



RUTLAND COUNTY COUNCIL  
ANNUAL REPORT OF INTERNAL AUDIT  
2012 -13

Date: 11<sup>th</sup> June 2013

## ***Background***

1. The work of internal audit is governed by the Accounts and Audit Regulations 2011; the CIPFA Code of Practice for Internal Audit in Local Government (2006) and associated Standards; and, since 1<sup>st</sup> April 2013, by the Public Sector Internal Audit Standards. The Code of Practice requires the “Head of Internal Audit” to report to those charged with governance the findings of audit work; provide an annual opinion on the effectiveness of the Council’s internal control environment and identify any issues relevant to the preparation of the Annual Governance Statement.

## ***Internal Audit Work Carried Out 2012/13***

2. During 2012/13 planned internal audit work was undertaken to provide assurance about all aspects of the Council’s activities, specifically
  - Key Financial Systems
  - Other Financial Systems
  - ICT
  - Counter-Fraud Arrangements
  - Governance & Performance
  - Customer-Facing Services
3. Additional work was commissioned to update the Council’s Counter Fraud Strategy; to support a review of the Council’s Contract Procedural Rules; to determine how best to deal with Quarantined E-Mails; and to confirm the implementation of Audit Recommendations arising from the 2011/12 Payroll Audit.
4. Appendix 2 provides a summary of planned work undertaken and the audit opinion associated with each completed audit

## ***Effectiveness of Internal Audit***

5. The Accounts and Audit Regulations require that the Council undertakes an annual review of the effectiveness of internal audit and the CIPFA Code of Conduct identifies 11 criteria against which effectiveness can be assessed. The detailed results of a self-assessment undertaken for 2012/13 are set out in Appendix 3. In summary, although the Consortium has met all of the requirements of the CIPFA Code in terms of the formal adoption of the policies and procedures specified, actual performance did not satisfy the criteria relating to five of those criteria relating to:

- Staffing, Training & Development;
- Undertaking Audit Work;
- Due Professional Care;
- Reporting; and
- Performance.

The self-assessment also acknowledged that failures to engage the Council's senior management in audit planning demonstrated incomplete compliance with the criterion for Relationships and that insufficient work has been done on developing the capacity of the Committee to allow full compliance to be claimed on the Audit Committee criterion.

6. The high level of staff vacancies experienced by the Consortium during 2011/12 and 2012/13 – which were reported to Audit & Risk Committee during the year – were judged to be a significant contributory factor the identified non-compliance with the Code of Practice. The post of Audit Manager (the Head of Consortium's deputy) was vacant from June 2011 to January 2013; between June 2011 and August 2012 the only established management post filled was that of the Head of Consortium; and between April and November 2012 vacancy level ranged from 40% to 50% of establishment. While it proved possible to engage suitable audit contractors to mitigate, in part, these staff shortages, the total number of audit days delivered in 2012/13 was 320 against a planned figure of 370. The direct and indirect impacts of resourcing issues recognised at the time included:
  - A reduction in the number of planned audits delivered (with the agreement of relevant clients)
  - A reduction in the number of days applied to some audits (with a consequent – and agreed – narrowing of scope)
  - Disruptions in the planned schedule of work as audit management attempted to match audits commissioned to the skills and experience of the auditors and audit contractors available
  - Time available for oversight and development of newly recruited and relatively inexperienced Auditors.
7. The identification of anomalous payroll payments in November 2012, and a subsequent review by HR and Payroll teams highlighted deficiencies in the design and management of the Payroll Audit undertaken as part of the 2011/12 Audit Plan: this is evidence of non-compliance with the criterion relating to Undertaking Audit Work. Although the audit identified weakness in the control system; discovered errors in expenses claimed; and gave the system the lowest assurance level available (i.e. Unsound), it did not identify weakness in controls over the approval of overtime and other enhanced payments. On the basis of an internal review the Head of Consortium has

concluded that testing was carried out properly but that the design of those tests – which is the responsibility of the Head of Consortium - took too much account of the requirements of External Audit and did not focus sufficiently on the identified system risks. It is also acknowledged that the decision not to commit further resources to allow for more testing of transactions was flawed.

