



Report of the Chief Auditor

Audit Committee – 14 August 2018

Internal Audit – Public Sector Internal Audit Standards Compliance Report 2017/18

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that internal audit providers must maintain a Quality Assurance and Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement.

The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is complying with the PSIAS. Part of the internal assessment involves an annual review of compliance with the PSIAS using the detailed checklist included in Cipfa's Local Government Application Note. The annual self-assessment also fulfils the requirement established in the Accounts and Audit (Wales) Regulations 2014 for an annual assessment of the effectiveness of the Internal Audit service.

An external assessment of compliance with the PSIAS must be completed at least once every 5 years and may either be a full external assessment or a self-assessment which is subject to independent external validation.

The first external assessment in Swansea was completed in quarter 4 2017/18. The assessment method adopted was a self-assessment subject to external validation using the peer review group established by the Welsh Chief Auditors Group. The validation was completed by Cardiff Council.

In summary, the peer review concluded that the City and County of Swansea's Internal Audit Section is broadly compliant with the PSIAS, with no significant deviations from the Standards being noted. Some areas for improvement were highlighted as part of the review, as previously reported. The action plan arising from the peer review has been included in Appendix 3 for information.

The results of the annual internal self-assessment of compliance with the PSIAS using Cipfa's detailed Local Government Application Note can be found in the table in Appendix 1.

Further details in relation to areas where the Service has been self-assessed as non-compliant or partly-compliant can be found in Appendix 2.

In summary there are 334 best practice lines within the PSIAS. A self-assessment review of conformance against the PSIAS was undertaken during April 2018 by the Chief Auditor revealed that 97% of the best practice of the PSIAS was in place.

The table below summarises the outcome of the self-assessment.

Standard	Conformance			Total
	Y	N	P	
1. Definition of Internal Audit	3			3
2. Code of Ethics	12		1	13
3. Attribute Standards				
1000. Purpose, Authority and Responsibility	23			23
1100. Independence and Objectivity	26	2	1	29
1200. Proficiency and Due Professional Care	21			21
1300. Quality Assurance and Improvement Programme	27			27
4. Performance Standards				
2000. Managing the Internal Audit Activity	45	1		46
2110. Nature of Work	31			31
2200. Engagement Planning	55	3		58
2300. Performing the Engagement	21		1	22
2400. Communicating Results	55			55
2500. Monitoring Progress	3	1		4
2600. Communicating the Acceptance of Risks	2			2
Total	324	7	3	334
Percentage	97%	2%	1%	100%

Summary of Part/Non-Compliance					
Ref	Conformance with the Standard	Y	P	N	Evidence
2	Code of Ethics				
	Confidentiality Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by: a) Acting prudently when using information acquired in the course of their duties and protecting that information?		P		Files are not locked away at night or when the office is left unattended although public access to the office is unlikely due to position within the Guildhall which is no longer accessible by the public.
3	Attribute Standards				
3.2	1100 Independence and Objectivity	Y	P	N	
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?			N	The Council's Employee Performance Management Policy states that the annual performance appraisal should be carried out by the immediate line manager.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?			N	Feedback from the Chair of the Audit Committee is not sought as part of the Chief Auditor's annual performance appraisal.
	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?		P		Audits are rotated amongst staff but there is no specific policy to rotate audits as experience in particular areas is felt to be advantageous and knowledge base is deemed to be more efficient from a client perspective.
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				
	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?			N	An assurance mapping exercise has not been carried out.

4.3	2200 Engagement Planning				
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?			N	Unclear as to what this means.
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?			N	Unclear as to what this means.
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?			N	Unclear as to what this means.
4.4	2300 Performing the Engagement				
	Does the CAE control access to engagement records?		P		Working papers are either held on paper files or on the Galileo Audit Management System. Paper files are held in the Internal Audit room but are not locked away when the room is unattended. However, unauthorised access to the files is unlikely due to the position of the room within the Guildhall. The permission of the Chief Auditor is required before access to records is granted to someone outside the Section.
4.6	2500 Monitoring Progress				
	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?			N	A report/memo is provided to the service manager and Head of Service recording the results of the follow up visit but the original level of assurance is not revised on the basis of the follow up visit. The level of assurance will be reviewed when the next full audit of the service is completed. However, if any significant issues were identified during a follow up audit, they would be reported to the service management, senior management and the Audit Committee if appropriate.

**CITY AND COUNTY OF SWANSEA
MANAGEMENT ACTION PLAN
PSIAS PEER REVIEW RECOMMENDATIONS 2017/18**

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
R1	A risk-based approach in the form of an assurance mapping exercise should be carried out to inform the planning process and identify other sources of assurance.	GP	Agreed. However, due to the timing of the peer review report, we were unable to undertake an assurance mapping exercise to inform the 2018/19 planning process. This exercise will therefore be undertaken when considering the plan for 2019/20.	Chief Audit Executive	31/12/18
R2	The Audit Charter should be updated to reflect the practices in place in respect of collating conflicts of interests from audit staff, at least annually.	GP	Agreed. The Audit Charter for 2018/19 has been updated to reflect this.	Chief Audit Executive	Implemented
R3	The Audit Charter should be updated to reflect the working practices that are in place in respect of managing conflicts of interests identified by staff i.e. they are taken into account when allocating individual workloads to auditors.	GP	Agreed. The Audit Charter for 2018/19 has been updated to reflect this.	Chief Audit Executive	Implemented

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
R4	Regular (in line with Council appraisal policy) performance reviews of the Chief Audit Executive and auditors must be carried out in order to assess skills and competencies and identify any training needs.	LR	Agreed. Appraisals will be carried out in line with the Council's appraisal policy as required in order to address any competency issues and to identify any training/development opportunities.	Chief Finance Officer, Chief Audit Executive and Principal Auditor.	30/09/18
R5	In order to avoid any perceived lack of independence in the running of the Audit Committee, all secretarial services should be provided by officers from Democratic Services, albeit with the Chief Audit Executive inputting relevant experience, knowledge and advice, and attending to present reports on the Internal Audit function.	LR	Agreed. All secretarial services will be provided by the Democratic Services Team going forward, subject to experience, knowledge and advice being provided by the Chief Audit Executive, who will primarily attend Audit Committee to present relevant reports.	Chief Audit Executive, Democratic Services Manager.	01/04/18 Implemented

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
R6	For the avoidance of any perceived conflicts of interest or lack of independence, responsibility for the preparation of the Annual Governance Statement should lie with an officer outside Internal Audit with overall responsibility for performance, risk and governance.	LR	Agreed. As agreed by the Corporate Management Team on 14/03/18, the Annual Governance Statement will no longer be compiled by the Chief Audit Executive. The Chief Auditors Annual Opinion will continue to form part of the Governance Statement as required.	Senior Officer of the Authority as decided by the Director of Resources and wider CMT.	01/04/18 Implemented