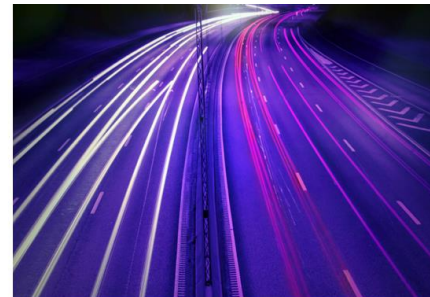




External Quality Assessment

Shared Internal Audit Services

Executive report – April 2024



Contents

Opinion	3
Executive summary	4
Summary of good practice	6
Part one	
• Compliance with the Public Sector Internal Audit Standards - Findings and recommendations	8
Part two	
• Suggestions for enhancement of internal audit services	16
Part three	
• Benchmarking	20
Appendices	23

External Quality Assessment

East Kent Audit partnership

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Opinion: The East Kent Audit Partnership internal audit service 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 appetite of each client particularly in terms of planning at a strategic and engagement level would be mutually beneficial, although it is recognised that client systems are insufficiently mature in some cases.
- Enhance focus on identifying Managements Objective within the scope of the engagement leading to an evaluation of significant risk exposure upon which the engagement should then focus.
- 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.
- Develop links between the Audit Charter, Internal Audit Manual and Annual Head of Internal Audit Opinion to provide a consistent and transparent focus on assurance relating to governance, risk management and control within planning at a strategic and engagement level.
- Review the narrative used within the Annual Opinion in the Head of Internal Audit Annual Report to reflect continuous audit process and wider knowledge of both significant risks and other sources of assurance that are available and upon which reliance has been placed for assurance purposes.

Good Practice identified during the review

- A comprehensive Internal Audit Charter setting out the role and responsibilities of Internal Audit is supported by a detailed Internal Audit Manual which guides delivery and is routinely reviewed and approved by Governance and Audit Committees..
- The service has developed a documented audit methodology and supporting templates that delivers a consistent service.
- Robust and documented communication protocols exist throughout internal audit delivery.
- Routine reporting informs clients and the Governance and Audit Committees regarding progress in relation to completion of the internal audit plan, findings and the follow up of recommendations, which is supported by performance data.
- The Team receives favourable feedback from clients who are appreciative of the approachable, flexible and client focused support that is provided.

Executive summary

The East Kent Audit Partnership internal audit services (EKAP) is delivered by an in-house team comprising of 7.23 FTE staff who are based at client sites, although their experience is used across the EKAP client base in order to enhance service delivery particularly in technical or specific areas. Services are managed by Christine Parker as Head of Audit, who assumes the role of Chief Audit Executive (CAE) for the purposes of this review. The CAE is supported by Deputies, who have an established relationship with individual clients.

The service has responded to the changes of focus in professional standards by developing a risk-based approach with regard to planning and the completion of assignment work. This categorises risks within identified 'Control Objectives' against which the team identifies expected controls and what it considers to be the risks in consultation with management. The Internal Audit Charter is updated annually, and the Internal Audit Manual has been updated in 2024 to reflect the requirements of the Public Sector Internal Audit Standards (PSIAS) and to continue to align with the current EKAP methodology.

From an internal audit perspective, considerable advantage is to be gained from increasing recognition of each Council's Risk Management processes and the effectiveness with which they operate. Each Council has adopted a different approach to developing its risk management framework, and in this respect, some are more helpful to internal audit than others. The degree to which those key controls which management feel reduce significant risk to an acceptable level (risk appetite) and arising from which the assurance sources that exist to demonstrate application are identified, should represent a key basis against which internal audit can provide an assurance opinion in relation to risk, governance and control. Increasing alignment and in particular a consistent recognition of what constitutes 'significant risk' will enable internal audit plans and assignments to focus on the value of 'Control Risk' and thereby increasingly the key controls and the assurances available to mitigate risk. Continuing to develop this thread through recognition of Management's Objectives will enhance both the efficiency and effectiveness of internal audit as well as its benefit to the Council.

The new guidance, in the Global Internal Audit Standards (GIAS) which are mandatory from April 2025 reflects the above and places increasing emphasis on relationships with all stakeholders, effective communication and a focus on significant risk, therefore continuing to develop services in this manner will support continued compliance with professional standards.

