

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council
Internal Audit Annual Report
2014/15

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Head of Internal Audit: Max Thomas

Circulation List: Members of the Overview and Scrutiny Committee
Chief Executive
Finance Manager (S151 Officer)

Date: 10 July 2015


Assurance Services for
the Public Sector

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). The PSIAS came into effect in April 2013 and replaced the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit. As well as providing a definition of internal auditing, the PSIAS detail the Code of Ethics for internal auditors and provide quality criteria against which performance can be evaluated. Since the standards were adopted the CIPFA has also issued further guidance in the form of an application note. The application note includes a checklist to assist internal audit practitioners to review and update working practices.
- 2 In connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)¹ should provide an annual report to the board². The report should include:
 - (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
 - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
 - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme
- 3 During the year to 31 March 2015, the Council's internal audit service was provided by Veritau North Yorkshire Limited, which is part of the Veritau Group.

Internal audit work carried out in 2014/15

- 4 During 2014/15, internal audit work was carried out across the full range of the council's activities. The main areas of internal audit activity included:
 - **Strategic risk register** – Work in this area covered items on the Council's risk register. Our work has highlighted no significant matters from those areas we reviewed.
 - **Financial systems** - work in this area provides assurance to the council on the adequacy and effectiveness of financial system controls. During the year we have completed seven audits, two of which were below substantial

¹ The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Audit, Governance and Standards Committee.

assurance; payroll and debtors. Further information on these audits is included in appendix 2 and 3.

- **Regularity audits** – we have completed three audits during the year covering a number of different operational areas. No significant control weaknesses were identified through this work.
- **Technical / projects** - our work has covered two ICT areas, work providing advice and assistance on ongoing projects and a review of the arrangements for payments for Garden Waste. Our work on the Payment Credit Industry Data Security Standard (PCI DSS) highlighted areas for the Council to further consider and was a limited assurance opinion. Further information is included in Appendix 2 to this report.
- **Follow up** - it is important that agreed actions are followed up to ensure that they have been implemented. Veritau follow up agreed actions on a regular basis, taking account of the timescales previously agreed with management for implementation. Our work shows that good progress has been made by management during the year to address previously identified control weaknesses.

5 Appendix 1 provides a summary of the audit work carried out in the year, and the opinions given for each completed audit. Further details of the key findings and agreed management actions for each audit are given in appendices 2 and 3. The opinions and priority rankings used by Veritau are detailed in Appendix 4.

Compliance with Standards

6 The work of internal audit has been undertaken in accordance with the PSIAS.

7 The internal audit Quality Assurance and Improvement Programme includes ongoing monitoring of the performance of the internal audit activity. Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. All audit work is reviewed by managers and a sample of work is also subject to internal peer review. Post audit customer satisfaction surveys are issued after all assignments. In addition, senior management in each client organisation are asked to complete an annual survey on the overall quality of the service provided by Veritau.

8 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment was carried out in 2014 by the South West Audit Partnership (SWAP). The outcome from the review demonstrated that the service provided by Veritau conformed to the International Standards for the Professional Practice of Internal Auditing. Further details about the 2015 Quality Assurance and Improvement Programme are shown in appendix 5.

Audit Opinion and Assurance Statement

- 9 The overall opinion of the Head of Internal Audit on the governance, risk management, and control framework operating in the Council is that it provides **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 10 Although a substantial assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified on Payroll and Debtors. For convenience details on the Payroll audit have been included in appendix 3. These areas should be considered for inclusion in the Council's Annual Governance Statement.



