

Appendix 1

Angus Council Internal Audit



Internal Audit Annual Report 2018-2019

10 June 2019

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Chief Executive's Unit

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Executive Summary - Overall Opinion and Assurances

Background

1. The Public Sector Internal Audit Standards (PSIAS) state that:

“The Chief Audit Executive (Audit Manager/Service Leader) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

2. To meet the above requirements, this Annual Report summarises the conclusions and key findings from the internal audit work undertaken during the year ended 31 March 2019, and up to 10 June 2019 relating to the year ended 31 March 2019, including my overall opinion on internal control system.
3. My governance, risk management, and internal control audit and assurances for 2018-19 are informed by a number of sources detailed in paragraph 9 below.
4. My opinions relate solely to the Council and do not include those bodies included in the group accounts.

Overall internal audit opinion

Objectives

5. The PSIAS require me to provide the Scrutiny & Audit Committee with assurance on the whole system of internal control. In giving my opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control. My report also provides:
 - assurances to Members of the Council and the Chief Executive in relation to my assessment of, and opinion on, the Corporate Governance arrangements during the year under review
 - assurances to the Head of Corporate Finance in relation to internal financial controls to support and inform his duties as s95 Officer.
 - performance information in relation to internal audit and
 - the results of the internal audit quality assurance programme.

Opinion

6. In my professional judgement as Service Leader Internal Audit sufficient and appropriate audit procedures have been conducted and evidence gathered to support the basis and the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria. The evidence gathered meets professional audit standards and is sufficient to provide senior management with the proof of the conclusions derived from the internal audit.
7. In my opinion the Council has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money.
8. The internal audit work of the year has identified a number of areas of good practice and good internal control. Significant improvement has again been made in addressing implementation of internal audit recommendations and this should be continued in 2018-19. A number of level 1 recommendations have again been made with the more material findings highlighted later in this report.

Basis of opinion

9. In assessing the level of assurance to be given, I have taken into account:
 - All reviews undertaken as part of the 2018-19 internal audit plan, and the work of the Counter Fraud Team, including some work in progress that has yet to be fully reported to committee;
 - Any scope limitations imposed by management. There were no limitations of scope to the audit work conducted in 2018-19, although the plan was revised mid- year to take account of changing circumstances (Reports 362/18, 16/19, and 195/19 refer) (see further comments at para. 21);
 - Matters arising from previous reviews and the extent of follow-up action taken;
 - Expectations of senior management, the Council and other stakeholders;
 - The extent to which internal controls address the Council's risk management /control framework;
 - The effect of any significant changes in the Council's objectives or systems;
 - The internal audit coverage achieved to date;
 - Formal assurances received from the Head of Corporate Finance (Section 95 Officer) and the Head of Legal & Democratic Services (Monitoring Officer);
 - Certification against minimum governance and internal financial control standards received from the Directors (formerly Heads of Service) and from the Chief Executive's Unit;
 - My observations of the work of the Corporate Governance Officers Group (CGOG) in relation to their self-assessment of local code compliance;
 - The assessment of risk completed during the preparation of the audit plan;
 - Reports issued by the Council's External Auditors and other review agencies; and
 - My knowledge of the Council's governance, risk management, financial and performance monitoring arrangements.

Internal Audit Role and Structure

Role of Internal Audit

10. The PSIAS defines Internal Audit as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Structure and Reporting

11. For the year to 31 March 2019 Internal Audit was part of the Governance section of the Chief Executive’s Unit. The service was delivered through a mix of structures:
 - For one month there was a mix of Council staff and a co-sourcing contract with Scott Moncrieff. The contract provided an Audit Manager and IT audit support, and ended on 30 April 2018.
 - From May 2018 the management of the Internal Audit team was brought back in house. Until mid-July 2018 the Team Leaders of Internal Audit and Counter Fraud led the team with support from the Manager – Governance, Risk & Scrutiny.
 - From mid-July 2018 I joined the team as Service Leader - Internal Audit.
 - An IT audit support tender was advertised in December 2018 and re-advertised in January 2019. Scott Moncrieff were appointed to this contract in February 2019.
12. Throughout the year the audit leads had open access to all members and officers of the Council and operated in accordance with the Internal Audit Charter. The results of all internal audit work reported to the Scrutiny & Audit Committee were reported in my own name, or that of the Team Leaders. The Committee remit is to consider the outcomes of audit and investigation work; monitor the discharge by management of the recommendations made; ratify internal audit plans; and review the performance of internal audit.
13. Internal Audit undertakes an annual programme of work based on a formal risk assessment process which is revised on an on-going basis to reflect emerging risks and changes within the Council.
14. All internal audit reports are subject to consultation with management for consideration of factual accuracy and recommendations made. It is management’s responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken to implement the agreed action plans. I am required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters (including non-compliance with audit recommendations if applicable) arising from internal audit work were reported to relevant Service Directors, formerly Heads of Service, Depute Chief Executive, formerly Strategic Director, the Chief Executive and the Council’s Scrutiny & Audit Committee.