8. An external and independent review of the Internal Audit function is to be commissioned. The results of the review will be reported to the Committee by the Interim Strategic Director.

### ***Internal Audit Opinion and Assurance Statement***

9. In developing an Opinion on the effectiveness of the Council's internal control framework, it is appropriate to supplement the findings of the internal audits conducted during the year with evidence from other assurance providers whether internal or external

10. The internal audits delivered in line with the Annual Audit Plan for 2012/13 provided some coverage of each of the six elements of the Plan. Levels of assurance for individual audit assignments were in the Good/Sound range for:

- Key Financial Systems;
- ICT;
- Counter-Fraud Arrangements; and
- Governance & Performance.

For the Other Financial Systems there was one Sound and one Unsatisfactory assurance rating, while for the Customer-Facing Services there was one Good and one Marginal assurance rating. The single Unsatisfactory rating was given to a service area which is important and sensitive but the issues giving rise to the rating do not impact materially on the quality of service delivered to clients or on the financial standing of the Council.

11. Other assurance was provided, internally by:

- The commissioning of external testing to determine whether any duplicate payments had been made. No losses were identified
- The commissioning of a data matching exercise to identify taxpayers claiming discounts to which they were not entitled and hence improve accuracy of billing.
- The review of payroll transactions and contracts of employment which has quantified the number and financial value of errors. The Council's

External Auditor has confirmed that the amounts involved are not material in the context of the overall payroll budget.

12. External Assurance was taken from the generally positive reports from
  - Ofsted, which undertook inspections of Child Protection arrangements and the Children's Centre and carried out a Safeguarding Assurance Visit
  - Care Quality Commission, which reviewed Domiciliary Care Services and Community Support Services
  - Electoral Commission which reviewed the Electoral Registration Officer's performance for 2012.
  
13. On the basis of this evidence, it is the Head of Consortium's Opinion that the overall Assurance Level provided by the Council's internal control framework is **Sound**.

## ***Appendix 1: Limitations and Responsibilities***

### ***Limitations inherent to the internal auditor's work***

The Consortium has prepared the Annual Report of Internal Audit and undertaken a programme of work agreed by the Council's senior managers and approved by the Audit and Risk Committee subject to the limitations outlined below.

### ***Opinion***

The Opinion is based, primarily, on work undertaken as part of the agreed 2012/13 Audit Plan. Each audit assignment undertaken addressed the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work; were excluded from the scope of individual internal assignments; or were not brought to our attention. As a consequence, the Audit and Risk Committee should be aware that the Opinion might have differed if our programme of work, or the scope of individual assignments was extended or other relevant matters were brought to our attention

### ***Internal Control***

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

### ***Future Periods***

Our assessment of the Council's control framework is for the year ended 31<sup>st</sup> March 2013. This historic evaluation of effectiveness may not be relevant to future periods due to the risk that:




- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.




### ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.




The Consortium endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our work should not be relied upon to disclose all fraud or other irregularities that might exist.




## Appendix 2: Summary of Internal Audit Work Undertaken for 2012/13

Audit Assignment	Assurance Rating	Area Reviewed	Date of Reporting	Comments	Direction of Travel
<b>Fundamental Financial Systems</b>					
Benefits	Good	Full system audit covering controls relating to: assessment of claims; dealing with changes in circumstances; identification and recovery of overpayments; and secure payment to clients.	April 2013	<p><b>Strengths</b> Well managed, experienced team. Clearly defined processes. Appropriate use of IT Controls</p> <p><b>Areas for Improvement</b> None identified</p>	
Budgeting & Budgetary Control	Good	Full system audit covering controls relating to: development and approval of annual budgets; and arrangements to monitor budgets in-year and deal with budget variances	March 2013	<p><b>Strengths</b> Effective engagement of Members in budget setting. Robust monitoring process has been developed involving monthly meetings between budget holders and Accountants</p> <p><b>Areas for Improvement</b> None identified.</p>	
Creditors	Sound	Full system audit covering controls relating to: approval of orders and authorisation of invoices received from creditors.	May 2013	<p><b>Strengths</b> Workflow system to link invoices received to orders raised – reducing risk of duplicate payments. Active checks to identify duplicate payments.</p> <p><b>Areas for Improvement</b> Need to more actively promote the use of official orders for all appropriate transactions.</p>	


