

Appendix A

Questions to consider	Evidence / comments	
<p>1 Mission of Internal Audit</p>		
<p>Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?</p>	<p>The mission of Internal Audit is clearly documented in the Audit Charter. This is reviewed annually by the Audit Committee and was last reviewed/approved February 2021.</p>	
<p><i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i></p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>2 Definition of Internal Auditing</p>		
<p>Questions to consider</p>		
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, is the internal audit activity independent and objective?</p>	<p>An Audit Charter is in place that sets out Internal Audit's independence. This is also documented in the Internal Auditor and Assurance Managers (IAAM) and Principal Auditor's job descriptions.</p> <p>As internal audit is currently responsible for the council's risk management arrangements, the council will use independent auditors to provide assurance that controls are adequate and effective if required.</p> <p>Audit are required from time to time to get involved / give advice on new systems / new controls etc. Due to the size of the team, it may be that the same auditor will then have to perform the audit. The auditor is, however mindful of their independence and has the option to call in external resources if necessary.</p> <p>It is a requirement of both IIA and CIPFA for its members to be both independent and objective.</p> <p>Objectivity is one of the four fundamental principles listed in the Internal Audit Charter / Code of Ethics.</p> <p>All reports are reviewed by the IAAM (CAE) prior to issue to ensure that the auditor has remained objective and that an overall balanced view is given.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, 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?</p>	<p>There is a standard methodology in place for determining the ranking of opinions and rankings of findings / recommendations in audit reports.</p> <p>RISK / Control matrices are used to identify key areas prior to the start of each audit.</p> <p>The council has recently updated and approved a risk management policy. In January 2020 the council procured some risk management software (Grace) and as at the 31 March 2021 was in the process of populating the system with the council's operational risks prior to rolling this system out across the council.</p> <p>The internal audit team use standardised working papers and audit report templates.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

Questions to consider	Evidence / comments	
<p>3 Core Principles</p>		
<p>The Core Principles, taken as a whole, articulate internal audit effectiveness, and provide a basis for considering whether the review of conformance with the attribute standards and performance standards reflects full conformance, partial conformance or non-conformance with the PSIAS and the Local Government Application Note. In making this assessment, the assessor should have regard to positive evidence of conformance or non-conformance and the lack of evidence of non- conformance where positive evidence is difficult to obtain.</p>		
<p>Where there are instances of partial conformance or non-conformance in particular areas, you may need to make a judgment having regard to materiality and other factors in order to form a view on whether the internal audit activity conforms with a particular Core Principle. Any such judgments should be highlighted and explained.</p>		
<p>Demonstrates integrity.</p>		
<p>Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles of Public Life), do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>Auditors are bound by their ethical standards both in the internal audit Charter / Code of Ethics and with their own professional bodies, i.e. CIPFA / IIA.</p> <p>Elements such as these are a requirement of the role and, as such, are referred to in job descriptions and are reviewed quarterly via the council's performance appraisal process.</p> <p>Auditors are required to complete an annual declaration of interests.</p> <p>Auditors are bound by their professional and ethical standards and the Code of Ethics within the Internal Audit Charter.</p> <p>In addition to being bound by professional and ethical standards and the Code of Ethics within the Internal Audit Charter, internal audit also complies with the council's Employee Code of Conduct Policy.</p>		

Questions to consider		Evidence / comments
Demonstrates competence and due professional care.		<p>Elements such as these are a requirement of the role are reviewed regularly via 1-1's with the IAAM.</p> <p>Auditors complete and regularly update their Continual Professional Development (CPD) records.</p> <p>The Quality Assurance and Improvement Programme; internal assessments ensure auditors can demonstrate competence.</p> <p>Elements such as these are a requirement of the role and, as such, are referred to in job descriptions and are reviewed regularly.</p> <p>Auditors are required to complete an annual declaration of interests.</p> <p>Staff are aware of the requirement to declare any gifts and hospitality.</p>
Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?	CONFORMS ✓	
Is objective and free from undue influence (independent).		<p>Elements such as these are a requirement of the role and, as such, are referred to in job descriptions and are reviewed regularly.</p> <p>Auditors are required to complete an annual declaration of interests.</p> <p>Staff are aware of the requirement to declare any gifts and hospitality.</p>
Having regard to your review of conformance with the Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?	CONFORMS ✓	
Aligns with the strategies, objectives, and risks of the organisation.		<p>Following the approval of the Council's Corporate Plan a review of the strategic risk register should be carried out to ensure that the key risks of the organisation are identified and addressed through the annual audit plan, which if delivered, will assist the council in delivering its overall plan. It should be noted that the current Strategic Risk Register does not reflect all the council's key risks.</p> <p>An assurance mapping exercise is carried out annually to allow more targeted and focused audit work to be completed and also to help avoid any duplication with other inspection regimes. Whilst declarations have been received for most services they remain unchained from the previous year despite the pandemic. In addition, sign-off has not been completed by all of the Directors and there is a concern that Manages / Directors are paying 'lip-service' to the process.</p> <p>The Internal Audit Team reports directly to the Financial Services Manager (Section 151 Officer) who attends the Executive Team meetings on invite. Whilst the Internal Audit Team is very small (1.2 FTE) assurance mapping and a risk-based audit plan helps the team deploy resources adequately to deliver the audit plan and deliver an annual audit opinion. See comment above about the recent completion of the assurance mapping exercise.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?	CONFORMS	
Is appropriately positioned and adequately resourced.		<p>The Internal Audit Team reports directly to the Financial Services Manager (Section 151 Officer) who attends the Executive Team meetings on invite. Whilst the Internal Audit Team is very small (1.2 FTE) assurance mapping and a risk-based audit plan helps the team deploy resources adequately to deliver the audit plan and deliver an annual audit opinion. See comment above about the recent completion of the assurance mapping exercise.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being appropriately positioned and adequately resourced?	CONFORMS	
CONFORMS		NOT CONFORMING
CONFORMS		NOT CONFORMING

<p>Demonstrates quality and continuous improvement.</p> <p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating quality and continuous improvement?</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>A Quality Assurance and Improvement Programme is in place which is submitted to the Audit Committee annually. It includes a number of internal and external assessments which ensures that internal audit activity can demonstrate quality and continuous improvement.</p>
<p>Communicates effectively.</p> <p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by communicating effectively?</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>The Internal Audit Charter sets out how Internal Audit communicates its activity.</p>
<p>Questions to consider</p>				<p>Evidence / comments</p>
<p>Provides risk-based assurance.</p> <p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>The Internal Audit Plan is formulated following a risk-based assessment of the audit universe.</p> <p>At the start of each audit assignment, a full risk assessment is completed by the auditor which identifies and documents the audit areas, key risks and expected controls. Operational risk registers currently being populated will assist with risk based auditing in the future.</p>
<p>Is insightful, proactive, and future-focused.</p> <p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being insightful, proactive, and future-focused?</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>The Internal Audit Team liaises with the Executive Team, prior to pulling together the annual audit plan.</p> <p>A number of 'horizon scanning' documents are used to ensure that full coverage is obtained.</p> <p>The implementation of a strategic risk register has assisted this year in ensuring the audit environment is covered. However, it should be noted that this register is still in its infancy and therefore still requires further development to effectively drive the internal audit plan going forward. It is understood that the new Director of Corporate Services is going to champion this development allowing the register to constructively shape internal audit work in the coming months.</p>

<p>Promotes organisational improvement.</p> <p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by promoting organisational improvement?</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>All internal audit reports are published on the Council's Intranet.</p> <p>Six monthly progress reports are issued to the Audit Committee. In addition, the Internal Audit Annual Report documents the work and other areas of work completed during the year.</p>
<p>Evidence / comments</p>			
<p>4 Code of Ethics</p>			
<p>Integrity</p>			
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display integrity by:</p> <ul style="list-style-type: none"> ■ Performing their work with honesty, diligence and responsibility? ■ Observing the law and making disclosures expected by the law and the profession? ■ Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation? ■ Respecting and contributing to the legitimate and ethical objectives of the organisation? 	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>Auditors are bound by their ethical standards both in the internal audit Charter / Code of Ethics and with their own professional bodies, i.e. CIPFA / IIA. Elements such as these are a requirement of the role and, as such, are referred to in job descriptions and are reviewed regularly via performance appraisals and regular 1-1's.</p> <p>Auditors are required to complete an annual declaration of interests.</p> <p>Auditors are bound by their professional and ethical standards and the Code of Ethics within the Internal Audit Charter.</p> <p>In addition to being bound by professional and ethical standards and the Code of Ethics within the Internal Audit Charter, internal audit also complies with the council's Employee Code of Conduct Policy.</p>
<p>Objectivity</p>			
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by:</p> <ul style="list-style-type: none"> ■ Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? ■ Not accepting anything that may impair or be presumed to impair their professional judgement? ■ Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review? 	<p>PARTIAL</p>	<p>Compliance with Audit Charter / Code of Ethics</p> <p>Completion of annual declarations of interests.</p> <p>Auditors are required, from time to time to get involved / give advice on new systems / new controls etc. Owing to the size of the team, it may be that the same auditor will then have to perform the audit. The auditor is, however, mindful of their independence and has the option to call another auditor provider if necessary. In addition, during 20/21 the Council was working jointly with Wyre Council, therefore there was also an option to use audit staff from that authority if required. It should be noted that given the SLA between Lancaster City Council and Wyre Borough Council has now come to an end (31/03/21) this option is not available going forward.</p>	