Summary of Internal Audit Activity 2018-19

Scope and Responsibilities

Management

15. It is the Council's Chief Officers' responsibility to establish a sound internal control system. The internal control system comprises the whole network of systems and processes established to provide reasonable assurance that organisational objectives will be achieved, with particular reference to:

- risk management;
- the effectiveness of operations;
- the economic and efficient use of resources;
- compliance with applicable policies, procedures, laws and regulations;
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- the integrity and reliability of information and data.

Internal audit

16. Internal Audit assists management by examining, evaluating and reporting on the controls in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, Internal Audit should:

- analyse the internal control system and establish a review programme;
- identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner;
- report findings and conclusions and, where appropriate, make recommendations for improvement;
- provide an opinion on the reliability of the controls in the system under review; and
- provide an assurance based on the evaluation of the internal control system within the organisation as a whole.

17. The main areas of audit conducted in the year, with a summary of the more material findings, supplemented by our review work on discharge of level 1 recommendations, are outlined in the Main Audit Findings section below

Planning Process

18. In order to be able to provide an annual assurance statement supporting the Governance Statement, I include all of the Council's activities and systems within the scope of the internal audit reviews.

19. The annual internal audit plan is designed to provide the Scrutiny & Audit Committee and management with assurance that the Council's internal control system is effective in managing the

key risks and value for money is being achieved. The plan is therefore informed by the Council's risk management system and linked to the Corporate Risk Register.

20. The Annual Internal Audit Plan was agreed in consultation with senior management and formally approved by the Scrutiny & Audit Committee in April 2018. The plan can be subject to revision during the year to reflect changes in the Council's risk profile and changing circumstances. No changes were required to the 2018-19 plan during the year as a result of changes in the risk profile.
21. Changes to scope were made to accommodate changing circumstances and to focus audit work to add value and better assist transformation. The changes were reported to the Scrutiny & Audit Committee as follows:
- 20 November 2018 Report 362/18 Business Continuity and Disaster Recovery was postponed till 2019/20 to allow the audit review to consider new arrangements that have been developed during 2018/19. A progress update about the new arrangements was provided to the Scrutiny & Audit Committee.
 - 22 January 2019 Report 16/19.
 - Two post implementation reviews were re-scheduled to match revised implementation timetables. Both are now included in the 2019/20 plan.
 - The review of agile savings was removed from the plan due to the work already undertaken across the Council on budget setting and monitoring and the work underway on OD/ZBB.
 - The opportunity was taken to use the time freed up to re-focus the scopes of planned work around project management and change to add value and provide consultancy input in these areas. The project management elements of the re-scheduled post implementation review projects were included in this work.
 - 18 June 2019 Report 195/19. Online Payments/ "Cashless Council" has been carried forward to the 2019/20 plan and merged with other planned work on cash.
22. Additional work commissioned in-year exceeded the original contingency budget. This included the report on Lochside Leisure Centre, a complaint investigation, and input to the lean review of mobile phones.
23. We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. However, internal audit can never guarantee to detect all fraud or other irregularities and cannot be held responsible for internal control failures.

Cover achieved

24. At 10 June 2019 the 2018-19 plan has been largely delivered, with four items that will be reported to a Scrutiny & Audit committee meeting after June 2019. Fieldwork for all of these is underway. I am not aware of any significant findings at 10 June 2019 that would adversely impact on my opinion. The projects are:

- Two audits relating to procurement will be reported in August 2019: Contract Specification and the review of Procurement Reform (Scotland) act 2014
- Carbon Reduction/climate change targets 2020. The draft report issued in April 2019 has been discussed and further audit work is underway. This will be reported to the next meeting.
- A first stage report on mapping the governance arrangements of all groups operating in the Council will be reported to CLT and the Scrutiny & Audit committee. Further work and reporting will be undertaken in 2019. .


