External Quality Assessment

Internal Audit Shared Services

Executive report – May 2024

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External Quality Assessment

Worcestershire Internal Audit Shared Services

BUSINESS RISK SOLUTIONS

> Opinion: The Worcestershire Internal Audit Shared Services is delivering to a standard that **generally conforms** with the Public Sector Internal Audit Standards.

Key matters arising from the review:

- Increasing integration of the use by internal audit of risk-based techniques with the risk impact definitions of the client particularly in terms of planning at a strategic and engagement level would be mutually beneficial,
- Enhance focus on identifying Managements Objectives within the scope of the engagement and recognition of stakeholder expectations, as this would enable better focus on significant risk.
- Consideration should be given to the revision of the basis for expressing internal audit recommendations and opinions in line with risk impact definitions recognised by clients within risk management policies.
- Review the narrative used within the Audit Charter and the Annual Opinion in the Head of Internal Audit Annual Report to reflect continuous planning and knowledge of both significant risks and other sources of assurance that are available and upon which reliance has been placed.
- Develop Assurance mapping.

Good Practice identified during the review

- An Internal Audit Charter setting out the role and responsibilities of Internal Audit is supported by a detailed Internal Audit Manual which guides delivery and establishes the basis of the Internal Audit Annual Opinion.
- The service has developed a documented internal audit methodology and supporting templates that delivers and evidences its service although some inconsistencies have been observed.
- Robust communication protocols exist throughout internal audit delivery, recent initiatives to discuss future delivery have been well received.
- Routine reporting informs clients and the Audit Committees regarding progress in terms of the completion of the internal audit plan, findings and the follow up of recommendations.
- The Team receives favourable feedback from clients who are appreciative of the approachable, flexible and client focused support that is provided. Some feedback has been received through the client survey within the EQA which may help focus engagement expectations and communication in future.

Executive summary

Worcester Shared Services Internal Audit Services (WIASS) is delivered by an in-house team comprising of 8.5 FTE staff; a series of vacancies has been experienced, and external support engaged. Two vacancies remained at a Senior Auditor level during the EQA have now been filled. Staffing resources, although managed, has had the potential to impact on the team's ability to deliver services in accordance with plans. The team has been managed by an Interim Head of Internal Audit during the latter part of 2023/24. Internal Audit works in a hybrid manner, with visits to client locations on an as required basis.

Services are managed by Chris Green, as Head of Internal Audit, who assumes the role of Chief Audit Executive (CAE) for the purposes of this review recognising that he joined the team in March 2024.

WIASS has responded to the changes of focus in professional standards by continuing to develop a risk-based approach with regard to planning and the completion of assignment work. This utilises client Risk Management Frameworks, where possible, as a basis for categorising risks, within which the team identifies what it considers to be the risks to be subject to review in consultation with management. The Internal Audit Charter is updated annually, and the Internal Audit Manual has been updated in March 2023 to reflect the requirements of the Public Sector Internal Audit Standards (PSIAS), further review will be required in 2024 following the new Global Standards for Internal Audit (GIAS) by the Institute of Internal Auditors.

From an internal audit perspective, considerable advantage is to be gained from increasing recognition of each client's Risk Management processes and the effectiveness with which they operate. The degree to which risk registers identify and articulate significant risks and those key controls which management feel reduce risk to an acceptable level (risk appetite) appears variable, and consequently planning is heavily dependent on discussions with management throughout planning phases. Alignment of internal audit definitions relating to recommendations and opinions should be more closely aligned with each client's risk impact definitions.

It would be beneficial for WIASS to identify 'managements objectives' in each review area (rather than audit objectives) and arising from which recognition of what constitutes 'significant risk', this will enable internal audit plans and assignments to focus on what matters most; the value of considering 'Control Risk' and thereby increasingly the most significant issues would enhance the assurance provided. Increased recognition of assurance including other independent sources would lead to a more comprehensive assurance framework, therefore supporting an Annual Assurance Opinion in relation to risk, governance and control and increasing alignment with the Annual Governance Statement.

Current services are assessed to **'generally conform'** with the PSIAS standards, aspects of which compare favourably within the sector and wider provision. A series of specific recommendations are made in the report that follows to reflect building on the existing strengths in relation to resources, competency and delivery in order to enhance future services. A number of suggestions for service enhancement have also been made, these are based upon both sector and other professional experience as well as knowledge of anticipated changes in the proposed new Global Internal Audit Standards.

