

Internal Audit Confidential Report

Public Sector Internal Audit Standards External Assessment of Sheffield City Council

Date: March 2017
Report Status: Final

Our assessment concludes that Sheffield City Council's Internal Audit Service **Generally Conforms** with the requirements of the Public Sector Internal Audit Standards.

Generally Conforms means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. This is the highest assessment opinion that can be given.

Report Recipients

Name	Title	Reason for receiving the report
Eugene Walker	Interim Executive Director, Resources (S151 officer)	For Information
Josie Paszek	Chair of the Audit and Standards Committee	For Information
David Phillips	Head of Strategic Finance	For Information
Kayleigh Inman	Senior Finance Manager, Internal Audit (Chief Audit Executive)	Action

Assessment Team

Name	Title
Tim Pouncey	Chief Audit Executive
Sonya McDonald	Acting Head of Audit
Louise Ivens	Principal Audit Manager

Declaration

I, Tim Pouncey confirm that I am a CCAB qualified accountant, and have over 30 years audit experience, including 10 as the Head of Audit. This experience has been gained in local government and I currently undertake the role of Chief Audit Executive for Leeds City Council. I confirm that I have no conflict of interest in performing this assessment of Sheffield City Council's Internal Audit Service, I am not a part of, or under the control of Sheffield City Council.

Assessment Details

1. Introduction and background

1.1 The Public Sector Internal Audit Standards (PSIAS) came into force from 1st April 2013 (updated March 2016). The Standards apply the Institute of Internal Auditors (IIA) International Standards to the UK public sector and are mandatory. The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector
- Set basic principles for carrying out internal audit in the UK public sector
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

1.2 The PSIAS include a definition of Internal Auditing, a Code of Ethics and eleven specific standards. The PSIAS introduced a requirement for an external assessment of an organisation's internal audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.

1.3 The Core Cities Internal Auditor Group developed a Terms of Reference that outlined the methodology for the external assessments. The Terms of Reference were approved by the Audit Committee on the 14th April 2016.

2. Approach/Methodology

2.1 We reviewed the self-assessment which had been completed by the Senior Finance Manager and evaluated the documentation that supported the responses.

2.2 Meetings were held with:

- Eugene Walker, S151 Officer
- Josie Paszek, Chair of the Audit Committee
- Simon Green, Executive Director (Place); and
- Kayleigh Inman, Senior Finance Manager (Internal Audit)

2.3 We reviewed a sample of audit engagements during our on site visit.

3. Executive Summary

- 3.1 Our assessment concludes that Sheffield City Council's Internal Audit Service **Generally Conforms** with the requirements of the Public Sector Internal Audit Standards.
- 3.2 Generally Conforms means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. This is the highest assessment opinion that can be given.
- 3.3 It was clear from our on-site visit and interviews that the Internal Audit service is a highly valued, professional and respected team which is actively contributing to improving the control environment of the Council.
- 3.4 Of the 349 questions within the PSIAS Local Government Application Note, the Internal Audit Service fully conforms in 311 areas, partially conforms in 28 areas and does not conform in 10 areas. In common with the other core cities assessments, most of the areas of non-conformance are generally accepted practice. Where the questions were not applicable we have deemed this to be fully conformant.
- 3.5 The majority of the areas of non and partial conformance detailed within this report have already been identified by the service and documented in the self-assessment. The details are included in the action plan attached Appendix 1, alongside the additional findings from our review and recommendations that may further develop and enhance the operation of the Internal Audit section.
- 3.6 The areas of non-conformance and the impact of these should be reported to senior management and the Audit Committee together with the action plan as a result of this external assessment. The summary of the assessment is detailed in the table below.

