

Self-Assessment Checklist Measuring the Effectiveness of Internal Audit

CIPFA Code of Practice – Standards

NB – the CIPFA Public Sector Internal Audit Standards (PSIAS) replaced the CIPFA Code from 2013 (this 'simple' checklist has again been used, rather than the lengthy PSIAS version, used for External Quality Assessment)

2006 Code Standard	Evidence of Achievement	Areas For Development
<p>1. Scope of Internal Audit</p> <ul style="list-style-type: none"> - Terms of reference - Scope - Responsibilities in respect of other organisations - Fraud and corruption 	<p>Terms of reference reflecting the Public Sector Internal Audit Standards (PSIAS) are incorporated in the Internal Audit Charter, with any changes approved by the Audit & Governance Committee. (These are also reflected in the Financial Regulations contained within the Constitution).</p> <p>Scope of audit work takes into account risk management processes and wider internal control. The Annual Audit Plan 2021/22 and resources were presented to the Audit & Governance Committee and agreed on 25 February 2021.</p> <p>The Internal Audit Charter refers to the role including consideration of functions and services delivered by partners.</p> <p>The Annual Audit Plan may include work on Partnerships and areas where the Service has a 3rd party contractual arrangement in place (e.g. Car Parks, Cleansing, etc.), although Internal Audit access to the other organisation(s) will be limited by rights of access contained in contracts or partnership agreements.</p>	<p>The Internal Audit Charter will be reviewed and updated in 2021 (if appropriate now that the responsibilities of the new committees from May 2021 are known)</p> <p>The longer-term resourcing of the section is currently under consideration</p> <p>Audit rights of access are required in appropriate contracts / partnerships entered into</p>

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	<p>The Internal Audit Charter defines audit responsibilities in relation to suspected irregularity or fraud. (Until December 2015 Benefits had responsibility for investigation of benefits fraud, in liaison with the DWP where appropriate. This responsibility has now passed to the DWP Single Fraud Investigation Service. Housing now also has a permanent Housing Fraud Investigator post).</p> <p>A revised Anti-Fraud, Corruption & Bribery Policy was adopted by the Council in January 2020.</p> <p>An annual Counter-Fraud Report is provided to the Audit & Governance Committee.</p>	<p>The Housing Fraud Investigator post was vacant through 2020 and is due to be filled from June 2021</p>
<p>2. Independence</p> <ul style="list-style-type: none"> - Organisational independence - Status of Head of Internal Audit 	<p>Internal Audit has no management responsibility for non-audit operational areas, including the development, implementation or operation of systems.</p> <p>The Internal Audit Manager has direct access to those charged with governance and can report to all senior management, including the Chief Executive, Chief Finance Officer, Cabinet and Overview Select Committee (and working groups), as well as to the Audit & Governance Committee.</p> <p>The Council has considered the CIPFA best practice document The Role of the Head of Internal Audit, which was reissued in April 2019.</p> <p>The Internal Audit Manager post was advised as being a Politically Restricted Post following a Human Resources review in 2021.</p>	<p>Since March 2020, the Council's operations have been affected by the global Covid-19 crisis. Internal Audit staff have been assisting (and continue to do so in 2021) other areas on priority tasks as a result of this (e.g. financial reporting and reconciliations, assurance checking of grant payments, etc.). While not managing these tasks, the situation will need to be considered</p>

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<ul style="list-style-type: none"> - Independence of individual internal auditors - Independence of internal audit contractors - Declaration of interest 	<p>Auditors are independent of the activity they audit, and have no operational responsibilities, allowing them to perform their duties in a manner which facilitates impartial judgement and recommendations.</p> <p>Rotation of audit work within the team is practised, where this is practical.</p> <p>No contractors are currently in use. Any use of external resource would include consideration of independence in the contracted terms / terms of reference.</p> <p>All members of staff are required to make Declaration of Interests (when required) under the Code of Conduct – any conflict of interest identified would be considered in the allocation of resources against the annual plan.</p>	<p>when future audit work in these areas is required</p>
<p>3. Ethics</p> <ul style="list-style-type: none"> - Integrity - Objectivity - Competence - Confidentiality 	<p>All staff are required to comply with the Employee Code of Conduct and sign a confidentiality agreement as part of their conditions of employment.</p> <p>Where current Internal Audit staff are members of the Chartered Institute of Internal Auditors, they are subject to the professional code of ethics of the organisation. From 1st April 2013, all Internal Audit are subject to the Code of Ethics contained in the PSIAS (based upon that of the CIIA).</p> <p>Staff are subject to annual appraisals as part of the Council's Performance Development Review process.</p>	<p>A new continuous performance review process</p>