Current services are assessed to '**generally conform**' with the PSIAS standards, comparing 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 the changes required in the new GIAS.




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.

Overall assessment

1	RESOURCES		Excelling – Processes in this area are embedded within every-day practices and 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.

Summary of good practice identified within EQA

Standard	Good practice identified	Observation
1000	An Internal Audit Charter has been established and agreed with management and the relevant Governance and Audit Committee (GAC) or its equivalent Committee..	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.
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 procedures and supported by a staff appraisals process which identifies and supports performance development needs. Further quality assurance is undertaken which has highlighted areas where the team feel development would be beneficial, particularly regarding training.
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 the Shared Services arrangement provides for both sufficient resources and those of a technical or specialist nature.
2040	A detailed internal audit manual aligns with the PSIAS.	A consistent methodology is delivered through a series of formal templates.
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 GAC's – effective follow-up 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 discusses findings emerging from engagements and responds to feedback.

Part one

The logo consists of a blue square with a white border. Inside the square, the words "BUSINESS", "RISK", and "SOLUTIONS" are stacked vertically in white, bold, sans-serif capital letters. The word "RISK" is highlighted in yellow. To the left of the square is a vertical yellow bar, and to the right is a vertical blue bar.

**BUSINESS
RISK
SOLUTIONS**

Compliance with the Public Sector Internal Audit Standards

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

	Issue identified	Recommended action
1.	<p>Internal Audit Charter (IAC) The IAC requires (para 3.4.2) requires the internal audit service to provide an Annual Internal Audit Opinion based on an objective assessment of the Authority's framework of governance, risk management and control.</p>	<p>Consider the value of formally developing the link between annual internal audit planning (para 5.2.1) as the basis of a developing a programme of internal audit activity required to provide an annual opinion regarding governance, risk management and control reflecting the changing risk environment in which each Council operates and where independent assurance from internal audit is required in order to support the Annual Governance Statement.</p> <p style="text-align: right;">PSIAS 1000</p>
2.	<p>Quality Assurance Improvement Program (QAIP) The IAC (s7) contains details of the processes involved within the QAIP process, largely reflecting supervision of engagements and the delivery of internal audit plans.</p> <p>The CAE includes a statement in the Annual Report to evidence and support this statement but does not include details of significant deviations or development needs.</p> <p>In practice, numerous other forms of quality assurance are in place, particularly through the balanced scorecard, which reflects good practice.</p>	<p>Consider introducing a formal QAIP policy to document the various measures that have been adopted and how an annual review will be conducted and use this as a basis for the accumulation of evidence to support the annual statement will be made in the Annual Report, which provides::</p> <ol style="list-style-type: none"> 1. Confirmation that all measures have been completed, 2. How any significant deviations will be resolved, and 3. Anticipated development needs. <p>An example policy document has been provided.</p> <p style="text-align: right;">PSIAS 1300</p>
3.	<p>Compliance with PSIAS On the basis of the self-assessment and confirmed by this review the EKAP internal audit team comply with the PSIAS.</p>	<p>The standards require the CAE state where compliance is not achieved, consequently consider making a positive statement in each report that “reports are prepared in compliance with the PSIAS and the Code of Ethics”.</p> <p style="text-align: right;">PSIAS 2430</p>

	Issue identified	Recommended action
1.	<p>Audit Universe</p> <p>The current planning model reflects use of a “standard audit universe’ based upon identifiable audit areas including reflection on the content of the strategic risk registers and to which a number of factors are applied which represent a judgement of risk from an internal audit perspective. The Team uses APACE software to administer the planning process.</p> <p>Further development of this approach based upon each client’s view of significant risk at both a strategic and operational level would enhance internal audits’ ability to demonstrate a commitment to helping the Council achieve its objectives .</p>	<p>It would be beneficial to increasingly align development of the internal audit planning system with each 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.</p> <p>With regard to the use of APACE, consider:</p> <ol style="list-style-type: none"> 1. Including direct reference to significant risks within each ‘section’ to influence values, and 2. Using the notes facility available within each section risk analysis to record key controls upon which the audit engagement should focus. <p>Global Internal Audit Standards are anticipated to increasingly call for alignment of risk registers with the internal audit universe.</p> <p style="text-align: right;">PSIAS 2000/2010</p>
2.	<p>Governance</p> <p>The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements, which is recognised within the IAC.</p> <p>Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.</p> <p>Commentry on assurance in relation to Governance is included in the Annual Report.</p>	<p>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 in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report.</p> <p style="text-align: right;">PSIAS 2110</p>