ATTRIBUTE STANDARDS

PERFORMANCE STANDARDS



Key

- Conforms
- Partially conforms
- Does not conform

Assessment of conformance with individual areas within each Standard by number

	0	0	1	4	0	1	1	1	1	0	0	0	3	0	0	0
	0	0	6	2	3	1	1	6	6	4	1	0	5	0	0	0
	3	13	16	29	18	33	33	40	40	27	57	22	47	4	4	2
Total	3	13	23	35	21	35	47	47	47	31	58	22	55	4	4	2
Does not conform			SA 10j	SA 17 SA 21e SA 22 SA 23		SA 74	SA 110						SA 202g SA 202h SA 202i			
Partially conforms		SA 10d SA 10e SA 10h SA 10o SA 10p SA 10m	SA 41 SA 46 SA 52	SA 21c SA 21f	SA 73	SA 84 SA 93 SA 94 SA 101 SA 103 SA 109	SA 121a SA 121b SA 121c SA 123	SA 133d		SA 184 SA 187g SA 196 SA 199b SA 199c						

4. Detailed Findings

4.1 Definition and Code of Ethics

- 4.1.1 From evidence obtained during this review, we can confirm that Internal Audit is independent, objective and uses a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Council.
- 4.1.2 There are appropriate arrangements in place to ensure that the section demonstrates integrity, objectivity, confidentiality, competency and that auditors have regard to the Seven Principles of Public Life.

4.2 Attribute Standards

Standard 1000: Purpose, Authority and Responsibility

- 4.2.1 The Internal Audit Charter explains that the Senior Finance Manager (Internal Audit) reports to the Head of Strategic Finance, who in turn reports to the Interim Director of Finance and Commercial Services, who in turn reports to the Acting Executive Director of Resources.
- 4.2.2 The Senior Finance Manager (SFM) is the designated 'Chief Audit Executive', as defined in the Public Sector Internal Auditing Standards. 'The Board' is defined as the Audit Committee and 'Senior Management' is defined as the Executive Management Team.
- 4.2.3 The self-assessment identified one non-conformance in relation to the organisational independence of Internal Audit (SA 10i). This related to the SFM recently taking on management responsibility for the External Funding Team. The change in responsibilities had taken place in November 2016 and the overarching governance arrangements that would ensure that any potential independence issues are appropriately managed had yet to be finalised at the time of our visit. The Charter should be updated to confirm how the SFM will demonstrate independence from this area and avoid conflicts of interest (SA 10 m).
- 4.2.4 In our opinion the Charter partially conforms in some areas of the standard and should be refined in order to fully conform. These areas are contained in the action plan. By updating the Charter in these areas, the internal audit section would fully conform with the purpose, authority and responsibility standard.

Standard 1100 Independence and Objectivity

- 4.2.5 The self-assessment identified four areas of non-conformance with this area of the standard. We agree with this assessment and have identified two further areas of partial conformance. These relate to reporting arrangements within SCC. The expectation of the standard is that the person undertaking the role of the CAE reports to an organisational level equal or higher than the corporate management team. However the reporting arrangements at SCC have been fully disclosed in their charter and to the Audit Committee.

- 4.2.6 The other non conformances in this standard relate to HR arrangements around the appointment, removal and appraisal of the person undertaking the role of the CAE. The expectation of the standard is that the Audit Committee contributes to these HR processes. The arrangements at SCC are that the SFM is appraised and appointed in line with the HR policies of the organisation. This is in common with other core cities.
- 4.2.7 The review confirmed that the SFM has direct and unrestricted access to senior management and the Audit Committee as required by the standards.

Standard 1200 Proficiency and Due Professional Care

- 4.2.8 All staff are either professionally qualified or are studying for a professional qualification. Internal Auditors have an annual and mid-year appraisal, this includes the discussion of areas for staff development. Areas of training are discussed during regular one to one meetings with Audit Managers or at the quarterly service planning meetings. An area for improvement identified by the service in their self-assessment was regarding maintaining a record of professional development and training activities (SA 52).
- 4.2.9 Our onsite review confirmed that training provided by the council is recorded electronically on Myview, with staff retaining personal responsibility for the maintenance of their own continuing professional development training records.
- 4.2.10 The self-assessment identified that there are opportunities to make greater use of data matching/continuous audit techniques (SA 46). We agree that further development in this area is required in order to fully conform with the standard and would benefit the section by enhancing audit coverage.

