

Report of the: Director of Policy and
Resources

Agenda
Item No: 8
Meeting: 25 June 2013

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT – EFFECTIVENESS REPORT 2012/13

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To provide an opinion on the effectiveness of internal audit in accordance with the Accounts and Audit Regulations and CIPFA Code of Practice 2006.

1.2 The assessment is based on the following:

- Compliance with Best Practice as defined by The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit (the Code) and Statement on the Role of the Head of Internal Audit
- Customer feedback and endorsement
- Achievement of performance targets.

2. BACKGROUND INFORMATION

2.1 Regulation 6 of the Accounts and Audit Regulations 2011 require an annual review of the effectiveness of Internal Audit as part of the consideration of the system of internal control. The need for the review is to ensure the opinion in Internal Audit's annual report can be relied on as an important source of assurance in support of the Annual Governance Statement.

2.2 The Regulation requires that adequate and effective internal audit of its accounting records and its system of internal control is maintained in accordance with proper internal audit practice

2.3 Each year, internal audit self assesses against the Code. Overall the service continues to maintain a high level of compliance and provides evidence of professional competence and sound process. The Code also recognised that to be 'effective' internal audit should:

- Understand the whole council, its needs and priorities

- Understand its position with respect to the council's other sources of assurance and plan its work accordingly
- Be seen as a catalyst for change at the heart of the council
- Add value and assist the council in achieving its priorities
- Be forward thinking
- Be innovative and challenging
- Help to shape the ethics and standards of the council
- Ensure the right resources are available
- Share best practice with other auditors
- Seek opportunities for joint working with other auditors.

Appendix A shows how these issues have been addressed.

2.4 The 2006 Code is replaced by a new set of Public Sector Internal Audit Standards (PSIAS) from 1st April 2013. CIPFA has prepared an Application Note to accompany PSIAS which provide the details of how to apply the new standards in a local government setting. This report has been prepared in compliance with the 2006 Code which applies to audit work carried out during 2012/13. An assessment has also been carried against the requirements set out in the Application Note and the self assessment checklist has been completed to assess compliance with the PSIAS during the 2013/14 audit plan period. The checklist is very detailed and includes over 300 attributes; therefore a summary of the assessment is provided in appendix B. This shows internal audit is broadly compliant with PSIAS. Areas of partial compliance and requirements that need further consideration will be the subject of an audit development session booked for 10th July and a further update will be provided to this Committee in September. An important aspect is the audit charter which replaced audit's terms of reference. The internal audit charter encapsulates many of the PSIAS requirements. It is a formal document that defines internal audit's purpose, authority and responsibility. The internal audit charter establishes internal audit's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of audit work; and defines the scope of internal audit activities. The audit charter for 2013/14 is attached in appendix C for the Committee's consideration and approval.

2.5 In January 2011 CIPFA issued the Statement on the Role of the Head of Internal Audit. The Statement is not mandatory but sets out what CIPFA considers best practice for Heads of Internal Audit. It sets out principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit in public service organisations. CIPFA recommends that organisations should use the Statement as the framework to assess their existing arrangements. An assessment was first carried out and reported to Members in September 2011 and indicated a significant level of compliance.

The updated assessment is summarised in appendix D and shows arrangements remain largely compliant.

- 2.6 It is important to receive feedback on our work. Questionnaires are issued with each system review and establishment audit. Service managers are asked to comment on their satisfaction and value added from the audit work. All comments are appreciated and are used to improve our service delivery. One hundred percent of questionnaires returned considered the conduct, manner and attitude of the staff good or excellent
- 2.7 The Internal Audit section constantly strives to improve the service they provide. There are predetermined performance measures and development issues set to monitor performance, set targets for improvements and provide comparison both internally and externally. The section also participates in national and local benchmarking exercises. Overall performance was good during 2012/13 and targets were generally met. Details are provided below:
- 84% of the audit plan was achieved (target 80%), resources were reduced due a higher than anticipated level of sickness and unforeseen audit work. This is a slight reduction on last year (86%).
 - Follow up work confirmed acceptable progress on implementation of agreed audit recommendations (67%, which is consistent with last year 67%). (Although high risk areas receive closer attention).
 - All customers were surveyed and quality control questionnaires returned showed 100% satisfaction with the service provided (target 80%).
 - 76% of audits were completed within agreed allocations (74% last year). Although the target was met (70%) this indicator was adversely affected by the level of unforeseen work necessary during the year (details are provided in the Internal Audit Annual Report 2012/13).
 - 99% of audits were reviewed by the supervisor within the timescale target of 70% compared with 98% last year.
 - Absences and competing priorities caused by urgent unforeseen work adversely affected the timeliness indicator. Sixty-nine percent of audits were completed within agreed timescales. This is a reduction compared to the previous year (85%).The target for 2012/13 was raised from 70% to 85% in recognition of performance in 2011/12.
- 2.8 Annual CIPFA benchmarking results were used to determine audit's VFM profile for 2012/13. Key cost comparisons used were:
- Net cost per chargeable day: 4th lowest out of 60 authorities
 - Cost per auditor: 4th lowest out of 60 authorities

