Schedule of recommendations -progress @ June 2013

Recommendation	Management Response as reported to Audit and Governance Committee in March 2103	Further action @ June2013	RAG rating
Purpose, authority and responsibility			
Define the scope of internal audit more clearly, explicitly stating that it is able to cover all the operations of the Council.	The Internal Audit Charter will be amended to reflect this requirement.	Amended IA Charter approved by A&G Committee on 18 March 2013.	G
Refer to all the resources available to it (for example, hardware and software, access to information and training), rather than just to staff.	The Internal Audit Charter will be amended to reflect this requirement.	Amended IA Charter approved by A&G Committee on 18 March 2013.	G
Produce a one-page summary of the internal audit charter.	Once the internal audit charter has been approved by Audit and Governance Committee the Chief Internal Auditor will produce a one-page summary for sharing with auditees at Service Liaison meetings and audit planning meetings.	A one page summary charter has been produced and circulated to the IA team for use in meetings with auditees.	G
Independence and objectivity			
Include an explicit independence statement in the annual report and the audit plan report and the words "free and unfettered" or similar should be included in the charter.	Agreed.	The words "full, free and unrestricted" are included in the charter. The annual plan presented to A&G Committee in March made reference to the objectives underpinning the work of the IA team as set out in the Charter. The covering report specifically stated that Internal Audit is	G

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		independent of the activity that it audits. The Annual Report presented to the A&G Committee in June 2013 includes an explicit independence statement.	
Ensure internal audit staff receive annual documented reminders of the ethical standards of behaviour expected of them, especially around impartiality and being unbiased.	There will be an annual reminder at an internal audit team meeting at the start of each year – with appropriate meeting minutes as evidence.	This was discussed at the March 2013 IA team meeting and a reminder was sent to all members of the team.	G
Proficiency and due professional care			
Require use of the training module in Galileo to record training and development.	The Chief Internal Auditor will remind the team to keep training records updated in Galileo.	This was discussed at the March 2013 IA team meeting and all members of the team were asked to update their records.	G
Formalise planning of individual audits.	Internal Audit Management will devise a standard approach to audit planning which clearly identifies risks. The approach for each audit will be formally documented and agreed between the auditor and the audit manager. Team briefing on this proposed approach will be provided at the April 2013 team meeting with the Audit manual updated to reflect this.	An initial discussion on this was had at the May 2013 team meeting and some initial improvements to audit assignment planning were agreed. Further amendments to the approach may be required following formal team training on risk based auditing arranged for July 2013.	A
Consider ways to make the link to risk explicit by, at the very least, highlighting some of the key risks to be examined in the audit terms of reference.	From April 2013 when the PSIAS come into effect the Internal Audit team will ensure the Terms of Reference for each audit identify the key risks.	An initial discussion on this was had at the May 2013 team meeting. As well as agreeing that agreed audit planning memos should be completed for all audits (and held on the Galileo system) a new introduction to the audit report - which specifically mentions	A

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		risks - was shared. It was agreed that the team would begin working the new wording/approach into their planned audits and some initial improvements to audit Terms of Reference were agreed. Further amendments to the approach may be required following formal team training on risk based auditing arranged for July 2013.	
Quality assurance and improvement programme			
Summarise the outcome of the effectiveness reviews in the annual internal audit report.	Agreed- this will be actioned by the Chief Internal Auditor.	The outcome of the 2012/13 effectiveness review was reported in full in a separate report to the A&G Committee in March 2013. The 2012/13 Annual Internal audit Report includes an update on progress made in implementing the recommendations arising from that review.	G
Managing the internal audit			
Include a specific reference in the annual planning report to risk-based (as opposed to risk priority) planning.	Agreed- this will be actioned by the Chief Internal Auditor.	Specific reference to annual audit planning being risk-based was included in the report presented to A&G Committee in March.	G
Include specific links to risk supporting the chief internal auditor's opinion in the annual planning report.	The Chief Internal Auditor will make it clear when presenting the proposed annual audit plan to the Audit and Governance Committee, that the plan is risk based and that as such, delivery of the audit plan of work will enable the Chief Internal Auditor to form an opinion on the Council's control environment.	This was made clear by the Chief Internal Auditor at the meeting of A&G Committee in March 2013.	G