Max Thomas
Director and Head of Internal Audit
Veritau Ltd

10 July 2015

Appendix 1

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Affordable Housing / New Homes Bonus	Completed	Substantial Assurance	April 2015
Community Infrastructure Levy	Cancelled	-	-
Payments to suppliers	Completed	No opinion given	April 2015
Capital Programme	Completed	High Assurance	November 2014
Financial Systems			
Council Tax / NNDR	Completed	High Assurance	July 2015
Sundry Debtors	Completed	Reasonable Assurance	July 2015
Housing and Council Tax Benefits	Completed	Substantial Assurance	July 2015
Creditors	Completed	High Assurance	July 2015
Income / Receipting System (s)	Completed	High Assurance	July 2015
Payroll	Completed	Moderate Assurance	November 2014
General Ledger	Completed	High Assurance	July 2015
Asset Management	Cancelled	-	-
Regularity Audits			
Risk Management Process	Completed	Substantial Assurance	July 2015
Development Control	Completed	High Assurance	April 2015
Member Development	Completed	High Assurance	January 2015
Technical/Project Audits			
ICT: Strategy	Completed	No opinion given	July 2015
ICT: Payment Credit Industry Data Security Standard (PCI DSS)	Completed	Limited Assurance	July 2015
Projects	Completed	No opinion given	April 2015
Review of Garden Waste and Cheque procedures	Completed	No opinion given	January 2015
Follow-Ups	Completed	N/A	