Basis for overall opinion

Generally Conforms means the evaluator 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 conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must 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. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the *Standard* to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.

Source: Institute of Internal Auditors (2016)

Overall assessment

1	**RESOURCES**	■	**Excelling** – Processes in this area are embedded within every-day practices and mostly reflect best practice that is consistent with PSIAS expectations.
2	**COMPETENCY**	■	**Established** – Processes in this area are generally compliant with the PSIAS and embedded within every-day practices; the EQA has identified a number of areas where a more consistent approach and further development would be beneficial.
3	**DELIVERY**	■	**Established** – Processes in this area are embedded within every-day practices and mostly reflect best practice that is consistent with PSIAS expectations. A number of areas exist where further consistency or development is required.

Summary of good practice identified within EQA

Standard	Good practice identified	Observation
1000	An Internal Audit Charter has been established and approved by the Audit and Governance Committee (AGC) or its equivalent in all clients.	The combination of the Charter and the Internal Audit Manual is comprehensive and establishes an appropriate framework against which internal audit services can be delivered in accordance with the PSIAS. Delivery expectations have been agreed with management and the Shared Service Board.
1100	Independence and objectivity	A process is in place regarding the identification and management of potential conflicts and/or declarations of interest.
1311	The service has conducted internal assessment exercises regarding its performance.	Performance review is embedded within quality control procedures and supported by a staff appraisals process and client feedback which identifies and supports performance development needs.
2020	Active engagement at Member and management level	Represents the establishment of a good understanding of key issues through routine interaction with management at all levels and Members.
2030	The need for appropriate internal audit resources has been recognised.	The concept of continuing to develop an in-house team supported by an external resources provides for both sufficient resources and those of a technical or specialist nature.
2060	Reports are produced using a standard format which is consistently applied. Customer feedback is routinely requested.	Demonstration of a consistent approach to communication which is well received by management and the AGSC – effective follow-up using automated software ensures issues are not lost.
2300	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.	Effective supervision and review of progress ensures a consistent approach and delivery of the approved methodology.
2400	Internal auditors must communicate results of engagements.	The internal audit team routinely conducts exit meetings with clients regarding the findings emerging from engagements.

Part one

Compliance with the
Public Sector Internal Audit Standards

Resources

Business Vision and Mission, Governance arrangements, Recognition of standards, Charter, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

BUSINESS RISK SOLUTIONS

	Issue identified	Recommended action	
1.	**Internal Audit Charter (IAC)** The IAC para 5.1 states "*a risk based audit plan forecasting which of the Partner's activities are due to receive audit attention in the next 12 months. The risk based plan will take into consideration a number of risk factors including corporate risk register, service risk register, local knowledge, corporate promises or objectives, key strategic documents e.g. five year plan and any external audit guidance. *". Whilst compliant with the PSIAS, alignment with the requirement to provide an annual opinion on governance, risk and control would provide a more robust basis for continuity of assurance within the Head of Internal Audit Annual report.	Consider the value of including a statement to align the continuous development of internal audit plans with the provision of an annual opinion reflecting the changing risk environment in which each client operates and where independent assurance from internal audit is designed to support the Annual Governance Statement. **PSIAS 1000**	
2.	**Quality Assurance Improvement Program (QAIP)** WIASS has developed quality assurance processes which contribute towards maintaining and evidencing appropriate review of the delivery of a quality service and support for staff development. This has not been developed into a formal QAIP as outlined within the standards.	Consider introducing a formal QAIP policy which incorporates all elements of quality assurance including client feedback and appropriate key performance indicators agreed with clients. Include a more detailed statement in the Head of Internal Audit Annual Report in which: 1. Confirmation that all measures contained in the process have been completed, and 2. How any significant deviations or development needs will be resolved, **PSIAS 1300**	

