

INTERNAL AUDIT - ANNUAL SELF-ASSESSMENT**1. EXECUTIVE SUMMARY**

- 1.1 This paper informs the Audit and Scrutiny Committee (the Committee) of the findings from the recent internal self-assessment of the Council's Internal Audit service performed by a member of the Internal Audit team.

2. RECOMMENDATIONS

- 2.1 Members are requested to review and endorse the findings of the assessment including the identified areas for improvement.

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 with a five yearly external assessment, carried out by an independent assessor.
- 3.2 The Council's last self-assessment was reported to the Committee in September 2019 and concluded that internal audit demonstrated overall compliance with PSIAS with a number of areas of strong practice. It also highlighted four areas for potential improvement which have all been implemented. This assessment was carried out by the CIA.
- 3.3 In 2020 the CIA asked a senior member of the Internal Audit team to perform the self assessment to ensure that it was looked at with a 'fresh pair of eyes'. The 2020 self-assessment exercise has been completed and the table below summarises his assessment of the service against each of the fourteen PSIAS assessment areas.

	PSIAS Assessment Area	Assessment
1	Mission of internal audit	Fully Conforms
2	Definition of internal auditing	Fully Conforms
3	Code of ethics	Fully Conforms
4	Purpose, authority and responsibility	Generally Conforms
5	Independence and objectivity	Fully Conforms
6	Proficiency and due professional care	Generally Conforms
7	Quality assurance and improvement programme	Fully Conforms
8	Managing the internal audit activity	Fully Conforms
9	Nature of work	Fully Conforms
10	Engagement planning	Fully Conforms
11	Performing the engagement	Generally Performs
12	Communicating results	Fully Conforms
13	Monitoring progress	Fully Conforms

14	Communicating the acceptance of risks	Fully Conforms
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- 3.4 The self-assessment identified a number of areas of good practice as well as some areas for improvement – these are summarised in the table below.

Good Practice
Comprehensive Internal Audit Charter which is subject to annual review and approval
Robust procedures for ensuring independence and objectivity
CIA regular engagement with senior management
Experienced and qualified team focused on continuous improvement
Robust and structured audit planning
Clear link between identified risks and audit work
Strong audit engagement review and supervision
Full and transparent audit reporting to Senior Management and Committee
Comprehensive follow up process
Regular progress reporting to Committee
Annual assurance mapping introduced
Very positive feedback from services on audit approach and outputs
Area for Improvement
Update IA Charter to reflect the mandatory nature of PSIAS
Consider the options for fraud investigation training once the two new fraud positions have been recruited
Review list of current users who have access to the audit directory network drive

- 3.5 The three identified areas for improvement were built into the team's QAIP and two have been completed. The two members of the fraud team are currently enrolled on the CIPFA Accredited Counter Fraud Specialist (Scotland) programme and access to the audit directory has been reviewed and updated. The IA Charter will be updated in line with its normal annual update.
- 3.6 In addition to completing the self-assessment programme a stakeholder questionnaire was issued to all members of the Committee and the Council's Senior Management Team to ensure their views on the internal audit service were considered. Of the thirteen invited to respond responses were received from six. The responses are consolidated in the table below:

	No	Partly	Yes	No comment
Purpose, Authority and Responsibility				
Does the internal audit plan focus on areas that matter to the council?	1		5	
Are internal audit findings and recommendations valued by stakeholders and help the council achieve its objectives?		1	4	1
Is internal audit considered a key strategic partner with a high profile within the organisation?	1	1	4	
Does internal audit demonstrate compliance with the four key internal audit principles of integrity, objectivity, confidentiality and competency?			5	1

Have you had sight of the Internal Audit Charter?	1		4	1
Independence and Objectivity				
Does the Chief Audit Executive have direct and unrestricted access to the Chief Executive and Chair of the Audit Committee (or equivalent)?			6	
Is the internal audit service fair, impartial and unbiased?			6	
Proficiency and Due Professional Care				
Does the Chief Audit Executive demonstrate they have sufficient knowledge and experience?			6	
Do you believe internal audit collectively possess the knowledge and competencies required to perform its responsibilities and exercise due professional care?			6	
Managing the Internal Audit Activity				
Do you believe internal audit adds value to the council?		1	5	
Do you believe internal audit contributes to the efficiency and effectiveness of the council's arrangements for governance, risk management and internal control?			6	
Are you given the opportunity to feed in to the internal audit planning process? e.g. through formal/ informal engagement with the Chief Audit Executive.	1		5	
Do you believe internal audit's plan takes account of the council's risk management framework, and/or the Chief Audit Executive's own assessment of risk?		1	5	
Communicating Results				
Are internal audit reports accurate, objective, clear, concise, constructive, complete and timely?			6	
Are you comfortable that internal audit reports include all significant and relevant information and observations to support conclusions and recommendations?		1	5	
Are all internal audit reports, whether in full or abridged, reported to key stakeholders including the Audit Committee?			6	
Overall assessment				
In overall terms, do you believe that the internal audit service adds value to the council, leading to improved organisational processes and operations?		1	5	

- 3.7 Feedback from respondents was generally very positive and was further supported by a free text field in the returned questionnaire which made positive comments about internal audit's work, effectiveness and clarity of communication. One response commented that Internal Audit should continue to evolve as a service to become less retrospective and more prospective in terms of input to Council planning to help identify areas of potential system or compliance failure. This has been fed back to the CIA who welcomes the feedback and will consider how to best involve internal audit resource

in both traditional audits, scrutiny exercises and also engaging with services around areas of planning and service design.

4. CONCLUSION

- 4.1 The Internal Audit service has been self-assessed as fully conforming with PSIAS in 11 of the 14 assessment areas, The three areas where they have been self-assessed as 'Generally Conforming' is due to the identification of areas for improvement which are minor in nature.

Overall the CIA is of the view that this is a positive self-assessment which reflects well on the team and their ongoing commitment to improvement. This is supported by the feedback received from members of the Committee and the Council's SMT.

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 – None
- 5.7 Customer Service - None

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