The cost comparisons were assessed against key performance outcomes and the service was evaluated as providing value for money (low cost/ high performance).

- 2.9 In addition to this internal review, external audit will seek to place reliance on internal audit's work in respect of the key financial systems identified as part of their risk assessment. External Audit will be able to place reliance on the work of Internal Audit if auditing standards are met. Feedback will be provided to the Head of Audit, Risk and Insurance at the end of external audit's planned work.

2.10 Based on the findings described in the above paragraphs Internal Audit is assessed as providing an effective service to the council

3. OPTIONS FOR CONSIDERATION

3.1 Internal Audit provides an important source of assurance on the adequacy of internal control throughout the council. The Committee is invited to ask questions about the contents of the report and seek clarification as necessary to ensure Internal Audit's work was carried out in such a way to provide sufficient assurance to fulfil their role as set out in the Committee's terms of reference.

4. ANALYSIS OF OPTIONS

4.1 The progress report is designed to provide this Committee with the assurance required to fulfil its role effectively. It is a statutory requirement for the council to maintain an internal audit function and for its effectiveness to be reviewed on an annual basis. The information contained within this report provides evidence of that review and sets out the reasons for determining that the service provided by Internal Audit has been effective during 2012/13.

4.2 If the Committee concludes Internal Audit's work cannot be relied upon then an important source of assurance to enable them to fulfill their role is no longer available

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 The work of the internal audit section enhances control over the use of the council's resources through the recommendations made in audit reports

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 Consultation takes place at all stages of audit work to ensure service provision is of a high standard. Customers are also invited to feedback on individual audit assignments to improve service delivery

7.2 There are no conflicts of interests to declare.

8. RECOMMENDATIONS

8.1 That the Audit Committee considers the effectiveness of Internal Audit in 2012/13 and the assurance provided on the adequacy as a key

component of the council's internal review processes and internal control environment.

8.2 That the Audit Committee approves the audit charter for 2013/14.

DIRECTOR OF POLICY AND RESOURCES

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Background Papers used in the preparation of this report:

CIPFA Role of Head of Internal Audit

CIPFA Code of Practice for Internal Audit in the UK 2006

CIPFA Local Government Application Note for the UK Public Sector Internal Audit Standards

Characteristics of Effectiveness

Characteristic	Arrangements in place
Understand the whole council, its needs and priorities	The audit plan is prepared in consultation with Directors and key staff to ensure it meets the needs of the council. The scope of each audit assignment is discussed at the start to understand the risks and assurance required. Audit plan progress is discussed during the year to ensure the continued alignment of the audit plan and organisational needs.
Understand its position with respect to the council's other sources of assurance and plan its work accordingly	The audit plan is discussed with external audit to avoid duplication and maximise the total audit resources available. Other sources of assurance such as external inspections are identified at audit planning meetings with Directors.
Be seen as a catalyst for change at the heart of the council; and add value and assist the council in achieving its priorities	Internal audit provides assurance to Members and management on the effectiveness of the council's control environment comprising of risk management, control and governance. Audit reviews not only provide assurance but also identify potential improvement in controls, changes to policies and value for money opportunities. During 2012/13 internal audit review work identified savings totalling £142k.
Be forward thinking and innovative and challenging	National and local issues are considered in developing the audit plan. New and emerging risks alongside service developments are incorporated during the year. The audit strategy has improved considerably in the last couple of years to a wider risk based approach incorporating both financial and none financial systems. This approach has been adopted by other audit teams. Audit staff have access to relevant training, publications and websites to remain up to date on current audit and wider local government issues. Audit has specifically provided training and information to raise awareness on counter fraud arrangements; this includes regular newsletters containing fraud alerts on new and emerging fraud risks.
Help to shape the ethics and standards of the council	Audit provides the focus for the council's counter fraud arrangements. It has been instrumental in developing the counter fraud strategy and promotes a zero tolerance