	Issue identified	Recommended action	
3.	**Key Performance Indicators (KPI's)** WIASS monitors a range of performance issues relating to delivery of the internal audit plan and resulting outcomes, including completion, categorisation of recommendations and follow-up. This is supported by a request for client feedback following completion of each audit.	Consider introducing a limited set of formal KPI's based on quantitative and qualitative data to support the QAIP process referred to above. This may include details of: 1. Training days completed 2. High level recommendations identified, accepted and implemented on a timely basis. Such detail will then provide further evidence regarding conformity with the PSIAS. **PSIAS 1321**	
4.	**Skills Audit** The CAE has identified that a Skills Audit would be beneficial in order to consider future training and development needs. It would be beneficial to further develop this approach within strategic audit planning processes to consider whether assurance needs within the three-year planning horizon require additional training in advance of need. An annual £5k budget has been provided to address any needs identified.	In addition to assessing current skills against the IIA Skills Matrix it would be beneficial to consider anticipated client assurance needs in order to develop training plans to match future delivery expectations. **PSIAS 1230**	

BUSINESS
RISK
SOLUTIONS

Competency

Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development

	Issue identified	Recommended action
1.	**Audit Universe** A stated previously, the current internal audit planning model is based on a risk assessment, identifying business objectives, key risks impacting those objectives and taking into consideration input from management and other key stakeholders Further development of this approach based upon the client's view of significant risk at both a strategic and operational level would enhance internal audits' ability to demonstrate a commitment to helping each client achieve its objectives .	It would be beneficial to increasingly align development of the internal audit planning system with the Councils risk management processes in order to ensure that resources were consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which the Council is exposed at an inherent level. Enhancement of risk management processes to identify inherent and residual risk, as well as existing controls, available assurance and further mitigating actions would be beneficial to internal audit delivery. Global Internal Audit Standards are anticipated to increasingly call for alignment of risk registers with the internal audit universe. **PSIAS 2000/2010**
2.	**Governance** The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements, which is recognised within the IAC. Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.	In Local Government, each Council establishes a Code of Governance in accordance with CIPFA SOLACE – it would be beneficial to further map internal audit activity to the content of the Code within the Internal Audit Planning process in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report. Consider extending the explanation regarding the internal auditor's responsibility regarding assurance on Governance processes in the introduction of the IAC to define how the opinion is derived in practice. **PSIAS 2110**

Competency continued

	Issue identified	Recommended action
3.	**Assurance mapping** The IAC (s.5.1d) recognises the need for internal audit to comment ' the assurance methodology adopted'. This is consistent within expectations within PSIAS. Internal Audit practice currently also identifies key controls and sources of assurance at an operational level, although this is not formally recognised, it is a function required of internal audit within PSIAS 2050 when planning internal audit activity.	Consider developing the internal audit methodology by formally documenting the sources of assurance available to internal audit within each engagement as part of routine processes. Assurances maybe both internal and external. Use the accumulated knowledge gained to support the Annual Assurance opinion in the Head of Internal Audit's Annual Report as is likely to be required by the new GIAS. **PSIAS 2050**
4.	**Management Objectives** Current WIASS practice is to define 'Objectives and Scope' within the Planning document and Audit Brief for an engagement. These are then supported by an analysis of areas for review and associated risks. The risks identified within documentation are not consistent. Consideration of 'Managements Objectives' is required by PSIAS 2201 as this is likely to support a better understanding of the area to be reviewed along with a focus on the significant risks to the achievement of the stated objectives as agreed with management.	Review the terminology used within templates to reflect Management's Objectives within the area for review. Consequently, base identification and discussion of risks in relating to the achievement of the agreed objectives. It would be beneficial to list all risks within the planning document and then refine these on the Audit Brief to reflect those of a significant' nature which will then become the focus for assurance. Consider introducing a 'Heat Map' process to determine which are significant risks (as defined within the client's Risk Impact and Likelihood gradings) to agree those which will become the scope of the review. **PSIAS 2201**

	Issue identified	Recommended action	
5.	**Fraud Risk** Current practice is to include an analysis of any identified fraud risks within the Planning and Audit Brief documentation. This practice is inconsistent and does not provide for all fraud risks to be considered. Some clients have conducted a Fraud Risk Analysis and participate in the National Fraud Initiative (NFI).	Whilst identification of fraud risk should be a routine consideration within each review, ensure that identification is comprehensive and is aligned with client risk appetite regarding its significance along with all other risks. **PSIAS 2210 A2**	
6.	**Financial systems review** Demonstration of compliance with the CIPFA Code of Financial Management provides assurance relating to the minimum standards of financial management in Local Authorities. Recognition of assurance available or otherwise within the annual process should inform internal audit planning and assurance reporting needs. There is a tendency for internal audit plans to focus on financial aspects rather than the wider strategic or operational environment and associated risks.	Internal Audit planning should consider the degree to which reported compliance with the Code can be relied upon for assurance purposes and as a consequence allocate resources to review areas where additional independent assurance is required and therefore beneficial regarding significant risk exposure. **PSIAS 2010**	

