

London Borough of Bromley

Internal Audit Performance External Quality Assessment

FINAL REPORT

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Introduction

The Public Sector Internal Audit Standards (PSIAS) require an external quality assessment be undertaken at least every five years, although more frequent assessments may take place. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced.

Standard 1312 states:

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The standards and interpreting guidance go on to clarify that the external assessor must conclude as to conformance with the Code of Ethics and the Standards. The lead assessor must demonstrate competence in the professional practice of internal auditing and the external assessment process. Neither the lead assessor or any members of the assessment team should have an actual or perceived conflict of interest and they must not be a part of, or under the control of, the organisation to which the internal audit activity belongs. The scope of the assessment must be agreed with an appropriate sponsor, such as the Director of Finance or the Chair of the Audit Committee.

Across London, the London Audit Group has organised a system of independently validated assessments. It has been agreed that self-assessments will be completed and that these will be validated by suitably qualified individuals or teams from other members of the group.

This review of internal audit's performance at the London Borough of Bromley (LBB) has been led by David Hughes who is appropriately qualified, independent and has no actual or perceived conflicts of interest. The scope and approach for this assessment was agreed by the Director of Finance and Audit and Risk Management Committee.

The Head of Audit and Assurance undertook a comprehensive self-assessment against the Standards on coming into post. This resulted in a detailed action plan being prepared and actions being implemented. During the course of the external assessment, evidence to support the completion of a number of planned actions was provided. As a result, this report reflects the progress made to date in assessing the service's level of conformance.

Conclusion

Based on the self-assessment, supporting evidence and independent validation it is the view of the lead assessor that the internal audit service for the London Borough of Bromley **Partially conforms with the Public Sector Internal Audit Standards**. Definitions of all the ratings are detailed in Appendix A.

It is clearly evident from the review that the Head of Audit and Assurance undertook a comprehensive self-assessment of the service, is aware of the areas

for development needed and has developed a detailed action plan with clear timescales to address all areas for improvement identified.

Through the external assessment it has been evidence that a number of actions have already been implemented and that good progress is being made to implement the remaining actions identified by the Head of Audit and Assurance to improve the service and to achieve general conformance.

Given the direction of travel observed through the review, it is expected that the service will be able to achieve general conformance by implementing the planned actions and further recommendations made in this report.

Partially Conforms	The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
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Stakeholder Survey

During this assessment, a survey of key stakeholders was undertaken, with 19 responses received. In summary, the survey results have revealed that:

- 80% or more of the respondents confirming they Fully Agreed or Generally Agreed with the statements relating to the Internal Audit Service.
- The internal audit service demonstrates integrity in the way that it operates and is delivered with professionalism at all times.
- Senior managers understand and fully support the work of Internal Audit.
- Internal audit activity has enhanced organisation-wide understanding of governance, risk, and control.

The full results of the survey are shown at Appendix B.

Interviews with Key Stakeholders

In addition to the Stakeholder Survey, interviews were also held with key stakeholders to inform this assessment. Interviews were held with the Chief Executive, Director of Finance, Director of Children's Services and the Chair of the Audit and Risk Management Committee. In summary the interviews identified that:

- Very good, visible and approachable leadership being provided by the Head of Audit and Assurance, with good engagement and communication with senior management and Members of the Audit and Risk Management Committee. Seen as a well-respected, core voice at the COE group, with regular reporting on audit and risk matters. However, the current structure of the service does not contain a recognised deputy role, with the Head of Audit and Assurance being

responsible for all aspects of the leadership and management of the internal audit, counter fraud, insurance and risk management functions (see recommendation 7).

- It was clear that the Head of Audit and Assurance is seeking to continuously improve and modernise the service to maximise the value it can provide to the Council.
- Strategic approach to audit planning and delivery, engaging well with services to scope out audit engagements and deliver audit reports. The move to a 6 monthly audit planning cycle was welcomed, helping the service to be more agile and responsive, although having visibility of a longer term strategic plan showing the breadth of areas to be covered would be helpful (see recommendation 8).
- Providing good assurance across the organisation's risks to senior management and Members, demonstrating independence through the reporting of completed work.

