is considered to be significant (as in the case of PSN) then it would be beneficial to specify the source.</p>	<p>Enhance</p> 	<p>The 2018/19 audit plan has incorporated the External Quality Assessors recommendation.</p> <p>The audit plan for review and approval includes a number of different audit techniques that will be used to gain assurance. One of which is ‘Assurance Mapping’ which will consist of using reviews that may have already been undertaken by other assurance providers and placing reliance on those where possible.</p> <p>There may be occasions where some audit work may need to be undertaken to fill in the gaps identified. Overall this should reduce the time and resource needed in some areas to gain the assurance needed to provide an annual audit opinion.</p> <p>The 2017/18 annual report will incorporate the EQA’s recommendation and expand further on how assurance has been gained.</p>	<p>July 2018</p> <hr/> <p>Complete</p> 


“REVIEW” FINDINGS

	Issue Identified	Recommendation	Category	Action / Audit Response	Implementation Date
1	<p>Evidence of supervision</p> <p>The current process of supervision provides for a documented record of the file review to be maintained although the process of supervision through engagement within the office throughout the assignment is not recorded.</p>	<p>The auditor undertaking each assignment should record on Pentana, within the file review, a summary of discussions held during the assignment which reflect effective input of the named supervisor (or others).</p>	<p>Review</p> 	<p>The Internal Audit Management System allows for ‘points’ to be raised during and at the end of each audit as part of the supervisory and quality review undertaken at the end of each audit. It is appreciated that not all discussions are recorded during the review process.</p> <p>Auditors will be working more independently in future with additional responsibilities; therefore monthly progress meetings will be required between the Audit Manager and Auditor. These discussions will be recorded and used as evidence of supervision.</p>	<p>April 2018</p> <p>Complete</p> 
2	<p>Audit of Ethics and Culture</p> <p>Particular attention is given within the standards to the audit of these areas which are at present considered as part of any review relating to the CIPFA SOLACE guidance.</p>	<p>It would be beneficial to identify these areas as specific assignments in future within internal audit plans in order to demonstrate full conformity with the standards.</p>	<p>Review</p> 	<p>Ethics and cultural review have always been included within the annual Corporate & Ethical Governance review which is based on the CIPFA SOLACE guidance.</p> <p>For the 2018/19 plan it is believed that further exploration of ethics and culture will be included within the scope of the Corporate and Ethical Governance audit and if serious risks and issues are identified then individual reviews can be set up using contingency days or included within the following years audit plan.</p>	<p>December 2018</p> <p>Complete</p> 



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3	<p>Internal Audit Planning</p> <p>The IAS has moved significantly towards the use of risk based planning although the process is driven by the format of the Pentana system, the CAE has introduced a revised basis for maintaining the spreadsheet used to compile the Internal Audit Risk Assessment model from 2017/18.</p> <p>Nevertheless, greater alignment with Council risk management systems would be beneficial rather than internal audit maintain a separate view of risk.</p>	<p>Future internal audit planning should become increasingly based upon the Council’s risk management system in which the full recognition of key mitigating controls and assurances that these are effectively deployed would represent an essential basis for the focus and conduct of internal audit work</p>	<p>Review</p> 	<p>The Internal Audit Plan has always incorporated the Councils Corporate Risk Registers within the audit planning process; however it is recognised that the Internal Audit (IA) team do have their own records of business risks as they sit more at a departmental level. IA must also review internal control arrangements rather than just the mitigation of risk.</p> <p>IA is currently working with the Fraud and Risk Manager to find a way of aligning the Risk Management Framework with Internal Audits approach to risk. We are going to start by meeting with Senior Management and identifying what the organisations risk tolerance level is which will provide a base for building a consistent approach to risk across the authority.</p>	<p>September 2018</p> <hr/> <p>In Progress</p>