25. The plan was revised during the year to take account of operational issues and changing circumstances. Items were removed from the plan as discussed in paragraph 21 above. The following items were added to the plan, or had the focus revised to ensure the time spent provided maximum impact to support change:



- Project management reviewed three projects to identify good practice and common areas for improvement. This included the two systems where the planned post implementation review was delayed until 2019/20.
- Change programme governance self-assessment using Government Gateway Zero checklist.
- Staff involvement in a Lean review of the use of mobile phones. This was not led by internal audit and is not reported by internal audit.
- Report for the Chief Executive re Lochside Leisure Centre.



Main Audit Findings

26. The majority of control objectives were assessed as having been achieved, with a number of areas of good practice noted. Where necessary actions were agreed to improve the control environment or tighten up the operation of the existing controls.







27. A variety of audit reports in both financial and non-financial areas have been issued during 2018-19 and all were considered by the Scrutiny and Audit committee. In the following table the * under level 4 actions denotes that the service has its own action plan in place covering the areas reviewed in the audit or our consultancy work resulted in an action plan being prepared by the service. Definitions of overall control assurance are provided in Appendix B.

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
				1	2	3	4
Corporate Governance							
Corporate Governance annual review – 2017-18	Complete	N/A	N/A	-	-	-	*
New Management Structure - revised Governance Arrangements	Interim reporting	N/A	N/A	-	-	-	-
General Data Protection Regulations (GDPR) Readiness	Complete	Substantial		-	-	-	*
Risk management	Complete	N/A Consultancy	N/A	-	-	-	*
Council Governance & Oversight of Arrangements with Angus Alive	Complete	Substantial	N/A	-	-	-	*
Council oversight of IJB	Complete	Substantial	N/A	-	-	-	*

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
				1	2	3	4
Financial Governance (cont.)							
Schools' Funds – Governance (follow-up)	Complete	Limited		2	8	2	-
Savings targets/Income generation Removed as work on budgets provides assurance on savings and OD/ZBB and other work is looking at Income Generation	N/A	N/A	N/A	-	-	-	-
Change programme / Agile Savings Focus changed to review governance of the change programme. Agile savings will not be reviewed.	Complete	N/A Consultancy	N/A	-	-	-	*
Review of Voluntary Severance scheme	Complete	Substantial		-	1	-	-
On-line payments/ "Cashless Council" It is proposed to carry this forward to 2019/20 and carry it out in conjunction with the review of cash handling.	Carried forward to 2019/20 plan	N/A	N/A	-	-	-	-
On-line school payments – now split in to two phases. Phase 1 included in 3 project review of project management procedures.	Complete	N/A Consultancy project	N/A	-	-	-	-
Phase 2 to be undertaken during 2019 to review operation of system.	N/A	N/A	N/A	-	-	-	-

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
				1	2	3	4
BACS system	Complete	Substantial			2		2
Data Analysis – Payroll & Accounts Payable	Complete	Payroll - Comprehensive Accounts payable - Comprehensive	N/A	- -	- -	- -	- -
IT Governance							
Carefirst Social Work system Focus changed. This project included in 3 project review of project management procedures Phase 2 to be undertaken as part of 2019/20 Audit Plan to review operation of system.	Complete	N/A Consultancy project	N/A	-	-	-	-
IT User Access Administration – Integra (follow-up)	Complete	N/A	N/A	-	-	-	*
IT User Access Administration - Resourcelink	Complete	Limited		2	4		

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
				1	2	3	4
Internal Controls							
Contract specification process	In Progress						
Change Management/Project Management procedures – now 2 separate audits. Change Management covered by Change Programme above.	Complete	N/A – Consultancy project	N/A	-	-	-	*
Project management procedures							
Business continuity planning and disaster recovery	Postponed to 2019/20	N/A	N/A	-	-	-	-
School transport	Complete	Comprehensive		-	-	1	1
Nursery/Early years expansion	Complete	Substantial		1	4	3	-
Asset Management							
Stocks	Complete	Limited		1	7	5	-
MEB (Formerly DERL)	Complete	Comprehensive		-	-	-	-