Key Findings

As identified in the introduction, the Head of Audit and Assurance undertook a comprehensive review of the service, including completing the self-assessment against the Standards. This led to an action plan being formulated and implemented (see Appendix C).

It is recognised that a number of those actions have already been implemented, which have resulted in the service being assessed as 'generally conforms' in those areas, while further actions are in progress or are due to be implemented in the coming months. Where this is the case, the service has typically been assessed as 'partially conforming' with the recognition that the planned actions are likely result in the service being able to demonstrate that it 'generally conforms' once the action has been implemented.

The following key findings from this assessment are set out along with additional recommendations to support the action plan put in place by then Head of Audit and Assurance. The recommendations and agreed management actions are set out in Appendix D.

Independence and objectivity

The Standards require that where the Chief Audit Executive has roles or responsibilities that fall outside of internal auditing that there must be adequate safeguards in place to protect the CAE's independence and objectivity and that the Board (Audit and Risk Management Committee) should periodically review the safeguards in place to ensure that independence and objectivity are being maintained.

The current Job Description for the Head of Audit and Assurance contains the following responsibility *"To be responsible for the Council's Financial Regulations – providing advice and co-ordinating the review and updating of the regulations*

on behalf of the Section 151 Officer.” (paragraph 15). The Financial Regulations form part of the Council's financial control environment and, as such, the Financial Regulations should be the responsibility of those officers charged with operating and overseeing the controls. The Head of Audit and Assurance could reasonably be asked to review in order to provide comments and advice on the regulations but should not be responsible for their drafting and maintenance.

It is also understood that the Head of Audit and Assurance also leads on the drafting and compilation of the Council's Annual Governance Statement, which forms part of the Council's audited annual accounts. The CIPFA Statement on the Role of the Head of Internal Audit states that the HIA should not be responsible for the statement.

Recommendation:

1. The paragraph setting out the responsibility for co-ordinating, reviewing and updating the Financial Regulations should be removed from the Head of Audit and Assurance's job description and the responsibility transferred to the officer(s) who are responsible for overseeing and operating the Council's financial control environment.
2. The Head of Audit and Assurance should contribute to and be asked to independently review and challenge the Council's Annual Governance Statement rather than being responsible for preparing the document.

Engagements where the CAE has operational responsibility

Where the Head of Audit and Assurance has operational responsibility for an area covered on the internal audit plan, the Director of Finance reviews the draft report before it is provided for management comments. The Director of Finance does not currently review and agree the terms of reference for such audits, this would further demonstrate that the review being conducted was independent and objective.

Recommendation:

3. Where the Head of Audit and Assurance has operational responsibility for an area to be covered in the internal audit plan, the Director of Finance should review and agree the terms of reference for the review, the draft report to be issued to management and the final report to be issued for the engagement.

Documenting relevant information to support engagement conclusions

The Head of Audit and Assurance has implemented a number of measures to ensure that audit engagements are performed and reviewed in line with the Standards. The Standards require internal auditors to document the relevant information obtained through their review to support the engagements conclusions and results.

Recommendation:

4. The Quality and Improvement Programme should be amended to ensure the review of audit files confirms that internal auditors have documented

the relevant information obtained through their review to support the engagements conclusions and results.

5. Consideration could be given to the internal audit team periodically peer reviewing each other's work as a learning exercise, as part of the training covering this aspect of the Standards and the conduct of file reviews.

Confidentiality requirements

The Head of Audit and Assurance confirmed that all internal audit reports are published on the Council's website. Steps are taken to ensure that confidential information is redacted or removed from reports before they are published. However, the current Audit Checklist completed by the auditor does not explicitly capture whether confidential information has been obtained in the course of the audit and/or included in the report.

Recommendation:

6. The Audit Checklist should be amended so that the auditor can record where confidential information has been obtained during the audit and whether this information has been included in the report provided to management. Such information would then need to be redacted or removed when the final report is published. In addition, confidential information identified could then be removed from the audit file when no longer required.

Service structure

As identified above, the current structure of the service does not contain a recognised deputy role. Such a role would support the Head of Audit and Assurance in both the delivery and development of the service, create greater capacity to build effective relationships across the organisation, provide recognised and appropriate cover for absences and mitigate the risk of undue reliance being placed on one officer for the strategic direction and effective leadership of the service.

