



Audit West

PUBLIC SECTOR INTERNAL AUDIT STANDARDS

SELF ASSESSMENT WITH EXTERNAL INDEPENDENT VALIDATION

ASSESSMENT DATE – DECEMBER 2022

Introduction

- 1 In accordance with the UK Public Sector Internal Audit Standards (PSIAS), the Chief Audit Executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity (performance standard 1300). The quality assurance and improvement programme should be designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The quality assurance and improvement programme must include both internal and external assessments. An external assessment must be conducted at least once every five years. Full details of the PSIAS and requirements can be found on the [CIPFA website](#).
- 2 There are two acceptable approaches to conducting an external assessment:
 - Full external assessment, and
 - Self-assessment with independent validation.
- 3 The availability and relevant experience of the assessor or assessment team, the likely cost, the potential for added value and lack of any real or apparent conflict of interest are all factors which should be considered in deciding which method to adopt.
- 4 Audit West requested Devon Audit Partnership (DAP) to support the "Self-assessment with independent validation" approach, and to undertake a peer review and complete a programme of independent validation of their self-assessment.
- 5 There are similarities between the way that the two organisations (Audit West and DAP) operate and the challenges that they face, each being a shared internal audit service established and engaged by a number of local authorities.
- 6 We can confirm that Devon Audit Partnership, and the staff completing this self-assessment review are independent of Audit West. However, it should be noted that DAP and Audit West have a Strategic Partnership (Alliance) – Memorandum of Understanding which has resulted in DAP performing some audit work on behalf of Audit West, and Audit West providing ICT Audit management oversight for DAP.

Audit West

- 7 Audit West (One West) is part of Bath & North East Somerset Council and provides services to other clients including North Somerset Council and West of England Combined Authority.
- 8 Audit West was created through a partnership agreement between Bath & North East Somerset and North Somerset Councils which started on 1st April 2015. North Somerset Council Internal Audit staff were subsequently formally transferred to Bath & North East Somerset Council.

- 9 Audit West staff are all employed by Bath & North East Somerset in a single structure and they deliver their responsibilities through a series of individual service contracts which mirror each other.
- 10 The Audit West / One West Service is headed by the Service Director One West.

Scope and Methodology of this Review

- 11 The review examined the self-assessment document and associated evidence collated by Audit West. We spoke with key officers at Audit West, officers for the client councils (including s151 officers) and members of the audit committees that Audit West support. We also examined a sample of recently completed audit files to compare actual practice with the professional practices and working protocols.
- 12 The review included consideration of:
 - Audit planning;
 - Testing;
 - Reporting and follow up processes;
 - Conformance with the Code of Ethics;
 - The adequacy of training and development arrangements;
 - The availability of specialist audit skills; and
 - The use of technologies.
- 13 The review was completed remotely; data and evidence from the internal assessment process completed by Audit West was provided to DAP via Sharepoint; discussions with key officers, clients and audit committee members were conducted using the Teams platform.

The questions included consideration of:

- The overall quality and effectiveness of the internal audit assurance service provided by Audit West via its internal audit provision;
- Resource planning;
- Strategic audit planning;
- Conduct of audit staff;
- The quality of audit reports; and
- Whether the service was seen to add value to its client organisations.

At the end of the visit, the findings and conclusions of the review team were reported to the Service Director One West.

Review Team

13. The majority of the review was completed by Robert Hutchins. Robert is the former head of Devon Audit Partnership; he is a Chartered Member of CIMA (Chartered

Institute of Management Accountants) and has over 25 years auditing experience in the public sector, including local government. The work completed by Robert has been subject to quality assurance by senior management of DAP.

- 14 Devon Audit Partnership operates under a partnership arrangement; the partners comprising local authorities and blue light services; the Partnership supports a wide range and number of other clients.

Overall Opinion

- 15 It is our overall opinion that Audit West **generally conforms** to the Public Sector Internal Audit Standards (PSIAS), including the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.
- 16 The reviewer found areas of good practice and high standards as well as a number of areas which merit further attention (see section 25 below). Appendix A records the assessment against each Standard and Appendix B records a summary of the improvement actions identified.
- 17 The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. A full description of the ratings is included at Appendix C and scaled down version is given below:
- **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards
 - **Partially Conforms** - Means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit service from performing its responsibilities in an acceptable manner
 - **Does Not Conform** - Means the deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit service from performing adequately in all or in significant areas of its responsibilities. The full definitions are given at the end of this document.
- 18 The Standards refer to a set of core Principles which, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively and failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission. The Principles are summarised as follows:-
- Demonstrates integrity.
 - Demonstrates competence and due professional care.
 - Is objective and free from undue influence (independent).
 - Aligns with the strategies, objectives, and risks of the organisation.
 - Is appropriately positioned and adequately resourced.
 - Demonstrates quality and continuous improvement.

- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

19 It is pleasing to confirm that we consider these core Principles are being achieved.

Areas of Good Practice

- 20 Audit West is well established, and the views provided by senior officers and audit committee members confirmed that the Team have an extremely good reputation with client senior management. The review team received consistently positive feedback about Audit West from client officers.
- 21 From our review of records, and feedback from those we spoke with, the audit team conduct themselves in a professional manner, display knowledge of the areas they are auditing, adopt a flexible approach and are seen to be responsive to the needs of the client. It is good to see that knowledge in specialist areas (for example ICT) is good, with those we spoke to saying that skills and ability in this area has improved in recent years.
- 22 Audit assignments are well planned, and testing is directed to those areas of greatest importance. Working papers within the Partnership's Audit Management System (MKInsight) are completed to a good standard.
- 23 We found that there is a clear charter and strategy in place that guides the audit work for the clients. Reports to audit committees are produced timely, and provide clear and useful information, including various graphics, to help members measure performance and understand how assurance is being provided.
- 24 We spoke to a number of people during the review and some of the (many) positive comments we received included:-
- .. was able to give good steer to me on how I should "remain independent" from an operational issue.
 - ...the Team come across as very professional – demonstrate good IT skills....recognise this is a difficult area, and the need for assurance in this area.
 - ...the IA function demonstrates good independence – the IA team can review what they want / report what they need to say.
 -I feel free to raise queries / ask questions..... Audit team was very helpful in how to challenge the exec on this, and how to get answers to questions
 -100% satisfied that the team cover the areas that management require.

Areas which Merit Further Attention

- 25 The following are matters that were highlighted within discussions with the staff and partners which may merit further attention by the Audit West Management Team:

- All teams are being challenged to make the best possible use of IT – what can Audit do to assist with this? Can we streamline processes and can the IA Team help to promote effective use of IT?
- Are we (as a Council) delivering projects on time and on budget? Is this an area that IA could look at / assist with?
- Can we see a few more faces from the team at Audit Committee?
- How are audit committee members trained? How do Audit West help in this regard? Are they “independent” enough to provide training that may result in questions about their work?

Areas for further improvement identified by the review

- 26 There is good evidence to confirm that Audit West management continually review practices and procedures, and compliance against the Standards. However, there would be benefit in a more formal capture of any identified improvement actions (including target dates, resources required (if any) and responsible officer(s)) in a single Quality Assurance Improvement Plan (QAIP) to promote clear action tracking.
- 27 There may also be good value in "targeting" specific areas of the Standards over, say, a four-year period. For example, it could be that attributes 1000 to 1322 are subject to a deep-dive in year one, with attributes 2000 to 2070 selected in year two etc. Updates on progress against the identified continuous improvement action should then be reported to senior officers at both client authorities and, if considered helpful, onto Audit Committee.
- 28 This assessment has considered Audit West against the Public Sector Internal Audit Standards. In addition to the PSIAS, CIPFA has issued specific sector guidance for internal audit teams operating in the local government sector, known as the Local Government Application Note (LGAN). The self-assessment, and subsequently this external review, has not considered practices and procedures against the LGAN; going forward, we consider that it would be appropriate and beneficial to consider performance against the LGAN
- 29 We discussed with management some more minor areas during the review; we trust that this detailed feedback will be helpful to Audit West management as they continue to develop services, products, and staff.
- 30 As stated previously, Appendix B records a summary of the improvement actions identified.
- 31 Finally, we would like to pass on our thanks to the staff at Audit West, and those senior officers and members who gave their time and input to aid us in completing this review.

Tony Rose
Head of Devon Audit Partnership

30 January 2023

PSIAS External Assessment

Appendix A

		Assessment Rating 1= Generally Conforms 2= Partially Conforms
Ref	Attribute Standards	
1000	Purpose, Authority and Responsibility	1
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter	1
1100	Independence and Objectivity	1
1110	Organisational Independence	1
1111	Direct Interaction with the Board	1
1112	CAE Roles Beyond Internal Auditing	1
1120	Individual Objectivity	1
1130	Impairments to Independence or Objectivity	1
1200	Proficiency and Due Professional Care (The sum of Standards 1210-1230)	1
1210	Proficiency	1
1220	Due Professional Care	1
1230	Continuing Professional Development	1
1300	Quality Assurance and Improvement Programme (The sum of Standards 1310 - 1320)	1
1310	Requirements of the Quality Assurance and Improvement Programme	2
1311	Internal Assessments	1
1312	External Assessments	1
1320	Reporting on the Quality Assurance and Improvement Programme	2
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	2
1322	Disclosure of Non-conformance	2