Summary of Key Issues from audits completed and final reports issued/agreed; not previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Council Tax/NNDR	High Assurance	<p>The audit examined the controls and processes in place to ensure:</p> <ul style="list-style-type: none"> the taxation database is kept up to date bills and demands for Council Tax and NNDR were calculated and issued correctly, applying only legitimate discounts, exemptions and other allowances all monies collected were posted promptly to the correct account arrears are promptly monitored and effectively pursued. 	June 2015	<p>Strengths We found officers are effectively controlling the risks for Council Tax and NNDR. We reviewed a number of Council Tax and NNDR accounts with a discount, exemption or reduction to ensure appropriate evidence had been obtained, authorisation had been sought and the discount was accurate. Our work found no issues in these areas.</p> <p>Management have introduced a risk based process for reviewing those properties where a single person discount is being applied. This process has resulted in around £56,500 in additional Council Tax becoming due.</p> <p>Weaknesses No weaknesses were noted.</p>	-
Sundry Debtors	Reasonable Assurance	<p>We reviewed the sundry debtors system to ensure</p> <ul style="list-style-type: none"> The system is operated in accordance with Council Financial Regulations and other relevant legislation and guidance Invoices are raised accurately and promptly for goods and services provided. Appropriate recovery action is taken when accounts are not 	June 2015	<p>Strengths We found the officer responsible for the day to day management of the debtors system has a good operating knowledge of the processes involved and the system functions.</p> <p>Our review of a sample of transactions highlighted parts of the Council where transactions were being processed and managed in line with expected Council procedures.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<p>paid within specific time scales and recovery guidelines are in place to facilitate the collection of arrears.</p> <ul style="list-style-type: none"> A consistent procedure has been established and applied for debtor write-off with all recovery action being exhausted before reaching this point. 		<p>Weaknesses</p> <p>We found that appropriate recovery action was not being undertaken for outstanding debts and arrears relating to market pitch fees. RDC expected guidance was not being followed.</p> <p>The management of the instalment book is a key process in debt recovery. We found it was not being carried out in an effective or timely manner. Consequently accounts are being kept in the instalment queue for months/years after payments have stopped.</p> <p>The Sundry Income and Debt Guidance states an account should only be placed on hold if the debtor is disputing the invoice. An account should not be placed on hold for longer than 30 days. We found Debtor accounts are placed into the hold queue when it is not appropriate. In addition, all 10 accounts tested during the audit had been placed on hold for longer than 30 days.</p> <p>Placing accounts in the pre-write off stage suspends recovery action processes and delaying income being received into the council when it is still justifiable to continue the recovery action. Our work found instances where debts are being placed unnecessarily into the write off queue.</p>	<p>A recovery route specifically for markets to be agreed with the service department and we will encourage/insist on payment by direct debit.</p> <p>A review of all accounts currently under instalments is to be carried out. Where customers have not maintained repayment terms, instalment arrangements will be cancelled. Monitoring of instalment arrangements will become the responsibility of the Exchequer Assistant (Debtors) which will allow the cancelation of instalment arrangements without service area notification.</p> <p>The Exchequer Assistant (Debtors) will review all accounts currently on hold and escalate any cases we are unable to progress to the Finance Manager. The Sundry Income and Debt Guidance Document policy will also be updated</p> <p>A review of all accounts currently in the pre-write off queue will be undertaken and accounts that should not be here will be transferred into the appropriate stage.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Housing and Council Tax Benefits	Substantial Assurance	The audit reviewed the controls and processes for calculating and paying housing benefits. The audit also examined the measures to prevent possible overpayments including risk based verification and evidence checking.	June 2015	<p>Strengths The Housing Benefit Service has made significant progress in improving processing times for new claims and changes in circumstances. It has also received an unqualified subsidy return for 2013/14. The above progress has now allowed management to turn its attention to other areas of service delivery. Overall the 2014/15 audit found good progress has been made and this is reflected in the audit opinion issued.</p> <p>The service pays rent allowance by BACS only, which makes payments quicker and more efficient to undertake.</p> <p>Our work tested a number of benefit claims and found no significant matters.</p> <p>Weaknesses Under normal circumstances Benefits management would ensure that supervisory checks on a number of new claims are undertaken each month. However in 2014/15 the focus has been on (successfully) clearing the backlog of work and also addressing staff resourcing issues. There is now the opportunity in 2015/16 to introduce appropriate checking of claims.</p> <p>There was no policy to assist in determining which cases should be selected for checking.</p>	A policy of management checks is being finalised and paperwork for recording checks updated to reflect any new areas being introduced. It is planned that such checks will commence in July 2015.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Creditors	High Assurance	A review of the processes and controls for ordering supplies and services. The audit also examined the system for processing creditor payments and the arrangements in place to publicise expenditure as required by the Transparency code.	May 2015	<p>Strengths We found the procedures for creditors processing are being appropriately applied by the Business Support team.</p> <p>We also found all agreed actions from the 2013/14 creditors audit had been completed. In all instances valid purchase orders and goods received notes were observed and the amounts paid to suppliers matched to the invoices.</p> <p>Weaknesses No significant control weaknesses were identified.</p>	N/A
General Ledger	High Assurance	The audit involved a review of the procedures and controls within the General Ledger to ensure they were working effectively. We specifically looked at bank reconciliations, control accounts, journal entries and suspense accounts.	July 2015	<p>Strengths We found the controls in place surrounding the general ledger were operating effectively.</p> <p>Bank reconciliations were up to date and authorised appropriately with adequate monitoring by senior officers. Debtors and creditors control accounts are reconciled daily and other control accounts reconciled monthly.</p> <p>Weaknesses No significant control weaknesses were identified.</p>	-
Risk Management	Substantial Assurance	A review of the Council's risk management arrangements.	July 2015	<p>Strengths The Council use a dedicated Risk Management system Covalent which is available for Managers and Members alike for read-only access.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>There is a Risk Management Strategy which is reviewed and updated annually by the Head of Corporate Services.</p> <p>This annual review is presented to the Overview and Scrutiny Committee, along with the Corporate Risk Register which is updated and presented to O&S twice a year.</p> <p>Weaknesses We found that some of the risk information in the Covalent system has not been kept fully up to date with risk information.</p> <p>We found the current strategy is not easily available for officers and members as it is not available as a policy on the intranet or public website.</p>	<p>The loss of the key officer who was responsible for updating Covalent has impacted on the timeliness by which we were updating the system. In the forthcoming months we will be looking at risk management arrangements council wide and will ensure these items are addressed.</p>
ICT strategy	No opinion	<p>ICT plays a key role in the efficient delivery of many council services. Underpinning the ICT delivery requires an effective corporate ICT strategy. This strategy should help support wider council objectives, allocate ICT resources cost-effectively, and ensure effective legislative and other compliance arrangements are maintained. An ICT strategy is not simply a strategy for the procurement and disposal of ICT equipment.</p> <p>Our work has examined the arrangements within Ryedale District Council for developing and</p>	July 2015	<p>We discussed the Council's current approach to developing an ICT strategy and also proposed plans with officers. We have provided through those discussions and our report some observations and suggestions to help shape future Council arrangements.</p> <p>The Council has recognised that an updated strategy is required. This strategy will help to support the Council's wider aims and objectives and compliment the detailed annual ICT service management plans.</p> <p>Arrangements for managing, governing and monitoring the strategy will need to</p>	<p>Management has recently commenced the writing of a revised and updated ICT strategy which is planned to support the delivery of the Council's current aims and objectives.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		implementing a successful ICT strategy.		be considered to help ensure the plan is implemented and achieves the desired objectives.	
ICT Payment Card Industry Data Security Standard (PCI DSS)	Limited Assurance	<p>The Payment Card Industry Data Security Standard (PCI DSS) is an international standard mandated by the five major card issuing brands They have collectively adopted the PCI DSS as the requirement for all organisations which process, store or transmit payment cardholder data.</p> <p>Our audit reviewed the arrangements to manage compliance within the Council.</p>	July 2015	<p>Strengths In requesting the audit and during our work, management has shown awareness that improvements to arrangements are required. We worked collaboratively and closely with officers to help identify weaknesses and provide the Council with an action plan to help progress.</p> <p>Weaknesses The Council needs to make a number of improvements to ensure that processes are in place to achieve and maintain compliance with all requirements of the PCI DSS.</p>	