Debtors	Sound	Full system audit covering controls relating to: accurate identification of debts due; timely billing and effective pursuit of debts; accounting for income received; and write off of irrecoverable debts.	May 2013	<p><b>Strengths</b> Clear policies and procedures supported by an appropriate IT System</p> <p><b>Areas for Improvement</b> Need to ensure a consistent application of the Council's policies relating to debts where "agreements to pay" have been negotiated or where legal action has been initiated.</p>	
Local Taxes	Sound	Full system audit covering controls relating to: billing and collection of taxes; and reliefs and discounts sought and granted.	March 2013	<p><b>Strengths</b> Well managed, experienced team. Clearly defined processes. Appropriate use of IT Controls</p> <p><b>Areas for Improvement</b> Need to ensure that the documentation provided to support claims for relief are consistent with the revised policy</p>	
Main Accounting System	Sound	Full system audit covering controls relating to: receipt and accurate recording of income received; accurate recording of all transactions in the General Ledger and the Accounts; maintenance of the Asset Register and the correct valuation of assets.	May 2013	<p><b>Strengths</b> Clearly defined processes. Structure of accounts complies with Standards. Regular and effective reconciliations.</p> <p><b>Areas for Improvement</b> Need to monitor access profiles to ensure that they remain consistent with the current business needs of all system users.</p>	



Payroll	Sound	Follow up work to confirm that weaknesses identified in 2011/12 audit had been addressed	September 2012	<p><b>Strengths</b> Access profiles had been corrected; 100% checks reinstated for expense and mileage claims</p> <p><b>Areas for Improvement</b> Scope to improve quality of data submitted by managers.</p>	
Treasury Management	Good	Full system audit covering controls relating to: the Council's Treasury Management Policy; short-term loans made during the year and interest received; and interest paid on outstanding PWLB debt.	March 2013	<p><b>Strengths</b> Well managed, experienced team. Clearly defined processes.</p> <p><b>Areas for Improvement</b> None identified</p>	
<b>Other Financial Systems</b>					
Assessment & Charging Clients	Unsatisfactory	Audit of: arrangements to identify, claim and recover monies due from clients; and arrangements to ensure that Direct Payments made to clients were used to deliver agreed care packages.	May 2013	<p><b>Strengths</b> Effective arrangements for developing care packages; financial assessment of clients; and billing and recovery where appropriate.</p> <p><b>Areas for Improvement</b> Need to develop arrangements to monitor clients' expenditure to give assurance that Direct Payments have been applied in line with agreed Support Plans.</p>	
External Funding Management	Sound	Audit of arrangements to identify and record conditions imposed by funding bodies; to ensure full compliance with all conditions; and to evidence compliance to a standard satisfactory to the relevant funding body	May 2013	<p><b>Strengths</b> Effective liaison between budget holders and Accountants to ensure requirements are identified and met..</p> <p><b>Areas for Improvement</b> None identified</p>	N/A