Recommendation:

7. Consideration should be given to creating a designated deputy role within the Internal Audit Service to provide greater leadership and management capacity and service resilience.

Audit planning

Feedback from senior stakeholders welcomed the introduction of the 6 monthly audit planning cycle by the Head of Audit and Assurance. This enables the service to be more agile and responsive to the changing risks and priorities of the Council. However, this approach could be enhanced by providing visibility to senior managers of a high level strategic plan which demonstrated the coverage across the organisation which the service would endeavour to achieve over a five year cycle, including cyclical (non-risk based reviews). This would provide assurance to senior management and Members on the breadth of coverage over the medium to long term, as well as helping to demonstrating to services how audits were being planned across the organisation.

Recommendation:

8. Consideration should be given to developing a high level strategic audit plan covering a period of 3 to 5 years, which could include cyclical audits and areas which could be reviewed periodically across the Council.

A summary of the outcomes of this assessment follows. Appendix C contains the action plan developed by the Head of Audit and Assurance following the completion of the self-assessment and Appendix D contains the further suggested actions arising from this external assessment.

Summary Assessment

Statement	Generally Conforms	Partially Conforms	Does not Conform
Mission of Internal Audit			
Does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?	Yes		
Definition of Internal Auditing			
Is the internal audit activity independent and objective?	Yes		
Does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	Yes		
Core Principles			
Does the internal audit activity conform with the PSIAS by demonstrating integrity?	Yes		
Does the internal audit activity conform with the PSIAS by demonstrating competence and due professional care?		Yes (actions identified by the Head of Audit and Assurance (HoAA) will support achieving general conformance)	
Does the internal audit activity fully conform with the PSIAS by being objective and free from undue influence (independent)?	Yes		
Does the internal audit activity fully conform with the PSIAS by being aligned with the strategies, objectives, and risks of the organisation?	Yes		
Is the internal audit activity appropriately positioned and adequately resourced?	Yes		
Does the internal audit activity demonstrate quality and continuous improvement?	Yes		
Does the internal audit activity communicate effectively?	Yes		
Does the internal audit activity provide risk-based assurance, based on adequate risk assessment?		Yes (actions identified by the HoAA will support achieving general conformance)	
Is the internal audit activity insightful, proactive, and future-focused?	Yes		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the internal audit activity promote organisational improvement?	Yes		
Code of Ethics			
Do internal auditors display integrity?	Yes		
Do internal auditors display objectivity?	Yes		
Do internal auditors display due respect and care by maintaining confidentiality?	Yes		
Do internal auditors display competency?	Yes		
Do internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	Yes		
Attribute Standards			
Does the internal audit charter conform with the PSIAS by including a formal definition of the purpose, authority and responsibility of the internal audit activity?	Yes		
Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?	Yes		
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?	Yes		
Does the CAE have direct and unrestricted access to senior management and the board?	Yes		
Are threats to objectivity identified and managed.	Yes		
Does the CAE report to an organisational level equal or higher to the corporate management team? Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	Yes		
Does the CAE's position in the management structure: Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	Yes		
Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?	Yes		
Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?		Yes	

Statement	Generally Conforms	Partially Conforms	Does not Conform
		(actions identified by the HoAA will support achieving general conformance)	
Does the CAE communicate and interact directly with the board?	Yes		
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity? Does the board periodically review these safeguards?		Yes (see recommendations 1 & 2)	
Do internal auditors have an impartial, unbiased attitude?	Yes		
Do internal auditors avoid any conflict of interest, whether apparent or actual?	Yes		
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties?	Not applicable as no instances identified		
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?	Yes		
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	Yes (see recommendation 3)		
Is the risk of over-familiarity or complacency managed effectively?		Yes (actions identified by the HoAA will support achieving general conformance)	
Have internal auditors declared interests in accordance with organisational requirements?	Yes		
Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties has this been declared and investigated fully?	Not applicable as no instances identified		
Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?	Yes		
Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	Yes		
If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting	Not applicable as no instances identified		