Questions to consider	Evidence / comments	
<p>Confidentiality</p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by:</p> <ul style="list-style-type: none"> ■ Acting prudently when using information acquired in the course of their duties and protecting that information? ■ 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? 	<p>PARTIAL</p> <p>NOT CONFORMING</p>	<p>Compliance with Audit Charter / Code of Conduct and Public Sector Internal Audit Standards.</p> <p>The Audit review process undertaken by the IAAM (CAE) includes a review of the information used for testing and how it was processed.</p> <p>Compliance with audit retention schedules.</p> <p>Understanding of the Data Protection Act 2018 and the enshrined GDPR.</p> <p>Compliance to the Audit Charter / Code of Ethics and the auditor's own professional standards.</p>
<p>Competency</p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:</p> <ul style="list-style-type: none"> ■ Only carrying out services for which they have the necessary knowledge, skills and experience? ■ Performing services in accordance with the PSIAS? ■ Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes? 	<p>PARTIAL</p> <p>NOT CONFORMING</p>	<p>The Principal Auditor is currently working towards becoming professionally qualified to PIIA standard and therefore has the experience and skills to carry out the required audits.</p> <p>The Principal Auditor has been supplied with a copy of Audit Charter / Code of Ethics and the PSIAS and performance is regularly assessed.</p> <p>Work related objectives are agreed in advance at the start of the year and reviewed regularly as part of the performance appraisal process and regular 1-1's.</p> <p>All audit staff are encouraged to maintain records of continuing professional development to satisfy their professional membership requirements.</p> <p>Regular attendance at the audit weekend school.</p>
<p>CONFORMS ✓</p>		

Seven Principles of Public Life		A copy of the Internal Audit Charter and the Code of Ethics which refers to the <u>Seven Principles of Public Life</u> , has been provided to all Internal Audit staff.
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	NOT CONFORMING	
CONFORMS ✓	PARTIAL	

Questions to consider		Evidence / comments
Standards		
5 Attribute Standards		
5.1 1000 Purpose, Authority and Responsibility		
The questions in this section seek to confirm that the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, formally approved in an internal audit charter and periodically reviewed.		
Does the internal audit charter conform with the PSIAS by including a formal definition of: <ul style="list-style-type: none"> ■ the purpose ■ the authority, and ■ the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?		The Audit Charter includes a definition in accordance with the PSIAS.
CONFORMS ✓	PARTIAL	NOT CONFORMING
Questions to consider		Evidence / comments
Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.		The Audit Charter defines the 'board' as the Audit Committee and 'Senior Management' as the Chief Executive and Executive Team.
CONFORMS ✓	PARTIAL	NOT CONFORMING

<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> ■ Set out the internal audit activity's position within the organisation? ■ Establish the chief audit executive's (CAE) functional reporting relationship with the board? ■ Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? Where applicable, this will need to encompass shared service or external providers of internal audit, and the role of the contract manager. ■ 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? ■ 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? ■ Define the scope of internal audit activities? ■ Recognise that internal audit's remit extends to the entire control environment of the organisation? ■ Establish the organisational independence of internal audit? ■ Cover the arrangements for appropriate resourcing? ■ Define the role of internal audit in any fraud-related work? 	<p>See Audit Charter</p> <p>Since May 2017, the IAAM has provided assurance in the CIA role for Lancaster City Council. A service level agreement was entered into and was continued on a 12 month rolling contract. The service level agreement between Lancaster City Council and Wyre contains a job description which defines the nature of assurance services provided. However, it should be noted that this arrangement came to an end on 31/03/21.</p>	
<ul style="list-style-type: none"> ■ Set out the existing arrangements within the organisation's anti- fraud and anti- corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety? ■ Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities? ■ Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation? ■ Define the nature of consulting services? ■ Recognise the mandatory nature of the PSIAS? 		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

Questions to consider		Evidence / comments
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?		An annual review is undertaken.
CONFORMS ✓	PARTIAL	
5.2 1100 Independence and Objectivity		
The questions in this section seek to confirm that the internal audit activity is independent and internal auditors are objective in performing their work.		
Does the CAE have direct and unrestricted access to senior management and the board?		The IAAM (CAE) can report directly to the Executive Team if necessary and attends all the Audit Committee meetings to present reports. There is also an annual opportunity for the CAE to have a periodic private discussion with the Audit Committee.
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?		Access rights and reporting lines are documented in the Audit Charter. The Chairman of the Audit Committee attends regular pre-meeting briefings.
CONFORMS ✓	PARTIAL	NOT CONFORMING
Does the CAE attend audit committee meetings?		See minutes of Audit Committee indicating attendees and contribution.
Does the CAE contribute to audit committee agendas?		
CONFORMS ✓	PARTIAL	NOT CONFORMING
Are threats to objectivity identified and managed at the following levels:		<p>Audit staff complete a declaration of interests annually. The option exists for audit work to be commissioned from Lancashire County Council, MIIA and Wyre Council if there is a threat to objectivity.</p> <p>The IAAM (CAE) will consider any threats to objectivity at the start of each audit.</p> <p>Internal Audit has limited responsibilities outside audit responsibilities, thus protecting its independence and objectivity.</p>
<input type="checkbox"/>	Individual auditor?	
<input type="checkbox"/>	Engagement?	
<input type="checkbox"/>	Functional?	
<input type="checkbox"/>	Organisation?	
CONFORMS ✓	PARTIAL	NOT CONFORMING

1110 Organisational Independence		
This subsection seeks to confirm that reporting and management arrangements been put in place that preserve the CAE's independence and objectivity.		
This is of particular importance when the CAE is line-managed by another officer of the authority.		
Does the CAE report to an organisational level equal or higher to the corporate management team?		The CAE reports directly to the Financial Services Manager (Section 151 Officer) who attends the Executive Team meetings on onvite.
Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	CONFORMS ✓	PARTIAL
		NOT CONFORMING
Questions to consider		
Does the CAE's position in the management structure:		
<ul style="list-style-type: none"> ■ Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? ■ Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management? 		
	CONFORMS ✓	PARTIAL
		NOT CONFORMING
Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?		Documented in the Audit Charter which is presented to the Audit Committee annually.
CONFORMS ✓	PARTIAL	
		NOT CONFORMING
Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?		The Audit Committee annually approves the Internal Audit Charter and the risk based plan at the start of the year.

<p>The 'interpretation' to PSIAS 1110 provides examples of factors which may indicate that the CAE reports functionally to the Board, which include where the board:</p> <ul style="list-style-type: none"> ■ approves the internal audit charter ■ approves the risk-based audit plan ■ approves the internal audit budget and resource plan ■ receives communications from the CAE on the activity's performance (in relation to the plan, for example) ■ approves decisions relating to the appointment and removal of the CAE ■ approves the remuneration of the CAE ■ seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations. 	<p>The Audit Committee receives six monthly updates on risk management and progress on completion of the audit plan.</p> <p>The appointment / dismissal of the CAE is not reflected in the council's Constitution as an elected member responsibility and falls to the Financial Services Manager (Section 151 Officer) who is responsible for maintaining an adequate internal audit function. Any decision, however, would be presented to the Audit Committee for noting.</p> <p>The Audit Committee work programme allows an opportunity for a private discussion with the External Auditor which would allow them to comment on the performance of the IAAM, if appropriate.</p> <p>The Audit Committee have the opportunity to question IAAM and the Financial Services Manager (Section 151 Officer) at the meeting when the audit plan is presented, and progress reports are provided.</p> <p>The Financial Services Manager (Section 151 Officer), who attends Executive Team meetings on a regular basis has regular 1-2-1's with the IAAM (CAE) to ensure that she is fulfilling the terms of conditions of the SLA that is in place between Lancaster City Council and Wyre Council for a shared CIA.</p>			
<p>The Public Sector Interpretation to PSIAS 1110 notes that board approval of CAE remuneration does not generally happen in the UK public sector, and that the underlying principle is therefore that the independence of the CAE must be safeguarded by ensuring that their remuneration or performance assessment is not inappropriately influenced by those subject to audit.</p> <p>EQA assessors should therefore consider whether adequate steps are taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not inappropriately influenced by those subject to audit. This might for example reflect some involvement of the chief executive in the performance assessment process or feedback from the audit committee chair.</p>				
<table border="1"> <tr> <td data-bbox="1219 1868 1362 2103">CONFORMS ✓</td> <td data-bbox="1219 1585 1362 1868">PARTIAL</td> <td data-bbox="1219 1070 1362 1585">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p>1111 Direct Interaction with the Board</p>				
<p>Does the CAE communicate and interact directly with the board?</p>				
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p>The IAAM (CAE) attends a pre-audit meeting with the Chairman of the Audit Committee and also attends all Audit Committee Meetings.</p>				