	<p>towards fraud, Advice and support is provided on new projects and significant system changes. An important aspect of the work is to help to 'design out fraud' in system changes. The audit plan includes key audits designed to provide assurance on the adequacy of corporate governance arrangements in place. The Code of Practice places ethical responsibilities on internal audit to ensure the independence and integrity of their work. For example, an annual declaration of interests is made by all staff.</p>
<p>Ensure the right resources are available</p>	<p>The level of resources required, skilled mix and specialist knowledge or experience needed to deliver the audit plan is considered within the audit strategy each year. All staff are suitably qualified (Association of Accounting Technicians - AAT). Three members of the team are also professionally qualified (Chartered Institute of Public Finance and Accountancy – CIPFA). Training needs are assessed at annual employee appraisals and monitored through quarterly one to one meetings.</p>
<p>Share best practice with other auditors</p>	<p>The Head of Audit, Risk and Insurance regularly attends the regional Chief Internal Auditors Group which discusses issues affecting internal audit in local government and the wider public sector and shares instances of good practice. The council is also members of the CIPFA Better Governance Forum and Technical Information Service (TIS online) which are networks that provide best practice, guidance and training on current issues.</p>
<p>Seek opportunities for joint working with other auditors</p>	<p>Joint working has been explored with other audit teams to share specialisms and relevant experience. Audit reviews have been carried out on systems where two parties have an interest and assurance is provided to the other party.</p>

Conformance with the PSIAS and the Local Government Application Note

Standards/Requirements	Evaluation/Comments
Code of Ethics	Requirement met and communicated in the audit charter
Attribute Standards	
1.Purpose, Authority and Responsibility	Requirement met and defined in the audit charter
2.Independence and Objectivity	Covers - Organisational Independence; Direct Interaction with the Audit Committee; Individual Objectivity; Impairment to Independence or Objectivity Impairment to Independence or Objectivity Requirements broadly met and defined in the audit charter
3.Proficiency and Due Professional Care	Requirements met and defined in the audit charter
4.Quality Assurance and Improvement Programme	Covers - Quality Assurance and Improvement Programme; Internal and External Assessments; Conforming with Professional Standards Requirements broadly met and defined in the audit charter however external assessments to be explored and PSIAS monitoring to be introduced.
Performance Standards	
1.Managing the Internal Audit Activity	Covers- Planning; Resource Management; Policies and Procedures; Reporting to Senior Management and the Audit Committee Requirements met and defined in the audit charter

2. Nature of Work	Covers- Governance Risk Management Internal Control Requirements broadly met other than risk appetite not defined (work underway)
2. Engagement Planning	Covers- Objectives; Scope; Resource Allocation; Work Programme Requirements broadly met defined in the audit charter however some aspects are not currently applicable (consultancy arrangements)
3. Performing the audit engagement	Covers- Identifying Information; Analysis and Evaluation; Documenting Information; Engagement Supervision Requirements met and defined in the audit charter however retention requirements need to be consistent with the council's policy (under development) and disclosure limitations communicated on reports.
4. Communicating Results	Covers- Quality of Communications; Errors and Omissions; Conformance with Professional Standards; Disclosure of Nonconformance; Disseminating Results; Audit Opinion Requirements met and defined in the audit charter however PSIAS monitoring needs to be introduced.
5. Monitoring Progress	Requirements met
6. Communicating the Acceptance of Risks	Requirements met

**INTERNAL AUDIT
CHARTER**

1. Introduction

- 1.1 In accordance with the new Public Sector Internal Audit Standards (PSIAS) this document sets out the purpose, authority and responsibility of Internal Audit. The requirement for an internal audit function is set out in the Accounts and Audit (England) Regulations 2011 in that a relevant body 'must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices in relation to internal control'.

2. Objectives

- 2.1 Internal Audit is an assurance function and its primary objective is to –
- Provide an independent and objective opinion to the council (both Members and officers) on the control environment comprising risk management, control and governance, by evaluating its effectiveness in achieving the council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.
- 2.2 Particular objectives of Internal Audit are to –
- Provide assurance to the Audit Committee on the adequacy of the council's control environment
 - Support the Director of Policy and Resources to discharge the duties of the Section 151 Officer
 - Provide advice and support to ensure an effective control environment is maintained
 - Contribute to the achievement of corporate objectives including service delivery excellence by recommending improvements in control, efficiency and performance
 - Supports the development of effective arrangements to prevent and detect fraud and corruption and plays a key role in investigations into allegations of fraud, corruption and irregularity in accordance with the council's Counter Fraud Strategy.