Standard 1300 Quality Assurance and Improvement Programme (QAIP) and 1320 Reporting on the QAIP

- 4.2.11 The standards require that a QAIP is developed that covers all aspects of the internal audit activity and enables conformance with the PSIAS to be evaluated. Evaluation against the PSIAS should be undertaken through internal and external assessments. Internal assessments at SCC include ongoing supervision and monitoring, discussion of key performance indicators on a quarterly basis with the internal audit team and annual audits of a sample of engagements for compliance with internal procedures.
- 4.2.12 The service has identified two partial conformances in this area of the standard. These relate to reporting the results of the QAIP to senior management and the Audit Committee, and progress against improvement plans. In our opinion one of these partial conformances should be reported as a non-conformance.
- 4.2.13 The QAIP is submitted to the Audit Committee with the Annual Report and sets out how the Internal Audit section demonstrates that it performs its work in line with the PSIAS. The QAIP, in its current format, does not include the areas that the section has identified for improvement. The addition of an action plan to the QAIP which details the non and partial conformances that have been identified through the self-assessment and this review, would satisfy the

requirements of this standard. The QAIP and the action plan should then be reported to senior management and the Audit Committee.

4.3 Performance Standards

Standard 2000 Managing the internal audit activity

- 4.3.1 The standards require that an assurance mapping exercise is undertaken as part of identifying and determining the approach to using other sources of assurance. The SFM confirmed that the development of assurance mapping currently rests with Legal and Governance Services and is in the process of being progressed.
- 4.3.2 Although the absence of assurance maps presents a risk that there may be gaps or duplication in assurance coverage across the council, our review confirmed that Internal Audit has worked in a risk-based manner to develop their audit coverage. The section had mapped their audit coverage over the past three financial years against the risk register and the audit planning methodology takes into account the corporate and portfolio risk registers, the views of stakeholders and other key sources of information. The methodology is included in the Annual Plan which was approved by the Audit Committee in April 2016.
- 4.3.3 A requirement of this standard is that the risk based plan includes the approach to using other sources of assurance and any work that may be required to place reliance upon those sources. During our review, we were advised that there had been external assurance provision for ICT areas for previous financial years. If these assurances are required by an external provider in the future, it is suggested that this forms part of the assurance mapping exercise.
- 4.3.4 An area that we have identified for consideration during our review is the reporting to the Audit Committee of changes made to the audit plan as part of the mid-year review (SA 101). The SFM undertakes a mid-year review of the audit plan and where appropriate removes audits in the plan where they will not be undertaken and replace these with audits from the first call list. This is reported to the Head of Strategic Finance but not to the Audit Committee until the Annual Report is issued. It is recommended that the Charter is updated to include the circumstances where changes to the audit plan are reported to the Audit Committee.

Standard 2100 Nature of the work

- 4.3.5 Internal Audit has a guidance manual on the shared electronic drive which provides background information to the section and contains detailed procedure notes. There is a disciplined approach to managing and undertaking the audits which is recorded on an electronic audit system.

Standard 2200 Engagement Planning

- 4.3.6 One area of partial conformance detailed in the self-assessment has been identified in respect of the inclusion of resource allocations in the Terms of Reference for audit engagements. Terms of Reference are prepared for each audit and as part of procedures must be signed off by a Finance (Audit) Manager or the SFM. The Terms of Reference include the objectives, the scope of the

audit and timescales for completing the work.

- 4.3.7 Engagement objectives and scope are set with regard to factors detailed in the PSIAS. The Audit Management Team set the engagement resource allocation so that it matches the complexity, nature and time constraints of the audit. Work programmes are documented on the electronic audit system and procedures are in place to ensure that they are signed off at appropriate stages by the reviewer.

Standard 2300 Performing the Engagement

- 4.3.8 The audit review process should ensure that PSIAS requirements regarding identification of information, analysis and evaluation and documentation of information are considered during every audit. We reviewed a sample of audit engagements during our visit and found these to be in line with the section's documented procedures. A minor area for improvement has been suggested in the Action Plan.

