

SWAP - Independent External Assessment Report Summary

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Assessment Team:

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1 Introduction

1.1 The Public Sector Internal Auditing Standard (PSIAS) and the International Standards for the Professional Practice of Internal Auditing require that an external quality assessment (EQA) of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The qualified assessor or assessment team must demonstrate competence in both the professional practice of internal auditing and the EQA process. The EQA can be accomplished through a full external assessment or a self-assessment with independent validation.

1.2 SWAP Internal Audit Services (SWAP) conducted a self-assessment of its internal audit activity and selected Orbis and South West London Audit Partnership (SWLAP) as the qualified, independent external assessment team to conduct a validation of the self-assessment by SWAP. In addition, the assessment team was also asked to consider, drawing on their previous extensive partnership experiences, what actions might be taken to further improve the overall quality and effectiveness of the service.

1.3 The assessment team was made up of Russell Banks, Chief Internal Auditor for Orbis and Alix Wilson, Head of SWLAP. Orbis deliver internal audit and counter fraud services to Surrey County Council, East Sussex County Council and Brighton & Hove City Council, as well as to range of external clients, including emergency services and district/borough councils. SWLAP is a 5 Borough shared audit service covering the Royal Borough of Kingston and the London Boroughs of Richmond, Wandsworth, Sutton and Merton. SWLAP also delivers internal audit services to a number of external clients including Achieving for Children, a wholly owned community interest company providing children's services to Kingston, Richmond and Windsor and Maidenhead councils.

2 Objectives

2.1 The principle objective of the EQA was to assess SWAP's conformance with the Standards and the Code of Ethics.

2.2 In addition, the assessment team has sought to draw on its own experiences of delivering professional internal audit services, in a partnership capacity, to a range of public sector organisations to help identify any further opportunities to improve the overall quality and effectiveness of the services delivered by SWAP.

3 Executive Summary

3.1 SWAP is a high performing and well managed internal audit partnership, delivering professional and high-quality services to its partner/client organisations in conformance with Public Sector Internal Audit Standards. Whilst some areas of partial conformance with the Standards have been identified, none of these are considered to be significant.

3.2 Interviews with stakeholders were overwhelmingly positive about the service they receive from SWAP, recognising the value and professionalism of the service. In the interest of continuous improvement, something quite rightly seen as being of great importance to the Chief Executive and SWAP management, we have taken the opportunity as part of this review to identify areas where the organisation can further improve and develop. In many cases, these are simply suggestions for management to consider as in some cases, they may not be appropriate for every internal audit service provider.

3.3 To demonstrate how the service is viewed we have captured a flavour of some of the comments made to us:

- ✚ *“The quality of reports is good and the recommendations are proportionate and well explained” – s.151 Officer*
- ✚ *“The auditors have good knowledge of the organisation and its risks. The organisation recognises that they have skills that can be used and trust their advice” – Monitoring Officer*
- ✚ *“Internal audit brings insight from other clients and a wider knowledge” – s.151 Officer*
- ✚ *“They are treated as a critical friend and are seen to add value” – Executive Director*

4 PSIAS Statement of Conformance

4.1 Based on the work carried out it is our overall opinion that SWAP generally conforms with the Standards and the Code of Ethics. A summary of Evaluation Actions to be taken by SWAP to address areas for improvement against individual Standards and the Code of Ethics is shown in *Section 5*.

4.2 The IIA’s Quality Assessment Manual for the Internal Audit Activity suggests a scale of three rankings when opining on the internal audit activity:

DEFINITIONS	
Generally Conforms	The internal audit activity has a charter, policies, and processes that are judged to be in conformance with the <i>Standards</i> and the Code of Ethics.
Partially Conforms	Deficiencies in practice are noted that are judged to deviate from the <i>Standards</i> and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
Does Not Conform	Deficiencies in practice are judged to deviate from the <i>Standards</i> and the Code of Ethics, and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

(Ref: Institute of Internal Auditors)

4.3 A detailed description of conformance criteria can be found in *Appendix A*.

5 Evaluation Actions Summary

There were a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion. Some were captured across more than one of the attribute standards or are recommendations for improvement, rather than failures in conformance. A summary of the actions agreed relating to these areas are as follows:

Task
Regular meetings will be held with all Audit Committee Chairs to further strengthen relationships and ensure that they are kept up to date with any issues outside of formal meetings. <i>(Attribute Standard 1000)</i>
We will consider establishing an Internal Audit Strategy which sits alongside the Charter and annual plan, which will cover the objectives and remit of the service, and how it will be delivered. This will include service and staff development. <i>(Attribute Standard 2010)</i>
There will be a consolidation of the templates used as part of the engagement planning process, to ensure that the fraud risks are properly considered. The pre-audit questionnaire will be reviewed and updated, the template loaded onto MK Insight and formally rolled out. The process of reviewing Audit Terms of Engagement will consistently include reviewing the results of the pre-audit questionnaire, to ensure that risks have been properly identified and reflected in the scope of the review. <i>(Attribute standard 1210)</i>
The Internal Audit Charter will be extended to cover the type of consultancy work which could be provided, and how independence will be maintained. This detail will also be reflected within the Internal Audit Strategy, once developed. <i>(Attribute standard 2200)</i>
Whilst it may not be proportionate to report the QAIP (Quality Assessment Improvement Plan) in its entirety to Audit Committees, an update on progress will be included in the annual opinion reports going forward. <i>(Attribute Standards 1300, 1310, 1311, 1320 and 2450)</i>
The inclusion of significant issues identified in AGS (Annual Governance Statement) reports helps ensure that internal audit provides holistic assurance of the organisation, particularly where there are known concerns. The identification of other sources of assurance aim to ensure that work is co-ordinated with other assurance bodies and limited resources are not duplicating effort. The Audit manual will be updated to ensure that the AGS forms part of the audit planning risk assessment process, and other sources of assurance are duly considered. <i>(Attribute standard 2010 and 2050)</i>
The Audit Manual and accompanying power point slides that have been embedded in the induction will be made accessible on the Intranet to all staff. <i>(Attribute Standard 2020)</i>
The QAIP will be maintained as a live document and reported to the Board and respective Audit Committees. <i>(Attribute Standards 1300, 1310, 1311, 1320 and 2450)</i>

The PSIAS can be viewed at <https://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>.

Appendix A – Rating Definitions

GC – “Generally Conforms” means that the assessor or the assessment team 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 elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the Standards or the Code of Ethics and has not applied them effectively or has not achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC – “Partially Conforms” means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics, or a 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 the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organisation.

DNC – “Does Not Conform” means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics, or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit 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.