

Report of the Corporate Finance & Commercial Procurement Manager
& Head of Internal Audit

Internal Audit - PSIAS external assessment

Summary

- 1 The purpose of the report is to present the outcome of the recent external assessment of the council's internal audit service against the Public Sector Internal Audit Standards (PSIAS).

Background

- 2 The Accounts and Audit Regulations (2015) require the council to have effective internal audit arrangements that comply with the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, the Head of Internal Audit must maintain a quality assurance and improvement programme covering all aspects of the service and including both internal and external assessments. The requirement for external assessments is that they are conducted at least once every five years by an independent assessor. This report presents the outcomes of the latest external assessment conducted in November 2018.

External Assessment

- 3 An external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau. A copy their external assessment report is included at annex 1.

- 4 The report concludes that Veritau internal audit activity generally conforms to the PSIAS¹ and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014. However, the report does include some areas for further development. These areas, and initial draft proposed actions, are summarised in figure 1 below. Further comment on the proposed actions is invited.

Figure 1: external assessment - action plan

Assessors Recommendation	Proposed Action	Responsibility	Action By
Guidance from the IIA recommends that the Audit Committee (Board) "Meets with the Head of Internal Audit at least once a year without the presence of management." This does not happen as a matter of course with all clients of Veritau, however, the Charter allows this to happen and all Chairs of Audit Committees feel that if they wanted such a meeting, it would happen. Some teams have taken a 'purest' approach and hold at least one meeting a year with the Audit Committee or Chair without	While IIA guidance recommends this approach, there is no explicit requirement for annual meetings in the standards. And existing audit charters for each client already recognise that the Head of Internal Audit will meet with members of the relevant committee in private, as required. No formal changes to current arrangements are proposed. Although formal annual meetings will be arranged if individual committees express a preference for this	NA	NA

¹ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

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<p>management being present. The HoIA audit should consider if Veritau should adopt a similar approach or be satisfied that such meeting will take place should it become necessary to do so. (Attribute Standard 1111).</p>	<p>arrangement.</p>		
<p>The self-assessment identified that Council CEO's or Audit Committee Chairmen do not contribute to the performance appraisal of the HoIA. The responsibility for this rests with the Board of Directors, many of whom are Section 151 Officers for the representative Councils. In addition, reliance is placed on Customer Satisfaction results. To ensure that this is reflective of the key clients, the Chairman of the Board may want to consider the introduction of a 360-degree feedback process when assessing the HoIA's performance.</p>	<p>The chairman of the Veritau board will be asked to consider whether further input from client Chief Executives and Chairs of Audit Committees (or equivalent) is needed to meet the requirements of the standards.</p>	<p>Veritau Chair</p>	<p>May 2019</p>

Assessors Recommendation	Proposed Action	Responsibility	Action By
(Attribute Standard 1100).			
<p>While the annual planning process is well documented, the self-assessment acknowledged that each piece of audit work is not prioritised. Doing so assists when decisions need to be taken on bringing in new pieces of work due to new and emerging risks. Consideration should be given to priority ranking audit work. (LGAN requirement).</p>	<p>All work included in annual audit plans is considered a priority for audit in the coming year. However, it is recognised that further prioritisation may support decision making, for example where changes to audit plans are required.</p> <p>As part of the development of audit plans for 2019/20, we will explore how audits included in each plan are given a priority rating.</p>	Deputy Head of Internal Audit and Audit Managers	April 2019
<p>Whilst reliance may be placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance</p>	<p>A review of potential sources of assurance for each client will be undertaken during the course of 2019/20. This will be used to assess the scope for more detailed assurance mapping at each client; and to help develop a standard approach if appropriate.</p>	Deputy Head of Internal Audit and Audit Managers	April 2020

Assessors Recommendation	Proposed Action	Responsibility	Action By
bodies and limited resources are not duplicating effort. (Attribute Standard 2050).			
It is clear that the actions from the last review have been completed, however, the resulting Quality Assessment Improvement Programme (QAIP) should remain a live document to demonstrate continuous improvement. While the process of the QAIP is reported to the Audit Committee annually, the report does not outline the detailed actions with SMART targets for completion. (Attribute Standard 1320).	<p>Actions included in 2018/19 annual reports will be SMART.</p> <p>Progress against actions will be reported to the Veritau and VNY boards during the course of the year.</p>	Head of Internal Audit	June 2019 (annual report)

Consultation

- 5 Not relevant for the purposes of the report.

Options

- 6 Not relevant for the purpose of the report.

Analysis

- 7 Not relevant for the purpose of the report.

Council Plan

- 8 The work of internal audit supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

Implications

- 9 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 10 The council will fail to comply with proper practice for internal audit if the results of external assessments and proposed actions are not reported to senior management and the committee.

Recommendations

- 11 Members are asked to;
- Note the outcome from the November 2018 external assessment of internal audit and comment on the proposed actions set out in figure 1.

Reason

In accordance with the committee's responsibility for considering whether internal audit conforms with professional standards.

Contact Details

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**Report
Approved**



Date 29 Jan 2019

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

Annexes

Annex 1: Veritau PSIAS External Assessment Report