Standard 2400 Communicating Results

- 4.3.9 The standards encourage internal auditors to acknowledge satisfactory performance in engagement communications (SA 184) in addition to highlighting areas for improvement. Audit reporting at Sheffield City Council is on an exceptions basis and therefore does not include detail on areas where good performance has been identified during the audit. However, our interviews with senior officers confirmed that the audit reports met their needs, were clearly written and focussed on the 'right things'.
- 4.3.10 We have identified some areas of partial conformance with regard to the standards on the overall opinion in the Annual Report. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control. The Annual Report does contain an opinion, however this could be strengthened to incorporate the wider coverage undertaken in the year, rather than a specific focus on the 'core systems' (SA 196).
- 4.3.11 The Annual Report does not specifically mention any limitations in scope or the consideration of related projects, including the reliance placed on other assurance providers (SA 199 b & c). If there are no limitations in scope in the year, it is recommended that a proactive opinion is included in the Annual Report.

Standard 2500 – Monitoring Progress

- 4.3.12 A monitoring process is in place to follow up management actions, which conforms with the PSIAS requirements.

Standard 2600 – Communicating the Acceptance of risks

- 4.3.13 The Audit Committee is provided with a rolling report on high opinion audits and details the progress made against the recommendations. There is a procedure in place with the Audit Committee for reporting high/critical priority recommendations not agreed by management.

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments	
1000 Purpose, Authority, Responsibility					
SA 10d	<p>The Charter does not comply with the standards in the following areas.</p> <p>The Charter should establish the responsibility of the Board and also the role of the statutory officers (CFO, Monitoring Officer, Head of Paid Service) with regards to IA.</p>	<p>The Charter should be refined to fully conform with the standards.</p>	<p>Partial conformance</p>	<p>Agreed</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p> <p>27.4.2017</p> <p>The revised Charter will be submitted to the Audit Committee with the Annual Plan in April 2017</p>	
SA 10e	<p>The Charter should be more explicit in internal audit's right of access to records, personnel and physical properties, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.</p>		SA 10h	<p>The Charter should set out internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2015.</p>	
SA 10o	<p>The CAE should define the nature of consulting services in the Charter and clarify which work undertaken falls within this definition.</p>		SA 10p	<p>The Charter should be explicit that the</p>	<p>Although this will simply be a statement that we do not undertake Consultancy work.</p>

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
SA 10i SA 10m	<p>PSIAS (incorporating the Definition of Internal Auditing and the Code of Ethics as well as the Attribute and performance standards) are mandatory.</p> <p>It was acknowledged during the audit that the CAE took on management responsibility for the External Funding Team. A protocol had been put in place to outline the working arrangements.</p> <p>This has not been reported to the Audit Committee as a non conformance previously as this is a relatively new development.</p>	<p>The Charter should be updated to confirm how the SFM will demonstrate her independence from this area and avoid conflicts of interest.</p>	<p>Non conformance</p> <p>Partial conformance</p>	<p>Agreed</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p> <p>27.4.2017</p>
1100 Independence and Objectivity				
SA 17	<p>The CAE (SFM) does not report to an organisational level equal or higher to the corporate management team. This has been reported to Audit Committee and is included in the 2015-16 Annual Report.</p> <p>The SFM does have direct and unrestricted access to senior management and the Audit Committee.</p>	<p>Identified by the SFM as part of the self assessment. SFM should discuss with the Audit Committee to determine if it is satisfied with the current arrangements and if any actions are necessary.</p>	<p>Non conformance</p>	<p>Agreed</p> <p>This arrangement has been reported and ratified by the EMT and the AC so is highly unlikely to change.</p>
SA 21 c	<p>The Board (Audit Committee) does not approve the internal audit budget.*</p> <p>* denotes generally accepted practice within the sector</p>	<p>The Audit Committee should determine whether it is satisfied with the current arrangements for approving the Internal Audit budget.</p>	<p>Partial conformance</p>	<p>Agreed</p> <p>The IA budget is set as part of the corporate budget setting process and so it will not be treated separately. I will expressly include a recommendation in the AC report on the plan that asks</p>