Questions to consider	Evidence / comments	
1112 Chief Audit Executive Roles Beyond Internal Auditing		
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?	The IAAM has operational responsibility for risk management. External Assurance will be sought in respect of this services operating effectively.	
Does the board periodically review these safeguards?	This arrangement is reported to the Audit Committee annually in the Annual Audit Report.	
CONFORMS ✓	PARTIAL	NOT CONFORMING
1120 Individual Objectivity		
Do internal auditors have an impartial, unbiased attitude?	Feedback questions sent after each audit are used to monitor the auditor's approach.	
CONFORMS ✓	PARTIAL	NOT CONFORMING
Do internal auditors avoid any conflict of interest, whether apparent or actual?	Auditors will complete an annual declaration of interests.	
CONFORMS ✓	PARTIAL	NOT CONFORMING
Compliance with the Internal Audit Charter / Code of Ethics.		
Audit Staff are aware that they need to report any suspected conflicts of interest if they arise during an audit review. There have been no conflicts of interest recorded to date.		
1130 Impairment to Independence or Objectivity		
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)?	The IAAM has operational responsibility for risk management. External Assurance will be sought in respect of this services operating effectively.	
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?	N/A	
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A

<p>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?</p>	N/A	
CONFORMS ✓	PARTIAL	NOT CONFORMING
<p>Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?</p>	<p>Owing to the size of the audit team this is not achievable. However the use of other audit providers and the potential to use Wyre Council up to 31/03/21 allows the rotation of audits where appropriate.</p>	
CONFORMS ✓	PARTIAL	NOT CONFORMING
<p>Have internal auditors declared interests in accordance with organisational requirements?</p>	<p>The Internal Audit Team Audit all complete an annual declaration of interests.</p>	
CONFORMS ✓	PARTIAL	NOT CONFORMING
<p>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?</p>	<p>Staff are provided with the Internal Audit Charter / Code of Ethics. Both documents are also on the intranet.</p> <p>There have been no declarations of gifts and hospitality received in 2020/21.</p> <p>Audit staff are reminded annually of the council's procedures in respect of receiving gifts and hospitality.</p>	
CONFORMS ✓	PARTIAL	NOT CONFORMING

Questions to consider		Evidence / comments
Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?		There have been no instances where an auditor has used information obtained during the course of duties for personal gain.
CONFORMS ✓	PARTIAL	See declaration of interest.
	NOT CONFORMING	
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?		
CONFORMS ✓	PARTIAL	The council's Internal Audit Team do not undertake any consultancy work.
	NOT CONFORMING	
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?		
CONFORMS N/A	PARTIAL N/A	The council's Internal Audit Team does not undertake any consultancy work. However the IAAM (CAE) has been providing cover for the CAE role at Lancaster City Council since May 2017. This was on a 12 month rolling contract which amounts to approximately 55 days per year. However, it should be noted that this arrangement came to an end on 31/03/21.
	NOT CONFORMING N/A	
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?		
CONFORMS N/A	PARTIAL N/A	
	NOT CONFORMING N/A	

<p>This section seeks to confirm that engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the CAE and their staff, and how they exercise their capability in practice.</p>		
<p>1210 Proficiency</p>		
<p>Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?</p>	<p>The IAAM (CAE) is a fully Certified Chartered Auditor (CIA). She also holds a Qualification in Internal Audit Leadership (QIAL).</p> <p>The IAAM (CAE) has 20 years' experience in internal audit (12 of which managing an audit service) including County Council, 2 District Councils, experience in auditing the Police and Fire Authority, schools and residential establishments.</p>	
<p>Is the CAE suitably experienced?</p>	<p>CONFORMS ✓ PARTIAL</p>	<p>NOT CONFORMING</p>
<p>Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?</p>	<p>Recruitment and selection is undertaken in accordance with HR policies and practices.</p>	
<p>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?</p>	<p>Last updated in 2019 as part of the JE review.</p>	
<p>CONFORMS ✓ PARTIAL</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?</p> <p>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?</p>	<p>The IAAM will ensure audit staff have the relevant qualifications and experience to ensure they can carry out their responsibilities.</p> <p>The IAAM (CAE) and Principal Auditor have the necessary qualifications and skill set to carry out any audit work. However, if a piece of work was to be carried out that would require a specialist auditor skill set, an external audit organisation would be contacted.</p>	
<p>CONFORMS ✓ PARTIAL</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

Questions to consider		Evidence / comments
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?		The use of TIS online and CIPFA control matrices help assist in evaluating the risk of fraud. The knowledge and expertise of the in-house Corporate Enquiry Team is available if required. The IAAM has attended an external course in respect of conducting internal investigations.
CONFORMS ✓	PARTIAL	NOT CONFORMING
Do internal auditors have sufficient knowledge of key information technology risks and controls?		The council can use the expertise of Lancashire County Council ICT auditors where appropriate.
CONFORMS ✓	PARTIAL	NOT CONFORMING
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?		Although the Internal Audit function do not have any CAAT software, arrangements are in place to utilise Lancashire County CAAT software if the need arises. In addition, in-house training and development has been undertaken to ensure that staff have sufficient competence in using available technology, e.g. Excel to assist in conducting their audits -house training
CONFORMS ✓	PARTIAL	NOT CONFORMING
1220 Due Professional Care		
Do internal auditors exercise due professional care by considering the:		The Principal Auditor will discuss and agree the scope, objectives and risks at the start of each audit with the client.
<ul style="list-style-type: none"> ■ Extent of work needed to achieve the engagement's objectives? ■ Relative complexity, materiality or significance of matters to which assurance procedures are applied? ■ Adequacy and effectiveness of governance, risk management and control processes? ■ Probability of significant errors, fraud, or non-compliance? ■ Cost of assurance in relation to potential benefits? 		The audit plan considers time, cost, complexity and the assurances it requires from each audit. Guidance, information and advice is available to the auditor when designing tests to ensure adequacy and effectiveness of governance, risk management and control.
In doing the above, internal auditors must also consider how technology-based audit and other data analysis techniques can provide assurance.		CIPFA risk matrices and the TIS online subscription are frequently used to ensure all risk areas are considered and subsequent controls have been identified. Audit staff have access to several CIPFA publications which assist with the consideration of audit, governance and risk. Namely; CIPFA – Delivering Good Governance in Local Government; and the PSIAS – Local Government; Application Note for the UK Public Sector.
CONFORMS ✓	PARTIAL	NOT CONFORMING

		<p>At the start of the audit, the auditor will have an initial meeting with the auditee to discuss potential risks. If any further risks, fraud etc. are highlighted during the audit, the scope would be amended to include the work required. The auditor will also be alert to any non-compliance issues raised by officers.</p> <p>All work is risk based. If additional work is required, the Principal Auditor will agree this with IAAM (CAE) subject to a cost/benefit analysis being undertaken.</p> <p>Consideration will be given to what methods of data analysis / techniques should / could be used at the start of each audit to obtain the necessary assurances.</p>
<p>Do internal auditors exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> ■ Needs and expectations of clients, including the nature, timing and communication of engagement results? ■ Relative complexity and extent of work needed to achieve the engagement's objectives? ■ Cost of the consulting engagement in relation to potential benefits? 	<p>There are no such engagements undertaken presently.</p>	<p>There are no such engagements undertaken presently.</p>
<p>CONFORMS N/A</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>
<p>1230 Continuing Professional Development</p>		
<p>Has the CAE defined the skills and competencies for each level of auditor?</p> <p>And</p> <p>Does the CAE periodically assess individual auditors against the predetermined skills and competencies?</p>	<p>The council establishment has one level of auditor at Grade 4 with the support of IAAM (CAE). Financial resources are available to buy in additional audit resource to assist with the delivery of the 2020/21 audit plan however owing to the ongoing pandemic it has not been possible to procure such audit service, auditors across the district having been re-deployed to other services.</p> <p>Each audit report is reviewed by the IAAM (CAE) to ensure the audit has been conducted in accordance with professional standards and requirements of any auditing publications.</p> <p>The skills and competencies of the Principal Auditor are annually reviewed as part of the council's performance appraisal scheme. It is understood that all Lancashire County Council / Wyre Council auditors also have performance appraisals where their skills and competencies are assessed.</p>	<p>CONFORMS ✓</p>
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

