APPENDIX 4

Report of the Chief Auditor

Internal Audit

Summary of Self-Assessment of PSIAS Conformance 2018/19

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. CIPFA released an updated version of the Local Government Application Note in February 2019 and this updated version has been used to complete the self-assessment for 2018/19. 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 and the recommendations arising from these can be seen in Appendix 3.

The results of the annual internal 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 assessed as non-compliant or partly-compliant can be found in Appendix 2.

Appendix 1

In summary there are 336 best practice lines within the PSIAS. A self-assessment review of conformance against the PSIAS was undertaken during July 2019 by the Chief Auditor revealed that 99.1% of the best practice of the PSIAS was in place.

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

Standard	Conformance			
	C	**P**	**N**	**Total**
1. Mission of Internal Audit	1			1
2. Definition of Internal Audit	2			2
3. Core Principles	10			10
4. Code of Ethics	13			13
5. Attribute Standards				
1000. Purpose, Authority and Responsibility	21			21
1100. Independence and Objectivity	36	1		37
1200. Proficiency and Due Professional Care	21			21
1300. Quality Assurance and Improvement Programme	25			25
6. Performance Standards				
2000. Managing the Internal Audit Activity	41			41
2100. Nature of Work	30			30
2200. Engagement Planning	58			58
2300. Performing the Engagement	17	1		18
2400. Communicating Results	53			53
2500. Monitoring Progress	3		1	4
2600. Communicating the Acceptance of Risks	2			2
Total	**333**	**2**	**1**	**336**
Percentage	**99.1%**	**0.6%**	**0.3%**	**100%**

Summary of Part/Non-Compliance					
Ref	**Conformance with the Standard**	**C**	**P**	**N**	**Evidence**
5	**Attribute Standards**				
5.2	**1100 Independence and Objectivity**				
	Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities 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. The review of the audits is rotated between Senior Auditors / Principal Auditor as a compensating control to reduce the risk of over-familiarity or complacency.
6	**Performance Standards**				
6.4	**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 anyone outside the Section.
6.6	**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.

Appendix 3

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 Implemented
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

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
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
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.	Head of Financial Services & Service Centre, Chief Audit Executive and Principal Auditor.	30/09/18 Not Implemented Department appraisals pending

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
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 from April 2019
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