ICT					
Physical Security and Compliance with Legislation	Sound	Audit to confirm that ICT assets are held, and that central processing of data is undertaken, in a secure environment; and that arrangements are in place to address the Council's statutory duties in respect of Data Protection and Freedom of Information.	May 2013	<p><b>Strengths</b> Appropriate access controls. Appropriate Policies in place</p> <p><b>Areas for Improvement</b> Need to update ICT Policies</p>	N/A
Security of Financial Data	Sound	Audit to confirm that key financial data is held securely and that its use is consistent with the Data Protection legislation.	May 2013	<p><b>Strengths</b> Effective arrangements to back up and secure data. Up to date provisions to restore services in the event of a major incident. Approved uses of personal data registered with Information Commissioner.</p> <p><b>Areas for Improvement</b> Need to monitor access profiles (see Main Accounting System)</p>	
NTA Penetration Testing On Site Security	Sound	Audits undertaken by ICT specialist contractor to provide assurance that the Council's software controls meet Government standards and provide appropriate protection against "hacking". The two exercises look at on site vulnerability (i.e. abuse by employees) and vulnerability to external hackers.	April 2013	<p><b>Strengths</b> Recruitment controls and ICT policies mitigate risk of abuse by employees</p> <p><b>Areas for Improvement</b> Need to strengthen passwords used for administrator functions</p>	
NTA Penetration Testing Internet Security	Good		April 2013	<p><b>Strengths</b> Timely application of security patches provided by software suppliers to address newly identified vulnerabilities. Anti-virus software. NTA also asserts that underlying systems management processes are well established and fully implemented across the IT infrastructure.</p> <p><b>Areas for Improvement</b> None identified</p>	

Counter-Fraud Arrangements					
Counter-Fraud Arrangements	Sound	Audit undertaken to establish how well the Council's existing counter-fraud arrangements match the new expectations set out in the Government's Local Government Counter Fraud Strategy.	May 2013	<p><b>Strengths</b> Up to date Counter Fraud Strategy and supporting policies and procedures including Whistleblowing Policy and Fraud Response Plan</p> <p><b>Areas for Improvement</b> Need to deliver training and promote the recently approved Strategy.</p>	N/A
Governance & Performance					
Managing Contracts	Sound	Audit undertaken to provide assurance that, in letting contracts for the People Directorate, Officers have taken proper account of the need to obtain value for money and demonstrate transparency and legitimacy of decision making. Audit considered contracts where "user choice" was a consideration.	May 2013	<p><b>Strengths</b> Establishment of frameworks for tendering and approved lists</p> <p><b>Areas for Improvement</b> Need to develop arrangements to monitor performance where clients' needs are met through out-of-county placements.</p>	N/A
Council Offices - Regulatory Compliance	Sound	Audit of arrangements for appropriate inspections; capture of information relating to possible breaches of statutory or regulatory requirements; and management of responses to identified accommodation problems.	May 2013	<p><b>Strengths</b> Adequate resources; clear timetable for inspections; and appropriate record keeping</p> <p><b>Areas for Improvement</b> None identified</p>	N/A
Vacant Properties & Disposal of Sites	Good	Audit of arrangements to identify and dispose of surplus or redundant property.	May 2013	<p><b>Strengths</b> Asset Management Strategy is current and is being refreshed so that it stays up to date.</p> <p><b>Areas for Improvement</b> None identified</p>	N/A

Democratic Processes	Good	Audit to confirm that Council Committees operate in line with legal and regulatory requirements; that decisions are informed by clear reporting; and that decisions are accurately recorded and properly published.	October 2012	<p><b>Strengths</b> Clear procedures and timetables for production and clearance of reports; adequate resources to support Committees</p> <p><b>Areas for Improvement</b> Need to make report writing training available.</p>	N/A
<b>Customer Facing Services</b>					
Transport	Marginal	Audit to confirm that the Council's concessionary fares schemes are subject to effective controls allowing Officers to confirm that usage of the schemes is consistent with payments claimed by bus operators.	April 2013	<p><b>Strengths</b> Move towards use of smartcard technology.</p> <p><b>Areas for Improvement</b> Need to ensure that all bus operatives record their agreement to operate in line with current schemes.</p>	N/A
Waste Management	Good	Audit to confirm that effective arrangements are in place to manage the contract; ensure delivery of specified outcomes; and ensure compliance with relevant legislation and regulations.	May 2013	<p><b>Strengths</b> Clearly defined contractual outcomes. Appropriate performance monitoring arrangements.</p> <p><b>Areas for Improvement</b> None identified</p>	
<b>Other Planned Work</b>					
Managing Absence	N/A consultancy	Assignment commissioned to support the development of effective arrangements for the management of absence.	February 2013	Results of the work undertaken fed into the Action Plan developed by management to allow for the successful completion of this initiative.	N/A
Partnership Working	N/A	Initial work was undertaken to establish the extent of the Council's engagement in partnership working	May 2013	Results of work undertaken will inform the specification for future work on partnerships.	N/A

## NOTES

### Assurance Ratings

The range of assurance ratings available in 2012/13 were:

Good;  
Sound;  
Marginal;  
Unsatisfactory; and  
Unsound

Assurance ratings in the range Good-Sound indicate that an acceptable level of internal control has been identified.