Summary of Key Issues from audits previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Payroll	Moderate Assurance	<p>The Council's payroll expenditure is processed by City of York Council and so the arrangements operated by the Council involve some 'in-house' work alongside the work undertaken by City of York.</p> <p>The audit involved a review of the procedures and controls within the payroll system to ensure they were working effectively.</p>	October 2014	<p>Strengths We noted no evidence of staff being paid incorrectly. Transactions are being accurately recorded in the Council's accounts.</p> <p>Weaknesses There is no current contractual agreement with the City of York Council. Without a contract in place, the respective roles and responsibilities of each party are not defined. Performance cannot be measured, monitored or controlled. Currently there are assumptions made by RDC that key functions are being performed by the provider, such as the production and review of exception reports and the timely payment over of payroll deductions to the relevant bodies.</p> <p>Whilst there was no evidence of staff being paid incorrectly, there is currently no way to report and monitor salary expenditure at post level. Managers cannot receive salary information at post level and are unaware of how much is being paid to employees in overtime or additional hours payments.</p> <p>Some payroll control accounts are also not being reconciled on a regular basis; some balances dated back to 2011.</p> <p>There are some inconsistencies and the potential for confusion in the use of the various overtime forms. Some payroll areas would benefit from procedure notes being updated and training for those staff involved in processing the various claims, including mileage and expense claims.</p>	<p>All of the findings in our report were agreed with Management.</p> <p>A robust contractual agreement is to be drawn up and signed with City of York Council.</p> <p>Management recognise the need for this information and various options are being considered to be able to provide more useful information to managers for monitoring purposes.</p> <p>Steps are being taken to address the staff shortage in the Finance Section. A new post has been proposed and one of the responsibilities of this new post will be the reconciliation of payroll control accounts.</p> <p>Procedure notes and overtime forms are to be updated and training provided to relevant that require it.</p>

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable (was Moderate) assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual
- detailed job descriptions and competency profiles for each internal audit post
- regular performance appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- training plans and associated training activities
- the maintenance of training records and training evaluation procedures
- agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- the results of all audit testing work documented using the company's automated working paper system (Galileo)
- file review by an audit manager and sign-off of each stage of the audit process
- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- performance against agreed quality targets reported to each client on a regular basis.

On an ongoing basis, a sample of completed audit files is also subject to internal peer review by a senior audit manager to confirm quality standards are being maintained. The results of this peer review are documented and any key learning points shared with the internal auditors (and the relevant audit manager) concerned.

The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self assessment checklist and obtain evidence to demonstrate conformance with the standards. As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The results of the annual client survey and PSIAS self-assessment are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans.