Questions to consider		Evidence / comments
<p>Do internal auditors undertake a programme of continuing professional development?</p> <p>And</p> <p>Do internal auditors maintain a record of their professional development and training activities?</p>		<p>Both the IAAM (CAE) and the Principal Auditor undertake CPD in accordance with their professional qualification requirements.</p> <p>HR maintains a list of all courses that have been attended by Audit staff.</p>
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>5.4 1300 Quality Assurance and Improvement Programme</p>		
<p>The questions in this section seek to confirm that the CAE has developed and maintained a Quality Assurance and Improvement Programme (QAIP) through which conformance with the PSIAS can be and is properly assessed.</p>		
<p>Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?</p> <p>Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?</p> <p>Does the CAE maintain the QAIP?</p>		<p>The QAIP includes both internal; and external assessments.</p> <p>The internal assessments include:</p> <ul style="list-style-type: none"> • An annual self-assessment of the effectiveness of the audit service using the PSIAS; • Feedback on the Head of Governance (CAE) is sought annually prior to their performance appraisal; • 6 monthly monitoring of the internal audit activity to the Audit Committee; and • Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the Sections Audit Charter and also in the PSIAS. <p>External assessments include:</p> <ul style="list-style-type: none"> • A 5 yearly independent assessment of compliance to the PSIAS and the Local Government Application Guidance Note; • Annual review of the council's Annual Governance Statement as part of the Financial Accounts audit; • Regular attendance at the Audit Committee with the opportunity to meet in private with the Committee; and • External Auditors and Audit Committee Members reviewing and challenging internal audit reports.
<p>Are any statutory requirements for review of the internal audit activity satisfied?</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

				All aspects of the programme are routinely monitored. The review is conducted by IAAM (CAE) and scrutinised by the Financial Services Manager (S151 Officer).
1310 Requirements of the Quality Assurance and Improvement Programme				
<i>Does the QAIP include both internal and external assessments?</i>				
CONFORMS ✓	PARTIAL	NOT CONFORMING		A self-assessment is performed annually. In addition, an external review of the effectiveness of the internal audit function is carried out every 5 years, in accordance with the requirements of the PISIAS. Lancaster's review took place in March 2018. The next peer review is due to take place in February 2023, however it should be noted that as at 04/06/21 (following the departure of the IAAM and the Principal Auditor) Lancaster does not have an Audit function and therefore may not be in a position to participate in this peer review process. The External Auditor will also review the work of the internal audit service as part of the work they complete in respect of the ISA 260 – Report to those charged with Governance.
1311 Internal Assessments				
<i>Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?</i>				
CONFORMS ✓	PARTIAL	NOT CONFORMING		Whilst this is limited due to the size of the audit team, Lancashire County Council or another external resources would be bought in if required.
<i>Do internal assessments include ongoing monitoring of the internal audit activity, such as:</i>				
				All audit work is subject to a full review before the report is published. This includes a full review of working papers, evidence found, testing completed and validity of recommendations. An annual review using the checklist within the Local Government Application Note is undertaken. This is subject to an external assessment every 5 years.
CONFORMS ✓	PARTIAL	NOT CONFORMING		Lancaster's review took place in March 2018 with the next review due in February 2023 however, it should be noted that as at 04/06/21 (following the departure of the IAAM 31/03/21 and the Principal Auditor 04/06/21) Lancaster does not have an Audit function and therefore may not be in a position to participate in this peer review process.

Questions to consider	Evidence / comments
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<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> ■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities? ■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement? ■ Does the CAE measure, monitor and report on progress against these targets? ■ Does ongoing performance monitoring include obtaining stakeholder feedback? 	<p>CONFORMS ✓</p> <p>PARTIAL</p> <p>NOT CONFORMING</p>	<p>The Principal Auditor is set targets / objectives annually as part of the performance appraisal scheme. Performance against these targets/objectives is monitored regularly.</p> <p>The audit plan is monitored day-to-day and the Audit Committee receives six monthly updates on completion of the audit plan.</p> <p>Reporting timescales are published in the Audit Charter.</p> <p>In addition, ad-hoc benchmarking is conducted with the other Lancashire Internal Audit services. The use of external providers (Lancashire County Council / Wyre Council) also assists with benchmarking the quality of internal audit reports.</p> <p>Agreed performance targets would be documented in service level agreements if applicable.</p> <p>An email requesting feedback on how the audit was conducted, whether it met expectations, and whether it was of value etc is sent to the client at the end of each audit review. Any areas of concern are followed up by the IAAM (CAE).</p>
<p>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?</p> <p>Sufficiency would require knowledge of the PS/IAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.</p>	<p>CONFORMS ✓</p> <p>PARTIAL</p> <p>NOT CONFORMING</p>	<p>The periodic self-assessment is normally undertaken by the IAAM (CAE) and reviewed by the Financial Services Manager (Section 151 Officer) – however this assessment has been completed by the Principal Auditor following the departure of the IAAM.</p> <p>In order to comply with PS/IAS and the Local Government Application Note; an external assessment must be carried out once every 5 years. Lancaster’s assessment took place in March 2018. The next review is due to be completed in February 2023 however, it should be noted that as at 04/06/21 (following the departure of the IAAM 31/03/21 and the Principal Auditor 04/06/21) Lancaster does not have an Audit function and therefore may not be in a position to participate in this peer review process.</p>
<p>Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?</p>		<p>Previous peer reviews used the checklist recommended in CIPFA’s Code of Practice. The assessment also included a review of the annual internal</p>

<p>audit report which documents the achievement of the audit plan and its wider aims and objectives documented in the Audit Charter.</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>1312 External Assessments</p>		
<p>Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?</p>		
<p>Has the CAE discussed the alternative approaches to external assessment with the board? This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether there are factors which might be considered to warrant a demonstrably independent assessment.</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>The last external assessment was completed in March 2018 and the next one is scheduled for February 2023 however, it should be noted that as at 04/06/21 (following the departure of the IAAM 31/03/21 and the Principal Auditor 04/06/21) Lancaster does not have an Audit function and therefore may not be in a position to participate in this peer review process.</p> <p>The proposal from the Lancashire District Chief Auditors group which has been agreed by Audit Committee is to complete an annual self-assessment and use peer reviews to obtain an independent external validation. Lancaster's first external assessment was in March 2018. The External Auditor at the time (KPMG) received the self-assessment as part of the Audit Committee agenda and therefore had the opportunity to challenge the content.</p> <p>A memorandum of understanding (MoU) and templates are in place which will be used for all external assessments. The report template allows for the assessment team to state their qualifications and independence.</p>		

Questions to consider	Evidence / comments		
<p>Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?</p> <p>In doing this, the CAE should consider whether the assessor or assessment team has demonstrated its competence in both the professional practice of internal auditing <i>and</i> the external assessment process. Competence can be demonstrated through both experience and theoretical learning. Experience of similar organisations or sectors is more valuable than less relevant experience. In the case of an assessment team, not all members need to have all the competencies – it is the team as a whole that is qualified.</p> <p>If the capability of the assessor or assessment team is not immediately obvious, the CAE should document how they used professional judgement to decide whether this is sufficient to carry out the external assessment.</p> <p>If the assessor or assessment team has any real or apparent conflicts of interest with the organisation, this should be clearly explained to the board, and safeguards should be put in place to minimise the effect of this on the conduct of the external assessment.</p> <p>Conflict of interest 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.</p>	<p>The qualifications and independence of the assessment team will be documented in the final report. The peer review team will ensure that the assessment team do not have any real or apparent conflicts of interest with the organisation prior to the work commencing.</p>		
<p>CONFORMS ✓</p>	PARTIAL	NOT CONFORMING	
<p>Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?</p> <p>The CAE should also agree this scope with the external assessor or assessment team.</p>	<p>These requirements form the basis of the 'Memorandum of Understanding'.</p>		
<p>CONFORMS ✓</p>	PARTIAL	NOT CONFORMING	