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		has been introduced across the Council in 2021
<p>4. Audit Committee</p> <p>- Purpose of the Audit Committee</p> <p>- Internal Audit's relationship with the Audit Committee</p>	<p>The Terms of Reference (ToR) for the Audit & Governance Committee are contained in the Council's Constitution. As part of the review of the Council's Constitution in preparation for the change to the committee system of governance from May 2021 the ToR for the Committee was approved by Full Council on 16 September 2020.</p> <p>The Internal Audit Manager (and other audit staff) attends the meetings of the Audit & Governance Committee, reports on the outcome of Internal Audit work, identifies necessary changes to the audit plan and presents an annual audit report and opinion / assurance on the internal control and risk management framework of the Council (approved by the Audit & Governance Committee on 29 July 2021). (The Chair and Vice-Chair may also hold individual discussions with the Internal Audit Manager).</p>	
<p>5. Relationships</p> <p>- With management</p>	<p>Managers are consulted on the risks, business objectives and scope of each review to be undertaken. (The Internal Audit Brief format was amended in 2009 to better link the area under review to achievement of the Arun Priorities / corporate objectives).</p> <p>Management responsibility for internal control, risk management and fraud and corruption matters is defined in the Financial Regulations (part</p>	<p>Council Priorities for 2018-2022 and a revised Corporate Plan have been agreed by the Council and will be used in future audit planning</p>

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<ul style="list-style-type: none"> - With other internal auditors - With external auditors - With other regulators and inspectors - With elected Members 	<p>of the Constitution) and the Council’s Risk Management Strategy (updated in 2017).</p> <p>Internal Audit staff network with a number of other internal review agencies (e.g. the Sussex Audit Group), sharing information on areas of common interest.</p> <p>Liaison takes place with the external auditors’ manager and team leader, when they are on site. There is some consultation on the respective annual plans, to avoid duplication of effort and ways to improve this will be examined.</p> <p>Internal Audit also undertakes specific ‘key control’ testing on financial systems at the request of external audit and provides them with test results for review.</p> <p>Internal Audit liaises with external regulators and inspectors, as appropriate (e.g. the Information Commissioner’s Office, the Investigatory Powers Commissioner’s Office, etc.).</p> <p>The responsibilities of Internal Audit staff and Members, particularly those of the Audit & Governance Committee, are understood. (A Protocol on Member / Officer Relations forms part of the Constitution).</p> <p>Training of Members is carried out, as appropriate. An induction session was held for members of the Committee after the May 2019 District elections</p>	<p>Periodic liaison meetings are also held with Ernst & Young LLP by the Chief Executive / Chief Finance Officer</p>
<p>6. Staffing, training and development</p>	<p>The skills and competencies required for each post have been determined and Job Descriptions for Internal Audit staff were updated in 2019.</p>	

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	<p>Consideration of the skills and competencies of staff forms part of the annual Performance Development Review process. This will be used to identify skills gaps and individual training and development plans are agreed.</p> <p>Professionally qualified staff (IIA and ISACA) are required to complete appropriate CPD on an annual basis.</p>	<p>The PSIAS requires all audit staff to log completed CPD, not just those for whom it is a requirement of their professional body</p>
<p>7. Audit Strategy and planning</p>	<p>The Audit Strategy complies with the PSIAS and has been incorporated into the Internal Audit Charter.</p> <p>The risk-based Audit Plan is prepared annually in accordance with the strategy, including input / review by the Council's Corporate Management Team, and approved by the Audit & Governance Committee.</p> <p>The Council's Strategic Risk Register is considered in determining the content of the plan and the risks to be considered in individual assignments. This was reviewed and updated by the Council's Governance & Risk Group and presented to the Audit & Governance Committee in July 2020. Operational Risk Registers have been set up by each Service area (and reviewed by the Council's Governance & Risk Group). These will also be referred to when planning an audit assignment. (Risk scoring by Internal Audit was reviewed when planning for 2012/13-onwards and now performed using Excel).</p>	<p>The PSIAS refers to 'the board' - which will normally be the A&GC, and 'senior management' – which will normally be CMT (and other Group Heads)</p>