The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board³ as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

2.0 Customer Satisfaction Survey – 2015

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2015. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 103 surveys were issued to senior managers in client organisations. 33 surveys were returned representing a response rate of 32% (2014 - 22%). Respondents were asked to rate the different elements of the audit process, as follows:

- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

Respondents were also asked to provide an overall rating for the service.

³ As defined by the relevant audit charter.

The results of the survey are set out in the table below:

	1	2	3	4	N/A
1 The quality of planning and the overall coverage of the audit plan	8	20	3		2
2 The provision of advice and guidance	10	20	3		
3 The conduct and professionalism of audit staff	17	15	1		
4 The ability of audit staff to provide unbiased and objective opinions	11	18	3		1
5 The ability of audit staff to establish a positive rapport with customers	14	16	3		
6 The auditors' overall knowledge of the system / service being audited	5	19	7		2
7 The auditors' ability to focus on the areas of greatest risk	5	16	9		3
8 Agreeing the scope and objectives of the audit	10	16	5		2
9 The auditors' ability to minimise disruption to the service being audited	10	17	3		3
10 The communication of issues found by the auditors during their work	6	23	2		2
11 The quality of feedback at the end of the audit	6	19	4		4
12 The accuracy, format, length and style of audit reports	11	15	3		4
13 The time taken to issue audit reports	7	17	5		4
14 The relevance of audit opinions and conclusions	8	16	5		4
15 The extent to which agreed actions are constructive and practical	8	18	4		3
Overall rating for the Internal Audit services provided by Veritau	8	19	3		3

The overall ratings in 2014 were:

Excellent - 2
Good - 17
Satisfactory - 1
Poor - 0

The feedback is therefore broadly in line with the previous year and suggests that the service continues to be well regarded by clients.

3.0 Self Assessment Checklist – 2015

The checklist prepared by CIPFA to enable conformance with the PSIAS and the Local Government Application Note to be assessed was originally completed in March 2014. Documentary evidence was provided where current working practices were considered to fully or partially conform to the standards.

In most areas the current working practices were considered to be at standard. However, a few areas of non-conformance were identified. None of the issues identified were however considered to be significant. In addition, in some cases, the existing arrangements were considered appropriate for the circumstances and hence required no further action.

The checklist has been reviewed and updated in 2015. The following areas of non-conformance remain unchanged:

<u>Conformance with Standard</u>	<u>Current Position</u>
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit?	The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal.
Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal?	See above
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.

<u>Conformance with Standard</u>	<u>Current Position</u>
Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee).
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Whilst reliance may be placed on other sources of assurances there is no formal process to identify and assess such sources. However, assurance mapping will be used where appropriate and audit plans will highlight where other sources of assurance are being relied upon.

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

Whilst the new Standards were only adopted in April 2013, the decision was taken to request an assessment at the earliest opportunity in order to provide assurance to our clients. The assessment was conducted by Gerry Cox and Ian Baker from the South West Audit Partnership (SWAP) in April 2014. Both Gerry and Ian are experienced internal audit professionals. The Partnership is a similar local authority controlled company providing internal audit services to over 12 local authorities (including county, unitary and district councils across Somerset, Wiltshire and Dorset). The Partnership was established in 2005 and currently employs over 60 members of staff.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed an audit committee chair.

The conclusion from the external assessment was that working practices conform to the required professional standards. Copies of the detailed assessment report were provided to client organisations and, where appropriate, reported to the relevant audit committee.

5.0 Improvement Action Plan

The quality assurance process has identified the need to make the following changes and improvements to working practices:

Change / improvement	Target completion date
The standard specification template will be updated to ensure that the expectations on Veritau and the relevant client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties) are fully understood. Where appropriate, information sharing agreements will also be established with client organisations.	30 June 2015
Checklists will be provided to assist auditors ensure all stages of the audit process are fully completed on Galileo.	30 September 2015
Templates for 'non-standard' reports (for example – consultancy, fraud and special assignments) will be developed.	31 December 2015