Competency continued

	Issue identified	Recommended action
3.	<p>Management Objectives Current practice when planning an engagement is to identify the Audit Scope and Objective within the Audit Brief which carries through to the Control Matrix. There is a tendency for the statement to be broad and not therefore focus on the specific objectives of management.</p> <p>The PSIAS requires identification of the 'Management Objective' as a basis for the review against which can be identified the specific risks which exist in relation to non-achievement.</p>	<p>Consider greater focus on the Management Objective for the area to be reviewed and the risks to which this is exposed. Use risk impact definitions contained within client risk management systems to highlight which risks are significant and focus the review on these, rather than provide review of all expected controls within the area.</p> <p>Review structure of the Control Matrix to consider significant risk and the expected controls that will mitigate the risk.</p> <p style="text-align: right;">PSIAS 2030</p>
4.	<p>Assurance mapping Internal Audit practice currently identifies key controls and sources of assurance (without formal recognition of the latter) at an operational level; PSIAS 2050 states that the chief audit executive should share information and coordinate activities with other internal and external providers of assurance.</p> <p>Not all clients identify sources of assurance as part of a risk management or Business Assurance Framework.</p>	<p>Consider developing the internal audit methodology by documenting the sources of assurance available to internal audit within each engagement as part of routine processes. Assurances maybe both internal and external.</p> <p>Use the accumulated knowledge gained to support the Annual Assurance opinion in the Head of Internal Audit's Annual Report.</p> <p>Please read in conjunction with D3..</p> <p style="text-align: right;">PSIAS 2050</p>
5.	<p>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.</p> <p>Recognition of assurance available or otherwise should inform internal audit planning and assurance reporting.</p>	<p>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 regarding significant risk exposure.</p> <p style="text-align: right;">PSIAS 2010</p>

Competency continued

Issue identified	Recommended action
<p>6. Internal Audit Engagement Planning 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.</p> <p>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.</p> <p>Client risk management systems define significance within definitions of risk impact.</p> <p>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 Management’s Objective as stated previously and the control environment established to move risk from an inherent to residual (current) level, although this is not readily identified in all client’s risk management processes. This may be assessed in terms of ‘Control Risk’.</p> <p>Where relevant audit reviews allow consideration of existing identified further mitigating actions, progress on these should also be included in a review in order to provide comprehensive assurance regarding governance, risk and control in this area.</p>	<p>Engagements should be increasingly constructed to reflect significant risks and aligned to Risk Impact definitions within each clients Risk Management Strategy. This will ensure standard recognition of terminology throughout each Council, aligned with the highest gradings of risk impact.</p> <p>Assessment of ‘Control Risk’ in relation to the achievement of Management Objectives allows reviews upon:</p> <ul style="list-style-type: none"> • 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, • Identified issues and planned actions to address, 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). <p>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.</p> <p style="text-align: right;">PSIAS 2201</p>

Competency continued

Issue identified	Recommended action
<p>7. Grading of recommendations</p> <p>The grading of recommendations currently reflect ‘an assessment of both significant risk in terms of a client’s corporate priorities and a priority related to the time in which action should be taken’.</p> <p>Given that the gradings relate to use of a common approach across all clients, the process represents a commendable method which will benefit communication and the consistent application of assessment of findings at an engagement level.</p> <p>The Internal Audit Team currently grades recommendations at four levels of Critical Risk, High Risk, Medium Risk and Low risk (Advisory).</p> <p>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.</p> <p>Significant risk, regardless of the structure of the risk matrix at each client can be identified as either the highest level of Risk Impact or the top two levels (within a 5x5 matrix).</p> <p>Whilst we understand that the use of four tiers relates to CIPFA research regarding common practice, we believe that the profession is generally moving towards use of a three-tier recommendation structure in which low level recommendations are not drawn to the attention of management in a formal report.</p>	<p>It would be beneficial to align future grading of recommendations with those impact definitions used within the risk management process of each client. This may be achieved by focusing the existing wording within the internal audit descriptions to appropriately reflect risks of strategic importance rather than those of an operational nature.</p> <p>This would also assist in both agreeing the specific risk focus of each engagement in terms of the non-achievement of management objectives as well in assessing the relative importance of findings at the exit meeting and in providing an opinion within assurance reports.</p> <p>Avoid the use of reference to priority in relation to recommendations as this should be agreed with management as part of the closure of an audit and within a timeframe relative to when and how long appropriate action may take. Priority will be influenced by the likelihood of the identified risk emerging.</p> <p>Please read in conjunction with C1/C3/C6 above</p> <p style="text-align: right;">PSIAS 2300/2410</p>