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	<p>Available resources are considered as part of the annual planning process. Any expected or unexpected shortfall, or requirements for external specialist resource, will be reported to the Audit & Governance Committee.</p>	<p>The longer-term resourcing of the section is currently under consideration</p>
<p>8. Undertaking audit work</p> <ul style="list-style-type: none"> - Planning - Approach - Recording and assignments 	<p>Where appropriate, an Internal Audit Brief is prepared identifying the objectives, scope and approach of each full audit review, for agreement with management prior to commencing work.</p> <p>A risk-based approach is used and an audit opinion is given.</p> <p>Issues are discussed with management as they arise, and a formal feedback meeting held with management at the end of the audit testing, prior to completing the report.</p> <p>Adequate working papers supporting conclusions drawn and recommendations made are maintained and are retained in accordance with defined policy. Where practical, papers are stored electronically. Working papers / reports are subject to supervisory review.</p> <p>Reports are issued to appropriate managers, in accordance with the Internal Audit Brief / Audit Charter.</p>	<p>Some assignments will no longer have a formal Brief – this will be work e.g. where there is a requirement for considerable research, which then overlaps testing</p> <p>Working practices will be subject to ongoing consideration to ensure that best use is made of resources</p>
<p>9. Due professional care</p> <ul style="list-style-type: none"> - Responsibilities of the individual auditor 	<p>All internal auditors are aware of their individual responsibilities for due professional care.</p>	

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<p>- Responsibilities of the Head of Internal Audit</p>	<p>Where current Internal Audit staff are full or student members of the Chartered Institute of Internal Auditors, they will be subject to the professional standards of the organisations. From 1st April 2013, all Internal Audit staff will be subject to the standards contained in the PSIAS (based upon that of the CIIA).</p> <p>The Internal Audit Manager reviews all audit files and reports. Annual appraisal training needs are identified and delivered. A whistle-blowing procedure is maintained. Work is assigned so as to avoid potential conflicts of interest.</p> <p>The Council has considered its compliance against the CIPFA best practice document The Role of the Head of Internal Audit, which was reissued in April 2019.</p>	<p>From 1st April 2013, the PSIAS requires that regard is also had to the Committee on Standards in Public Life's 'Seven Principles of Public Life'</p>
<p>10. Reporting</p> <p>- Reporting on audit work</p>	<p>A standard report process and format is used:-</p> <ul style="list-style-type: none"> - audit reports give an opinion on risks and controls, using the approved methodology - scope of the audit is set out as an appendix to the report - recommendations are prioritised according to risk - reports are issued to appropriate managers and, where appropriate, to other Directors - assurances are sought from managers on the delivery of agreed action plans and appropriate follow-up actions are taken to assess the effectiveness of the implementation of recommendations. If recommendations are not implemented on a timely basis, escalation may be via the Corporate Management Team or Audit & Governance Committee 	<p>Ongoing consideration will be given to the report format used, to ensure that it best meets customer requirements</p>

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<p>- Annual reporting</p>	<p>- where necessary, the opinion is revised in the light of the delivery of agreed actions.</p> <p>An Annual Governance Statement is presented to the Audit & Governance Committee for approval and is published to accompany the annual accounts (draft noted 29 July 2021).</p> <p>An Annual Internal Audit Report & Opinion is also presented to the Audit & Governance Committee (approved 29 July 2021). The report includes an opinion on the control environment and any qualifications to that opinion. The work on which the opinion is based is set out in the report. The report highlights significant issues.</p> <p>Periodic update reports, summarising progress against the annual plan and audits performed, are submitted to the Audit & Governance Committee, advising how the opinion is developing.</p>	<p>From 1st April 2013, this report must also consider compliance with the PSIAS and report any significant areas of non-compliance In 2021, due to resources being diverted due to Covid CIPFA has advised that a 'scope limitation' should be considered as part of the opinion</p>
<p>11. Performance, quality and effectiveness</p> <p>- Principles of performance, quality and effectiveness</p> <p>- Quality assurance of audit work</p> <p>- Performance and effectiveness of the Internal Audit service</p>	<p>Policies and procedures are defined in the Internal Audit Manual (based upon CIPFA best practice).</p> <p>Audits are assigned according to the skills mix required and so that there is adequate supervision.</p> <p>Performance measures are defined and reported to the Audit & Governance Committee in the Annual Internal Audit Report.</p> <p>All audit files and reports are reviewed by the Internal Audit Manager.</p> <p>Where appropriate, client satisfaction surveys are issued with the final report and any suggestions for improvement considered. A general</p>	<p>In 2016-18, the Council implemented a revised</p>