### Direction of Travel

Where it is possible to compare an audit undertaken in 2012/13 to a comparable audit in previous years, Direction of Travel arrows have been used to indicate whether the controls identified and tested give:

better assurance



;

worse assurance



; or

an unchanged level of assurance



### Areas for Improvement

The issues identified have been addressed through audit recommendations.

### **Appendix 3: CIPFA Code of Practice – Internal Audit Self-Assessment**

The CIPFA Code of Practice prescribed the standards of organisation and operation for Internal Audit in local government during 2012/13 and represents the appropriate basis for evaluating the Consortium’s organisational and operational arrangements.

<b>Standard</b>	<b>Significance of Standard</b>	<b>Complies ?</b>	<b>Evidence</b>	<b>Issues and Areas for Development</b>
Scope	Relates to arrangements to ensure that all stakeholders have a common and correct understanding of the purpose and responsibilities of Internal Audit.	Mostly	<p>Role &amp; Responsibility Statement approved by Committee. The Statement provides a definition of Internal Audit; sets out Terms of Reference for the Consortium and defines the respective responsibilities of Head of Consortium; the Section 151 Officer and other managers.</p> <p>Statement is supplemented by Statement on Responsibilities for Fraud &amp; Corruption and a Policy on Consultancy Work</p>	<p>Little work was done to ensure that the Audit &amp; Risk Committee had an appropriate understanding either of its role or that of Internal Audit.</p> <p>Training for the Audit &amp; Risk Committee in 2013/14 is planned</p>
Independence	Relates to arrangements to demonstrate that the work of Internal Audit is not subject to undue influence by senior management or compromised by day to day involvement in the management of control systems or by personal interests	Yes	<p>Audit Charter approved by Committee sets out arrangements to demonstrate independence.</p> <p>The Head of Consortium reports to the Welland Board on the operations and performance matters – including budgetary requirements.</p> <p>Individual Auditors make annual Declarations of Interest.</p> <p>The Consortium has no responsibilities for management of the Council's systems and the Head of Consortium does not take part in the Council's Leadership Team</p>	<p>The new PSIAS will require that the Audit &amp; Risk Committee adopts a “gatekeeper” role that will enhance the independent status of Internal Audit. Planned training will give the Committee the skill sets needed to discharge that role.</p>

Standard	Significance of Standard	Complies ?	Evidence	Issues and Areas for Development
Ethics	Relates to arrangements to ensure that Auditors behave in a manner that gives clients confidence that work is undertaken competently; that reporting is objective; and that confidentiality is respected.	Yes	<p>Code of Ethics is in place which sets standards for Integrity, Objectivity, Competence and Confidentiality consistent with CIPFA/IIA requirements.</p> <p>Team briefings used to reinforce understanding of relevant issues.</p> <p>Declarations of Interest</p>	As part of the programme of development for new and inexperienced Auditors the Code will be revisited in Team Briefings.
Audit Committee	Relates to arrangements to allow the Audit & Risk Committee to operate as an independent provider of assurance for the Council and to support the independence and effectiveness of the Consortium.	Partly	<p>The role and responsibilities of the Audit &amp; Risk Committee set out in the Constitution are consistent with CIPFA Standards.</p> <p>The Committee approves the Annual Audit Plan; receives regular reports on the performance of Internal Audit; and considers the Annual Report</p> <p>Following the publication of the Public Sector Internal Audit Standards the Committee received reports and briefings advising that it would be required to undertake a more challenging role in future years.</p>	<p>Little work was done to ensure that the Audit &amp; Risk Committee had the capacity to discharge its responsibilities.</p> <p>Training is planned for 2013/14 to ensure that the Committee can operate in conformity with the PSIAS</p> <p>The Council has approved the recruitment of an Independent Member to help develop the Committee's effectiveness.</p>