Statement	Generally Conforms	Partially Conforms	Does not Conform
services engagement, was this disclosed to the engagement client before the engagement was accepted?			
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	Yes		
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent? Is the CAE suitably experienced?	Yes		
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?		Yes (actions identified by the HoAA will support achieving general conformance)	
Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?		Yes (actions identified by the HoAA will support achieving general conformance)	
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Yes		
Do internal auditors have sufficient knowledge of key information technology risks and controls?		Yes (actions identified by the HoAA will support achieving general conformance)	
Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?		Yes (actions identified by the HoAA will support achieving general conformance)	
Do internal auditors exercise due professional care?	Yes		
Do internal auditors exercise due professional care during a consulting engagement?	Yes		
Has the CAE defined the skills and competencies for each level of auditor? Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	Yes		
Do internal auditors undertake a programme of continuing professional development?		Yes (actions identified by the HoAA will support achieving general conformance)	
Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	Yes		
Does the QAIP include both internal and external assessments?	Yes		
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	Yes		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Do internal assessments include ongoing monitoring of the internal audit activity?	Yes		
Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?		Yes (actions identified by the HoAA will support achieving general conformance)	
Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?	Yes		
Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	Yes		
Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?	Yes		
Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?	Yes		
Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	Yes		
Has the CAE reported the results of the QAIP to senior management and the board?	Yes		
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	Yes		
Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	Yes		
Has the CAE reported any instances of non-conformance with the PSIAS to the board?	Yes		
If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	Yes (none identified)		
Performance Standards			
Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	Yes		
Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	Yes		
Does the risk-based plan set out the: Audit work to be carried out?	Yes		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	Yes		
Is the internal audit activity's plan of engagements based on a documented risk assessment?	Yes		
In developing the risk-based plan, has the CAE also given sufficient consideration to: Any declarations of interest (for the avoidance for conflicts of interest)? The requirement to use specialists, e.g. IT or contract and procurement auditors? Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	Yes		
In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?	Yes		
Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	Yes		
Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval? Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	Yes		
Has the CAE communicated the impact of any resource limitations to senior management and the board?	Yes		
Does the risk-based plan explain how internal audit's resource requirements have been assessed?	Yes		
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?	Yes		
If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?	Yes		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Has the CAE developed and put into place policies and procedures to guide the internal audit activity?		Yes (actions identified by the HoAA will support achieving general conformance)	
Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?		Yes (actions identified by the HoAA will support achieving general conformance)	
Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	Yes		
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	Not applicable		
Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes?	Yes		
Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities?		Yes (actions identified by the HoAA will support achieving general conformance)	
Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	Yes		
Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes?	Yes		
Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems?	Yes		
Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Yes		
Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	Yes		
Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	Yes		
Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems	Yes		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	Yes		
Do internal auditors develop and document a plan for each engagement?	Yes		
Do internal auditors consider the following in planning an engagement, and is this documented: objectives, controls, risks, resources, operations, risk mitigation, adequacy, effectiveness, improvements?	Yes		
Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party?	Not applicable		
For consulting engagements, have internal auditors established an understanding with the engagement clients	Yes		
Have objectives been agreed for each engagement?	Yes		
Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?		Yes (actions identified by the HoAA will support achieving general conformance)	
Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	Yes		
Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?	Yes		
Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	Not applicable		
For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?	Yes		
Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement	Yes		
Have internal auditors developed and documented work programmes that achieve the engagement objectives?	Yes		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?		Yes (actions identified by the HoAA will support achieving general conformance)	
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?	Yes		
Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented: Intentional wrongdoing? Errors and omissions? Poor value for money? Failure to comply with management policy? Conflicts of interest?	Yes		
Have internal auditors documented the relevant information required to support engagement conclusions and results?		Yes (see Recommendations 4 & 5)	
Does the CAE control access to engagement records?	Yes		
Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	Yes		
Do the communications of engagement results include the following: The engagement's objectives? The scope of the engagement? Applicable conclusions? Recommendations and action plans, if appropriate?	Yes		
Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	Yes		
If recommendations and an action plan have been included, are recommendations prioritised according to risk?	Yes		
Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?	Yes (see Recommendation 6)		
Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	Yes		
When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?		Yes (actions identified by the HoAA will support achieving general conformance)	
Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively,	Not applicable		

