

**INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT**

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**1. INTRODUCTION**

- 1.1 This paper informs the Audit and Scrutiny Committee of the findings from the recent external quality assessment of the Council's Internal Audit service performed by FTF Audit.

**2. RECOMMENDATIONS**

- 2.1 Members are requested to review and endorse the findings of the assessment including the agreed action plan.

**3. DETAIL**

- 3.1 The Public Sector Internal Audit Standards (PSIAS) require the Council's Chief Internal Auditor (CIA) to develop a Quality Assurance and Improvement Programme (QAIP). The purpose of the QAIP is to enable the evaluation of internal audit's conformance to the PSIAS. The QAIP must include annual internal self-assessments and a five yearly external assessment, carried out by an independent assessor.
- 3.2 The Scottish Local Authorities Chief Internal Auditors' Group has developed an external quality assessment framework to satisfy the requirement for a five yearly external assessment. The attached report sets out the findings from the external quality assessment of Argyll and Bute Council's Internal Audit service, which was recently undertaken by the Chief Internal Auditor of FTF Audit, which provides internal audit services to NHS Fife, NHS Tayside, NHS Forth Valley, NHS Lanarkshire and NHS Health Scotland.
- 3.3 The key points of the report to highlight are:
- Paragraph 9 confirms that the Council's internal audit service demonstrates overall compliance with PSIAS
  - Paragraph 10 identifies areas of strong practice
  - Paragraph 11 highlights four areas of potential improvement with all four largely centred around the theme of risk management and the extent to which internal audit can evidence a link between audit work and the Council's risk management registers
  - Paragraph 13 confirms that the service fully conforms to PSIAS in 9 of the 13 PSIAS standards. For the four where internal audit is graded as 'Generally Conforms' the report recognises that it is the sole issue of risk management which has impacted all four areas
  - Pages 4-8 include an audit action plan showing the agreed actions and associated timescales. The CIA has already added these actions to internal audit's QAIP.

#### **4. CONCLUSION**

- 4.1 The Internal Audit service has been assessed as demonstrating overall compliance with PSIAS. Whilst there were four areas where internal audit were assessed as 'generally conforms' rather than 'fully conforms' it is clear from the report that this is due to one area for improvement which permeates multiple areas of PSIAS rather than four distinct areas where improvement is required. Improvement actions have been agreed with a number of them already in progress. Overall the CIA is of the view that this is a positive report which reflects well on the development work that has been undertaken over the period October 2017 until September 2018.

#### **5. IMPLICATIONS**

- 5.1 Policy - None
- 5.2 Financial -None
- 5.3 Legal -None
- 5.4 HR - None
- 5.5 Equalities - None
- 5.6 Risk – Closer alignment between audit plans and documentation and the council's revised risk management arrangements will provide greater assurance to the Audit and Scrutiny Committee over the Council's management of key risks.
- 5.7 Customer Service - None

**Laurence Slavin,  
Chief Internal Auditor  
25 September 2018**

**For further information contact:**

Laurence Slavin, Chief Internal Auditor (01436 657694)

#### **APPENDICES**

Appendix 1 – Argyll and Bute Council Internal Audit Service External Quality Assessment