3. Scope

- 3.1 Internal Audit's remit covers the council's entire control environment, comprising of policies, procedures and systems in place to:

- Establish and monitor the achievement of the council's ambitions and priorities
- Identify, evaluate and manage the risk to achieving the council's ambitions and priorities
- Facilitate policy and decision-making
- Ensure the economical, effective and efficient use of resources
- Ensure compliance with established policies, procedures, laws and regulations
- Safeguard the council's assets from loss including fraud or waste
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

All systems will be included in the audit planning process and be considered for review, taking account of the assurance and monitoring arrangements in place and the assessment of risk.

- 3.2 The scope of Internal Audit is unrestricted and not confined to an examination of the council's financial records and systems. As well as undertaking the role of providing an independent appraisal of the adequacy and effectiveness of the controls operated by management and that value for money is being achieved, the Internal Audit Service may also provide consultancy services, subject to the availability of appropriate skills and resources. Such consultancy services may also encompass reviews of non-financial systems and provide assurance that value for money is achieved.
- 3.3 Internal Audit will also provide assurance on services provided on behalf of other organisations by the council.

4. Authority

- 4.1 The requirement for internal audit is set out in legislation. Section 151 of the Local Government Act 1972, requires that authorities '*make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs*'. The Accounts and Audit (England) Regulations 2011 more specifically require that a '*relevant body shall undertake an adequate and effective internal audit of their accounting records and systems of internal control in accordance with proper practices in relation to internal control. Any officer or member of that body shall, if the body requires:*
- (a) make available such documents and records as appear to that body to be necessary for the purpose of the audit; and*
 - (b) supply the body with such information and explanation as that body considers necessary for that purpose. '*

- 4.2 The council, through its Financial Regulations, has made the following arrangements
- The s151 Officer (Director of Policy and Resources) shall maintain an adequate and effective audit of the council's accounts, financial procedures, corporate governance arrangements and other processes and policies.
 - For this purpose he or his authorised representative shall have right of access at all reasonable times to all property, accounts and records and shall be given such explanations as he deems necessary.
 - Directors shall immediately notify the s151 Officer of any circumstances suggesting irregularity affecting the finances or property of the council who shall take such action as is deemed necessary. Internal Audit must be informed of these circumstances.
- 4.3 Additionally, through contracts and service level agreements, Internal Audit also has the right of access to records, assets, personnel and premises of partners/ organisations in respect of the council's transactions.

5. Independence

- 5.1 Internal Audit is an independent assurance function within the council and as such has direct access to senior management (and specifically the Chief Executive and the Monitoring Officer) and Members as considered necessary. In extreme cases the Head of Audit, Risk and Insurance can also report directly to the Audit Committee in her own name if necessary.
- 5.2 All audit staff will act with due professional care, ensuring they are fair and objective, free from any conflicts of interest. They will also abide by professional standards and guidelines as issued by relevant professional institutions and PSIAS. In particular, they will abide by the mandatory Code of Ethics set out in the Standards, with regard to integrity, objectivity, confidentiality and competency, as well as the council's Code of Conduct.
- 5.3 Internal Audit forms part of the Audit & Risk Management Section, within the Financial Services Directorate. With the exception of the Head of Audit, Risk and Insurance, audit staff will not, except in exceptional circumstances, undertake any non-audit duties. The Head of Audit, Risk and Insurance will also be responsible for risk management, arranging insurance cover and managing insurance claims and is line managed by the Assistant Director Financial Services. The deployment of work undertaken will ensure conflicts of interest do not arise and independence is maintained. Any audit work in relation to the risk management or insurance will be undertaken by auditors with no operational responsibility for that team.

