

**To: Audit, Scrutiny and Petitions Board**

**On: 20 March 2017**

---

**Report by: Chief Auditor**

---

**Heading: Internal Audit – External Quality Assessment**

---

**1. Summary**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013 and are a mandatory set of standards applying to all internal audit service providers in the public sector.
  - 1.2 The PSIAS requires that an external assessment be conducted at least once every five years.
  - 1.3 In March 2014, the Audit Scrutiny and Petitions Board approved internal audit's participation in the peer review validated self assessment framework developed by the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG).
  - 1.4 The external quality assessment was undertaken by the Chief Auditor from West Lothian Council and the report is attached at Appendix 1.
- 

**2. Recommendations**

- 2.1 Members are asked to note the external assessors report on Internal Audit's compliance with the Public Sector Internal Audit Standards.
  - 2.2 Members are asked to note the actions to be taken to implement the recommendations made.
-

### 3. **Background**

- 3.1 The SLACIAG external quality assessment framework is a validated self assessment peer review, requiring the internal audit service to self assess against the compliance checklist and submit evidence to the external assessor.
- 3.2 The external assessor undertook a desk top review of the submitted evidence against the self assessment and also met with key stakeholders and members of the Internal Audit team in forming their view of compliance with each of the elements of the PSIAS.
- 3.3 The overall conclusion of the assessment is that Renfrewshire Council's Internal Audit function is a well managed and effective internal audit service.
- 3.4 The action plan identifies 4 areas for improvement, the most important relating to the consideration of the level of information provided to the Audit, Scrutiny and Petitions Board to ensure the board are informed of significant risk exposures and control issues. The Chief Auditor has agreed to benchmark with other local authorities and discuss options for future reporting arrangements with Senior Management and the Board as required by the PSIAS.

---

### **Implications of the Report**

- 1. **Financial** - None
- 2. **HR & Organisational Development** - None
- 3. **Community Planning – Safer and Stronger** - effective internal audit is an important element of good corporate governance.
- 4. **Legal** - None
- 5. **Property/Assets** - None
- 6. **Information Technology** - None
- 7. **Equality & Human Rights** - None
- 8. **Health & Safety** – None
- 9. **Procurement** - None
- 10. **Risk** - Conformance with the PSIAS mitigates the risk of the Internal Audit Service being ineffective.

11. **Privacy Impact – None**

---

**Author:** Andrea McMahon – 01416187017





**West Lothian  
Council**

**Finance & Property Services**  
**Audit, Risk and Counter Fraud Unit**

## **EXTERNAL QUALITY ASSESSMENT**

# **RENFREWSHIRE COUNCIL INTERNAL AUDIT SERVICE**

**8 March 2017**



[westlothian.gov.uk](http://westlothian.gov.uk)

# CONTENTS

| Section                 | Page |
|-------------------------|------|
| Executive Summary       | 1    |
| Remit and Scope         | 3    |
| Summary of Assessment   | 4    |
| Appendix 1: Action Plan | 6    |

## **1.0 EXECUTIVE SUMMARY**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) took effect from 1 April 2013 and are a mandatory set of standards applying to all internal audit service providers in the public sector.
- 1.2 The PSIAS requires that an external assessment be conducted at least once every five years by a qualified independent assessor from outside the organisation. In relation to the Renfrewshire Council internal audit function, this report fulfils that obligation.
- 1.3 Further details of the remit and scope of this external assessment are set out in section 2.0 of this report.
- 1.4 In relation to the review undertaken it was found that:
- There is a risk based approach to internal audit work which includes consideration of the internal audit universe and the corporate risk register;
  - There is a comprehensive, documented process for preparing the annual audit plan and topics in the audit plan are referenced to the council plan theme, and where appropriate the corporate risk register;
  - Detailed audit remit letters are issued which identify the audit objectives, scope, staff assigned and timescales;
  - Comprehensive internal audit reports are produced which include audit objectives, findings, recommendations, and an audit opinion. Audit reports include an action plan agreed with management;
  - There is a documented process for following up agreed audit recommendations and evidence is sought for the implementation of all category “A” recommendations;
  - The Chief Auditor prepares an annual report which summarises the internal audit work undertaken during the year, provides information on internal audit performance including customer satisfaction measures, and provides an opinion on the adequacy and effectiveness of the council’s internal control, risk management and governance arrangements.
- 1.5 The overall assessment of compliance with the PSIAS is set out as appendix 1. Overall, I consider that the Renfrewshire internal audit function is a well-managed and effective internal audit service.
- 1.6 Areas for improvement are identified the action plan in appendix 2 of this report which details my findings. The action plan also includes agreed management action. The following four findings have already been identified as areas for improvement by the Chief Auditor and are included on the current Quality Assurance and Improvement Plan. As such no additional recommendations have been made.
- Financial Code 20, which sets out the authority and responsibilities of internal audit, is in the process of revision.
  - There is scope for the planning process and planning remit to be more explicit about the risks associated with the process to be audited.