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
SA 21e	<p>The Board (Audit Committee) approves decisions relating to the appointment and removal of the CAE.* <i>This has not been reported to the Audit Committee as a non conformance previously.</i></p>			<p>members to approve how IA resources are being utilised. To be actioned by Kayleigh Inman, Senior Finance Manager.</p>
SA 22	<p>The Chief Executive or equivalent does not undertake, countersign, contribute feedback to or review the performance appraisal of the CAE? *</p>	<p>Identified by the SFM as part of the self assessment. SFM should discuss with the Audit Committee to determine if it is satisfied with the current arrangements and if any actions are necessary.</p>	<p>Non conformance</p>	<p>Agreed To discuss at the AC when this report is presented. July 2017</p>
SA 23	<p>The Chair of the Audit Committee does not contribute to feedback to the performance appraisal of the CAE.* The expectation of the standard is that the Audit Committee contributes to these HR processes.</p>		<p>Non conformance</p>	<p>A questionnaire was issued to member of EMT and the AC at the end of the 15/16 financial year asking for feedback on Internal Audit. To be actioned by Kayleigh Inman, Senior Finance Manager.</p>
SA 21f	<p>There is no evidence to suggest that the Board (Audit Committee) has sought reassurance from management and the SFM as to whether there are any inappropriate scope limitations.</p>	<p>The SFM when presenting the Annual Plan and Annual Report should ensure assurances are given and sought regarding limitations in scope.</p>	<p>Partial conformance</p>	<p>Agreed This will be included in the Annual Report rather than the Planning report, as this is simply the schedule of audits we propose to undertake.</p>

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				To be actioned by Kayleigh Inman, Senior Finance Manager. September 2017
1200 Proficiency and Due Professional Care				
SA41	There are generic job descriptions in place across finance with a 'task list' which is specific to Internal Audit. The standard requires that up to date job descriptions exist to reflect the roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes.	Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine and any actions arising.	Partial conformance	The whole of the Finance Service have generic JD's, which were introduced as part of a 'World-Class Financial Management' initiative. There is currently consideration being given to re-introducing specific JD's for certain services across Finance, however this is beyond my control.
SA 46	Internal audit utilise computer assisted audit techniques, for example data manipulation and analysis with Idea and excel, for example on key financial system audits. The SFM advised that difficulties have been experienced obtaining the required information from SCC's contractors. The use of these techniques could be extended with the insourcing of the payroll system and the new finance system (integra).	Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising.	Partial conformance	
SA 52	An area for improvement identified by the service was regarding maintaining a record of professional development and training activities. Our onsite review confirmed that training provided by the council is recorded electronically on Myview, but staff retain personal responsibility for the	Identified by the SFM as part of self assessment. SFM and Audit Committee to determine any actions arising.	Partial conformance	Agreed I think it is sufficient to ask staff to maintain their own professional CPD certificates etc. All training provided by SCC will also be recorded on

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	maintenance of their own continuing professional development training records for example CPD certificates.			MyView or the Sheffield Development Hub. In addition, SCC is an accredited employer for CPD purposes. No further action required.
1300 Quality Assurance and Improvement Programme				
SA 73	The QAIP includes both internal and external assessments, however it does not document the areas for improvement. The inclusion of an action plan and progress against it should be included as an Appendix to the QAIP and should be reported to senior management and the Audit Committee in the Annual Report. (New non conformance).	The results of the QAIP should be brought together into an action plan and progressed against these actions should be reported to the Audit Committee in the Annual Report.	Partial conformance Non conformance	Agreed I will include this in the Annual Report To be actioned by Kayleigh Inman, Senior Finance Manager. September 2017
SA 202h & i	The service has identified that the results of the QAIP and progress against this plan should be included in the Annual Report (SA 202 h & i). <i>This has not been reported to the Audit Committee as a non conformance previously.</i>		Non conformance	
QAIP	The QAIP states there is an annual self review of conformance with the PSIAS, however this has been conducted twice since 2013. There are annual quality audits on specific audit engagements but these do not incorporate compliance against PSIAS. The QAIP states resultant action plans will be monitored by SFM on a quarterly basis. This is not operating in practice.	The QAIP should be updated to reflect how the service will review its performance against its own policies and procedures.	Service improvement	Agreed I will include this in the Annual Report To be actioned by Kayleigh Inman, Senior Finance Manager. September 2017