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

	Issue identified	Recommended action	
1.	<p>Release of draft and final reports Reports are currently issued in the name of the Auditor completing the engagement.</p>	<p>Consideration should be given to documenting the process for approval of a draft/final report where significant risk or negative assurance opinions are to be reported, in the absence of the CAE.</p> <p>Issue all reports in the name of the CAE.</p> <p style="text-align: right;">PSIAS 2420</p>	
2.	<p>Assurance Opinions The Team have occasion to issue a 'split opinion' in which an aspect of the review attracts a lesser grade due to the risks or weaknesses identified.</p> <p>In practice the grading of the recommendation, particularly if based on agreed risk impact definitions, designates the significance of the finding and the assurance level then, being based upon all the findings, summarises the combined outcome in relation to the area subject to review.</p>	<p>Consider revision of the definitions of assurance in accordance with significance to the achievement of objectives.</p> <p>The overall opinion is a matter of judgement however where a recommendation attracts a rating at the highest level (Critical) it would be normal practice for the review to be allocated a single negative opinion.</p> <p>Consider whether the 'No Assurance' rating needs to be retained.</p> <p style="text-align: right;">PSIAS 2450</p>	
3.	<p>Risk Management opinion Internal Audit has reviewed risk management processes at all clients which is consistent with the PSIAS and supports the opinion provided in the Annual Report.</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;">PSIAS 2120</p>	

	Issue identified	Recommended action
4.	<p>HoIA Annual Report</p> <p>The terminology used by the CAE to express an Annual Opinion is comprehensive and explains in relation to Governance, Internal Control and Risk Management how the opinion has been reached.</p> <p>This currently reflects assurance regarding the work of the internal audit team in the current year, although through the planning process, knowledge of significant risks facing clients and the wider assurances available, the basis of the opinion could be much broader and therefore better comply with professional standards to relate the opinion to the expectations of “senior management, the board and other stakeholders”.</p> <p>Standard 2060 does however also include reference to bringing the attention of the Governance and Audit Committee to assessment of the significant risks facing the organisation and any other assurance sources that have been recognised. (Referred to in C4).</p> <p>The report makes limited reference to QAIP but is strong in relation to the inclusion of Key Performance Indicators.</p>	<p>In practice the opinion is based upon a much broader knowledge of each 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 that underpin achievement of Corporate Objectives.</p> <p>(Planning for continuous assurance over a defined period rather than on the basis of a single years’ plan was reflected in R1).</p> <p>It would be good practice to support the 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.</p> <p>In this form, the opinion would also better align with the required content of the Governance Statement.</p> <p style="text-align: right;">PSIAS 2060/2450</p>

Part two

Suggested enhancements for consideration

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.	<p>Templates The Team currently uses a series of templates to consistently deliver its methodology.</p>	<p>Consider moving to a single template in which all aspects of the review may be recorded and therefore acting as a single source of reference for the management of the review.</p> <p>An example has been provided.</p> <p style="text-align: right;">PSIAS 2040</p>
2.	<p>Governance and Audit Committee The feedback from surveys may indicate that there is benefit to providing training regarding the role, responsibilities and reporting process relating to internal audit services, although Internal Audit has previously provided training to new Members.</p> <p>This maybe most relevant following the introduction of new Members to Governance and Audit Committees, following Council Elections.</p>	<p>Consider providing further high-level training to Members within the Audit Committee meetings schedule or as part of Induction programmes.</p> <p>It may be appropriate to align this with the introduction of the new Global Internal Audit Standard which require an enhanced role and responsibility for Audit Committees and any developments within the internal audit service.</p> <p style="text-align: right;">PSIAS 1300</p>
3.	<p>Confidentiality Internal audit reports are currently distributed as 'Confidential' but 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..</p>	<p>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.</p> <p>Example wording has been provided.</p> <p style="text-align: right;">PSIAS 2440</p>