Ref	Performance Standards	
2000	Managing the Internal Audity Activity (Sum total of Standards 2010 -2060)	1
2010	Planning	1
2020	Communication and Approval	1
2030	Resource Management	1
2040	Policies and Procedures	1
2050	Coordination	2
2060	Reporting to Senior Management and the Board	1

2070	External Service Provider and Organisational Responsibility for Internal Audit	1
-------------	---	---

2100	Nature of Work (Sum of Standards 2110 - 2130)	1
2110	Governance	1
2120	Risk Management	1
2130	Control	1

2200	Engagement Planning (Sum of Standards 2201 - 2240)	1
2201	Planning Considerations	1
2210	Engagement Objectives	1
2220	Engagement Scope	1
2230	Engagement Resource Allocation	1
2240	Engagement Work Programme	1

2300	Performing the Engagement (The Sum of the Standards 2300 - 2340)	1
2310	Identifying Information	1
2320	Analysis and Evaluation	1
2330	Documenting Information	1
2340	Engagement Supervision	1

2400	Communicating Results (Sum of Standards 2410 - 2440)	1
2410	Criteria for Communicating	1
2420	Quality of Communications	1
2421	Errors and Omissions	1
2430	Use of conducted in conformance with the International Standards for the Professional Practice of Internal Auditing	1
2431	Engagement Disclosure of Non-conformance	1
2440	Disseminating Results	1

2450	Overall Opinions	1
2500	Monitoring Progress	1
2600	Resolution of Senior Management & Acceptance of Risks	1

External Assessor Summary of Findings & Recommendations

Appendix B

Reference	Attribute / Standard	<u>External Assessor Findings and Recommendations</u>	External Assessors rating
1310	Requirements of the Quality Assurance and Improvement Programme	<p>There is good evidence to confirm that Audit West management continually review practices and procedures, and compliance against the Standards. However, there would be benefit in a more formal capture of any identified improvement actions (including target dates, resources required (if any) and responsible officer) in a single Quality Assurance Improvement Plan (QAIP) to promote clear action tracking. There may be good value in "targeting" specific areas of the Standards over, say, a four-year period. For example, it could be that attributes 1000 to 1322 are subject to a deep-dive in year one, with attributes 2000 to 2070 selected in year two etc. Updates on progress against the identified continuous improvement action should then be reported to senior officers at both client authorities and, if considered helpful, onto Audit Committee.</p> <p style="text-align: center;">Management Response Agree. A Quality Assurance Improvement Plan will be maintained. This 'Action Plan', resulting from the Self-Assessment and this External Assessment, will be used to monitor the implementation of SMART actions.</p>	2
1320	Reporting on the Quality Assurance and Improvement Programme	<p>Further to 1310 above, the PSIAS require the results of any self-assessment and progress against the QAIP to be monitored and reported as required.</p> <p style="text-align: center;">Management Response Agree. We will monitor the Quality Assurance Improvement Plan and report to client senior management and Audit Committees on how we maintain a QAIP to comply with Public Sector Internal Audit Standards.</p>	2

1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	<p>Again, we can see good action by management to ensure processes and practices meet professional standards, a single QAIP would further aid in evidencing this, and provide a single SMART document for monitoring and reporting purposes.</p> <p>Management Response See responses above (1310 / 1320)</p>	2
1322	Disclosure of Non-conformance	<p>As above at 1321 - a single QAIP would aid in the reporting of any identified non-conformance (if any was to be identified), and the corrective action to be taken by management.</p> <p>Management Response See responses above (1310 / 1320)</p>	2
2050	Coordination. CIPFA suggests that the CAE carry out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance.	<p>The team make good use of the "Reasonable Assurance" model which provides good guidance in promoting / developing client assurance. Further development and the encouragement to develop Assurance Maps at clients would be a good target for the Team.</p> <p>Management Response Agree We will include the work of developing client Assurance Maps in the QAIP.</p>	2

Key

- 1 - Generally Conforms
- 2 - Partially Conforms
- 3- Does Not Conform

Appendix C – Definitions*

“Generally Conforms” means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, “successful practice,” etc.

“Partially Conforms” means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

“Does Not Conform” means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity’s effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.

* Source – The Chartered Institute of Internal Auditors