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
2000 Managing the Internal Audit Activity				
SA 84	The SFM's self assessment has identified a partial conformance in respect of the risk based plan taking into consideration the council's assurance framework. The SFM confirmed that the development of assurance mapping currently rests with Legal and Governance Services. The PSIAS require that an assurance mapping exercise is undertaken as part of identifying and determining the approach to using other sources of assurance. This has been identified as a non conformance by the SFM. In mitigation, internal audit have mapped their audit coverage over the past three financial years against the risk register to 'check' coverage. These areas have been identified as areas for further development by the CAE.	Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising.	Partial conformance	Our insurance provider is undertaking an exercise to pilot an assurance mapping methodology in a sample of service areas.
SA 110	Until the approach is adopted and embedded, Internal Audit will continue to develop the audit plan based on the intelligence gathered from other sources.		Non conformance	
SA 109	During our review, we were advised that there had been external assurance provision for ICT areas for previous financial years. If these assurances are required by an external provider in the future, it is suggested that this forms part of the assurance mapping exercise.	The approach to using other sources of assurance and any work that may be required to place reliance upon those sources should be further developed as part of the assurance mapping exercise.	Partial conformance	
SA 93, 94	The SFM has identified that further refinement of risk assessments was			Already Actioned

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SA 85b	<p>required in order to fully conform with the standard.</p> <p>It is not clear in the plan how the service will be developed in accordance with the charter. The PSIAS require that the risk based plan must incorporate or be linked to a strategic or high level statement of how the internal audit service will be delivered and developed in accordance with the charter.</p>	<p>The service should consider the inclusion of a section on training and development in the charter, and how the development and improvement of the section should be included in the Annual Report.</p>	<p>Service improvement</p>	<p>This has been developed and introduced for the 17/18 plan.</p> <p>Agreed</p> <p>To be included in the Audit Charter and Annual Report.</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p> <p>27.4.2017</p>
SA 96	<p>The input of senior management is considered during the audit planning process and the audit plan is discussed at the Audit Committee meeting in April.</p>	<p>There is an opportunity for the Audit committee to consider areas for inclusion in the plan at its meeting prior to April when the Audit Plan is discussed.</p>	<p>Service improvement</p>	<p>Agreed</p> <p>Members can contribute any areas that they feel haven't been covered when the Plan is reported to the AC in April, however I will also ask for any input at the January AC meeting.</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p>
SA 101	<p>An area that we have identified as a partial conformance during our review is the reporting to the Audit Committee of changes made to the audit plan as part of the mid year review. The SFM undertakes a mid year review of the audit plan and where appropriate replaces audits in the plan where they will not be undertaken and replace these with audits from the first call list. This is reported to the Head of</p>	<p>The Audit Committee should be informed of significant changes to the audit plan.</p> <p>Significant should be defined in the charter.</p>	<p>Partial conformance</p>	<p>Agreed</p> <p>We will agree a definition of 'significant' and include this in the charter.</p> <p>Significant changes will be reported to the November AC meeting. (Our mid-year review is conducted at the end of</p>