Suggested Enhancements for consideration

	Issue identified	Recommended action
4.	<p>Audit of technology Internal Audit plans include a view of the technology risks facing the organisation and include engagements in this complex and technical area.</p> <p>Internally, the Team have experience of undertaking IT reviews in relation to common themes and have undertaken work using data analysis.</p> <p>In recent years some external assistance has been used to provide assurance.</p>	<p>Cyber risks represent one of the most significant risks facing organisations as technology advances and criminal activity escalates.</p> <p>It is important therefore to ensure that Internal Audit plans include sufficient attention to the risk environment and that appropriately skilled resources are available to provide assurance.</p> <p>Consider liaison with other internal audit teams to maintain awareness of the cyber risk horizon in order to provide timely assurance to each client.</p> <p style="text-align: right;">PSIAS 2130.A1</p>
5.	<p>Exit meetings Current practice uses a flexible method for closure of an internal audit engagement mostly based upon the level of findings and nature of the assurance opinion being provided.</p> <p>Whether a formal exit meeting is held or not, contact with the client regarding closure is generally managed through issue of the draft report.</p>	<p>The manner in which an engagement is concluded represents an opportunity to establish or build relationships with clients.</p> <p>Hybrid working patterns provide a flexible means for closure which might include use of email, an on-line meeting or a face-to-face interview.</p> <p>Consideration should be given to formalising expectations depending upon the significance of the findings and involve appropriate emails, notes of meetings and timely issue of draft reports following the exit meeting if held.</p> <p style="text-align: right;">PSIAS 2400</p>

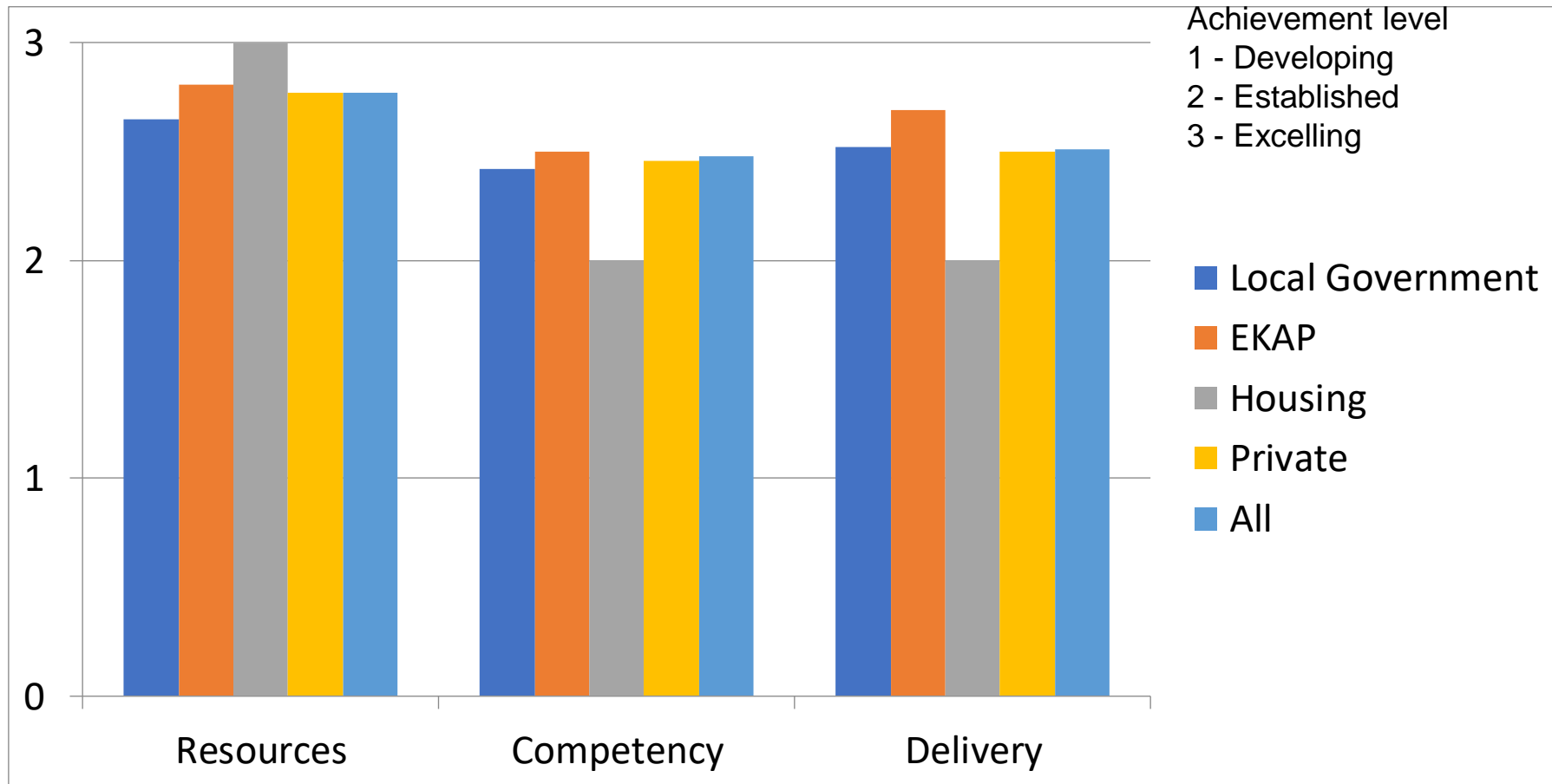
Suggested Enhancements for consideration