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4	<p>Audit Opinions - Recommendations</p> <p>These are currently developed and assessed by each internal auditor, and reviewed by the Supervisor/Audit Manager prior to release of the draft report and which include a grading of the recommendations</p> <p>It is recommended that the classification should align with the risk definitions contained within the Council Risk Management strategy and that a specific date is agreed with client management regarding by which the action should be completed.</p> <p>In this way, communication with auditees may be enhanced through ensuring that a common risk theme is used throughout the Council’s operations including with Members.</p>	<p>Risk definitions used by internal audit should be developed to reflect the risk appetite within the organisation, and the definitions of impact and likelihood used by the Council.</p> <p>It is recognised best practice to use terminology such as High, Medium and Low or Fundamental, Significant and Merits attention and perhaps support this with RAG rated colours linked to the Council’s risk management system using the impact definitions that have been identified.</p> <p>These should be used by each internal auditor to grade the recommendation and discuss the level of risk to which the organisation is exposed with each auditee at the exit meeting.</p>	<p>Review</p> 	<p>The joint approach to risk management as indicated above will provide a basis for IA to assess impact and likelihood in a consistent manner with risk management.</p> <p>A new report template has also been developed using a more recognised terminology with RAG colours.</p> <p>Although IA have always used a RAG status approach with recommendations and issues raised it is appreciated that risk management terminology and IA terminology does not currently align.</p>	<p>September 2018</p> <hr/> <p>In Progress</p>

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5	<p>Audit Opinions - Overall opinions</p> <p>These are currently based upon the personal judgement of each auditor, within the definitions specified as relating and subject to review by the supervisor and CIA of the draft report prior to release.</p> <p>The overall opinion is based on the risks/weaknesses identified although not in alignment with the level of risk identified.</p> <p>The basis for grading of recommendations should normally as a result influence the overall opinion for each audit directly, for example if a risk falling into a definition of the highest category is identified (potential for fatality, loss greater than £1m or severe reputational damage) then the assurance level given is reduced. Any risk of this nature should automatically trigger a negative audit opinion of ‘limited assurance’.</p> <p>Wider best practice provides for three levels of assurance opinion being substantial, adequate or limited as this provides a clearer indication to stakeholders of the level of assurance that can be gained. This opinion can then be aligned directly with the nature of the risks being identified and the grading of those recommendations being made. The use of the grading ‘significant Improvement Required’ is not used by the internal audit service.</p>	<p>The grading of reports should be based upon the level of risk exposure identified within the review and reflect the highest ranked recommendation being reported upon and therefore aligned with the risk appetite of the Council</p> <p>Best practice would reflect:</p> <ul style="list-style-type: none"> - Where a fundamental risk (red) is identified that limited assurance is given. - Where significant risks (amber) are identified then adequate assurance is given, and - Where ‘merits attention’ (yellow) risks are identified these are not referred to in the report and substantial assurance is given. 	<p>Review</p> 	<p>Internal Audit currently uses four categories (<i>Substantial Assurance, Adequate Assurance, Improvement Required and Significant Improvement Required</i>) when providing an overall opinion to each audit with a clear definition of each assurance category and how it is reported within all Draft and Final Audit Reports.</p> <p>However, it is accepted that there is a difference between the definitions of assurance categories within Risk Management and the definitions used by Internal Audit. This will be approached when aligning risk management and internal audit processes.</p> <p>IA has not received any negative feedback to date from Auditees regarding the current overall assurance categories. Following review with Senior Management it is felt that the current assurance categories better reflect how we work locally, therefore we are not proposing to change them in the near future.</p>	<p>September 2018</p> <p>Complete</p> 

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6	<p>Follow up of recommendations</p> <p>The Internal Audit Service currently uses email as the mechanism through which action taken against those recommendations made is monitored. The service currently relies on assurance/evidence from client managers that actions have been taken and follows this up at next audit.</p>	<p>It is recommended that action in relation to those recommendations of a ‘high’ risk nature are evidenced by internal audit when due in order to provide appropriate assurance that the risk has been mitigated in a timely manner.</p>	<p>Review</p> 	<p>Audit findings are followed up monthly by the Acting Audit Manager via email. However, outstanding actions will not be signed off as implemented until evidence has been provided by the auditee.</p> <p>This can be a resource intensive administration process, therefore the new apprentice will be tasked with chasing responses and collecting evidence of implementation with oversight from the Audit Manager to ensure that the evidence provided is adequate.</p>	<p>April 2018</p> <hr/> <p>Complete</p> 