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
				1	2	3	4
Property Repairs Work Allocation (Schedule of Rates)	Complete	Substantial		-	1	1	-
Section 75 agreements	Complete	Substantial		-	3	4	-
Legislative and other compliance							
LEADER	Complete	Substantial			3	2	
Carbon Reduction / Climate Change Targets 2020	Draft report issued, further audit work in progress						
IR35 (off payroll working rules)	Complete	Substantial			1	2	2
Procurement Reform (Scotland) Act 2014	In Progress						
EESHH 2020 housing standards compliance	Complete	Comprehensive		-	-	-	-
Environmental Health, Consumer Protection and Food Safety Enforcement	Complete	Limited		1	3	3	-

Audits	WIP status	Overall control assurance	Control assessment by objective	No. of Audit Actions by Priority			
				1	2	3	4
Corporate Health & Safety	Complete	N/A Consultancy	N/A	-	-	-	*
Interreg (European Funding)	Complete	N/A	N/A	-	-	-	-
• Initial testing	Complete	N/A	N/A	-	-	-	-
• Payroll testing	Complete	N/A	N/A	-	-	-	-
Chief Executive Reports							
Lochside Leisure Centre	Complete	N/A	N/A	-	-	-	5

28. Four areas were assessed as providing limited assurance that controls were adequate.

- **Stocks.** This review sought to provide assurance that Council Directorates are following the guidance relating to Financial Regulations Section 24, Stores, Inventories and Assets – Custody and Control. We considered two objectives; maintenance of inventories in accordance with financial regulations and compliance with stock taking requirements. Although some good practice was identified overall both objectives were assessed as not being achieved and having inadequate or ineffective controls. 13 recommendations were made, the majority of which related to the operation of established control rather than the need to re-design the controls. Stock is not a material item within the Council's overall Balance Sheet but it is still important that it is used and recorded correctly. Stock was valued at £345,000 in the 2017/18 final accounts, and in the draft accounts for 2018/19.
- **Environmental Health.** The audit considered discharge of statutory duties and arrangements to deliver services for environmental protection and food safety. We identified elements of good practice within the service, however we also found that, in line with other Scottish local authorities, some aspects of statutory duties were not being discharged fully. The service actively manages this situation to minimise the risk exposure through their risk based approach to planning work. There are a significant number of additional responsibilities that new legislation is likely to require of the service in future. At this stage it is unclear whether or not there will be additional funding from the Scottish Government to help deliver these responsibilities.
- **Governance of School Funds –Follow-up.** Audits in secondary schools in 2015/16 and primary schools in 2017/18 identified a number of areas for improvement. School Funds guidance, which we have assessed is fit for purpose, was updated and issued to all schools. A full follow-up audit was undertaken in 2018/19 to see if schools are actively following the guidance. There has been improvement in guidance and training, and some schools demonstrated good practice. There were however sufficient instances of non-compliance identified for the overall assessment of assurance to be "Limited". To put this

assessment in context it should be noted that School Funds are lower in total value in comparison to other funds administered in schools.

- User access controls –Resourcelink. A number of recommendations were made to strengthen user access controls.

Action plans have been agreed to address all of the identified issues.

Good progress has been made in addressing the action plans agreed to deal with areas assessed as having limited assurance last year. Progress re Governance of School Funds is noted above.

29. Consultancy input contributed to continuous improvement in the following areas:

- Project management
- Risk management
- Change governance
- Health & safety
- Improving economy, efficiency and effectiveness in the use of mobile phone

30. Internal Audit also contributed to the 2018-19 internal audit work for the Angus Integration Joint Board (IJB) as part of the agreement of shared services. This work is complete. The IJB audit service is led by the Chief Internal Auditor of NHS Tayside.

Discharge of Audit Recommendations

31. As part of the annual audit work, the discharge of recommendations is reviewed.

32. All Services now monitor their audit recommendations through Pentana. During the year we reviewed the progress of implementation of audit recommendations in some detail, reporting to the Council Management Team and the Scrutiny & Audit Committee. In 2018 we revised the amount of information being reported to allow better scrutiny of the progress being achieved.

33. All services have continued to take significant steps to address their outstanding recommendations. Recommendations that have been outstanding for significant time are the result of being part of major change initiatives. We have continued to see a steady improvement during 2018-19 in recommendations being cleared by their due date. There are no overdue Level 1 recommendation as at 10 June 2019. Three level 1 recommendations have had their completion dates extended because they are part of larger projects that are on-going to effect change. Other level 1 recommendations are being worked on and have not yet reached their due date.

34. We will continue to review implementation of recommendations as part of our 2019-20 follow up work.

Independence

35. PSIAS require me to communicate on a timely basis all facts and matters that may have a bearing on internal audit's independence.
36. I confirm that the staff members involved in each 2018-19 internal audit review were independent of the area under review and their objectivity was not compromised in any way.

