

INTERNAL AUDIT - ANNUAL SELF-ASSESSMENT

1. 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 the 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 2020 and concluded that internal audit demonstrated overall compliance with PSIAS with a number of areas of strong practice. It also highlighted three areas for potential improvement which have all been implemented. This assessment was carried out by the Accountant in the Internal Audit team.
- 3.3 In 2021 the CIA asked another 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 2021 self-assessment exercise has been completed and the table below summarises the assessment of the service against each of the fourteen PSIAS assessment areas.

Table 1: PSIAS Assessment

	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	Fully Conforms
5	Independence and objectivity	Generally Conforms
6	Proficiency and due professional care	Fully 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	Fully Conforms
12	Communicating results	Fully Conforms
13	Monitoring progress	Fully Conforms
14	Communicating the acceptance of risks	Fully Conforms

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.

Table 2: Areas of Good Practice and Improvement

Good Practice
Comprehensive Internal Audit Charter which is subject to annual review and approval
Procedures are in place to ensure 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
Very positive feedback from services on audit approach and outputs
Area for Improvement
Consider arrangements to provide greater independence of CAE
Consider rotation of duties regularly carried out by one member of staff on an annual basis.

3.5 The two identified areas for improvement were built into the team's QAIP and one has been completed. The Interim Head of Financial Services has appointed an Interim Chief Internal Auditor until 31 December 2021 with an option to extend to September 2022 when the Interim Head of Service appointment ends. There has also been some dialogue with other Councils to investigate the possibility of a shared service solution.

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 twelve invited to respond responses were received from eight. The responses are consolidated in the table below:

Table 3: Stakeholder Feedback

No	Partly	Yes	No comment
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Purpose, Authority and Responsibility				
Does the internal audit plan focus on areas that matter to the council?			8	
Are internal audit findings and recommendations valued by stakeholders and help the council achieve its objectives?			8	
Is internal audit considered a key strategic partner with a high profile within the organisation?		1	7	
Does internal audit demonstrate compliance with the four key internal audit principles of integrity, objectivity, confidentiality and competency?			8	
Have you had sight of the Internal Audit Charter?	1		6	
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)?			8	
Is the internal audit service fair, impartial and unbiased?			8	
Proficiency and Due Professional Care				
Does the Chief Audit Executive demonstrate they have sufficient knowledge and experience?			8	
Do you believe internal audit collectively possess the knowledge and competencies required to perform its responsibilities and exercise due professional care?			8	
Managing the Internal Audit Activity				
Do you believe internal audit adds value to the council?			8	
Do you believe internal audit contributes to the efficiency and effectiveness of the council's arrangements for governance, risk management and internal control?			8	
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.			8	
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?			8	
Communicating Results				
Are internal audit reports accurate, objective, clear, concise, constructive, complete and timely?			8	
Are you comfortable that internal audit reports include all significant and relevant information and observations to support conclusions and recommendations?			8	
Are all internal audit reports, whether in full or abridged, reported to key stakeholders including the Audit Committee?			8	
Overall assessment				
In overall terms, do you believe that the			8	

internal audit service adds value to the council, leading to improved organisational processes and operations?

3.7 Feedback from respondents was 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. Comments included that Internal Audit adds value to the work of the Council, is delivered by a competent professional team who are continuously improving and performed particularly well through the Council's response to the Covid-19 pandemic.

4. CONCLUSION

4.1 The Internal Audit service has been self-assessed as fully conforming with PSIAS in 13 of the 14 assessment areas, The area 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

For further information contact:

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