

Cyngor Sir Gâr

Carmarthenshire County Council

**External Assessment of
Gwynedd County Council
Internal Audit Service**



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External Assessment of Gwynedd County Council Internal Audit Service

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) became effective from 1st April 2013 (revised as from 1 April 2017) and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside the organisation.
- 1.2 The two possible approaches to external assessments outlined in the standard included either a full external assessment or an internal self-assessment validated by an external reviewer.
- 1.3 Members of the Welsh Chief Internal Auditors Group elected to adopt the self-assessment approach, with another member of the Group undertaking the validation.

2. Purpose

- 2.1 The purpose of the external assessment is to help improve the delivery of the audit service to the organisation. The assessment is designed to be a supportive process that identifies opportunities for development which ultimately help to enhance the value of the audit function to the authority.

3. Results

- 3.1 An external validation of the self-assessment completed by the Audit Manager of Gwynedd County Council was undertaken by the Head of Revenues and Financial Compliance of Carmarthenshire County Council.
- 3.2 In summary, there are 334 best practice requirements within the PSIAS. A self-assessment review of the conformance against the PSIAS was undertaken by the Audit Manager during 2017/18. The results of the self-assessment and the resulting Quality Assurance Improvement Plan was submitted to the Corporate Governance Committee in 2017.
- 3.3 Following the external validation of the self-assessment, it is considered that the Internal Audit Service of Gwynedd County Council is currently conforming to 307 of the requirements, a partial conformance with 13 and no non-conformance.
- 3.4 The results of the checklist is summarised in Table 1

Table 1 – Summary of Conformance with the Standards

Standard		Conformance				
		Yes	No	Partial	Not Applicable	Total
1.	Definition of Audit Risk	3				3
2.	Code of Ethics	13				13
3.	Attribute Standards					
1000	Purpose, Authority and Responsibility	21				21
1100	Independence and Objectivity	27		1	2	30
1200	Proficiency and Due Professional Care	20		1		21
1300	Quality Assurance & Improvement Programme	23		4	2	29
4.	Performance Standards					
2000	Managing the Internal Audit Activity	43		1	3	47
2100	Nature of Work	30		1		31
2200	Engagement Planning	55		1		56
2300	Performing the Engagement	22				22
2400	Communicating Results	45		4	6	55
2500	Monitoring Progress	4				4
2600	Communicating the Acceptance of Risks	1			1	2
		307	0	13	14	334

3.5 The areas of partial or non-conformance with the PSIAS are provided in section 4 along with suggested areas for improvement.

4. Areas of Non-Conformance or Partial Conformance / Suggested Areas for Improvement

4.1 Standard 1100: Independence and Objectivity

4.1.1 The Standard suggests that the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Auditor. Feedback is currently provided on the Internal Audit Service as a whole through Corporate Management Team, therefore there is no formal feedback currently to the Chief Auditor. Gwynedd Council is in the process of developing a 360 degree appraisal system for managers which will go towards addressing this standard.

4.2 Standard 1200: Proficiency and Due Professional Care

4.2.1 For Continuing Professional Development the Chief Auditor should periodically assess individual auditor against their predetermined skills and competencies. It is acknowledged that there is a coaching culture within the Internal Audit Team and that issues are discussed and dealt with on an on-going basis. It is recommended that in addition to the informal process that periodically there should be a formal review.

4.3 Standard 1300: Quality Assurance and Improvement Programme

4.3.1 The Standards require that a Quality Assurance and Improvement Programme (QAIP) is developed and maintained to enable the internal audit activity to be assessed against the PSIAS for conformance.

4.3.2 The public sector requirement to PSIAS 1320: Reporting on the Quality Assurance and Improvement Programme states *"the results of the quality assurance and improvement programme against any improvement plans must be reported in the annual report"*. The results of the self-assessment carried out in 2017/18 along with the Quality Assurance and Improvement Programme was reported to the Audit and Governance Committee in July 2017.

4.3.4 The Standards require that the Quality Assurance and Improvement Programme include both internal and external assessments. The results of this external assessment should be included in the Quality Assurance Improvement Programme and presented to committee.

4.4 Standard 2000: Coordination: 2050

4.4.1 The PSIAS states, *"has the Chief Auditor carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?"*

4.4.2 External assurance reports are considered when conducting individual audits and in the preparation of the Annual Audit plan. Consideration should be given to formalising this process and to also consider including and identify other sources of assurance.

4.5 Standard 2100: Nature of Work / Standard 2400: Communicating Results 2110: Governance / 2410: Criteria for Communicating

4.5.1 In order to conform with the Standards, the internal audit activity is required to assess, communicate and make appropriate recommendations for improving the governance process. Gwynedd's Internal Audit Service do not make recommendations but an agreed improvement action plan is produced in conjunction with the client which enables better ownership of the actions.

4.6 Standard 2200: Engagement Planning 2220: Engagement Scope

4.6.1 In order to comply with the standard of engagement it's expected that "for a consulting engagement, the scope of the engagement is sufficient to address any agreed upon objectives". It was suggested by the Audit team that in respect of responsive audits that this was not always possible. It is accepted that there may be some ad-hoc reviews that need to be carried out however, a scope of the review should be prepared and agreed at the outset, thus ensuring that it's clear to all parties what the review will involve.

5. Overall Opinion

5.1 The Quality Assessment Manual produced by the Institute of Internal Auditors suggests the following ratings to indicate the level of conformance with the PSIAS.

- **Generally Conforms** – which means that the internal activity has a charter, policies and processes that are judged to be in conformance with the standards.
- **Partially Conforms** – which means that deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **Does Not Conform** – which means that deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

5.2 The overall opinion following the external validation of Gwynedd Council Internal Audit Service is that it generally conforms with the PSIAS. Some opportunities for further improvement have been identified as shown in this report but none of the items of partial or non-conformance are considered to be a significant failure to meet the Standards.