

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 26 JANUARY 2021

PSIAS EXTERNAL QUALITY ASSESSMENT (EQA)

REPORT BY CATHIE WYLLIE, SERVICE LEADER INTERNAL AUDIT

ABSTRACT

Internal Audit has been required to comply with The Public Sector Internal Audit Standards (PSIAS) since 1 April 2013. A key component of the PSIAS is that an External Quality Assessment (EQA) is performed at least every five years. This report presents the results of the 2020 PSIAS EQA undertaken by the Internal Audit team from Scottish Borders Council. It confirms compliance with the requirements of the PSIAS and makes a small number of recommendations relating to Assurance Mapping and Risk Management.

1. RECOMMENDATION)

1.1 It is recommended that the Committee:

- (i) Consider and comment on the External Quality Assurance report and related EQA action plan at Appendix 1.
- (ii) Discuss, update and agree the action plan.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

2.1 The work of the Scrutiny and Audit Committee supports the achievement of the corporate priorities set out in the Local Outcomes Improvement Plan and the Council Plan. This report provides assurance information about the Internal Audit Service which is an integral part of the overall assurance framework that the committee relies upon in discharging its remit.

3. BACKGROUND

3.1 The PSIAS require Internal Audit to have an external quality assessment of compliance with the PSIAS at least every 5 years. Annual self-assessments take place in the intervening years and are reported together with quality improvement actions in the annual Internal Audit Service Leader's report each June.

3.2 The last external review was undertaken by Cipfa in 2014, and the assessment of full compliance was reported to the November 2014 Scrutiny and Audit Committee in report 478/14. In September 2017 (Report 323/17) it was agreed that we would extend the external review timeframe to every five years and the proposal to join the second round of the SLACIAG peer review process for undertaking the external assessment was agreed during the OD/ZBB review in October 2018. Finalisation of the process by SLACIAG was delayed, meaning that our review ran beyond the five years. The over-run was further compounded by the covid-19 emergency.

3.3 The SLACIAG process and templates for the self assessment were issued in December 2019, and our completed self-assessment was sent to our external reviewer in March 2020. Work on the assessment process was suspended in March 2020 and recommenced in September 2020.

The process included:-

- Self-assessment against the PSIAS
- Validation of the process by the external team from Scottish Borders Council
- A stakeholder questionnaire issued to key stakeholders within the council,
- Interviews with key stakeholders and Internal Audit staff, and
- Review of audit files

3.4 The external review considers the Internal Audit Service and the Council framework within which Internal Audit operate.

3.5 Report 162/20 in June 2020 included the annual self-assessment for 2019/20 and concluded “our service is compliant with PSIAS, with one minor non-compliance in that we have not obtained an external review within the 5 year timeframe.”

4. EQA RESULTS

4.1 The Scottish Borders’ external assessment team report at Appendix 1 concludes:

“it is our opinion that the Internal Audit Service **generally conforms** with the PSIAS”

The assessment covers 13 areas: and concluded 11 areas fully conform and two areas generally conform.

Conformance definitions are:

Fully conforms – The assessment team concludes that the internal audit activity fully complies with all aspects of the PSIAS and the Application Note. All tests have been concluded as satisfactory and areas of good practice are likely to have been identified.

Generally conforms – The assessment team concludes that the internal audit activity has the relevant structures, policies, and procedures in place and these are applied in practice in all material respects. The majority of tests have been concluded as satisfactory and there is at least partial conformance in others. General conformance does not require complete / perfect conformance. Some areas of good practice and some minor areas of improvement may have been identified.

Partially conforms – The assessment team concludes that the internal audit activity is making efforts to comply with the requirements, is aware of the areas for development but falls short in some material respects. Some tests will have identified material areas for improvement.

Does not conform – The assessment team concludes that the internal audit activity is not aware of and is not making efforts to comply with the requirements. The majority of tests will have identified significant opportunities for improvement. The deficiencies will usually have a significant negative impact on the activity’s effectiveness and its potential to add value to the organisation. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management and the Board of the authority being assessed.

5. ACTION PLAN

5.1 The action plan addresses the areas where improved compliance is required. Actions have been proposed for Internal Audit relating to assurance mapping; and the Director of SPT&PSR and the Scrutiny & Audit Committee convenor in relation to risk management. In addition we already have a Quality Improvement Action Plan (QIAP) which is reviewed annually and reported to committee in June each year as part of the annual report. The key elements of the improvement plan in June 2020 were:

- To improve assurance mapping,
- To expand the use of IDEA software for continuous auditing,
- To consider how best to receive feedback from auditees, and
- To expand our use of Pentana to provide management information to the Internal Audit team.