1320 Reporting on the Quality Assurance and Improvement Programme			
Has the CAE reported the results of the QAIP to senior management and the board?		The Internal Audit Annual Report reports the results of the QAIP to Audit Committee. The results of the internal assessment of the internal audit function are scrutinised by the Financial Services Manager (Section 151 Officer) and presented to the Audit Committee.	
Note that:		The internal assessment is reported to Audit Committee annually, normally to accompany the Annual Audit Opinion and any external assessments will be reported to the Audit Committee following the issue of any report.	
<ul style="list-style-type: none"> ■ the results of both external and periodic internal assessment must be communicated upon completion ■ the results of ongoing monitoring must be communicated at least annually ■ the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS. 		Both the Internal Audit Annual Report and the Internal Audit Charter refer to the QAIP and its ongoing monitoring.	
CONFORMS ✓	PARTIAL	NOT CONFORMING	Conformance with PSIAS is documented.
Questions to consider			Evidence / comments
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?			The QAIP is reported in the annual report. No gaps have been highlighted following the assessment of the internal audit service that need reporting in the internal audit annual report or the Annual Governance Statement for 2020/21.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'			
Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?			The self-assessment is reviewed by the Financial Services Manager (Section 151 Officer) and reported to the Audit Committee.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1322 Disclosure of Non-conformance			
Has the CAE reported any instances of non-conformance with the PSIAS to the board?			There were no instances of non-conformance with the PSIAS during 2020/21.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	

<p>If appropriate, has the CAE considered including any significant deviations from the PS/IAS in the governance statement and has this been evidenced?</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>	<p>There were no significant deviations identified during 2020/21 that required reporting in the AGS.</p>
<p>Questions to consider</p>		<p>Evidence / comments</p>	
<p>6 Performance Standards</p>			
<p>6.1 2000 Managing the Internal Audit Activity</p>			
<p>The questions in this section seek to confirm that the internal audit activity's work achieves the purposes and responsibility of the activity, as set out in the internal audit charter, and that the internal audit activity adds value to the organisation and its stakeholders by:</p> <ul style="list-style-type: none"> ■ providing objective and relevant assurance ■ contributing to the effectiveness and efficiency of the governance, risk management and internal control processes. 		<p>2010 Planning</p> <p>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?</p> <p>Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?</p> <p>Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:</p> <ul style="list-style-type: none"> ■ How the internal audit service will be delivered? ■ How the internal audit service will be developed in accordance with the internal audit charter? ■ How the internal audit service links to organisational objectives and priorities? <p>CONFORMS ✓</p>	<p>The audit plan is formulated following discussions with the Executive Team and consideration of the Council's corporate plan and ambitions.</p> <p>The audit plan is formulated taking into consideration the areas on which the IAAM (CAE) is required to provide assurance in the annual audit report.</p> <p>The audit plan considers the council's risk registers (although this has been limited to date given their infancy), business plan, priority projects / objectives and also any emerging threats, opportunities for fraud etc.</p> <p>Documented in the Audit Charter / Code of Ethics.</p> <p>Development of the Internal Audit Service will be identified as part of this self-assessment and also at the 5 year external assessment.</p> <p>Progress on meeting these improvements is monitored through the performance appraisal system.</p>
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	

Questions to consider		Evidence / comments
<p>Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?</p> <p>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?</p> <p>If such a risk management framework does not exist, has the CAE used their judgement of risks after input from senior management and the board and evidenced this? N/A</p>		<p>Local and national risks are identified through the following;</p> <ul style="list-style-type: none"> • Strategic risk discussions • Networking and attendance at group auditor meetings; • Meetings with the External Auditor; and • Reading and research. <p>The Audit Committee are given the opportunity to comment on the work in the plan and discuss emerging risks either locally or nationally.</p> <p>The audit brief for each audit will identify and address individual risks, be it locally or nationally. The brief for each audit are published on the council's intranet.</p> <p>Both strategic and operational risks should be considered when developing the audit plan, however owing to their infancy that has not been achievable during 2021/21.</p>
<p>CONFORMS ✓</p>	<p>PARTIAL</p> <p>NOT CONFORMING</p>	<p>The audit plan lists the nature of the audit work.</p> <p>The plan itself does not list the priority of the work to be completed. However at the start of the year the audits will be prioritised and a start date will be agreed between the IAAM (CAE), Principal Auditor and the Service Manager.</p> <p>A contingency / investigation resource is set aside. The plan is regularly monitored and flexed if required.</p>
<p>Does the risk-based plan set out the:</p> <ul style="list-style-type: none"> ■ Audit work to be carried out? ■ Respective priorities of those pieces of audit work? ■ Estimated resources needed for the work? <p>Does the risk-based plan differentiate between audit and other types of work?</p> <p>Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?</p>		<p>The plan is flexible. If any new risks emerge during the year or new systems are implemented the contingency will be used initially. If this resource has already been used it may be that some work on the audit plan may slip to the following year. Any changes or deviation from the audit plan will be reported to the audit committee.</p>
<p>CONFORMS ✓</p>	<p>PARTIAL</p> <p>NOT CONFORMING</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p> <p>NOT CONFORMING</p>	

<p>Is the internal audit activity's plan of engagements based on a documented risk assessment?</p> <p>Is the risk assessment used to develop the plan of engagements undertaken at least annually?</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>The process that is undertaken to formulate the audit plan is an annual risk assessment.</p> <p>The risk assessment is completed annually and reviewed half yearly.</p>
<p>In developing the risk-based plan, has the CAE also given sufficient consideration to:</p> <ul style="list-style-type: none"> ■ Any declarations of interest (for the avoidance for conflicts of interest)? ■ The requirement to use specialists, e.g. IT or contract and procurement auditors? ■ Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? ■ 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? 	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>Audit staff complete an annual declaration of interest. There have been no conflicts of interest recorded in 2020/21.</p> <p>The Principal Auditor has the necessary qualifications and skill set to carry out any audit. However if a piece of work was to be carried out that would require a specialist auditor skill set, an external audit organisation would be contacted.</p> <p>A contingency / investigation resource is set aside.</p> <p>Time to plan each audit is factored into the number of days allocated for each piece of work. Attendance at Audit Committee, development of the annual report and other IAAM (CAE) activities is listed separately on the audit plan.</p>
<p>Questions to consider</p>				<p>Evidence / comments</p>
<p>In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?</p> <p>Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>Senior Management input is requested when drafting the audit plan. It is then submitted to the Audit Committee and which point their input is also requested.</p> <p>The annual audit report is scrutinised by the Financial Services Manager (Section 151 Officer) and is also presented to the Audit Committee for consideration. The document would be amended accordingly, recognising comments made, recommendations, changes etc.</p> <p>In regard to audit report opinions, the overall opinions are based on the findings of each audit, which are graded using a set framework. Auditees can challenge the audit opinion and provide reasons in support of why they think the opinion should be changed. This will be done at the draft stage of the reporting process.</p>

<p>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?</p>	<p>Shared good practice takes place between the two organisations (Lancaster and Wyre) in relation to risk management, internal control and information governance.</p>		
<p>Are consulting engagements that have been accepted included in the risk-based plan?</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>2020 Communication and Approval</p>			
<p>Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?</p>	<p>Members of the Executive Team are involved in the production of the annual audit plan. The draft audit plan is submitted to the Audit Committee in Feb / March for approval. A six monthly update is provided for the Audit Committee which includes any deviations from the audit plan.</p>		
<p>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?</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>Has the CAE communicated the impact of any resource limitations to senior management and the board?</p>	<p>Resource limitations would be reported to Executive Team and the Audit Committee where appropriate as part of the update report.</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	
<p>2030 Resource Management</p>			
<p>Does the risk-based plan explain how internal audit's resource requirements have been assessed?</p>	<p>The internal audit resource requirements are documented in the Audit Charter. The Audit Committee are only presented with the audit plan, are aware of the size of the audit section and have the opportunity to challenge the plan if they feel there is insufficient coverage. The External Auditors have not indicated they are uncomfortable with the internal audit resources available.</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	
<p>Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?</p>	<p>The Auditor will agree the timing of engagements with relevant Service Managers to ensure that it is convenient prior to the start of each audit.</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	

Questions to consider		Evidence / comments	
<p>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?</p> <p>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.</p>		<p>There is an opportunity for the IAAM (CAE) to comment on sufficiency of resources where appropriate; although it is considered that the resource available is currently enough to deliver the audit plan. The team is small; however, this was supported by the SLA with Wyre Council and the use of other audit providers to provide further audit days as required. However it should be noted that the SLA with Wyre Council came to an end on 31/03/21</p>	
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>2040 Policies and Procedures</p>			
<p>Has the CAE developed and put into place policies and procedures to guide the internal audit activity?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems to guide staff in performing their duties in a manner that conforms to the PSIAS</p> <p>Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?</p>		<p>Standardised working papers and a reporting format has been developed. The council's intranet is used to store key documents that guide audit activity i.e. Audit Charter / Code of Ethics, Risk Management Policy and other CIPFA guidance. The Principal Auditor has been issued with the PSIAS and CIPFA's Application Note.</p> <p>Internal audit policies and procedures are reviewed annually to ensure conformity to PSIAS.</p>	
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>2050 Coordination</p>			
<p>Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?</p> <p>The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers.</p> <p>They should also meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans.</p>		<p>Other streams of assurance such as external inspections are considered, e.g. RIPA, Taxi Licencing, Food Safety and Local Government Ombudsman.</p> <p>Basic assurance mapping has been carried out by the Principal Auditor to identify sources of assurance which is documented on a spreadsheet and regularly updated. See comments above about the results of the recent exercise.</p> <p>Regular meetings are held with External Audit to update them on the work currently being carried out by internal audit.</p> <p>Both internal and external audit plans are shared and communicated publicly at Audit Committee.</p>	

