

EVALUATION OF INTERNAL AUDIT – SELF ASSESSMENT

Understanding

	Strong	Adequate	Needs improvement
Evaluate internal audit's understanding of:			
<ul style="list-style-type: none"> The responsibilities and operation of the audit committee 	√		
<ul style="list-style-type: none"> The organisations business 		√	
<ul style="list-style-type: none"> The organisation's risk environment 			√
<ul style="list-style-type: none"> The organisation's control framework 			√
Comments			
<p>Due to the extent of change impacting on the County Council, largely as a result of external factors, its objectives and in particular its risk and control environment is constantly changing. Consequently, internal audits understanding of the Council's risk environment and control framework will always include an element that needs improving.</p> <p>Whilst there is an embedded approach to assess, monitor and report upon high level corporate strategic risks, operational or inherent risk management is not so visible.</p> <p>The audit strategy and risk based approach adopted to develop Control Risk Assessments (CRA) in consultation with management, as part of the planning and preparation of each planned assurance review, is designed to improve internal audits understanding of the business, key risks and key controls as they are at the time of each audit review. This approach ensures that audit resources are focused upon providing assurance on high risk areas where there is little or no other assurance and helps embed operational risk management</p> <p>The audit strategy to review all key service activities over a five year rolling programme will enable, in the longer term, internal audit to have a better understanding of the Council's overall risk and control environment and the work of other assurance providers. It is intended to use knowledge gained on the risk, control and assurance framework over this period to develop assurance maps of key risk areas which will help provide clarity over the Council's assurance framework and improve internal audit's risk based strategic planning.</p>			

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Charter and Structure

	Yes	No
Do the terms of reference for internal audit define in sufficient detail, for the purposes of directing internal audit:		
<ul style="list-style-type: none"> Roles and responsibilities, including those in relation to other internal functions; 	√	
<ul style="list-style-type: none"> Expectations of management: 	√	
<ul style="list-style-type: none"> Scope of internal audit work 	√	
<ul style="list-style-type: none"> Access to information? 	√	

Skills and experience

	Strong	Adequate	Needs improvement
How well does internal audit's staffing reflect its roles and responsibilities?		√	
Assess the staff mix and competencies of the internal audit team.			√
Evaluate internal audit's independence from the activities it audits.	√		

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The establishment and qualifications of the in house team are as follows:

Post	Number of FTE
Head of Internal Audit	1
Audit Managers	2
Principal Auditors	6 (Includes Counter Fraud Officer)
Senior Auditor	9.1
Auditor	4
Audit Assistant	0.4
Total	22.5

Qualifications	Number
CCAB	7
Part CCAB	4
Accounting Technician	7
IIA Qualification in Computer Auditing	1
CIPFA Certificate in investigative practice	1

At present there are a number of vacancies at senior auditor level:

- One post is temporarily vacant due to the secondment (promotion) of a member of staff to strategic finance to assist with final accounts closure. This temporary vacancy is being covered through the acting up by one of the Auditor post holders.
- One post is temporarily vacant due to a 2 year secondment (promotion) of a member of staff to strategic finance wef 16/4/2012.
- One post is a permanent vacancy due to the promotion of a member staff to ACE last year. Audit days lost through this post are currently being addressed temporarily through a part time officer in a job share post working full time and the use of agency staff/internal audit partnership.
- 0.8 FTE post is a permanent vacancy due to the recent resignation of a part time member of staff.

It is intended to address these vacancies in the current year by:

- The permanent filling of 1 post
- The temporary filling of 1 post on a 2 year secondment basis
- The continuation of the 1 part time member of staff working full time

The increasing volume of fraud and irregularity work has diverted resources set aside for counter fraud work and highlighted the need to increase and develop investigatory skills. Therefore to enhance the current dedicated counter fraud resource, it is proposed that the 2 year secondment be targeted to the appointment of a qualified fraud investigation officer.

In addition, it has been recognised, from slippage in the internal audit plan during 2011/12, that the service is under resourced in the specialist area of IT Audit, with reliance now being placed on one member of staff to provide IT audit to all our existing customers. At present, the service does not have the skills or capacity to undertake forensic investigations. This work is currently undertaken by the IT service. To strengthen the IT audit capacity and to

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allow forensic investigations to be undertaken independently, an additional post of Computer Auditor is to be created at Principal Auditor level.

In acknowledgement that the Institute of Internal Auditors is now recognised as the most relevant professional body for the training and development of audit staff, 3 audit staff are to undertake distance learning training for the IIA's Diploma qualification. Modules studied for this qualification include:

- The Internal Audit Environment
- Financial Risks and Controls
- Internal Audit Practice
- Information Systems Auditing
- Corporate Governance and Risk Management

This investment in training will help embed and enhance the risk based approach to auditing recently introduced and will widen information systems auditing skills to non Computer Audit specialists.

In recognition that the in house team may not have all the necessary skills and experience to provide reliable assurance in the specialist area of the pension fund, an internal audit partner was appointed to develop and deliver pension fund audit in 2011/12. This partnership allowed the call off of additional audit resources during the year to address slippage as a result of unforeseen vacancies, skills transfers and the sharing of best audit practice . The partnership agreement has been extended for a further 12 months.

Communications

	Strong	Adequate	Needs improvement
Evaluate internal audit's responsiveness to requests from the audit committee,	√		
Evaluate internal audit's frankness and candour with the committee.	√		
Evaluate internal audit's handling of difficult or contentious issues.		√	
Evaluate internal audit's process to monitor the status of open matters/recommendations		√	

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	Yes	No
Over the last 12 months, has the chairman of the audit committee been fully briefed on significant findings or developments prior to audit committee meetings?	√	

Performance

	Strong	Adequate	Needs improvement
How would you assess internal audit's overall performance?		√	

In what way has internal audit added value to the organisation?

Through its independent assurance work, Internal audit has continued to add value to the organisation by helping service managers to assess risks and evaluate the effectiveness of controls in place to manage them. The implementation of audit recommendations to address control weaknesses has improved risk management.

The implementation of the CRA methodology has provided the added value of on-going Control Risk Self-Assessment (CRSA) which will help embed effective risk management. In helping to embed effective risk management the service has improved the effectiveness of the Council's corporate governance arrangements.

It is particularly pleasing to note that since the introduction of the CRA methodology the percentage of customers scoring the audit service good or above (4 out of 5) has increased from 87% to 96%.

Through its advice and consultancy work, Internal Audit has worked pro-actively with management to develop adequate controls during the implementation of new systems, projects and initiatives and has championed good governance.

Through its pro-active counter fraud work and reactive support to managers in the investigation of fraud and irregularity, the service continues to add value by helping to manage the strategic risk of financial and reputational loss through fraud and corruption.

In this way, the service has continued to support management in the achievement of the Council's objectives.