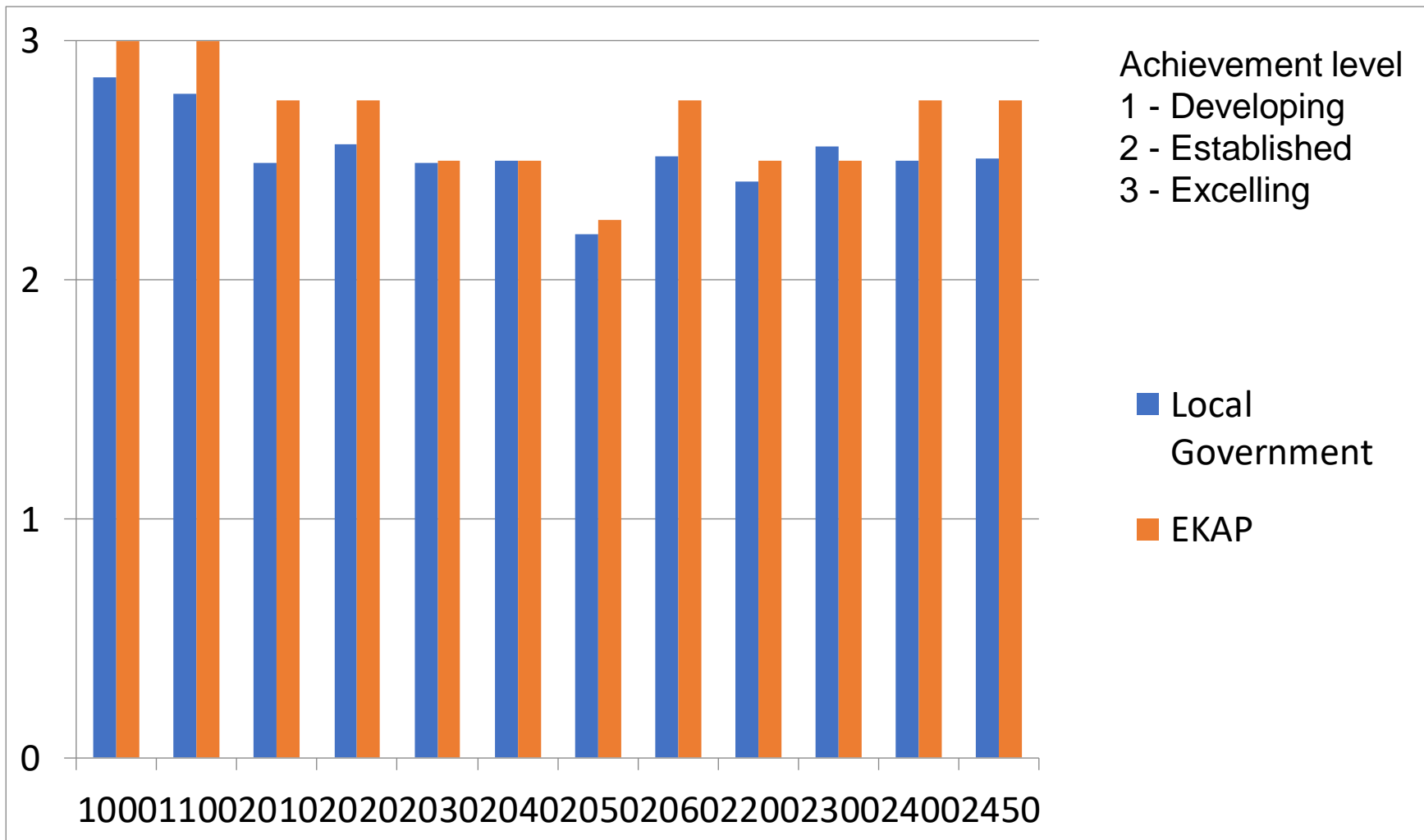
	Issue identified	Recommended action
6.	<p>Report format The current report format is used consistently by the Internal Audit Team.</p> <p>Reports contain detailed information regarding expected controls and findings in relation to the agreed Audit Scope and Objectives regarding which information is also included within an Executive Summary.</p>	<p>Consider</p> <ol style="list-style-type: none"> 1. Focusing on reflecting on significant risks in the Executive Summary 2. Highlighting findings and recommendations in the Appendix, and 3. Using colour to highlight issues that reflect the most significant risks in accordance with recommendation definitions. <p style="text-align: right;">PSIAS 2420</p>
7.	<p>Fraud The team is not responsible for provision of Counter Fraud Services, and fraud risk analysis has not been formally completed.</p> <p>Clients participate in the National Fraud Initiative (NFI), which contributes to the good practice identified within the PSIAS regarding recognition of fraud risk.</p>	<p>It would be beneficial to align the significance of fraud risk in relation to achievement of the management objectives agreed within each engagement, this may be best achieved by undertaking a fraud risk analysis for each client.</p> <p>The proposed Global Internal Audit Standards feature a requirement to identify significant fraud risk within the scope of the engagement, consequently it would be beneficial to consider how this might best be achieved.</p> <p style="text-align: right;">PSIAS 2120</p>
8.	<p>Stakeholders The Audit Charter recognises relationships with stakeholders.</p> <p>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). The emphasis in the proposed new Global Internal Audit Standards is much stronger.</p>	<p>Consider how future internal audit activity may demonstrate appropriate consideration of other stakeholder expectations:</p> <ol style="list-style-type: none"> 1. In devising internal audit plans 2. When identifying Management Objectives in future audits. <p style="text-align: right;">PSIAS 2010</p>