<p>Where key organisational risks relate to work undertaken through partnerships, the auditor may be able to take assurance from work undertaken by others, or by obtaining assurance directly.</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>Regular meetings are held with the External Auditor and the Financial Services Manager (S151 Officer) to discuss the progress made in implementing the audit plan.</p>
<p>Evidence / comments</p>				
<p>2060 Reporting to Senior Management and the Board</p>				
<p>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?</p> <p>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?</p> <p>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?</p>	<p>The IAAM (CAE) will update the Financial Services Manager (Section 151 Officer) on a regular basis.</p> <p>Six monthly audit and risk management update reports are submitted to the Audit Committee.</p> <p>The Audit Chairman and the External Auditor will receive verbal updates on any frauds / whistleblowing cases.</p> <p>The Audit Committee receives internal audit's Audit Charter / Code of Ethics annually which covers its purpose, authority and responsibility.</p> <p>Significant risk exposures should be documented via the strategic risk registers, however as reported in the annual opinion this is not the case.</p> <p>Governance issues are considered along with the annual agreement of the AGS. No arrangements have yet been made on who will take responsibility for the production of the AGS for 2020/21.</p> <p>Gifts and hospitality registers are also reviewed by Audit Committee and the Monitoring Officer.</p> <p>An agreed work programme is in place documenting when reports are submitted to Audit Committee.</p> <p>Where actions are considered to be important or urgent, more regular update reports are requested by Audit Committee and the relevant officer is invited to attend committee.</p>			
<p>2070 External Service Provider and Organisational Responsibility for Internal Auditing</p>				
<p>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?</p>	<p>NOT CONFORMING</p>			<p>This would be documented in any service level agreement.</p>

CONFORMS ✓	PARTIAL	NOT CONFORMING
6.2 2100 Nature of Work		
The questions in this section seek to confirm that the internal audit activity evaluates and contributes to the improvement of the organisation's governance, risk management and internal control processes using a systematic and disciplined approach.		
2110 Governance		
<p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> ■ Making strategic and operational decisions? ■ Overseeing risk management and control? ■ Promoting appropriate ethics and values within the organisation? ■ Ensuring effective organisational performance management and accountability? ■ Communicating risk and control information to appropriate areas of the organisation? ■ Coordinating the activities of and communicating information among the board, external and internal auditors and management? 	<p>The audit plan is formulated to ensure it contributes to the improvement of the organisation's governance, risk management and internal control processes. Audit reviews will cover the governance and the key risks of the service as well as the key controls. However risk registers have not been utilised as planned given their infancy.</p> <p>An ethical governance survey was conducted in 2018 to promote positive behaviours and values and identify gaps in knowledge and understanding. An equivalent survey for members was due to be issued early in 2020/21 but has been delayed by the pandemic.</p> <p>Managers are held accountable for actions in audit reports and findings from previous audit reports are followed up by the audit team.</p> <p>Performance management is scheduled in the audit plan biennially.</p> <p>Audit reports are issued to the staff responsible for the area being audited.</p> <p>The Audit Committee receive regular updates on risk management.</p> <p>In previous years, governance assurance meetings were carried out prior to the completion of the Annual Governance Statement. This was attended by key officers of the council. However it should be noted that owing to the COVID-19 pandemic, alternative methods were used during 2019/20 to pull together the statement and that at the time of completing this self-assessment, it was not clear who would be pulling together the AGS for 2020/21 following the departure of the IAAM.</p> <p>All audit reports are issued to clients and published on the Intranet and available for all staff / members to view.</p> <p>External Auditor communication is presented to Audit Committee.</p> <p>Regular updates are presented to council on the work of Audit Committee.</p>	
CONFORMS ✓	PARTIAL	NOT CONFORMING

	Governance issues are reviewed as part of the audit as are risk management, health and safety and performance management.			
Questions to consider				
Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.	The ethical governance survey completed in 2018 tested knowledge and understanding of key policies and procedures and helped identify any gaps allowing targeted future training.			
<table border="1"> <tr> <td data-bbox="515 1870 568 2121">CONFORMS ✓</td> <td data-bbox="515 1592 568 1870">PARTIAL</td> <td data-bbox="515 1070 568 1592">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	The audit plan will cover IT governance if required.
CONFORMS ✓	PARTIAL	NOT CONFORMING		
Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives? This is an area where the CAE may be able to use other sources of assurance.				
<table border="1"> <tr> <td data-bbox="738 1870 791 2121">CONFORMS ✓</td> <td data-bbox="738 1592 791 1870">PARTIAL</td> <td data-bbox="738 1070 791 1592">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
2120 Risk Management				
<p>Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:</p> <ul style="list-style-type: none"> ■ Organisational objectives support and align with the organisation's mission? ■ Significant risks are identified and assessed? ■ Appropriate risk responses are selected that align risks with the organisation's risk appetite? ■ 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? 	<p>Documented in the Council Plan – However these have not been evaluated by Internal Audit.</p> <p>Risk Management (strategic) has been identified in the Internal Audit Annual Report as an area requiring attention, therefore no specific actions have been documented here.</p>			
<table border="1"> <tr> <td data-bbox="1337 1870 1390 2121">CONFORMS</td> <td data-bbox="1337 1592 1390 1870">PARTIAL ✓</td> <td data-bbox="1337 1070 1390 1592">NOT CONFORMING</td> </tr> </table>	CONFORMS	PARTIAL ✓	NOT CONFORMING	The audit plan for 2020/21 identified a number of pieces of work which involved evaluating the risks of key strategic projects. Financial and operational information is tested for reliability and
CONFORMS	PARTIAL ✓	NOT CONFORMING		
Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:				

<ul style="list-style-type: none"> ■ Achievement of the organisation’s strategic objectives? ■ Reliability and integrity of financial and operational information? ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 	<p>integrity as part of individual audits.</p> <p>If assurance work has been completed, the effectiveness and efficiency will be reported on accordingly in final report and in the annual audit report.</p> <p>The safeguarding of council assets is considered as part of individual audits.</p> <p>Compliance with law, regulations, policies and procedures is considered as part of each audit.</p>
<p>CONFORMS ✓</p> <p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p> <p>CIPFA has issued a <i>Code of Practice on Managing the Risk of Fraud and Corruption</i>, and strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk.</p>	<p>PARTIAL</p> <p>NOT CONFORMING</p> <p>The council takes part in the NFI process.</p> <p>The IAAM (CAE) regularly tests compliance to the council’s counter fraud policies.</p> <p>Information concerning potential fraudulent activity is shared (National reports and Lancashire Audit Group).</p> <p>The Corporate Enquiry Team will focus on investigating corporate fraud including fraudulent claims for council tax support, falsely claimed council tax and business rate discounts and exemptions and council tax and business rate avoidance.</p>
<p>Questions to consider</p>	
<p>Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?</p> <p>Are internal auditors alert to other significant risks when undertaking consulting engagements?</p> <p>Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation’s risk management processes?</p>	<p>Evidence / comments</p> <p>There are no such engagements undertaken presently.</p>
<p>CONFORMS N/A</p> <p>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?</p>	<p>PARTIAL N/A</p> <p>NOT CONFORMING N/A</p> <p>The Internal Audit Team facilitate the audit process, identify risk areas and make recommendations to mitigate risks etc within audit reports. Appropriate officers will be made responsible for ensuring that’s risks identified are managed during the year.</p>
<p>CONFORMS ✓</p>	<p>PARTIAL</p> <p>NOT CONFORMING</p>

<p>2130 Control</p>	<p>Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> ■ Achievement of the organisation's strategic objectives? ■ Reliability and integrity of financial and operational information? ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>There are no such engagements undertaken presently.</p>
<p>These areas are covered as part of the audit planning process. Audits of key financial systems are conducted every 2/3 years unless there are have been any major changes to systems or controls. Strategic objectives / projects are risk managed at Service Manager level and Audit are often asked to give advice and assurances e.g.P2P Feedback from the Insurance Officer is used to evaluate adequacy of the safeguarding of council assets. Compliance with laws, regulation, policies, procedures and contracts are considered in each audit review.</p>					
<p>6.3 2200 Engagement Planning</p>					
<p>Do internal auditors develop and document a plan for each engagement?</p>	<p>Does the engagement plan include the engagements:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ Timing? ■ Resource allocations? 	<p>CONFORMS N/A</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>	<p>An audit brief is developed and agreed for each audit review.</p> <p>Each of these criteria are documented in the audit brief.</p>
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>			