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	<p>satisfaction survey was issued to all managers in May 2015 and this exercise may be repeated.</p> <p>An annual assessment of the effectiveness of Internal Audit is undertaken by the Group Head for Corporate Support / Audit & Governance Committee.</p> <p>The PSIAS also requires that an external assessment of Internal Audit be conducted at least once every 5 years by a qualified, independent assessor/assessment team from outside the organisation. The scope of such an assessment will be agreed with the Audit & Governance Committee, the results reported to them and the implementation of any agreed improvements monitored/reported.</p>	<p>management structure which has affected both service responsibilities and audit planning</p> <p>This was conducted through the Sussex Audit Group and the results reported to the Committee in November 2019. The overall assessment was that the service 'generally conforms' with the requirements of the PSIAS and an action plan to address the recommendations raised in the report was agreed</p>
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CIPFA Code of Practice – Characteristics of Effectiveness

Characteristic of 'effectiveness'	Evidence of Achievement	Areas For Development
<p>Understand its position in respect of the organisation's other sources of assurance and plan its work accordingly</p>	<p>Internal Audit identifies other sources of assurance (e.g. the Annual Governance Statement, risk management and performance management processes) and takes these into account when preparing the Annual Audit Plan.</p> <p>The Council reviews and updates its Code of Corporate Governance annually (including the requirements of CIPFA's The Role of the Chief Financial Officer, as updated in 2016) – approved by the Audit & Governance Committee on 29 July 2021.</p>	<p>CIPFA issued a revised corporate governance framework which took effect from 1 April 2017</p>
<p>Understand the whole organisation, its needs and objectives</p>	<p>The audit plan demonstrates how audit work will provide assurance in relation to the authority's objectives.</p> <p>Individual audit assignments identify risks to the achievement of these objectives and link the area under review to the Arun Priorities in the Internal Audit Brief issued.</p>	<p>Council Priorities for 2018-2022, Vision 2020 objectives and a revised Corporate Plan have been agreed by the Council and will be used in future audit planning</p>
<p>Be seen as a catalyst for change at the heart of the organisation</p>	<p>Internal Audit inputs to corporate change through membership and / or contribution to:-</p> <ul style="list-style-type: none"> - various officer groups (e.g. Information Security Group, Governance & Risk Group, Asset Management Group) - Member groups (as appropriate). 	

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	<p>Supportive role of the audit team is also demonstrated through corporate developments, such as corporate governance review, risk management and ethics.</p> <p>Individual assignments may also be a catalyst for change. Internal Audit also contributes, in an advisory capacity, to the delivery of key business projects.</p>	
Add value and assist the organisation in achieving its objectives	Demonstrated through individual audit assignments and also corporate work. A specific question in this regard is included in the client satisfaction surveys issued. A wider management satisfaction survey has also been piloted and will now be performed periodically.	As part of the annual planning process, CMT / SMT members are consulted on the areas they feel are high risk and / or Internal Audit work will add value
Be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations	Internal Audit provides help and advice on request and supports specific projects identified in the plan and on an ad hoc basis.	
Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact	<p>When identifying risks and in formulating the plan, changes in the national agenda are considered. Emerging and future risks should be documented in the Strategic Risk Register and Operational Risk Registers by service areas.</p> <p>The Internal Audit section maintains awareness of new developments in the services it audits, risk management and corporate governance and disseminates this knowledge to other parts of the Council.</p>	

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<p>Be innovative and challenging – shaping the values and standards of the organisation, providing internal inspection and validation and encouraging service managers to take ownership of processes, systems and policy</p>	<p>Internal Audit reporting arrangements focus on risks and encourages managers to develop their own responses to the risks and to take greater ownership of the control environment.</p>	
<p>Ensure the right resources are available – the skills mix, capacity, specialism and qualifications / experience requirements all change constantly</p>	<p>Staff are encouraged to undertake professional qualifications and relevant training plans linked to staff appraisals are in place.</p> <p>The Internal Audit Manager has also been part of the Management Development Programme delivered by the Council.</p> <p>Specialist input on IT audit is available in-house. Any identified requirement for external specialist resource for a specific assignment would be referred to the Audit & Governance Committee for approval.</p>	<p>There is also the potential for ‘collaborative working’ (particularly where specialist skills are required) with other members of the Sussex Audit Group</p>

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Chair of Audit & Governance Committee _____

Presented to the Audit & Governance Committee at its meeting of 29 July 2021, in association with the Internal Audit Annual Report & Opinion