Corporate Governance

37. The Council has a Local Code of Corporate Governance which is kept under review and is updated to reflect recognised best practice in corporate governance.
38. Compliance with the code is assessed on behalf of the Chief Executive on an annual basis by an officer working group on Corporate Governance. The outcome is reported to the Chief Executive and Scrutiny & Audit committee in June each year.
39. I have concluded that the Local Code is adequate and effective, and although some areas for improvement have been identified, the Code is complied with in all material respects. Significant positive continuous improvement in arrangements has taken place during 2018/19, not only to address the items in the corporate governance action plan, but also to ensure the organisation makes the transformation needed to deliver services and meet objectives.
40. Our audit work identified:
- A small number of areas of non-compliance with the core internal financial controls within individual directorates.
 - Work has been undertaken during 2018/19 to update schemes of delegation and authorised signatory lists. This is due to be finalised during 2019.
 - Risk management arrangements have been revised during the year. Our review concluded that the Risk Management Strategy approved in January 2019 follows good practice and provides a sound basis for embedding risk management arrangements going forward. Whilst there is still work to be done, the new arrangements are working well towards achieving the objectives for sharing and integrating risk priorities across the Council whilst supporting services to be more accountable and responsible for all aspects of risk underpinning their business objectives. There was a potential risk during 2018/19 that the informal nature of some of the risk management arrangements, and particularly those relating to corporate risk identification, would lead to risks not being identified and addressed accordingly. Work to date in 2019/20 confirms that this risk did not occur.
 - Oversight of Angus Alive and the IJB was strengthened during 2018/19 and the systems in place were assessed as providing "substantial assurance".
 - Significant work has been undertaken during 2018/19 to streamline change governance and project management. The change programme is now directly aligned to the Council plan.
 - The senior management team has considered governance arrangements and made changes to reflect changes in structure.

Performance & Quality Assurance

Performance & Quality Assurance

41. Quality assurance arrangements within the Internal Audit section are contained within the Audit Manual and encompass a robust day to day quality system and file review process.
42. The External Quality Assessment completed by CIPFA in 2014-15 confirmed that the internal audit function was compliant with the PSIAS. This has been reconfirmed annually through an internal assessment process. Following each annual assessment an improvement plan is updated in compliance with the PSIAS. The external review must be carried out every five years. We have joined the SLACIAG peer review process and the next review is planned for late 2019.
43. The Counter Fraud Team follow Cipfa guidance in discharging their duties. A separate annual report (194/19), including an assessment of activity against the guidance, will be presented to the same Scrutiny & Audit Committee as this annual report.

Conformance with Public Sector Internal Audit Standards

44. I confirm that the Council's internal audit service conforms to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing. This is confirmed through our quality assurance and improvement programme, which includes cyclical internal and external assessments of our methodology and practice, against the standards. A summary of the results of my most recent internal assessment is provided at Appendix A. The external review due in 2019/20 will be undertaken through the peer-review process of SLACIAG.
45. During 2018-19 the main improvements made to the service related to additional reporting about outstanding actions to the Scrutiny & Audit committee, and assurance mapping information for audit planning.
46. The FTE mix of staff is shown in the table below.

Period	Council Staff Internal Audit	Council Staff Counter Fraud	Co-Sourced Audit Manager and IT support	Service leader	Total
	FTE	FTE	FTE	FTE	FTE
April 2018	3.6	2.1	0.5	0	6.2
May 2018 to Mid-July 2018	3.6	2.1	0	0	5.7
July 2018 to February 2019	3.6	2.1	0	1	6.7
March 2019	3.6	2.1	0.13	1	6.83

47. In April 2018 a team member who had been on secondment to Finance returned to the team.
48. As previously noted the co-sourced contract for the Audit Manager ended on 30 April 2018. As agreed in report 81/18 to the Scrutiny & Audit Committee on 20 February 2018, an external recruitment exercise was undertaken to appoint a Service Leader Internal Audit. I took up this post in mid-July 2018. The element of the co-sourcing contract for IT audit support also ceased on 30 April 2018 and was re-tendered during 2018-19.

