

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, where applicable.

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 external independent assessment was reported to the Committee in March 2023 and concluded that internal audit demonstrated full compliance with PSIAS in all 14 areas of criteria, along with identified good practice. It also highlighted two minor areas for potential improvement and which now have been fully implemented. A further internal self-assessment has been undertaken and again confirms compliance with all criteria.
- 3.3 The 2023 self-assessment exercise has been completed and the table below summarises the 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 | Fully Conforms |
| 5 | Independence and objectivity | Fully 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.

| |
|---|
| Good Practice |
| Comprehensive Internal Audit Charter which is subject to annual review and approval |
| Robust procedures for ensuring independence and objectivity |
| CIA has 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 |
| No actions outstanding – two items identified in the External EQA in March 2023 now fully completed |

4. CONCLUSION

- 4.1 The Internal Audit service has been self-assessed as fully conforming with PSIAS in all of the 14 assessment areas. This assessment is consistent with the opinions raised in the independent External Quality Assurance Assessment (EQA) reported to the Audit and Scrutiny committee in March 2023.
- 4.2 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 process is one element of assessing and determining compliance with best practice and mandatory requirements outlined by the relevant regulatory bodies. There will always be opportunity for improvement and development within the service and this will be reflected upon on a regular basis to improve the service we provide to the Council.
- 4.3 The Internal Audit service will continue as part of the five yearly external quality assessment programme and will be subject to a comprehensive review undertaken by another local authority Chief Internal Auditor which is next scheduled for 2027/28.

5. IMPLICATIONS

- 5.1 Policy – None
- 5.2 Financial – None
- 5.3 Legal – None
- 5.4 HR – None
- 5.5 Fairer Scotland Duty – None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty – None

- 5.6 Climate Change – None
- 5.7 Risk – None
- 5.8 Customer Service – None

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