6. Responsibilities

6.1 In order to meet its objectives Internal Audit will –

- Maintain a strategy for delivering the internal audit service to meet the audit charter including how the assurance for the Annual Governance Statement will be demonstrated, audit resources required and their allocation. Audit resources required to deliver the audit strategy will be determined on the basis of risk.
- In discussion with stakeholders, prepare and deliver a risk based audit plan, taking account of the council's risk management processes. The plan will be kept under review to reflect changing priorities and emerging risks.
- Plan, manage and carry out audits to ensure that they are undertaken with due professional care, to the standards set out in the mandatory PSIAS and internal operating procedures.
- Provide advice on internal control.
- Maintain good relationships with managers, partners, external audit and other external review agencies to minimise duplication of effort where there are overlaps in objectives and in work undertaken and to maximise the benefits of co-operation and co-ordination through a managed audit approach.
- Support the council's corporate group to review the effectiveness of the system of internal control and compilation of the Annual Governance Statement
- Provide an annual report including a statement, based on the work undertaken, on the adequacy of the internal control environment within the council. This also informs the council's review of the Annual Governance Statement.
- Advise on the council's counter fraud arrangements and strategy including potential money laundering referrals and referrals to the Police.
- Lead or advise, as appropriate, investigations into allegations of fraud, corruption and irregularity in accordance with council procedures including police referrals where appropriate.
- Maintain and develop the competence and skills of audit staff including appropriate professional development.
- Ensure an effective and efficient service is provided to the council through performance management, monitoring, benchmarking and continuous improvement.

6.2 The Accounts and Audit (England) Regulations 2011 require an annual review of the effectiveness of internal audit. This will be carried out by means of self assessments against the Standards and delivery of this charter, performance outcomes, quality monitoring processes and service improvements. In addition, independent assessments will be performed at least once every five years.

- 6.3 Managers, and not Internal Audit, have ultimate responsibility for ensuring that internal controls throughout the council are adequate and effective. This responsibility includes the duty to review continuously internal controls and ensure they remain suitable in design and effective in operation. The existence of Internal Audit does not diminish the responsibility of management to establish and maintain systems of internal control to ensure that activities are conducted in a secure, efficient and effective manner.
- 6.4 Managing the risk of fraud and corruption is also the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud will be detected. Internal audit does not have responsibility for prevention and detection of fraud, however audit staff will be alert in all their work to risks and exposures that could allow fraud or corruption to occur. The roles and responsibilities of management and Internal Audit in the investigation of allegations of fraud and corruption and potential money laundering referrals are set out in the council's Counter Fraud Strategy.

7. Audit Committee

- 7.1 Internal Audit is an assurance function and therefore must report to those charged with Governance, (the Audit Committee). The Head of Audit, Risk and Insurance or appointed deputy will attend all meetings of the Audit Committee.
- 7.2 In order for the Audit Committee to fulfil its responsibilities as defined by its terms of reference Internal Audit will provide the Audit Committee with the following assurance reports –
- Internal audit plan and charter
 - Interim reports on progress against the audit plan
 - Annual report and opinion on the overall adequacy and effectiveness of the council's internal control environment
 - Annual report on the effectiveness of the internal audit service
 - Annual Governance Statement
 - Counter fraud reports including regular reviews of the council's Counter Fraud Strategy
 - Implementation of external audit recommendations progress reports.

The timing of these reports is set out in the forward plan and map of assurances approved by the Committee in April 2013.

- 7.3 The Head of Audit, Risk and Insurance will maintain an effective working relationship with the Audit Committee and assist the Committee in its own review of its remit and effectiveness. The Head of Audit, Risk and Insurance will have the opportunity to meet privately with the Audit Committee where necessary.

8. Reporting

- 8.1 A report will be produced on each assignment (and fraud investigation) in accordance with distribution protocols, giving an opinion on the system of internal control under examination, making recommendations to improve control and where appropriate improve performance, productivity and value for money. Management responses are sought and escalated to Assistant Directors for support if necessary. Follow up work on management action is undertaken as appropriate. However responsibility for the response to advice and recommendations of Internal Audit lies with management, who either accept and implement the advice or recommendation or formally reject it.
- 8.2 Directors will receive a quarterly report on progress against the audit plan, key issues arising from audits and the adequacy of their service manager's responses. None implementation of audit recommendations that result in an unacceptable level of risk to the council would also reported the Audit Committee.
- 8.3 Audit advice and recommendations are given without prejudice to the right of Internal Audit to review the relevant policies, procedures and operations at a later date.
- 8.4 Internal Audit may provide reports and/or specific information to third parties, for example to provide assurances to partner agencies, or in connection with Freedom of Information requests, etc. Should there be any doubt about the appropriateness of releasing such information (on data protection grounds for example), this will be cleared through the s.151 Officer and/or other appropriate managers, such as Legal advisers and the Information Governance team; and redactions will be made if necessary.

9. Resources

- 9.1 Internal Audit resources will be kept under review to ensure the section can deliver the agreed audit plan and assurances required for the Annual Governance Statement. Appropriate specialist skills will be procured to assist an audit investigation, should these be required.
- 9.2 The Head of Audit, Risk and Insurance and Director of Policy and Resources would report formally to the Audit Committee if resources were inadequate to meet the objectives of the section.