49. From 1 April 2019 resources within the Counter Fraud team will be enhanced by 1.2FTE time. As part of a re-arrangement of duties within the Governance section one part-time team member will increase from 0.4 FTE to 0.6 FTE. Change Fund funding was approved to appoint an additional temporary Fraud Officer for a two year period from 1 April 2019. Internal recruitment resulted in the secondment of an officer to this post from 20 May 2019. The additional time will primarily be used to enhance pro-active counter fraud activity.
50. Currently, performance indicators used for Internal Audit are those developed by the CIPFA Directors of Finance Section. For 2018-19, the efficiency indicator shows the section discharged 103% of planned productive hours, compared with 91% in the previous year.
51. The work of the Internal Audit function is reviewed by External Audit as part of their annual audit. The purpose of this review is to ensure that the Internal Audit section performs to professional standards in the conduct of audit work in order that External Audit can place reliance on it. In their 2018-19 planning document Audit Scotland, the Council's external auditor, reported that they had carried out their assessment of the internal audit service and made no recommendations. They concluded that they would take account of our reports in their wider dimension audit work.

Appendix A Summary of Internal – Quality Assurance Assessment

Public Sector Internal Audit Standards require disclosure of the outcome of our regular internal and external quality assessments.

The table below summarises the outcome of the most recent internal quality assessment, in which I have assessed the extent to which the internal audit methodology conforms to the standards.

Standard	Does not conform	Conforms	Improvements we have identified
Purpose & positioning			
• Remit		√	
• Reporting lines		√	
• Independence		√	
• Other assurance providers		√	√
• Risk based plan		√	
Structure & resources			
• Competencies		√	
• Technical training & development		√	√
• Resourcing		√	
• Performance management		√	
• Knowledge management		√	
Audit execution			
• Management of the IA function		√	
• Engagement planning		√	√
• Engagement delivery		√	

Standard	Does not conform	Conforms	Improvements we have identified
• Reporting		√	√
Impact			
• Standing and reputation of internal audit		√	
• Impact on organisational delivery		√	
• Impact on Governance, Risk and Control		√	

Overall, the service conforms to the requirements of the International Standards for the Professional Practice of Internal Auditing. A range of actions have been identified which will improve the overall effectiveness and consistency with which our methodology is applied. For example, we plan to expand our use of assurance mapping in the Audit Needs Assessment process to assess reliance that the Council can place on other assurance providers, we will continue to expand our use of IDEA software for continuous auditing, and will consider further improvement that can be made to planning and reporting.

My assessment is based on the overall service that is delivered. Compliance with the methodology will be monitored through the audit review process.

Appendix B – Definition of Assurance Levels, Control Assessments & Recommendation Priorities

Level of Assurance definitions

Level of Assurance	Definition
Comprehensive Assurance	There is a sound control framework in place designed to achieve the system objectives, which should be effective in mitigating risks. Some improvements in a few, relatively minor, areas may be required, and any residual risk is either being accepted or addressed by management.
Substantial Assurance	The control framework in place is largely satisfactory, however there are a few areas where improvements could be made to current arrangements to reduce levels of risk, and/or there is some evidence that non-compliance with some controls may put some of the system objectives at risk.
Limited Assurance	Some satisfactory elements are evident within the control framework. However, some significant weaknesses have been identified which are likely to undermine the achievement of objectives, and/or the level of non-compliance with controls puts the system objectives at risk.
No Assurance	The control framework is ineffectively designed and operated. The issues identified require immediate attention to address the risks to the Council which are currently unacceptable. Significant improvements are required.

Control assessment definitions

Control Assessment	Definition
Red	Fundamental absence or failure of key control
Amber	Control objective not achieved – control is inadequate or ineffective
Yellow	Control objective achieved – no major weakness but scope for improvement
Green	Control objective achieved – control is adequate, effective & efficient

Recommendation Priority definitions

Priority	Definition
1	Recommendation concerning the absence/failure of fundamental control which is critical to the success of the system. Major weakness which significantly impairs the overall control framework. Immediate management action required. Very high risk exposure.
2	Recommendation concerning absence or non-compliance with key control which creates significant risks within the organisation. Substantial weakness identified. Prompt management action required. High risk exposure.
3	Recommendation concerning absence or non-compliance with lower level control, or an isolated instance of non-compliance with a key control. The weakness identified is not necessarily great, but controls would be strengthened and the risks reduced if it were rectified. To be addressed by management within a reasonable timescale. Moderate risk exposure.
4	Recommendation concerning minor issue which is not critical, but implementation would improve the system and/or strengthen controls. To be addressed by management within a reasonable timescale. Limited risk exposure.