	Issue identified	Recommended action
7.	**Engagement Planning – Control Risk** Whilst internal audit planning is being increasingly based upon a risk model as required by the PSIAS, the process largely depends upon discussions with the management in pre-audit meetings and the maturity of the current risk management processes. The degree to which the internal audit methodology allows a focus on "Significant", as opposed to covering 'other risks' is determined by each auditor and their supervisor. The ability of the internal audit team to target areas of greatest potential risk exposure which threaten achievement of Council objectives at a Strategic or Operational level may be better informed through recognition of risk at inherent and residual (current) levels, although it is recognised that this may not be readily identified in all risk management processes. Inherent risk can beneficially be used within planning of reviews, whereas residual risk becomes more relevant following completion of the review which should assess the adequacy and effectiveness of the control framework. The use and understanding of this process will introduce the concept of 'Control Risk' to the ECIAS delivery and should help identify areas where internal audit assurance maybe most beneficial. .	Engagements should be increasingly constructed to reflect significant risks and aligned to Risk Impact definitions within the Risk Management Strategy. This will ensure standard recognition of terminology throughout the Council. Assessment of 'Control Risk' in relation to the achievement of Management Objectives would focus reviews upon: • Those risks where the assessment is that the combined impact/likelihood score has decreased most and where if assumptions are incorrect critical business risk exposure may exist, • Risks where the value of 'Control Risk' is limited or zero and as a result suggesting the controls may be insufficient or ineffective, and • Key Controls (rather than a wider view of all controls which may have little impact on risk reduction or the achievement of business objectives). By focusing on Management Objectives, significant risks and key controls there may be efficiencies to be gained within assignments through targeting resources to issues of greatest importance or concern. **PSIAS 2201**

BUSINESS RISK SOLUTIONS

Issue identified	Recommended action

6. Grading of recommendations

The grading of recommendations currently represents 'an assessment of weakness relating to the system objectives' identified within an engagement, without directly reflecting the significant risk as defined in client risk management systems at a recommendation or overall opinion level.

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Definition of Priority of Recommendations

Priority	Definition
H	Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.
M	Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.
L	Issues of best practise where some improvement can be made.

The Internal Audit Team currently grades recommendations at three levels of priority High, Medium and Low, which may be better described as risk rather than priority levels as this emphasises timing rather than risk exposure.

We believe the profession is generally moving towards use of a three-tier opinion structure.

As stated earlier a significant feature of the PSIAS is a focus on significant risk and therefore aligning internal audit terminology with 'client speak' in terms of risk impact definitions may improve communication regarding findings, recommendations and opinions. It would be beneficial to align future grading of recommendations with those impact definitions used within the client risk management process. That for Worcester City Council is shown below:

Impact definitions

Tolerable Risk (1-3)	Significant Risk (4-6)	Unacceptable Risk (7-9)
Low	Medium	High
1. No significant disruption to service capability	1. Short to medium term disruption to service capability.	1. Short to medium term loss of service capability
2. Unlikely to cause any adverse publicity	2. Needs careful public relations management	2. Adverse local publicity, potential for embarrassment nationally
3. No more than 6 people involved	3. Up to 40 people involved	3. More than 40 people involved
4. Unlikely to cause complaint/ litigation	4. High potential for complaint, litigation possible	4. Strong possibility of litigation
5. Financial loss below £10,000	5. Financial loss between £10,000 and £250,000	5. Financial loss in excess of £250,000
6. Breaches of local procedures/ standards	6. Breaches of regulations/ national standards	6. Breaches of law punishable by fines and/or imprisonment

Although not as developed as elsewhere in the sector, this would assist in both agreeing the specific risk focus of each engagement as well in assessing the relative importance of findings at the exit meeting, grading recommendations and in providing an opinion within assurance reports. Examples of other LA risk impact definitions have been provided.