6. FINANCIAL IMPLICATIONS

6.1 There are no financial implications arising directly from this report.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

Appendix 1: PSIAS External Quality Assessment of the Internal Audit Service report 2020

Appendix 1



Angus Council



EXTERNAL QUALITY ASSESSMENT

OF THE

INTERNAL AUDIT SERVICE

Final Report

December 2020

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Date of Audit	October/November 2020
Draft Report Issued	4 December 2020
Management Response Received	December 2020
Final Report Issued	December 2020

Issued to:	
Cathie Wylie	Service Leader, Internal Audit
Vivien Smith	Director of Strategic Policy Transformation and Public Sector Reform

1. EXECUTIVE SUMMARY

1.1 Introduction

The Public Sector Internal Audit Standards 2017 (PSIAS), require that an independent external assessment of compliance against the PSIAS (EQA), should be undertaken at least once every 5 years. This report has been prepared following a review of compliance with the PSIAS and the International Professional Practices Framework (IPPF) on which the PSIAS has been based. The purpose of this report is to provide an overview of the Angus Council's arrangements for the operation and management of its Internal Audit service.

In terms of the PSIAS, the Service Leader, Internal Audit performs the function of the Chief Audit Executive (CAE) and this terminology is referred to throughout this report. The PSIAS also refers to "the Board", for the purpose of this report the Board is the Scrutiny and Audit Committee of Angus Council.

This report by the Chief Officer Audit & Risk of Scottish Borders Council details the findings from the EQA undertaken in October and November 2020.

The work was impacted by the Covid-19 pandemic. The work was originally scheduled for March and April 2020. The occurrence of Covid-19 necessitated that it be set aside to address other priorities. The members of SLACIAG met via Microsoft Teams in August 2020 to agree a series of protocols to recommence the work.

Work on reviewing the Angus Council submission recommenced in September 2020.

1.2 Scope and Limitations

The methodology for this EQA, takes the form of a validated self-assessment. As such we have undertaken the following work in arriving at our opinion:

- review of the latest self-assessment and supporting evidence provided by the Chief Audit Executive (CAE);
- canvassed the opinions of key stakeholders such as Chair of the Scrutiny and Audit Committee and members of the Corporate Leadership Team (CLT);
- undertook a series of tests using a standard checklist and undertook a review of guidance and process documents and a sample of files.

Due to restrictions introduced by the Covid-19 pandemic, we were not able to visit Angus Council as we had planned. All work was conducted by documents being remitted to us via e-mail. Many documents were available from publicly available websites. Those documents which would normally have been inspected during a visit to Angus Council were passed to us via e-mail.

Conversation with the CAE and members of the CLT were conducted using Microsoft Teams.

Recipients of the Key Stakeholder Questionnaires with whom we sought a discussion were given the opportunity to review and update their responses to the questionnaires.

1.3 Areas of Good Practice Identified

- Substantial compliance with PSIAS.
- The Internal Audit Charter is clear, concise and easy to follow. The purpose, authority and responsibility of Internal Audit, Senior Management and the Board is appropriately set out.
- Functional and administrative reporting lines for the CAE are appropriate and support the independence and objectivity of the Internal Audit function.
- The CAE and her team are placed appropriately in the organisational structure of the Council. Their professionalism and competence are recognised by key stakeholders within the Council.
- It was recognised that the Internal Audit service added value to the Council by providing assurance where appropriate, and in undertaking analysis of systems.
- Generally, Internal Audit planning is informed by an appraisal of risk.

1.4 Conclusion and Main Findings

The overall conclusion is arrived at following completion of the comprehensive EQA Checklist and based on the work we have undertaken, it is our opinion that the Internal Audit Service **generally conforms** with the PSIAS. Our review has highlighted a few areas where improvements can be made, these being:

- Mapping the organisation's activities, risks and mitigating controls against the assurances being provided internally and externally would assist Senior Management and Members of the Scrutiny and Audit Committee to identify where assurances are required from Internal Audit. The CAE would also have a framework against which a robust risk assessment could be made. This would support the development of risk-based plans which would clearly link the priorities of the Internal Audit activity with the organisation's goals.

We noted that an exercise of assurance mapping had been started but not completed. We recommend that the exercise is completed and its results reported to the Scrutiny and Audit Committee.

- We understand that the Council's risk management function has undergone some development in the recent past, but that oversight and scrutiny by elected members is limited. A paper is due to be presented to the Scrutiny and Audit Committee at its meeting in January 2021.

We recommend that the Scrutiny and Audit Committee exercise full oversight of the risk management to ensure that it is fit for purpose.

A detailed evaluation of each 'Standard' can be seen in Appendix A of the report.

