

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to	Governance and Audit Committee
Date	29 June 2023
Subject	External Quality Assessment of Conformance with the Public Sector Internal Audit Standards
Head of Service	Marc Jones Director of Function (Resources) and Section 151 Officer MarcJones@anglesey.gov.wales
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Natur a Rheswm dros Adrodd / Nature and Reason for Reporting: This report provides the outcome of the five-year external quality assessment of the conformance with the Public Sector Internal Audit Standards of the Council's internal audit service, undertaken by Flintshire County Council.	

1. INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires an external assessment of all internal audit services to be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.
- 1.2 The two possible approaches to external assessments outlined in the Standards include either a full external assessment or an internal self-assessment which is validated by an external reviewer.
- 1.3 Members of the Welsh Chief Auditors Group (WCAG) elected to adopt the self-assessment approach, with another member of the WCAG undertaking the validation.
- 1.4 A team from Flintshire County Council, consisting of the chief audit executive supported by the Principal Auditor, undertook the validation. Their report is attached.
- 1.5 The validation determined that the Isle of Anglesey County Council internal audit service 'Generally Conforms' with the requirements. 'Generally Conforms' reflects the highest level of conformance following an external assessment.

2. RECOMMENDATION

- 2.1 That the Governance and Audit Committee notes the assurance provided by the outcome of the external quality assessment of the Council's conformance with the Public Sector Internal Audit Standards undertaken by Flintshire County Council.



Flintshire Internal Audit

Assurance:

Generally Conforms: The evaluator has concluded that the relevant structures, policies and procedures of the internal audit service, 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 service 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.

Audit Report

Title: PSIAS External Assessment –
Ynys Môn County Council
Internal Audit Service

Issued Dated: 19 May 2023

Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

1.0 Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) became effective from 1st April 2013 and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The standards have been revised from 01 April 2017 to incorporate new and revised international standards and consequent amendments to the additional public sector requirements and interpretations. The external assessment has been benchmarked against the amended 2017 standards.
- 1.2 The two possible approaches to external assessments outlined in the Standards include either a full external assessment or an internal self-assessment which is validated by an external reviewer.
- 1.3 Members of the Welsh Chief Internal Auditors Group (WCIAG) elected to adopt the self-assessment approach, with another member of the WCIAG undertaking the validation.

2.0 Purpose

- 2.1 The purpose of the external assessment is to help improve delivery of the audit service to Ynys Môn County Council. The assessment is designed to be a supportive process that identifies opportunities for development, which ultimately helps to enhance the value of the audit function.

3.0 Results

- 3.1 In summary, there are 304 best practice questions within the PSIAS self-assessment. The Head of Audit & Risk undertook a self-assessment review of conformance against the PSIAS during September 2022 to be used as the basis of the external validation.
- 3.2 Following validation of the self-assessment by Flintshire County Council, the Internal Audit Service of Ynys Môn County Council '**Generally Conforms**' with the requirements. 'Generally Conforms' reflects the highest level of conformance following an external assessment.

4.0 Impact of non-compliance and steps to be taken to ensure compliance

- 4.1 Any non-conformance with the Standards and their impact must be disclosed to Senior Management and the Governance and Audit Committee.
One area of partial conformance was identified in the external quality assessment, this has been detailed in Section 5.
Overall, the Ynys Môn County Council's Internal Audit Service complies with the standards in all significant areas and operates independently and objectively.

5.0 Improvement Action Plan

Ref No.	Link to PSIAS Self-Assessment / PSIAS Standards and IPPF	Improvement Area
1.	PSIAS Standard 1311 – Internal Assessments	<p>PSIAS Standard 1311 requires internal assessments to be carried out as part of the Quality Assurance and Improvement Programme (QAIP) which include:</p> <ul style="list-style-type: none"> • Ongoing monitoring of the performance of the internal activity. • Periodic self-assessment or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. <p>Whilst evidence provided to support PSIAS self-assessment questions 102-111 suggest that ongoing monitoring of the performance of the internal audit activity takes place, no evidence (i.e., completed self-assessments undertaken between external quality assessments) has been provided to confirm periodic self-assessments have been undertaken.</p> <p>Whilst ongoing monitoring of performance generally focuses on the performance standards within PSIAS, the scope of periodic self-assessments is wider, considering conformance with the Mission and Definition of Internal Auditing, the Core Principles for the Practice of Internal Auditing, the Code of Ethics and the Attribute Standards.</p> <p>Periodic self-assessments should be evidenced using the PSIAS self-assessment template. The results of the self-assessment should be reported to the Governance & Audit Committee alongside any action plans to address identified areas for improvement.</p>

6.0 Best Practice Suggestions

- 6.1 We have taken the opportunity to include some best practice suggestions. These are based on guidance provided in PSIAS and guidance issued by the Institute of Internal Auditors. Whilst these actions may not be prescribed in PSIAS or the Local Government Application Note (LGAN) they represent opportunities for development and it is considered implementation would support continuous improvement.