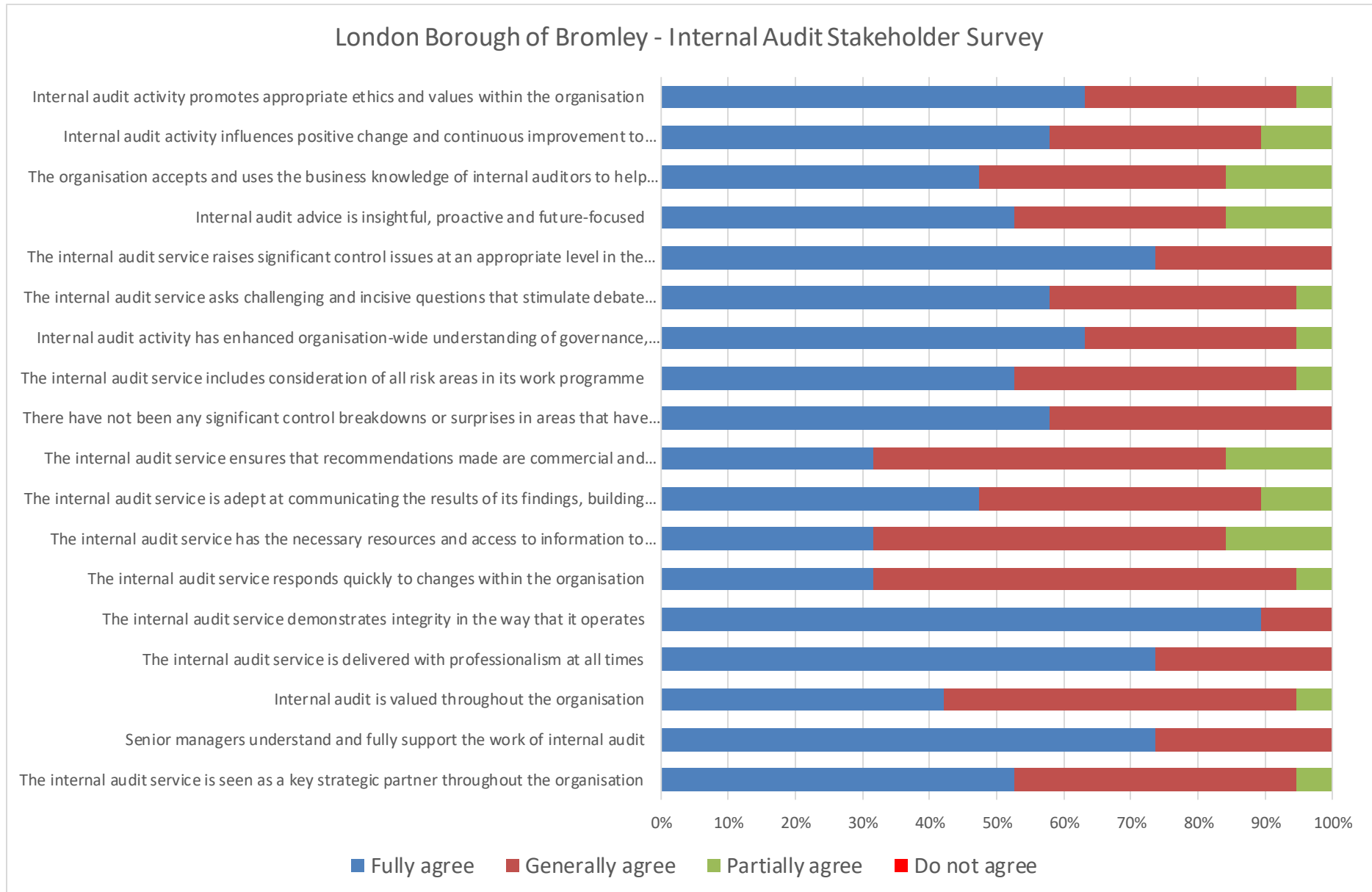
Statement	Generally Conforms	Partially Conforms	Does not Conform
having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?			
Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?	Yes		
If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	Not applicable		
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	Yes		
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? The reason(s) for non-conformance? The impact of non-conformance on the engagement and the engagement results?	Not applicable		
Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	Yes		
Has the CAE communicated engagement results to all appropriate parties?	Yes		
Before releasing engagement results to parties outside the organisation, did the CAE: Assess the potential risk to the organisation? Consult with senior management and/or legal counsel as appropriate? Control dissemination by restricting the use of the results?	Yes		
Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	Yes		
Has the CAE delivered an annual internal audit opinion?	Yes		
Does the communication identify the following: The scope of the opinion, including the time period to which the opinion relates? Any scope limitations? The consideration of all related projects including the reliance on other assurance providers? The risk or control framework or other criteria used as a basis for the overall opinion?	Yes		
Does the annual report incorporate the following: annual opinion, summary of work, qualifications, impairments, comparisons,	Yes		