Standard	Significance of Standard	Complies ?	Evidence	Issues and Areas for Development
Relationships	Relates to arrangements to ensure effective engagement with clients – to ensure that the Annual Plan focuses on key risks for which assurance is required; that individual audit assignments focus on key issues; and that agreed recommendations are implemented promptly. Relates also to management of the relationship with External Audit so that the Council obtains all the assurance required without duplication of work.	Partly	<p>Audit Manual contains a Policy of Managing Relationships</p> <p>Regular One to One Meetings with Section 151 Officer (key client)</p> <p>CSQ data used to manage and evidence levels of client satisfaction</p>	<p>Some significant difficulties were experienced in engaging with senior management to develop the Annual Plan and individual Terms of Reference. This has made it difficult to identify the clients' key risks and issues; to get client buy in to audits undertaken; and to make best use of the limited audit resources available. The Head of Consortium will be working with the Interim Strategic Director to address a fundamental problem</p> <p>It will be necessary to develop a new protocol to cover liaison with External Audit to deliver shared assurance about Key Financial Systems. This is unlikely to present difficulties as revised arrangements are already in place at two of the other Welland local authorities.</p>



Standard	Significance of Standard	Complies ?	Evidence	Issues and Areas for Development
<p style="text-align: center;">Staffing, Training and Development</p>	<p>Relates to arrangements to define the skills and experiences that Auditors and Audit Managers require to do their jobs; to appraise individuals against those requirements; and to deliver necessary training, coaching and other development work.</p>	<p style="text-align: center;">Partly</p>	<p>Current Job Descriptions and Competency Matrices exist for all posts and regular appraisals are undertaken in line with corporate policy.</p> <p>Welland Board has approved a policy on professional training for Auditors and an adequate budget to support training.</p> <p>The Head of Consortium and the two Audit Managers hold full professional qualifications; engage in CPD; and have a minimum of 6 years experience of internal audit in local government.</p> <p>The last four recruitment exercises for Auditor posts (April 2007 to September 2012) have not attracted any suitable candidates with relevant audit experience. The Consortium has, instead, recruited graduates with a view to undertaking a development programme that has previously given good results</p> <p>The post of Audit Manager (the Head of Consortium's deputy) was vacant from June 2011 to January 2013: between 1<sup>st</sup> April 2012 and 1<sup>st</sup> November 2012 vacancy levels were 40% of establishment, rising to 50% in September and October.</p>	<p>During 2012/13 vacant management posts and the recruitment of new and inexperienced Auditors made it difficult to deliver appropriate levels of supervision and employee development.)</p> <p>During 2013/14 the Head of Consortium, supported by the Audit Managers, will carry out a structured review of each Auditor's development needs and ensure that training, supervision and allocation of assignments is delivered in a coherent manner to develop each Auditor's competencies</p>