Expand and explain the manner in which recommendations and the link to deriving an opinion in the IA Manual and in relation to the stated to the existing Priority/Assurance Matrices

PSIAS 2300/2410

Delivery

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels

BUSINESS RISK SOLUTIONS

	Issue identified	Recommended action	
1.	**Engagement documentation** A standard process for the conduct of engagements is in place and is outlined in the Internal Audit Manual. This includes the use of a series of templates at planning, fieldwork and reporting stages. Inconsistencies exist within the sample of audit files reviewed regarding: a) Interpretation of risk b) Evidencing supervision particularly at draft and final report stages c) Recording of client communication d) Recording feedback at Clearance meetings, and e) Presentation of findings at Clearance meetings	On completion of current recruitment, organise a appropriate training to: a) Induct new staff b) Ensure a consistent approach by all staff to all client engagements, and c) Demonstrate consistent application of the approved practices within annual self-assessment and QAIP processes. Delivery of approach must be evidenced before use of the statement that delivery is consistent with the PSIAS. **PSIAS 2040/1321**	
2.	**Risk Management opinion** The IAC (para 2.3) recognises the need for the CAE to provide assurance regarding risk management processes. WIASS has reviewed risk management in accordance with the PSIAS and this supports the opinion provided in the Annual Report. The opinion relating to risk management is achieved by consideration of both review of the process at a strategic level and supported by conclusions reached within individual engagements.	It would be beneficial to support the opinion by adding further clarification in the either the IAC or the Annual Report as to how in practice this is achieved, thereby also demonstrating the independence of the CAE. **PSIAS 2120**	

	Issue identified	Recommended action	
3.	**Release of draft and final reports** File review identified delays in the clearance of reports which may arise due to: a) Failure of management to respond to recommendations, b) Staff absece within either WIASS orbthe client, or c) WIASS staff having been allocated too many audits at a particular time (identified in self-assessment). Quality standards in relation to the release of reports are recognised within the IAC para 5.6. Timely delivery of reports represents an essential feature of the provision of assurance and ensuring that appropriate remedial action is undertaken by management. The IAC includes refence to remedies where management fail to respond to draft reports.	Consider: a) Including planned dates in the Annual Internal Audit Plan regarding the date at which the final report outcomes will be presented to the Audit and Governance Committee. b) Inclusion of recommendations graded as 'High' in risk registers as soon as these are observed. c) Enforcing para 5.7 of the IAC when appropriate and recording of the issue within progress reports to the Audit and Governance Committee. **PSIAS 2450**	
4.			

	Issue identified	Recommended action	
5.	**HoIA Annual Report** The terminology used by the CAE to express an Annual Opinion is understated as this currently reflects assurance regarding risk management, governance and control in relation only to the work of the internal audit team in the current year. The report identifies risks or areas of concern that have been identified during the year rather than a wider commentary on the risks facing the client, the knowledge of the CAE and the other assurance sources that are available. A summary of the outcomes of processes that might constitute the QAIP is not included.	In practice the opinion is based upon a much broader knowledge of the client, gained through previous years programmes and that gained within and provided for within the internal planning cycle, including discussions with management and reference to risk management processes. It would be good practice to support a comprehensive assurance opinion in relation to risk management, governance and control with broader reference to significant risks and other sources of assurance that are available, including reference to those within the risk management process and any future assurance mapping objectives. In this form, the opinion would also better align with the required content of the Annual Governance Statement. Planning for continuous assurance over a defined period rather than on the basis of a single years' plan was reflected in R1. **PSIAS 2060/2450**	

Part two

Suggested enhancements for consideration

Comments in this section relate to matters where either:
1. Current processes would benefit from adopting best practice seen elsewhere in the delivery of internal audit services and where it is felt these would be beneficial to delivery, and/or
2. The new Global Internal Audit Standards, which apply from 1 April 2025, will require enhancement of existing processes in order to demonstrate compliance.