- There is a requirement for work programmes to be reviewed prior to the commencement of the audit. I was informed that this is to be considered in conjunction with the implementation of the new version of Galileo.
  - Update of the audit manual has been delayed pending the full implementation of the new Galileo system. The audit manual should be updated for current operational arrangements.
- 1.7 I would like to take the opportunity to thank the officers and members of Renfrewshire Council who assisted with this review.

**Kenneth Ribbons**  
**Audit, Risk and Counter Fraud Manager**  
**West Lothian Council**



## **2.0 REMIT AND SCOPE**

- 2.1 The objective was to review the Renfrewshire Council internal audit function against the requirements of the PSIAS.
- 2.2 The review was undertaken under the auspices of the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) external quality assessment (EQA) programme. The review was undertaken using the standard SLACIAG methodology, including the standard checklist and questionnaire.
- 2.3 The methodology involved an initial desk review of evidence submitted in support of compliance, questionnaires issued to Renfrewshire Council members and officers, and a visit to Renfrewshire Council headquarters in Paisley on 10 January 2017. At this visit the following members and officers were spoken to:
- Councillor Jim Sharkey, Chair, Audit Scrutiny and Petitions Board
  - Councillor Cathy McEwen, Vice Chair, Audit Scrutiny and Petitions Board
  - Sandra Black, Chief Executive
  - Alan Russell, Director of Finance and Resources




In addition the Chief Auditor, Andrea McMahon, and members of her team were interviewed.

- 2.4 This report was agreed for factual accuracy with Andrea McMahon, Chief Auditor.



## SUMMARY OF ASSESSMENT

| Reference                 | Page | Assessment Area   | Fully Conforms<br>★ | Generally Conforms<br>✅ | Partially Conforms<br>⚠️ | Does Not Conform<br>❌ |
|---------------------------|------|---|---------------------|-------------------------|--------------------------|-----------------------|
| <a href="#">Section A</a> | 1    | <a href="#">Definition of Internal Auditing</a>             | ★                   |                         |                          |                       |
| <a href="#">Section B</a> | 2    | <a href="#">Code of Ethics</a>                              | ★                   |                         |                          |                       |
| <a href="#">Section C</a> |      | <a href="#">Attribute Standards</a>                         |                     |                         |                          |                       |
| <a href="#">1000</a>      | 4    | <a href="#">Purpose, Authority and Responsibility</a>       | ★                   |                         |                          |                       |
| <a href="#">1100</a>      | 7    | <a href="#">Independence and Objectivity</a>                | ★                   |                         |                          |                       |
| <a href="#">1200</a>      | 13   | <a href="#">Proficiency and Due Professional Care</a>       | ★                   |                         |                          |                       |
| <a href="#">1300</a>      | 16   | <a href="#">Quality Assurance and Improvement Programme</a> | ★                   |                         |                          |                       |
| <a href="#">Section D</a> |      | <a href="#">Performance Standards</a>                       |                     |                         |                          |                       |
| <a href="#">2000</a>      | 19   | <a href="#">Managing the internal Audit Activity</a>        |                     | ✅                       |                          |                       |
| <a href="#">2100</a>      | 26   | <a href="#">Nature of Work</a>                              | ★                   |                         |                          |                       |
| <a href="#">2200</a>      | 29   | <a href="#">Engagement Planning</a>                         |                     | ✅                       |                          |                       |
| <a href="#">2300</a>      | 33   | <a href="#">Performing the Engagement</a>                   | ★                   |                         |                          |                       |