Questions to consider	Evidence / comments			
<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> ■ The objectives of the activity being reviewed? ■ The means by which the activity controls its performance? ■ The significant risks to the activity being audited? ■ The activity's resources? ■ The activity's operations? ■ The means by which the potential impact of risk is kept to an acceptable level? ■ The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? ■ The opportunities for making significant improvements to the activity's governance, risk management and control processes? 	<p>Each of these criteria are either documented in the audit brief or the lead schedules.</p>			
<table border="1"> <tr> <td data-bbox="874 1872 925 2116">CONFORMS ✓</td> <td data-bbox="874 1588 925 1872">PARTIAL</td> <td data-bbox="874 1070 925 1588">NOT CONFORMING</td> </tr> </table> <p>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:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ 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)? 	CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>There are no audits performed for parties outside of the organisation.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<table border="1"> <tr> <td data-bbox="1453 1872 1500 2116">CONFORMS N/A</td> <td data-bbox="1453 1588 1500 1872">PARTIAL N/A</td> <td data-bbox="1453 1070 1500 1588">NOT CONFORMING N/A</td> </tr> </table>	CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A		

<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ The respective responsibilities of the internal auditors and the client and other client expectations? <p>For significant consulting engagements, has this understanding been documented?</p>	<p>There are no such engagements undertaken presently.</p>		
<p>CONFORMS N/A</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>	

Questions to consider	Evidence / comments
<p>2210 Engagement Objectives</p> <p>Have objectives been agreed for each engagement?</p> <p>Have internal auditors carried out a preliminary risk assessment of the activity under review?</p> <p>Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?</p> <p>Have internal auditors considered the probability of the following when developing the engagement objectives:</p> <ul style="list-style-type: none"> ■ Significant errors? ■ Fraud? ■ Non-compliance? ■ Any other risks? <p>CONFORMS <input checked="" type="checkbox"/> PARTIAL NOT CONFORMING</p>	<p>Documented in the audit brief.</p> <p>This is completed whilst formulating the audit brief. Auditors will review previous audits, risk registers (if available) and other intelligence before undertaking each review. Risk profiles from other sources may also be used to assist in identifying further key risks.</p> <p>The audit brief document identifies the core risk and the objective.</p> <p>The preliminary risk assessment will ensure each of these are covered.</p>
<p>Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?</p> <p>If the criteria has been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?</p> <p>If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?</p> <p>If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?</p>	<p>The audit briefs are shared with Audit Committee members allowing such an evaluation to be undertaken when the audit report is published. A control matrix is used to evidence that all risks identified have been tested and that adequate controls are in place.</p> <p>There are no instances where the criteria have been deemed inadequate.</p> <p>The 'value for money' aspect of any service / control is considered during each review.</p> <p>If there has been any work on VFM this will be documented within the report.</p>

CONFORMS ✓	PARTIAL	NOT CONFORMING	
Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?			The job description of the IAAM (CIA) sets out the requirement of the role; in particular around governance, risk management and internal control.
Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?			In addition, the job description refers to compliance with the PSIAS which both organisations comply with.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
2220 Engagement Scope			
Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?			Agreed at the start of the audit. If during the audit the scope has to be extended to ensure the objectives of the audit are met, this is agreed with the Head of Governance (CAE) as it is likely to have resource implications.
Does the scope for each engagement include consideration of relevant systems, records, personnel and physical properties?			The audit brief document identifies the systems, records, premises and personnel the auditor will require access to.
Does this consideration include areas under the control of outside parties, where appropriate?			Yes
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Questions to consider			
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?			Evidence / comments There have been no such consulting opportunities that have arisen during an assurance engagement.
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?			
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	

<p>For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?</p> <p>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 whether or not to continue with the engagement?</p> <p>During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?</p> <p>During consulting engagements, were internal auditors alert to any significant control issues?</p>	<p>There are no such engagements undertaken presently.</p>						
<table border="1"> <tr> <td data-bbox="576 1827 624 2051">CONFORMS</td> <td data-bbox="576 1581 624 1827">N/A</td> <td data-bbox="576 1290 624 1581">PARTIAL</td> <td data-bbox="576 1070 624 1290">N/A</td> <td data-bbox="576 259 624 1070">NOT CONFORMING</td> <td data-bbox="576 259 624 1070">N/A</td> </tr> </table> <p>2230 Engagement Resource Allocation</p> <p>Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement based on:</p> <p>a) The nature and complexity of the individual engagement?</p> <p>b) Any time constraints?</p> <p>c) The resources available?</p>	CONFORMS	N/A	PARTIAL	N/A	NOT CONFORMING	N/A	<p>This is agreed when formulating the annual audit plan. The IAAM (CAE) is notified of any changes to the nature of the work, time constraints and resources available once the audit brief has been agreed</p>
CONFORMS	N/A	PARTIAL	N/A	NOT CONFORMING	N/A		
<table border="1"> <tr> <td data-bbox="983 1827 1031 2051">CONFORMS</td> <td data-bbox="983 1581 1031 1827">✓</td> <td data-bbox="983 1290 1031 1581">PARTIAL</td> <td data-bbox="983 1070 1031 1290">NOT CONFORMING</td> <td data-bbox="983 259 1031 1070"></td> </tr> </table> <p>2240 Engagement Work Programme</p> <p>Have internal auditors developed and documented work programmes that achieve the engagement objectives?</p> <p>Do the engagement work programmes include procedures for:</p> <ul style="list-style-type: none"> ■ Identifying information? ■ Analysing information? ■ Evaluating information? ■ Documenting information? <p>Were work programmes approved prior to implementation for each engagement?</p>	CONFORMS	✓	PARTIAL	NOT CONFORMING		<p>The auditor will plan the work required to meet the objectives of the audit. Standard templates are in place for this purpose.</p> <p>The detailed analysis and testing schedules will document the objective, the information required, the testing completed, the finding and the overall conclusions and recommendations.</p> <p>After the Audit Committee have approved the annual audit plan for the forthcoming year, the Auditor will agree the work programme for each quarter with the IAAM.</p>	
CONFORMS	✓	PARTIAL	NOT CONFORMING				

Were any adjustments required to work programmes approved promptly?		Occasionally, work programmes are adjusted to take into consideration urgent work or investigations.
CONFORMS ✓	PARTIAL	NOT CONFORMING
Questions to consider		
6.4 2300 Performing the Engagement		
The questions in this section seek to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support engagement results and conclusions.		
2310 Identifying Information		
Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?		
Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.		
CONFORMS ✓	PARTIAL	NOT CONFORMING
2320 Analysis and Evaluation		
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?		
CONFORMS ✓	PARTIAL	NOT CONFORMING
Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented:		
<ul style="list-style-type: none"> ■ Intentional wrongdoing? ■ Errors and omissions? ■ Poor value for money? 		
Confirmed by the IAAM (CAE) for each audit performed by the Auditor.		
The key risks around these areas are identified at the start of the audit. The Principal Auditor is experienced in the areas she is required to audit throughout the council and remains alert to any weaknesses / control failings. Documented in standardised working papers.		

<ul style="list-style-type: none"> ■ Failure to comply with management policy? ■ Conflicts of interest? 	<table border="1"> <tr> <td data-bbox="225 1794 280 2047">CONFORMS ✓</td> <td data-bbox="225 1509 280 1794">PARTIAL</td> <td data-bbox="225 1070 280 1509">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>2330 Documenting Information</p> <p>Have internal auditors documented the relevant information required to support engagement conclusions and results?</p> <p>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?</p>	<p>Standardised reports are used to document conclusions and findings along with a management action plan.</p> <p>A file review is conducted by the IAAM (CAE) to ensure working papers are referenced correctly and the file contains sufficient evidence to support any findings and the overall opinion.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING				
Questions to consider			Evidence / comments			
<p>Does the CAE control access to engagement records?</p> <p>Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?</p> <p>Has the CAE developed and implemented retention requirements for all types of engagement records?</p>	<table border="1"> <tr> <td data-bbox="975 1870 1050 2047">CONFORMS ✓</td> <td data-bbox="975 1585 1050 1870">PARTIAL</td> <td data-bbox="975 1070 1050 1585">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?</p>	<p>Access rights are documented in the Audit Charter. The audit reports state that the working papers can be viewed on request.</p> <p>Audit files have not been released to external parties other than the council's External Auditor.</p> <p>Information Asset Registers document the required retention periods for all audit records.</p> <p>Retention periods are consistent with organisational and regulatory guidelines. At present audit files are retained for 7 years (6 plus current) in accordance with the Government Classification Scheme.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING				
<p>2340 Engagement Supervision</p> <p>Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?</p> <p>Is appropriate evidence of supervision documented and retained for each engagement?</p>	<table border="1"> <tr> <td data-bbox="1417 1870 1511 2047">CONFORMS ✓</td> <td data-bbox="1417 1585 1511 1870">PARTIAL</td> <td data-bbox="1417 1070 1511 1585">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>File reviews, feedback and performance appraisals are used to ensure that training or development issues are highlighted.</p> <p>File reviews and performance appraisal documents are retained evidencing supervision.</p>	
CONFORMS ✓	PARTIAL	NOT CONFORMING				

