

## Detailed Findings

Attribute Standards			
Number	Finding and Implication	Proposed action	Update at May
<b>1000 Purpose, Authority and Responsibility</b>			
1.	<p>The Internal Audit Team has an audit manual in place which is reviewed on an annual basis and meets the requirements of the 2006 Code.</p> <p>Under the PSIAS, internal audit must develop an Audit Charter which will make explicit links to the Council's objectives and priorities.</p>	<p>An Audit Charter will be developed which confirms how the work of internal audit contributes to the achievement of the Council's objectives and priorities by:</p> <ul style="list-style-type: none"> <li>■ considering the nature of assurance provided to the Audit Committee and service departments by the work of internal audit</li> <li>■ clarifying reporting responsibilities; and</li> <li>■ ensuring that audit activity is focused on the key risks facing the Council.</li> </ul>	Complete.
<b>1200 Proficiency and due professional care</b>			
2.	<p>The Internal Audit Team participate in the Council's PDR/ PRD programme and have attended relevant training provided. Individual auditors ensure that their CPD requirements are fulfilled, but there is no systematic approach to developing and maintaining internal audit skills.</p>	<p>We will review training requirements both across the team and individually. We propose a period of intensive refresher training and development on:</p> <ul style="list-style-type: none"> <li>■ internal audit core skills</li> <li>■ identifying and managing risk</li> <li>■ audit tools and techniques, including the use of IDEA</li> <li>■ Best value and performance audit (including value for money audit techniques).</li> </ul> <p>Training programme complete by December 2013</p>	<p>In Progress</p> <p>Training delivered on internal audit core skills and IDEA training.</p> <p>Training delivered on Risk management – General overview</p> <p>Further detailed session on procedures and protocols – registers July</p> <p>During 2014-15, we will continue to formalise our plans for internal audit</p>

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	There is no up to date induction programme for members of staff who join the team.		training, including continuing professional development (CPD) requirements.  Senior Accounting Assistant are signed up to complete IAA qualification.  Development of standard Audit approach
<b>1300</b>	<b>Quality Assurance and Improvement Plan</b>		
3.	The QAIP is a new requirement under PSIAS. The Internal Audit Team has a team plan in place, and reports on performance using the Council's Pyramid performance management system.  There is, however, scope to improve the performance monitoring framework.	We will review the key performance indicators and targets in place and consult with the Audit Committee and Senior Management Team to establish indicators that are more focused on the outcomes and impact of internal audit work.  Proposed indicators submitted to December Audit Committee.	In progress  Revised Internal Audit PI's to be developed and agreed.  Customer feedback process to be reviewed.

<b>Performance Standards</b>			
<b>2000</b>	<b>Managing the Internal Audit Activity</b>		
4.	<p>The Internal Audit Team has a methodology in place for risk assessment and identifying audit work to be performed each year.</p> <p>The risk assessment is based on financial materiality, risk, controls effectiveness and performance management. We have, however, identified that there is scope for improvement, including the relative weighting of factors.</p>	<p>We will revisit the risk assessment and audit planning process. This process will include:</p> <ul style="list-style-type: none"> <li>■ a risk management workshop to ensure the team fully understand the core principles, and the risks facing Argyll &amp; Bute Council</li> <li>■ consideration of alternative approaches at other councils</li> <li>■ an assurance mapping exercise to ensure that each internal audit adds value to the Audit Committee</li> </ul> <p>Revised risk assessment process as outlined above in place and reported to Audit Committee in December.</p>	<p>Complete.</p> <p>We have presented our approach and risk assessment to this Committee. The 2014-15 Internal Audit Plan has been supported by the development of an audit universe for the Council, and risk assessment methodology based on materiality and impact on the Council's strategic objectives.</p>
<b>2100</b>	<b>Nature of Work</b>		
5.	<p>Where Internal Audit can make use of CIPFA matrices, a full systematic and disciplined approach is taken and can be evidenced.</p>	<p>We will use refresher training to ensure that risks and mitigating controls are identified on each audit. An updated audit approach will be adopted to ensure that each audit considers key risks and controls, and is supported by a strong and systematic evidence base.</p> <p>Actioned by December 2013</p>	<p>Complete.</p>

	Where this is not possible, we found that there is not always a link to key aspects of risk and internal control.		
<b>2200</b>	<b>Engagement Planning</b>		
6.	<p>Audit Agreement Documents are prepared for each engagement, but in some instances the reasons for the audit, the objectives and the key risks and controls were not identified.</p> <p>We are clear that the same level of rigour needs to be applied to every audit undertaken by the team.</p>	<p>As part of the consideration of risk assessment and audit planning processes, we will identify a prioritised revised audit plan for the remainder of 2013-14. The revision will be based on the current plan but will present our rationale for coverage, and the risks and objectives associated with each review.</p> <p>Engagement planning will make direct reference to the risks associated with each audit area and our revised audit approach will ensure that each risk is addressed in a systematic and evidence based manner.</p> <p>New approach in place from December 2013</p>	Complete.
<b>2300</b>	<b>Performing the engagement</b>		
7.	<p>Auditors currently use discussions with management to prepare the Audit Approach Document and to identify key information necessary for the audit. There is a limited approach to documenting:</p>	<p>We will review the approach to planning and documenting internal audit work used by other teams, including Grant Thornton and other Councils.</p> <p>As above, we will develop a revised audit approach which ensures that each risk is addressed in a systematic and evidence based manner.</p>	<p>Complete.</p> <p>We have, however, identified a additional action plan point to update and revise the audit manual.</p>

	<ul style="list-style-type: none"> <li>■ a testing strategy</li> <li>■ work required to fulfil the engagement objectives</li> <li>■ work performed and findings</li> </ul>	New approach developed and in place from December 2013	
<b>2400</b>	<b>Communicating results</b>		
8.	<p>Audit reports are prepared for every engagement within timescales agreed with services. The reports are distributed to key stakeholders including service management, senior management, external audit and the audit committee.</p> <p>We found that there is scope to improve the focus of reporting to ensure that:</p> <ul style="list-style-type: none"> <li>■ each risk is identified and addressed</li> <li>■ findings include a clear and evidence based audit opinion</li> <li>■ audit reports are clear, focused on risk and control and provide the audit committee with the assurance they need</li> </ul>	<p>We will use our work on risk assessment and engagement planning to propose a revised audit report format.</p> <p>Consideration will be given to the development of a rating system to allow for objective monitoring and comparison of audit reports across the Council, and comparison to previous audits.</p> <p>We will consult with services and the audit committee to ensure that changes to the format meet the needs of our users.</p> <p>Revised format of reports submitted to Audit Committee in December for approval.</p>	Complete

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2600	Communicating acceptance of risk		
9.	As for 2400, we found that it is not always clear within reports that internal audit has made a judgement on the level of risk within each review, and therefore whether that level of risk is acceptable to the organisation.	As above, we will ensure that the audit opinion and assessment of managed and unmanaged risk is incorporated within a revised audit report format.  Revised format of reports submitted to Audit Committee in December for approval.	Complete



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