2. FEEDBACK AND EQA FINDINGS

2.1 Managing the Internal Audit Activity - Performance Standards/Co-ordination and Resilience - Action plan reference 3.1

The organisation's assurance framework is the means by which Senior Management and the Board ensures that they are properly informed on the risks of not meeting its objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of the systems in place to mitigate those risks.

The CAE is responsible for developing a risk-based plan. The risk-based plan must take into account the requirement to produce an annual Internal Audit opinion and the assurance framework. The assurance framework comprises assurances from within the organisation and from external providers of assurance.

Documenting the assurance framework leads to a shared understanding of where the organisation is obtaining its assurances from, with Internal Audit being part of that assurance framework.

We noted that a draft assurance map had been prepared, but was not complete. The document seeks to explain the evidence relied upon to give assurance that each of the Council's objectives will be met, and that each item appearing on the Corporate Risk Register is being managed appropriately.

While we were pleased with the approach taken and agree that, once completed, the document will be a key element in the Council's corporate governance regimen, it does need to be completed. Once completed it should be reviewed annually by the Corporate Leadership Team and by the Scrutiny and Audit Committee.

2.2 Nature of Work - Planning and Co-ordination – Action Plan reference 3.2

We understand that the Council's risk management function has been the subject of review in recent years, and areas for improvement have been identified.

It is key to the work of Internal Audit that risk registers are in place for each service, and that they are the subject of a rigorous process of review and scrutiny. This will support the CAE to develop robust risk-based plans which determines the priorities of the Internal Audit activity, consistent with the organisation's goals.

An assessment of the Council's risk management processes will also be necessary in the CAE formulating her overall audit opinion expressed in the Annual Assurance Report.

We understand that a paper reviewing the Corporate Risk Register is to be presented to the meeting of the Scrutiny and Audit Committee in January 2021.

We recommend that the risk management function is subject to close review to ensure that it is sufficiently robust to support the work of Internal Audit.

2.3 Purpose Authority and Responsibility

We note that the current version of the Council's Financial Regulations was last reviewed in December 2017.

We understand that updated Financial Regulations are to be presented at the Council's meeting in February 2021. We are comfortable with the action being taken and have made no recommendation.

2.4 Quality Assurance and Improvement Programme

The CAE has undertaken a gap analysis against the PSIAS and from this assessment has developed a Quality Assurance and Improvement Plan (QAIP). There are a small number of areas where non-compliance has been identified.

We have not included in our recommendations here any areas of non compliance which are already included on the QAIP.

We would like to thank all staff and Members of Angus Council for the co-operation and goodwill we received during the course of our review.

Jill Stacey ACMA CGMA
Chief Officer Audit & Risk
Scottish Borders Council

4 December 2020
















3. ACTION PLAN

Ref. No.	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
3.1	The work started to show sources of assurance relating to each of the Council's objectives and each item featuring on the Corporate Risk Register should be completed.	2	Work is underway to link further development of assurance mapping with risk recording in Pentana. Our aim is to have this completed for the Internal Audit planning cycle for the 2022/23 audit plan.	Service Leader- Internal Audit	January 2022
3.2	<p>The work identified as needed to improve organisational management of risk should be completed.</p> <p>Reporting of risk to the Scrutiny and Audit Committee should be increased to include an overall assessment of the corporate risk profile, and presentations by service leaders of risk within areas for which they are responsible.</p>	2	<p>The action plan to implement the Risk Strategy approved in November 2019 has been on hold due to covid-19 response activity, but plans are in progress to undertake the remaining work during 2021.</p> <p>Six-monthly reporting to Scrutiny and Audit committee required by the approved policy will recommence in January 2021. Further information relating to information to be presented to the Scrutiny & Audit committee to be discussed at meeting on 26 January 2021.</p>	<p>Director- Strategic Policy, Transformation and Public Sector Reform.</p> <p>Chair of Scrutiny and Audit Committee</p>	<p>December 2021</p> <p>December 2021</p>

Key to Grading of Recommendations

Priority: 1 – Critical, 2 – Requires addressing, 3 – Good Practice, 4 – Value for Money

SUMMARY OF CONFORMANCE WITH THE PSIAS – Appendix A

Reference	Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Section A	Definition of Internal Auditing				
Section B	Code of Ethics				
Section C	Attribute Standards				
1000	Purpose, Authority and Responsibility				
1100	Independence and Objectivity				
1200	Proficiency and Due Professional Care				
1300	Quality Assurance and Improvement Programme				
Section D	Performance Standards				
2000	Managing the Internal Audit Activity				
2100	Nature of Work				
2200	Engagement Planning				
2300	Performing the Engagement				
2400	Communicating Results				

2500	Monitoring Progress	★			
2600	Communicating the Acceptance of Risks	★			