Suggested Enhancements for consideration

|	Issue identified	Recommended action
1.	**Client surveys** Progress has been made in obtaining verbal feedback from clients following each audit engagement, although formal feedback using a questionnaire has been variable. This experience is consistent with other sector experience. The survey conducted within the EQA achieved a 58% response rate which is broadly in accordance the sector norm of 60-70%,	Internal Audit may find it useful to implement an approach now being used by other teams which provides for: 1. Issue of the digital form to the relevant client manager following and engagement within the draft report, and 2. Support the feedback gained with an annual survey to Senior Client Managers. In this way feedback may be directed toward different aspects of the provision of internal audit service as well as seen as more relevant, as a result encouraging increased participation which can be included in the QAIP process. **PSIAS 2000**
2.	**Head of Assurance – Performance Development** The s151 Officer at Worcester City Council conducts the annual Performance and Development review for the Head of Assurance with informal input from clients.	Consider incorporating more formal input from key client officers and Audit Committee Chairs. **PSIAS 1100**

Suggested Enhancements for consideration

	Issue identified	Recommended action
3.	**Confidentiality** Internal audit reports are currently distributed without a clause restricting access and ensuring that if viewed outside of the organisation no 'legal responsibility' is provided to those who may seek to rely upon the content..	The Internal Audit Team should consider the need to include appropriate confidentiality and limitation of liability clauses in all reports which are or may be shared with clients, Audit Committees and third parties directly or indirectly. **PSIAS 2440**
4.	**Stakeholders** Whilst the PSIAS does make reference to considering the expectations of senior management, the board and **other stakeholders** for internal audit opinions and other conclusions (2010.A2). WIASS partially recognises this within its Internal Audit Charter in para 5.1 although this omits refence to other stakeholders. The emphasis in the proposed new Global Internal Audit Standards is much stronger.	Consider how future internal audit activity may demonstrate appropriate consideration of other stakeholder expectations: 1. In devising internal audit plans 2. When identifying Management Objectives in future audits. **PSIAS 2010**