Statement	Generally Conforms	Partially Conforms	Does not Conform
conformance with PSIAIS, results of the QAIP, progress against improvement plans, summary of performance?			
Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?		Yes (actions identified by the HoAA will support achieving general conformance)	
Does the internal audit activity monitor the results of consulting engagements as agreed with the client?		Yes (actions identified by the HoAA will support achieving general conformance)	
If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	Yes		

Appendix A – Definitions

Generally Conforms	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and practice statements within the section or sub-sections. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the Audit Committee.

Appendix B – Survey Results



Appendix C – Action Plan developed by the Head of Audit and Assurance through the self-assessment

Area for Development	Issue	Actions	Original Timeframe	Progress update May 2023
Professional Training and Development	<p>There has been no skills analysis or consistent process for identifying and addressing training and development needs.</p> <p>The job description for the Principal Auditor post (the majority of staff) has not been reviewed and updated, including the skills required, since 2017.</p>	<ol style="list-style-type: none"> 1) Complete team skills assessment against IIA competency framework 2) Develop a training plan for the team using the outcomes of the skills assessment and appraisal discussions 3) Determine / agree how training will be recorded and implement solution 4) Review and update the Principal Auditor job description 	<p>01/07/2022</p> <p>30/11/2022</p>	<ol style="list-style-type: none"> 1) Complete 2) Complete (but to be reviewed again as part of appraisal process) 3) In progress, in discussions with L and D 4) Not started, to be reviewed in line with Recommendation 7 below when the new professional standards are finalised (March 2024) as these may also impact on the JD.
Risk Based Auditing	<p>Audit work has not been explicitly linked to strategies, objectives and risks, at macro and individual level.</p> <p>Planning for individual audits has not been sufficiently supported by a risk assessment.</p>	<ol style="list-style-type: none"> 1) Ensure that the Audit Plan is explicitly linked to strategies objectives and risks (as for 2022/23) 2) Ensure that Audit progress and outcome reports to Committee explicitly demonstrate how audit work provides assurance on strategic objectives and risks 3) Continue to embed the planning process for individual audits to ensure that these relate to strategies, objectives and risks 4) Continue to develop a 'library of risks' for audit work 	<p>Ongoing but demonstrated by end March 2023</p>	<ol style="list-style-type: none"> 1) Complete 2) In progress but to be reviewed for Annual Report 2022/23 3) Ongoing 4) Not started, responsibility to be allocated by end June 2023 as part of objective setting.
Quality Assurance	<p>There is no documented Quality Assurance and Improvement Programme.</p> <p>KPIs are limited in scope and number and do not provide a holistic assessment of the service.</p>	<ol style="list-style-type: none"> 1) Develop a QAIP for the section 2) Develop a set of KPIs for the section 3) Develop a system for monitoring and chasing return of questionnaires 	<p>Oct-22</p>	<ol style="list-style-type: none"> 1) Complete 2) New KPIs approved by March Audit and Risk Management Committee 3) In progress - Return rate is still very low

