

## Appendix A - Progress on implementing recommendations arising from RSM Tenon

Recommendation	
1	The Internal Audit Charter should be updated to address the requirements of the newly introduced Standards.
<b>Original Management response:</b> <b>Agreed.</b> <i>The IIA has produced a template which is being used to ensure that a revised Charter addresses all of the new requirements specified in the PSIAS. It should be feasible to seek Audit Committees' endorsement of a revised Charter in the September cycle of meetings. Early adoption of a fully compliant Charter would be helpful in the context of Member training – Members would have access to a clear statement of their on-going roles and responsibilities that should help them to understand the purpose and significance of training offered.</i> <b>Latest position</b> The IIA Charter has been produced for the Audit and Risk Committee. No further action required.	

Recommendation	
2	The Internal Manual should be updated to remove outdated material and also for it to reflect the new Standards. There is also scope to streamline the manual to make it more user friendly for auditors.
<b>Original Management response:</b> <b>Agreed.</b> <i>The current Manual's design reflected a need to demonstrate clearly to External Audit the extent of compliance with the 11 Standards prescribed in the CIPFA Code of Practice. Intention is to break the revised Manual into two parts: Part 1 will deal with Attribute Standards and other issues of management responsibility; Part 2 will focus on how audit assignments are to be planned, undertaken and quality assured.</i> <i>Timescale for completing Part 2 will reflect the time needed to ensure that changed working practices deliver the desired outcomes before they are formally codified. Delivery should be feasible by 31<sup>st</sup> March 2014.</i> <b>Latest position</b> The manual has been updated and now reflects the Standards.	

## Recommendation

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| 3 | The approach adopted by Internal Audit should move away from utilising “expected controls” to direct the Internal Auditor’s testing to a “risk based” approach whereby the actual controls mitigating the system risks are determined and then tested. |
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### Original Management response:

#### **Agreed.**

*Work is in hand to change the design of matrices to direct the Auditors towards the identified risks that need to be mitigated and to require them to identify controls in place: process of redesign remains work in progress which has yet to be formally codified. The Audit Managers are providing more direct support and guidance to Auditors during field work in recognition of their limited experience. In the short-term this will have resource implications. Delivery – including codification in Manual – 31<sup>st</sup> December 2013.*

#### **Latest position**

The risk based approach is now being applied to all audit work. Both auditors and their clients are still learning about the new approach but thus far good progress has been made. Embedding a new way of working is not straight forward but a number of actions have been taken to facilitate this:

- Practice Notes have been produced on planning, conducting and reporting an audit – these are important documents that support the Internal Audit team in delivering audit work;
- The Audit Managers are providing more direct support and guidance to Auditors during field work in recognition of their limited experience. This has meant that some audits have taken longer to deliver than originally estimated.
- The way in which the Internal Audit teams engage with auditees has changed. A document setting out the roles and responsibilities of auditees and the auditor has been produced and circulated. The Assistant Director (Finance) also led a session at Senior Managers Forum where the respective roles were discussed and expectations made clear. The new way of working places much more onus on auditees to demonstrate their understanding of risks and controls in their area.

An initial review of files shows that the new approach is being adopted. It is still in its infancy so a further review is required.

## Recommendation

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| 4 | In planning the Audit, and its subsequent reporting, the limitations to the Auditor’s opinion and breadth of testing in the area under review should be explicitly documented. |
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## Recommendation

### Original Management response:

#### **Agreed.**

*Scoping exercises now seek to get the clients to identify more clearly the specific risks for which assurance is required and to agree assignments where resources available are consistent with the assurance sought. Reporting format is under review: as ongoing assignments get to draft report stage the need to clarify range and limitations is being assessed. Arrangements have yet to be formally codified and Audit Managers are liaising closely to ensure consistency as new approach is being developed. . Delivery – including codification in Manual – 31<sup>st</sup> December 2013.*

#### **Latest position**

This recommendation has been implemented. The scoping document is clear about what risks are considered and what is outside of scope. The scope of the review is now more clearly shown in audit reports.

## Recommendation

5 The Audit Committee progress paper should be redesigned to include:-

- the outcomes of the work reported to management since the previous meeting
- the actual resources taken to deliver the reviews to the date of the progress report
- the potential impact of the assurance opinions, either individually or collectively, on the Council's Annual Governance Statement.

### Original Management response:

#### **Agreed.**

*Audit Committees have now considered reports setting out the way in which assurance planned and delivered will be mapped and reported: comments received about the reporting approach have been broadly positive. No difficulties anticipated in developing a clearer linkage to the development of the AGS.*

*Reporting of summary outcomes in Annual Reports for 2012/13 should have identified any site-specific reporting requirements. No difficulties anticipated in using the same reporting format in performance reports starting in September committee cycle.*

*Reporting on actual time spent on audits against plan can be accommodated within reporting of Performance Indicators – again starting in September committee cycle.*

#### **Latest position**

This recommendation has been implemented and can be evidenced through the latest progress report.

## Recommendation

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| 6 | The Head of the Consortium should design a process that captures staff development opportunities identified as part of the Quality Assurance process. These should inform both the Consortium's Quality Assurance and Improvement Programme as well as the personal development plans of individual team members. |
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### Original Management response:

#### **Agreed.**

*Review of assignments is currently undertaken using (and evidenced via) Galileo System. Investigations in hand to establish whether Galileo can analyse resolved review points by Auditor and/or Learning Point or whether there will be a requirement to introduce an alternative means of information capture.*

*Arrangements will be in place – and codified in the Manual - by 31<sup>st</sup> December 2013.*

#### **Latest position**

This has been implemented.