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	<p>Strategic Finance but not to the Audit Committee until the Annual Report is issued.</p> <p>A 'significant' change to the audit plan has not been defined. This should be undertaken and the relevant wording included in the charter. This would aid in transparency of information as regular updates to the Audit Committee do not detail progress against the audit plan.</p>			<p>September and so would miss the mid-sept AC meeting)</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager. November 2017</p>
SA 103	<p>The SFM has identified a partial conformance in relation to explaining how resources available in the risk based plan have been assessed. The Audit Committee have previously queried the resources available to internal audit during the April 2016 meeting.</p>	<p>Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising.</p>	<p>Partial conformance</p>	<p>This specifically related to the development of the risk-scoring methodology to demonstrate why specific reviews had been prioritised over those on the first call list.</p> <p>This has been introduced for the 2017/18 planning process which will be reported to the AC in April.</p> <p>Action already implemented.</p>
2100 Nature of the work				
SA 121 a, b, c SA 123	<p>The SFM has identified partial conformances with the standard regarding the evaluation of the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities and the consideration of the proportionality of the amount of work required to assess the ethics of the organisation when developing</p>	<p>Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising.</p>	<p>Partial conformance</p>	<p>Agreed</p> <p>Currently have Corporate Governance and members' interests in the 17/18 plan.</p> <p>Consideration will be given to amending our standard Service Planning risk in our RBA</p>

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	the risk based plan.			approach to consider ethical issues. To be actioned by Kayleigh Inman, Senior Finance Manager
2200 Engagement Planning				
SA 133d	The terms of reference include the objectives and the scope of the audit, and that the final report will be issued no later than 3 months after the terms of reference have been agreed (or by exception). The standards state that the engagement plan should also include the resource allocations.	Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising.	Partial conformance	Agreed To be actioned by Kayleigh Inman, Senior Finance Manager. 1.4.2017
2300 Performing the engagement				
2300	Observation from review of a sample of audits undertaken.	In accordance with local operating procedures a final version of the audit report should be held on the electronic audit system.	Service improvement	Agreed To be actioned by Kayleigh Inman, Senior Finance Manager. With immediate effect
2400 Communicating the results				
SA 184	Audit reporting at Sheffield City Council is by exception. The standards encourage internal auditors to acknowledge satisfactory performance in engagement communications. Interviews with key officers confirmed the audit reports focused on the 'right things' and are clearly written.	Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising.	Partial conformance	Agreed. As outlined we have trialled various approaches to reporting and feel we have currently achieved the right balance between reporting issues and use of resource involved in producing reports. We will keep this under review if any of the feedback we

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SA 187 g	The self assessment has identified an area of partial conformance surrounding the timeliness of the audit communications. This is due to the three month time (reporting target) not being achieved.	Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising.	Partial conformance	Agreed Introduction of agile working will help with engagement and thus reduce delays. To be monitored via the performance management process.
SA 196	The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control. The annual report does contain an opinion, however this could be strengthened to incorporate the wider coverage undertaken in the year, rather than a specific focus on the 'core systems'.	The audit opinion should conclude on the overall framework of governance, risk management and control.	Partial conformance	Agreed To be included in the Annual Report for 16/17 To be actioned by Kayleigh Inman, Senior Finance Manager. September 2017
SA 199 b & c	The annual report does not specifically mention any limitations in scope or the consideration of related projects, including the reliance placed on other assurance providers.	The annual report should reference any limitations in scope or provide a proactive opinion to the contrary. The reliance placed on other assurance providers for example external ICT providers should be referred to.	Partial conformance	Agreed To be included in the Annual Report for 16/17 To be actioned by Kayleigh Inman, Senior Finance Manager. September 2017

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
SA 202g	<p>The annual report does not make reference to conformance with the PSIAS.</p> <p><i>This has not been reported to the Audit Committee as a non conformance previously.</i></p>	<p>A statement regarding conformance with PSIAS should be made in the annual report.</p>	<p>Non conformance</p>	<p>Now that we have been subject to an external assessment I will include that we 'generally conform' to the PSIAS standard. Up until now, this has been deliberately excluded as we have had no independent validation of our self-assessment.</p> <p>This statement will be included in the Annual Report for 16/17.</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p> <p>September 2017</p>