Area for Development	Issue	Actions	Original Timeframe	Progress update May 2023
	<p>Limited documented evidence of supervision and review for individual audits.</p> <p>Customer feedback limited as questionnaires not routinely returned</p>	<p>4) Ensure that all files show evidence of review points and responses, prior to draft ToR or report release</p>		<p>4) Complete</p>
Independence and Objectivity	<p>The Head of Audit and Assurance's appraisal is undertaken by the s151 officer with no input from the Chair of Audit Committee or the Chief Exec.</p> <p>The team are very experienced at LBB but this does mean we need to be more careful when allocating assignments to ensure rotation and objectivity, whilst making use of skills and experience.</p>	<p>1) Discuss with the s151 Officer how feedback from others can be used to inform the appraisal process</p> <p>2) Ensure that auditors are allocated a range of subjects and that we have discussions prior to detailed planning about previous work in the area and any impact this may have</p>	<p>01/02/2023</p> <p>Ongoing but embedded by March 2023</p>	<p>1) Informal feedback obtained</p> <p>2) In progress as this is now part of the individual audit planning process - check to be undertaken at year end</p>
IT Risks and Controls	<p>Some staff did not feel confident auditing IT risks and controls.</p>	<p>1) Source and deliver training as part of the IA Training Plan</p>	<p>Mar-23</p>	<p>1) In progress - whole team training booked for June 2023</p>
Data Analytics	<p>There is limited use of data analytics.</p>	<p>1) Develop a data analytics strategy which includes training, skills and roll out</p> <p>2) Ensure auditors have opportunities to practice their skills within individual audits</p>	<p>Mar-23</p>	<p>1&2) Two team members now part of the IIA Data Analytics Forum to assist with developing a strategy, to be complete by end March 2024 (to incorporate new standards)</p>
Procedures	<p>The Audit Manual has not been fully updated and disseminated since 2015.</p>	<p>1) Update the Audit Manual and roll out to the Team</p>	<p>Dec-22</p>	<p>1) In progress, first iteration will be complete by end August 2023 and shared with the team at the September team meeting. It will then need to be updated again for the new professional standards when these are finalised.</p>

Area for Development	Issue	Actions	Original Timeframe	Progress update May 2023
Reliance on other assurance providers	There is no defined process for identifying and placing reliance on other assurance providers. Relationships with EA are not well developed.	1) Assurance mapping included as part of the 2022-23 Internal Audit Plan 2) Develop process for placing reliance on other forms of assurance	Mar-23	1) Assurance mapping planned but not yet delivered due to reductions in staff hours, this work will be continued into 2023/24 2) We assess other forms of assurance on an ad hoc basis but do not have a formally developed process. This will be included in the audit manual, revised date end August 2023.
Audit Coverage	Internal Audit's role in providing assurance on, and promoting ethics and values, needs to be enhanced. Similarly, there has been limited work on strategic decisions although operational decisions are routinely covered.	1) Future audit plans need to consider assurance over ethical matters and strategic decisions making.	November 2023 onwards	1) In progress – assurance work is now covering strategic decisions. We will continue to develop assurances over ethical matters.
Fraud Risks	There is no fraud risk assessment for the organisation and the Counter Fraud strategy is due an update.	1) Update CF Strategy 2) Develop a fraud risk assessment	November 2022 for Strategy March 2024 for risk assessment	1) Complete 2) Not yet started, due end March 2024.
Consultancy work	There is no template for consultancy work, including the respective roles and responsibilities of both parties	1) Develop a template for consultancy Terms of Reference which includes roles and responsibilities of both parties	Jul-22	1) Complete
Fieldwork	Work programmes (RCMs) are inconsistent in detail and quality. RCMs do not always include how information will be identified, analysed, evaluated and documented, including how samples will be selected. There is limited evidence on file of RCM review and approval prior to fieldwork.	1) Provide training on RCMs in team meeting 2) Review individual RCMs and provide follow up support / coaching as required 3) Planning checklist contains controls section to prompt process design work 4) Provide training on process mapping 5) Request process maps or procedure notes from clients where applicable, checking if correct.	Dec-22	1) Complete 2) Complete and ongoing 3) Complete but needs to be reviewed 4) Not started, to be scheduled for September 2023 team meeting.

Area for Development	Issue	Actions	Original Timeframe	Progress update May 2023
	<p>Files do not always contain information on how processes are designed and meant to operate, in order to assess adequacy of design.</p> <p>The level of information and detail held on each file is mixed, some do not contain a sufficient level of detail to fully support conclusions and results.</p>			5) Ongoing - not yet fully consistent
Reporting	<p>Audit reports have not consistently acknowledged good practice as in some instances the report has been exception only.</p> <p>There is no defined process for releasing full (non redacted) reports to parties outside the organisation.</p>	<p>1) Ensure that all audit reports identify areas which are working well</p> <p>2) Determine a process for releasing full reports outside LBB</p>	<p>01/05/2022</p> <p>31/10/2022</p>	<p>1) Audit reports identify areas of good practice. Report template has been reviewed and being trialled with clients.</p> <p>2) Not yet started - to be included in Audit Manual (end August 2023).</p>
Follow Up	<p>Follow up process newly developed and not embedded.</p> <p>Process for monitoring consultancy pieces of work not defined.</p>	<p>1) Continue to embed follow up process</p> <p>2) Review new process in September 2022 and make any amends.</p> <p>3) Define process for monitoring follow up of actions agreed as part of consultancy engagements</p>	Sep-22	<p>1) and 2) Follow up process operational and reviewed in Team Meeting.</p> <p>3) Not yet started - to be included in Audit Manual (end August 2023)</p>