Ref No.	Link to PSIAS Self-Assessment / PSIAS Standards and IPPF	Best Practice Suggestions
1.	PSIAS Self-Assessment, (Q.30)	<p>The PSIAS self-assessment template confirms the requirement for the Internal Audit Charter to define the term 'Board', stating "it is expected that the audit committee will fulfil the role of the board in the majority of instances¹".</p> <p>Whilst the Head of Audit & Risk (HA&R) has a functional reporting line to the Governance & Audit Committee, the Ynys Môn Internal Audit Charter currently defines the 'Board' as the 'Executive.'</p> <p>We would suggest the Internal Audit Charter is updated to reflect the functional reporting line, with the Board defined as the Governance & Audit Committee.</p>
2.	IPPF Implementation Guide, Standard 1111 - Direct Interaction with the Board	<p>The HA&R has confirmed the terms of reference of the Ynys Môn Governance & Audit Committee refer to scope for an annual private meeting between the HA&R and the Governance & Audit Committee, these private sessions do not however currently take place.</p> <p>Whilst this is not a requirement of PSIAS and is not referred to in the LGAN, the IPPF Implementation Guide for Standard 1111, Direct Interaction with the Board, does suggest an annual private meeting is held between the Governance & Audit Committee and the Chief Audit Executive (CAE) without Senior Management present.</p> <p>A private meeting would be an opportunity to communicate sensitive matters or issues facing the internal audit function or the organisation. Private sessions allow the Governance & Audit Committee to ask questions wider than the internal audit plan and gain useful insight from the Head of Audit. Discussion with the Chair of the Governance & Audit Committee as part of the external assessment process indicated there is appetite for an annual private meeting.</p>

¹ The CIPFA LGAN suggests that in instances where judgement may be required to determine which group should be defined as the 'Board', CAE's could review the terms of reference for each relevant group and map the results of that review to the PSIAS and those standards which reference the Board (CIPFA LGAN, Chapter 3, page 13).

Ref No.	Link to PSIAS Self-Assessment / PSIAS Standards and IPPF	Best Practice Suggestions
3.	PSIAS Standard 1110 – Organisational Independence	<p>PSIAS Standard 1110 requires the CAE to confirm to the Board, at least annually, the organisational independence of the internal audit activity.</p> <p>Evidence to support Question 154 of the PSIAS self-assessment states ‘independence of the internal audit activity is included in the Charter and Annual Report – reported annually to the G&AC’. Review of the Internal Audit Annual Report 2021-22 however found no reference to independence of the internal audit activity.</p> <p>Whilst the Internal Audit Charter defines how internal audit independence is established and maintained, there is also a requirement for the CAE to confirm organisational independence to the board, at least annually (PSIAS Standard 1110). Whilst PSIAS and the LGAN do not specifically state that organisational independence should be confirmed in the internal audit annual report this would be best practice and consistent with the way in which other local authorities provide confirmation of their organisational independence.</p>
4.	PSIAS Self-Assessment (Q153)	<p>The PSIAS self-assessment template confirms the requirement for the risk based plan to include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources.</p> <p>The HA&R has confirmed an assurance map is in the processes of being developed. The third line assurance has been populated and the assurance map is currently with the Performance Team to allow first and second line assurance to be populated.</p> <p>Whilst current processes for developing the risk based internal audit plan comply with PSIAS, the completion of an assurance map would ensure greater visibility of any assurance gaps or any areas of over assurance.</p>

7.0 Distribution List

Name	Job Title
Marion Pryor	Head of Audit and Risk, Ynys Môn County Council
Marc Jones	Head of Function (Resources) & Section 151 Officer, Ynys Môn County Council
Dilwyn Evans	Chair of Governance & Audit Committee, Ynys Môn County Council