|             |    |  |  |   |  |  |
|-------------|----|--|--|---|--|--|
| <u>2400</u> | 36 | <u>Communicating Results</u>                 |  |   |  |  |
| <u>2500</u> | 42 | <u>Monitoring Progress</u>                   |  |  |  |  |
| <u>2600</u> | 44 | <u>Communicating the Acceptance of Risks</u> |  |   |  |  |

## APPENDIX 1: ACTION PLAN

| No | PSIAS Reference | Finding / Recommendation  | Management response  | Responsible Officer | Completion Date |
|----|-----------------|---|--|---------------------|-----------------|
| 1  | 1200.1          | <p>I was advised that there is a requirement for the Chief Auditor to hold a professional qualification although this could not be verified to the job outline or the person specification. The Chief Auditor job outline received is undated and it is unclear when it was last reviewed.</p> <p>The job outline and person specification should be reviewed, updated for the requirement to hold a professional qualification, and dated.</p>   | <p>The person specification could not be located at the time of the review.</p> <p>The Chief Auditor will liaise with HR to develop an appropriate person specification.</p> <p>This action has been added to the QAIP</p> | Chief Auditor       | July 2017       |
| 2  | 2000.4          | <p>There is a requirement within the PSIAS for the risk based plan to:</p> <ul style="list-style-type: none"> <li>incorporate or be linked to a strategic or high level statement of how the internal audit service will be delivered or developed in accordance with the internal audit charter;</li> <li>identify the respective priorities of the work included in the plan;</li> <li>set out how internal audit's resource requirements have been assessed.</li> </ul> <p>These matters are not explicitly set out within the plan.</p> | <p>The 2017/18 Internal Audit Plan now includes information to address each of the points raised.</p>  | Chief Auditor       | Complete        |

| No | PSIAS Reference | Finding / Recommendation   | Management response   | Responsible Officer | Completion Date |
|----|-----------------|--|---|---------------------|-----------------|
| 3  | 2000.15         | <p>The Audit, Scrutiny and Petitions Board (ASPB) receives quarterly summaries of audit reports issued.</p> <p>Section 2060 of the PSIAS states that reporting must include significant risk exposures and control issues.</p> <p>In order to fully comply with this requirement, more detailed information should be provided to the Board, particularly where the Chief Auditor concludes that the assurance level is limited.</p> <p>This may be achieved by submitting selected internal audit reports to the Board, or by submitting more detailed information on the risk exposures and control issues, including the management response.</p> | <p>Currently the ASPB are content with the information provided.</p> <p>However, the Chief Auditor will benchmark with other Local Authorities and discuss options for future reporting arrangements with Senior Management and the Board, once the new Board has been established post election.</p> <p>This action has been added to the QAIP</p> | Chief Auditor       | July 2017       |
| 4  | 2500.1          | <p>The annual report contains summary information in relation to the implementation of follow up recommendations.</p> <p>The local government application note, which was developed as a local government specific set of requirements within the PSIAS, requires the effective involvement of the Board in the follow up process.</p> <p>Consideration should therefore be given to reporting details of the specific outstanding recommendations to the Board, particularly those which are ranked "A", the highest category of importance.</p>  | <p>Currently the ASPB are content with the information provided.</p> <p>However, the Chief Auditor will benchmark with other Local Authorities and discuss options for future reporting arrangements with Senior Management and the Board, once the new Board has been established post election.</p> <p>This action has been added to the QAIP</p> | Chief Auditor       | July 2017       |

| No | PSIAS Reference | Finding / Recommendation  | Management response | Responsible Officer | Completion Date |
|----|-----------------|---|---------------------|---------------------|-----------------|
|    |                 | This would also ensure that the Board was fully appraised of all significant risk exposures and control issues. |                     |                     |                 |