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Consider ways to develop engagement with senior management and their staff.	A summary (1 page) charter will be used to assist this.	A summary (1 page) charter has been developed which auditors will use to help explain to auditees the role of the Internal Audit.	G
Nature of work			
Align risk wording in reports with the approach used in the risk register.	The Chief Internal Auditor will discuss this in more detail with the Risk and Governance Manager. One approach may be to amend the Internal Audit Manual to provide more information on drafting internal audit reports. This could include describing risks in terms of cause, risk and effect.	The Chief Internal Auditor met with the Risk and Governance Manager to discuss this in April 2013. Some minor changes to the audit manual were discussed, but the whole team training on risk based auditing planned for July 2013 may prompt further changes to the approach to audit report writing.	A
Use risk as a thread throughout the audit, driving the audit work and acting as a focus for the results.	This will be actioned through formalising the audit planning process and including risks in each audit's terms of reference.	Work on this is on-going. Team meeting discussions have taken place and some initial changes in approach agreed, however the formal training in risk based auditing – planned for July 2013 - may see further changes implemented. Once a standard approach is agreed the Internal Audit manual will be updated to reflect agreed changes.	A
Engagement planning			
Be more explicit about the risks that are being tested for at the start of each audit, including them in the terms of reference.	Agreed. From April 2013 when the PSIAS come into effect the Internal Audit team will ensure the Terms of Reference for each audit identify the key risks.	As already mentioned, some changes in approach have been agreed but these may be further refined following the formal training in risk based auditing – planned for July 2013.	A
Have a standardised approach to audit planning, including	Internal Audit Management will devise a standard approach to audit planning	At the May 2013 team meeting it was agreed that audit planning memos should	G

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documenting discussions between the auditor and audit manager about the audit, related risks and controls and service objectives so that there is a clear link between expectations of the audit through the work carried out to the findings included in the report.	which clearly identifies risks. The approach for each audit will be formally documented and agreed between the auditor and the audit manager. Team briefing on this proposed approach will provided at the April 2013 team meeting with the Audit manual updated to reflect this.	be completed for all audits, reviewed by the relevant manager and held on the Galileo audit management system.	
Include service business plans on the sources of information list.	Agreed – this will be included as part of a wider update of the Internal Audit Manual planned for Quarter 1 2013/14.	The Internal Audit manual has been updated to include service business plans on the sources of information list.	G
Performing the engagement			
Introduce standard review sheets for all audits, raising and clearing concerns or identifying where there are no review points.	The Galileo system already provides this facility although it is currently not consistently used. The team will be reminded at the April team meeting, of the need to mark working papers for review so audit management can raise review points at the earliest opportunity.	All auditors were reminded at the March 2013 team meeting of the need to mark working papers for review on the Galileo system so audit management can raise review points at the earliest opportunity.	G
Communicating the results			
Make the basis on which the report is written clearer, perhaps with an opening statement along the following lines: "We have examined such-and-such service, looking at the following areas [list]. All areas other than those mentioned below were effective" or "This report is written on an exception basis and, as such, highlights only those areas	Will consider this as part of a team meeting discussion on audit report writing with any agreed changes to guidance included in the Internal Audit Manual.	The findings of the effectiveness review were discussed at a team meeting held in March 2013 where it was noted that the review had included only a very limited review of audit reports (only 2 were looked at). It was not accepted that audit reports are written on an exception basis. It was agreed that Internal Audit reports should continue to provide a balance picture – reporting on both strong and weak aspects	G

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where there are weaknesses. Any areas not mentioned below are deemed to be effective".		of control.	G
Consider ways to improve report writing further, perhaps through a team meeting, discussion and guidance note included in the audit manual.	Agreed –this will be actioned during Quarter 1 2013/14.	Initial discussions around this have not identified any specific changes to audit reports however the format and approach to audit reporting will be revisited following the whole team training on risk based auditing planned for July 2013.	G
Consider ways to bring management's attention earlier to reports that are contentious so that they are not caught unawares.	Agreed. This will be considered at an Audit Management Team meeting.	This was discussed at a meeting of the Audit Management Team in March 2013. General consensus was that this was not typically a problem. It was agreed that the responsibility should rest with the auditee to bring "contentious" audit findings to the attention of their management. Notwithstanding this, Internal Audit may alert senior management to "contentious" reports before they are issued if there are concerns that they are not already aware of.	G
Consider sharpening the definitions for the two opinions to make the distinction between them clearer. Alternatively, consider if different opinion titles or a numerical system might assist.	The Chief Internal Auditor will discuss this with the S151 Officer.	The Chief Internal Auditor has carried out some research of audit opinions used by other Internal Audit teams and discussed this matter with the S151 Officer. The Chief Internal Auditor will agree what more needs to happen following discussion with the Chairman and Vice Chairman of the Audit and Governance Committee.	A