Standard	Significance of Standard	Complies ?	Evidence	Issues and Areas for Development
Strategy and Planning	Relates to arrangements to ensure that the Annual Audit Plan is aligned with the Council's Aims and Objectives and that the Consortium has sufficient, appropriate resources to meet clients' needs and expectations.	Yes	<p>Audit &amp; Risk Committee endorsed the use of the Stamford Model as the basis for developing the 2012/13 Audit Plan. Committee has also been advised that the new PSIAS will require a change to the planning approach.</p> <p>The Welland Board has approved changes to the Consortium's delivery model and resource base so that greater use can be made of Audit Contractors to deliver specialist skills that are not deliverable by the in-house team (e.g. ICT auditing) and to allow for a flexible response to unforeseen client requirements.</p>	<p>It will be necessary to update the Strategy in 2013/14 to reflect the requirements of the PSIAS.</p> <p>It will also be necessary to develop formal protocols for engagement of audit contractors that conform to the revised Contract Procedural Rules.</p>
Undertaking Audit Work	Relates to arrangements to ensure that audits focus on the things that matter to the clients; that assurance is delivered about key risks; and that the Auditor records sufficient relevant evidence to support audit opinions and recommendations.	Partly	<p>Risk and Control Evaluation Meetings allow for the identification and recording of clients' requirements. Terms of Reference are agreed for all assignments.</p> <p>Galileo Audit Software provides a framework for consistent recording and presentation of evidence</p> <p>For the Council's Key Financial Systems audit programmes have been designed, explicitly, to meet declared requirements of External Audit. As a result financial risk that do not meet External Audit's materiality requirements may be overlooked</p> <p>See Relations – the Consortium has had difficulties in engaging with clients in the development of Terms of Reference for audits that address key risks – a problem that's more significant for non-financial assignments.</p>	<p>The Audit Plan for 2013/14 provides for a specific assignment to meet External Audit requirements</p> <p>It will be necessary to update the Audit Manual in 2013/14 to reflect the requirements of the PSIAS</p> <p>As part of that update, the Head of Consortium will revise the audit planning processes to ensure that key risks are identified (see above for response to identified issues around relationship management).</p> <p>The way in which systems evaluation is undertaken is being reviewed following the internal payroll audit.</p>

Standard	Significance of Standard	Complies ?	Evidence	Issues and Areas for Development
Due Professional Care	Relates to arrangements to ensure that Auditors are doing work that is within their levels of competence and are demonstrating due care and diligence. The Standard also refers to the need to be alert for indicators of fraud or corruption; and to whistleblowing arrangements.	Partly	The Audit Manual includes a Statement of Personal Responsibility; guidance on Indicators of Fraud & Corruption; and guidance on whistleblowing.	<p>During 2012/13 staffing issues made it difficult to match available auditors to commissioned audits consistent with their skills and experience.</p> <p>See Staff Training &amp; Development. The Audit Plan for 2013/14 contains assignments consistent with a new-entrant Auditor under supervisions; and Auditors at different levels of professional development. In planning assignments the Head of Consortium and the Audit Managers will ensure that all work is appropriately allocated and supervised.</p>
Reporting	Relates to arrangements to ensure that appropriate sufficient and timely information is provided to clients and stakeholders; and that information is not subject to inappropriate influence.	Mostly	<p>Reporting lines to clients have been agreed and recorded. There are provisions for closing meetings with clients to confirm accuracy of reports and drafts of reports are circulated to interested parties in line with agreed reporting arrangements</p> <p>Galileo ensures a consistently structured reporting format is followed. Specific guidance has been issued on form and content of recommendations.</p> <p>When Terms of Reference are drafted, planned dates for delivery of work are agree.</p>	<p>During 2012/13 staffing issues made it impossible to meet agreed delivery dates and a significant proportion of assignments were not finalised until April/May 2013. In 2013/14 the PI "Audits on Time" will be used to ensure timely reporting</p> <p>During 2013/14 Galileo Report Templates will be revised to address specific issues of compliance with PSIAS</p>

Standard	Significance of Standard	Complies ?	Evidence	Issues and Areas for Development
Performance	Relates to arrangements to ensure that the Consortium can deliver, consistently, the quantity and quality of work required to deliver the assurance required by clients.	Mostly	<p>Audit Manual defines quality assurance processes.</p> <p>Galileo evidences quality assurance by tracking review points raised and cleared</p> <p>Targets for days delivered, auditor productivity and levels of customer satisfaction are set, monitored and reported to Audit &amp; Risk Committee</p>	<p>During 2012/13 there was a 20% shortfall of resources which inevitable impacted on ability to satisfy clients' requirements. Every effort was made to mitigate the impact of the shortfall by open communication with clients as a way of identifying and meeting acceptable standards and levels of delivery. Successful recruitment exercises and the development of more formal relationships with suitable audit contactors should make the Consortium more robust.</p> <p>The PSIAS require the Consortium to develop further its quality assurance process by establishing a Quality Assurance &amp; Improvement Programme</p>