10. Review

- 10.1 These terms of reference will be reviewed annually and any amendments will be submitted to the Audit Committee for approval.

06 June 2013

Head of Internal Audit Statement Principles	Core HIA responsibilities	Non-Compliance / Areas for Improvement
<p>The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.</p>	<p>Helping to promote the benefits of good governance throughout the organisation.</p> <p>Working with others in the organisation who have a responsibility for promoting good governance.</p> <p>Giving advice to the Leadership Team and others on the control arrangements and risks relating to proposed policies, programmes and projects.</p> <p>Promoting the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity, competence and confidentiality.</p> <p>Demonstrating the benefits of good governance for effective public service delivery and how the HIA can help.</p> <p>Offering consultancy advice where the HIA considers that it is appropriate, drawing up clear terms of reference for such assignments.</p>	<p>Decision making report checklist does not include specific reference to IA advice but does include finance therefore HIA receives all reports and agendas</p>
<p>The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.</p>	<p>Giving assurance on the control environment. This includes risk and information management and internal controls across all systems.</p> <p>Reviewing the adequacy of key corporate arrangements including eg risk strategy, risk register, counter fraud and corruption strategy, corporate plan.</p> <p>Producing an evidence based annual internal audit opinion on the organisation's control environment.</p> <p>Working closely with others to ensure that sufficient and relevant evidence is used. Where relying on others, clarifying the degree and basis for the reliance.</p>	

	<p>Reviewing significant partnership arrangements and major services provided by third parties and the controls in place to promote and protect the organisation's interests. Assessing whether lines of responsibility and assurance are clear.</p> <p>Liaising closely with the external auditor to share knowledge and to use audit resources most effectively.</p> <p>Producing an internal audit strategy that fits with and supports the organisation's objectives.</p> <p>Reviewing the organisation's risk maturity (including the organisation's own assessment) and reflecting this in the strategy.</p> <p>Consulting stakeholders, including senior managers and non-executive directors/elected representatives on the internal audit strategy.</p> <p>Setting out how the HIA plans to rely on others for assurance on the organisation's controls and risks and taking account of any limitations in assurance given by others.</p> <p>Liaising with external inspectors and review agencies where appropriate when drawing up the internal audit strategy.</p> <p>Liaising with the external auditor on the internal audit strategy, but not being driven by external audit's own priorities</p>	<p>Liaison arrangements are restricted to external audit only</p>
<p>The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.</p>	<p>Escalating any concerns through the line manager, Chief Executive, Audit Committee and Leadership Team, legal officers, external auditor as appropriate.</p> <p>Supporting the Audit Committee in reviewing its own effectiveness and advising the Chair and line manager of any suggested improvements.</p> <p>Consulting stakeholders, including senior managers and non-executive directors/elected representatives on the internal audit strategy</p>	<p>A formal review of effectiveness was completed in 2008.</p>

<p>The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.</p>	<p>Leading and directing the internal audit service so that it makes a full contribution to and meets the needs of the organisation and external stakeholders.</p> <p>Determining the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives; using a full range of resourcing options including consultancy, working with others and buying in where appropriate.</p> <p>Informing the Leadership Team and Audit Committee if there are insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given.</p> <p>Implementing robust processes for recruitment of internal audit staff and/or the procurement of internal audit services from external suppliers.</p> <p>Ensuring that the professional and personal training needs for staff are assessed and seeing that these needs are met.</p> <p>Developing succession plans and helping staff with their career progression.</p> <p>Establishing a quality assurance and improvement programme that includes:</p> <ul style="list-style-type: none"> – Ensuring that professional internal audit standards are complied with. – Reviewing the performance of internal audit and ensuring that the service provided is in line with the expectations and needs of its stakeholders. – Providing an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators and targets with the line manager and Audit Committee; annually reporting achievements against targets. – Putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that 	<p>Within HR policies</p>
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	<p>audit plans, work and reports are evidence based and of good quality.</p> <ul style="list-style-type: none"> – Ensuring that any internal auditors declare any interests that they have. – Seeking continuous improvement in the internal audit service. <p>Keeping up to date with developments in governance, risk management, control and internal auditing, including networking with other HIAs and learning from them, implementing improvements where appropriate.</p> <p>Demonstrating how internal audit adds value to the organisation.</p>	
The HIA in a public service organisation must be professionally qualified and suitably experienced		