6.5 2400 Communicating Results		
The questions in this section seek to confirm that internal auditors communicate the results of engagements in an appropriate way.		
2410 Criteria for Communicating		
Do the communications of engagement results include the following:		Audit reports are issued as appropriate to Directors, Heads of Service, key operational staff with the Audit Committee and the External Auditor reviewing all audit reports.
<ul style="list-style-type: none"> ■ The engagement's objectives? ■ The scope of the engagement? ■ Applicable conclusions? ■ Recommendations and action plans, if appropriate? 		A standardised report format is used ensuring that each of the criteria is communicated.
CONFORMS ✓	PARTIAL	NOT CONFORMING
Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?		A closure meeting is arranged with the relevant officers to agree factual accuracy, findings and agree actions.
CONFORMS ✓	PARTIAL	NOT CONFORMING
If recommendations and an action plan have been included, are recommendations prioritised according to risk?		Lancaster recommendations are given a priority risk rating of 1 to 3. Level 1 recommendations require immediate action and level 3 recommendations have no set timescales and include suggestions for improvements / efficiencies in service delivery.
If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?		Lancashire County Council recommendations are prioritised as Extreme, High, Medium or Low and appropriate timescales can be agreed with the auditor.
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?		The action plan identifies the management response and timescales for action. The management response would only identify areas of disagreement where appropriate.
CONFORMS ✓	PARTIAL	NOT CONFORMING

Questions to consider		Evidence / comments
Subject to confidentiality requirements and other limitations on reporting, 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?	CONFORMS ✓	Evidence is disclosed in support of the audit conclusion subject to confidentiality requirements. The internal auditor's opinion and conclusions are clearly visible.
When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	PARTIAL	Closure meetings are held with clients and audit reports are scrutinised by the Financial Services Manager (Section 151 Officer) and reported to the Audit Committee.
CONFORMS ✓	NOT CONFORMING	
Opinions should be supported by sufficient, reliable, relevant and useful information (in line with responses to questions for PSIAS 2300).		Confirmed by the IAAM (CAE) who reviews all audit files.
Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?		Satisfactory performance would be reflected in the overall conclusion issued.
CONFORMS ✓	PARTIAL	
When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?		The engagement results are not released to parties outside of the organisation other than the council's External Auditors.
CONFORMS ✓	NOT CONFORMING	
Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?		Internal Audit have not been asked to provide assurance to any partnership organisations.
CONFORMS N/A	PARTIAL N/A	
CONFORMS N/A	NOT CONFORMING	
2420 Quality of Communications		
Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?		All documents are reviewed by the IAAM (CAE). Review notes are provided to correct any work that does not meet quality standards.
CONFORMS ✓	PARTIAL	Closure meetings are also used to agree factual accuracy of the report and findings.
	NOT CONFORMING	Feedback is used to ensure auditees are happy with how the audit was conducted.

				The client is provided with an opportunity to challenge whether they consider the report to be constructive as part of the closure meeting and again by attending Audit Committee if appropriate. The timeliness of reports is monitored and reported to Audit Committee.
2421 Errors and Omissions				
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?				
CONFORMS ✓	PARTIAL		NOT CONFORMING	
2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'				
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?				
CONFORMS ✓	PARTIAL		NOT CONFORMING	Reported as part of the Annual Internal Audit Report.
Questions to consider				
2431 Engagement Disclosure of Non-conformance				
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:				
<ul style="list-style-type: none"> ■ The principle or rule of conduct of the <i>Code of Ethics or Standard(s)</i> with which full conformance was not achieved? ■ The reason(s) for non-conformance? ■ The impact of non-conformance on the engagement and the engagement results? 				
CONFORMS N/A	PARTIAL N/A		NOT CONFORMING N/A	No specific engagements have been impacted on by non-compliance with the PSIAS.
Evidence / comments				

2440 Disseminating Results

<p>Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>Reporting arrangements are documented within the Audit Charter.</p>
<p>Has the CAE communicated engagement results to all appropriate parties?</p>	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>Audit reports are issued as appropriate to Directors, Heads of Service and key operational staff with the Audit Committee and the External Auditor receiving all audit reports. The Audit Working Papers also have a pre-populated distribution list.</p>
<p>Before releasing engagement results to parties outside the organisation, did the CAE:</p> <ul style="list-style-type: none"> ■ Assess the potential risk to the organisation? ■ Consult with senior management and/or legal counsel as appropriate? ■ Control dissemination by restricting the use of the results? 	<p>CONFORMS N/A</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>	<p>Engagement results have not been released to parties outside the organisation other than the council's External Auditors.</p>
<p>Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?</p>	<p>CONFORMS N/A</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>	<p>There are no such engagements undertaken presently.</p>

Questions to consider	Evidence / comments	
<p>2450 Overall Opinion</p>		
<p>Has the CAE delivered an annual internal audit opinion?</p>	<p>Presented annually to the Audit Committee.</p>	
<p>Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?</p>	<p>The annual audit report is scrutinised by the Financial Services Manager (Section 151 Officer) and presented to Audit Committee for consideration.</p>	
<p>Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?</p>	<p>See report presented to Audit Committee in June 2021</p>	
<p>Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information (having regard to the answers to questions on PSIAS 2300)?</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>Does the communication identify the following:</p>	<p>All areas documented in the Annual Audit report.</p>	
<p>■ The scope of the opinion, including the time period to which the opinion relates?</p>	<p>In providing an overall opinion on the council's system of internal control, it should be noted that assurance can never be absolute. Internal audit can only provide reasonable assurance that there are no major weaknesses in the areas reviewed.</p>	
<p>■ Any scope limitations?</p>		
<p>■ The consideration of all related projects including the reliance on other assurance providers?</p>	<p>Where a qualified or unfavourable opinion was given this would be fully explained in the annual audit report.</p>	
<p>■ The risk or control framework or other criteria used as a basis for the overall opinion?</p>		
<p>Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?</p>	<p>See annual governance statement and section entitled 'review of effectiveness'.</p>	
<p>Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

<p>Does the annual report incorporate the following:</p> <ul style="list-style-type: none"> ■ The annual internal audit opinion? ■ A summary of the work that supports the opinion? ■ A disclosure of any qualifications to the opinion? ■ The reasons for any qualifications to the opinion? ■ A disclosure of any impairments or restriction in scope? ■ A comparison or work actually carried out with the work planned? ■ A statement on conformance with the PSIAS? ■ The results of the QAIP? ■ Progress against any improvement plans resulting from the QAIP? ■ A summary of the performance of the internal audit activity against its performance measures and targets? ■ Any other issues that the CAE judges is relevant to the preparation of the governance statement? 	<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>See annual audit report considered by the Audit Committee. Internal review feedback forms are referred to along with a comparison of the work actually carried out compared to that planned.</p>
<p>Questions to consider</p>				<p>Evidence / comments</p>
<p>6.6 2500 Monitoring Progress</p>				
<p>The questions in this section seek to confirm that a system is in place to monitor effectiveness of audit communications results to management, including appropriate follow up when no action is taken by management.</p> <p>Has the CAE established a process to monitor and follow up management actions to ensure that agreed actions have been effectively implemented or that senior management have accepted the risk of not taking action?</p>				

<p>Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?</p> <p>Do the results of monitoring management actions inform the risk- based planning of future audit work?</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>See annual internal audit opinion for more details.</p> <p>If there has been little progress made in implementing recommendations, follow-up reviews will continue until the assurance level has been raised to substantial as per the Audit Charter.</p>
<p>Does the internal audit activity monitor the results of consulting engagements as agreed with the client?</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>	<p>There are no such engagements undertaken presently.</p>
<p>6.7 2600 Communicating the Acceptance of Risks</p>			
<p>This section considers the arrangements which apply if the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation.</p> <p>Situations of this kind are expected to be rare. PSIAS 2600 sets out communication requirements for the CAE. It is not the responsibility of the CAE to resolve the risk.</p>			
<p>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?</p>			<p>The IAAM (CAE) has not concluded this to date but would refer the matter to the Financial Services Manager (Section 151 Officer).</p>
<p>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?</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>The IAAM (CAE) has not concluded this to date but would if appropriate refer the matter to the Audit Committee.</p>
<p>CONFORMS ✓</p>			