Part three

Benchmarking

Benchmarking - Industry analysis
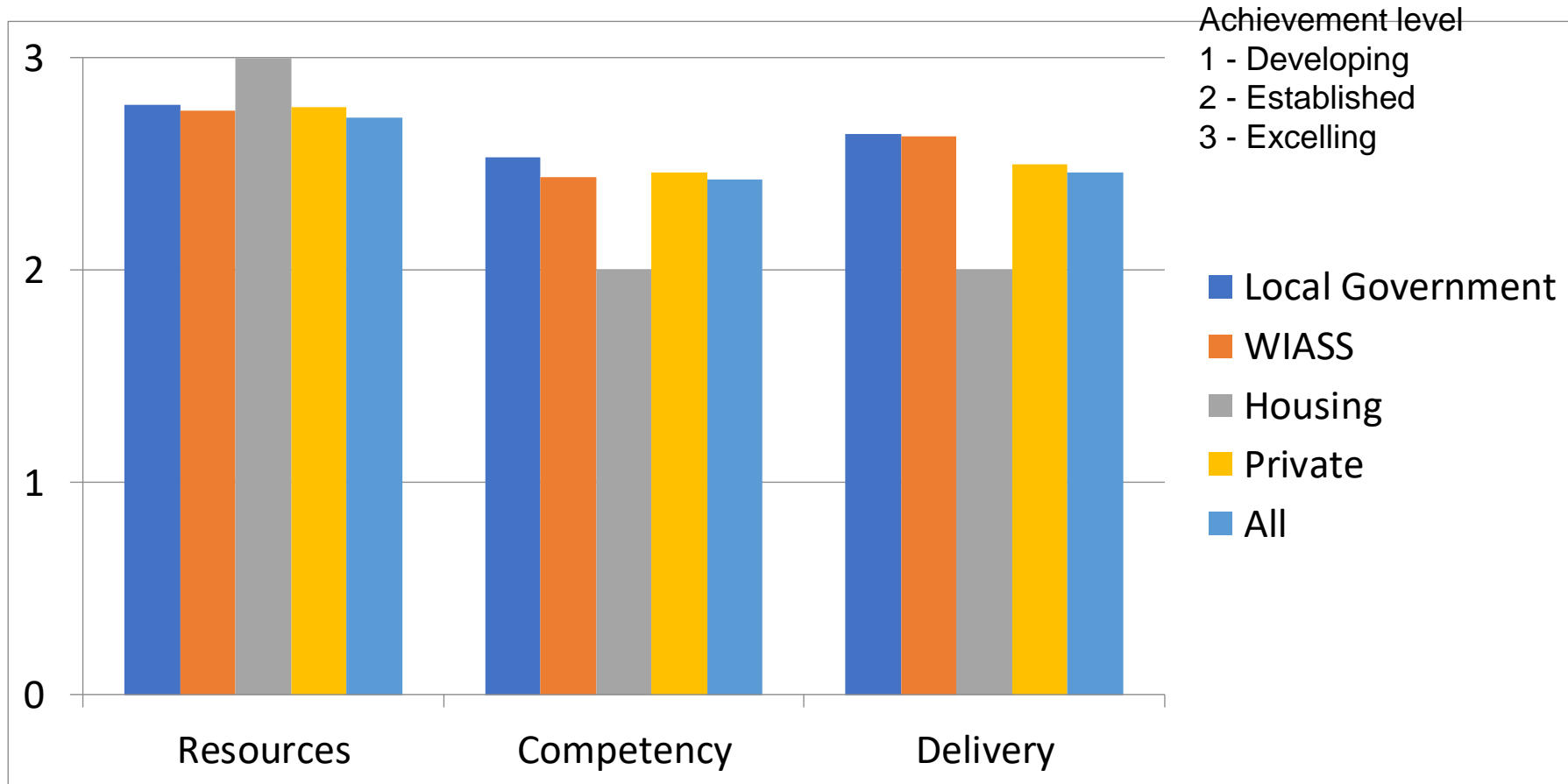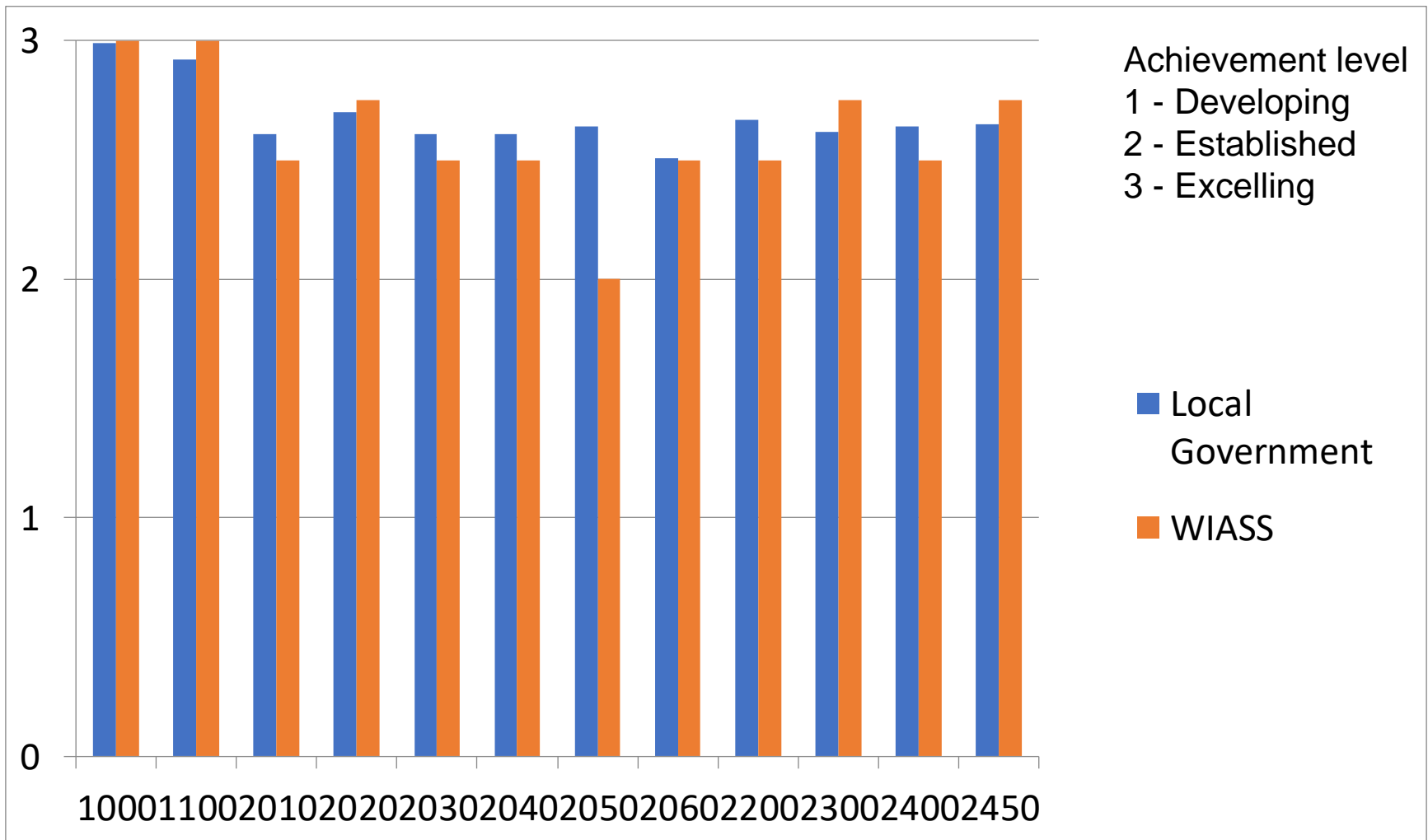
Appendix