Appendix D – Further actions arising from the external assessment

	Recommendation	Management Comments and Timeline
1	The paragraph setting out the responsibility for co-ordinating, reviewing and updating the Financial Regulations should be removed from the Head of Audit and Assurance's job description and the responsibility transferred to the officer(s) who are responsible for overseeing and operating the Council's financial control environment.	<p>Management Response: Agreed. The responsibility will transfer to the Head of Corporate Finance and Accounting and the job descriptions updated to reflect.</p> <p>Action Owner: Director of Finance Implementation Date: 30 September 2023</p>
2	The Head of Audit and Assurance should contribute to and be asked to independently review and challenge the Council's Annual Governance Statement rather than being responsible for preparing the document.	<p>Management Response: At the present time, senior management consider that there is not a suitable alternative to lead on the AGS although we will keep this under review. The Head of Audit and Assurance co-ordinates the Statement but responsible managers write their individual sections. We will endeavour to identify some resource within the Finance Department to assist with the administration of this task.</p> <p>Action Owner: Director of Finance / Head of Audit and Assurance Implementation Date: N/A</p>
3	Where the Head of Audit and Assurance has operational responsibility for an area to be covered in the internal audit plan, the Director of Finance should review and agree the terms of reference for the review, the draft report to be issued to management and the final report to be issued for the engagement.	<p>Management Response: Agreed</p> <p>Action Owner: Director of Finance Implementation Date: Immediately, as from date of next relevant review</p>
4	The Quality and Improvement Programme should be amended to ensure the review of audit files confirms that internal auditors have documented the relevant information obtained through their review to support the engagements conclusions and results.	<p>Management Response: Agreed</p> <p>Action Owner: Head of Audit and Assurance Implementation Date: 31 July 2023</p>

	Recommendation	Management Comments and Timeline
5	Consideration could be given to the internal audit team periodically peer reviewing each other's work as a learning exercise, as part of the training covering this aspect of the Standards and the conduct of file reviews.	<p>Management Response: Agreed, we will discuss this proposal at the July team meeting to seek views as to whether this is a viable proposition and if so, how this could be implemented and incorporated into our Quality Assurance and Improvement Programme.</p> <p>Action Owner: Head of Audit and Assurance Implementation Date: 31 July 2023</p>
6	The Audit Checklist should be amended so that the auditor can record where confidential information has been obtained during the audit and whether this information has been included in the report provided to management. Such information would then need to be redacted or removed when the final report is published.	<p>Management Response: Agreed, we will discuss in our July team meeting to determine the best way to record this.</p> <p>Action Owner: Head of Audit and Assurance Implementation Date: 31 July 2023</p>
7	Consideration should be given to creating a designated deputy role within the Internal Audit Service provide greater leadership and management capacity and service resilience.	<p>Management Response: We agree that there is a need for increased management capacity and service resilience. We will review arrangements when the new Internal Audit Standards are finalised so that any associated impacts are also taken into consideration.</p> <p>Action Owner: Head of Audit and Assurance / Director of Finance Implementation Date: 31 March 2024 (estimated, as final date for Standards not confirmed)</p>
8	Consideration should be given to developing a high level strategic audit plan covering a period of 3 to 5 years, which would include cyclical audits and areas which would be reviewed periodically across the Council.	<p>Management Response: Agreed, we will develop a strategy for the Audit service.</p> <p>Action Owner: Head of Audit and Assurance Implementation Date: 31 March 2024 (to be presented alongside the 2024-25 Internal Audit Plan)</p>