Part three



Benchmarking





Appendix

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

Summary stakeholder feedback

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.	100	
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.	89	11
Average	99%	1%

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. An observation was received regarding placing more emphasis on sharing best practice.

Most respondents have gained knowledge of the Internal Audit role through experience of working with internal auditors and it may be that given the enhanced expectations contained within GIAS some more formal training or management briefings would be beneficial.

Other relevant observations

I find Internal Audit to be highly competent and approachable.

I've always found the quality of the internal audit work to be of a high standard; they're a small but very effective team. They offer useful insight through their checking and validation of processes and clear actions for improvement.

This year we tried a 'consultancy' approach for a complaints audit, where the auditors assessed our current arrangements in stage 1 and will revisit the recommendations once new systems have been designed to ensure they are fit for purpose. The collaborative approach helps ensure we get best value from the audit and, we hope, the new complaints system.

In my opinion internal audit are highly regarded, trusted and perceived as independent.

The whole team of auditors are helpful, knowledgeable and flexible. Their findings are incredibly useful and the whole process is highly valued by my teams and I.

It would be a good opportunity to review all in the Revs and Bens area, based on the changing nature of HB.

In relation to visibility I think this is one of the biggest challenges for EKAP, partly due to being relatively small shared service, but issue has been further extended due to the post pandemic increase in remote working. Nonetheless, steps are currently taken to refresh the organisational and managerial view of EKAP.

Issued

39

Returned

23

Response rate

59%

Average

Key PSIAS Standards assessed

(for benchmarking purposes)

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 <i>Standards</i> . 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.