1. Summary of client feedback
2. Key IPPF/PSIAS standards assessed
3. Basis for EQA
4. Grading of recommendations

BUSINESS RISK SOLUTIONS

Question	Positive (%)	Negative (%)
I understand Internal Audit's role in the organisation and its purpose.	100	
Internal Audit is customer focused and understands what the organisation is trying to achieve.	100	
Internal Audit considers the viewpoints of the organisation when planning and undertaking reviews and aims to provide a good balance between assurance and good practice with opportunities for improvement.	100	
Internal audit has a presence in the organisation which is visible and approachable.	80	20
The Internal Audit team provides a flexible and reliable service which adds value through the assurance audits and additional work it undertakes.	100	
Internal Audit makes you aware of any significant issues that occur during an audit on a timely basis and you have the opportunity to respond or provide additional information.	100	
Internal audit has the skills to provide appropriate assurance and advice to meet our needs?	100	
Good practice and ideas from other organisations are shared through audits, day to day contact, meetings or other engagement methods.	53	47
Average	**92%**	**8%**

Conclusion:
Feedback from stakeholders confirms that clients consider that they receive a good quality internal audit service whose brief is clearly understood and the assurance and advice that is provided is well regarded. Recent meetings with the new Head of Assurance have been well received. Observations were made regarding enhanced communication with functional management regarding 'major' issues and the value of increasing emphasis on sharing best practice from within the sector.

Other relevant observations

Risk based approach that is formulated to ensure best practice, address risks and add value

I would be very interested to discuss ways in which we can develop it under the new Head of Service.

We have fortunately had a recent session with head of audit that gave a more in depth knowledge of its processes and procedures.

On occasion there has been a lack of engagement with senior responsible managers / subject matter leads at an early enough stage which has led to reports being drafted without the full context. This is improving.

Capacity and resourcing issues in the team has meant that coverage has not been as good as it could be and the quality of some auditors, who have now left, has not always been to a high standard.

I have long called for the team to share their experience and observations gained from working at other councils in the County but never received anything back.

It is good that the service is shared - as it gives a set of inbuilt comparisons for best practice and gives additional resilience for the overall service.

| Issued | 26 | Returned | 15 | Response rate | 58% | Average |

Key PSIAS Standards assessed

Standard		Focus
1000	Purpose, Authority and Responsibility	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.
1100	Independence and Objectivity	The internal audit activity must be independent, and internal auditors must be objective in performing their work.
2010	Planning	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
2020	Communication and approval	The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.
2030	Resource Management	The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
2040	Policies	The chief audit executive must establish policies and procedures to guide the internal audit activity.
2050	Co-ordination	The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.
2060	Reporting	The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
2200	Engagement planning	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
2300	Work programme	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
2400	Communicating results	Internal auditors must communicate the results of engagements
2450	Overall opinions	When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Basis for EQA

Compliance with IPPF/PSIAS

- **Resources**

  Business Vision and Mission, Governance arrangements, Recognition of standards, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

- **Competency**

  Charter, Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development

- **Delivery**

  Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels

Grading of recommendations

- The grading of recommendations is intended to reflect the relative importance to the relevant standard within the Public Sector Internal Audit Standards (PSIAS).

Recommendation grading	Explanation
Enhance	The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS standards in order to demonstrate a contribution to the achievement of the organisations' objectives in relation to risk management, governance and control.
Review	The Internal audit service should review its approach in this area to better reflect the application of the PSIAS.
Consider	The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services

- In grading our recommendations, we have considered the wider environment in terms of both the degree of transformation that is currently taking place as well as our assessment of the level of risk maturity that currently exists, as these will have a consequence for the conduct of internal audit planning as well as subsequent communication.