

**External Quality Assessment of Conformance to
the Public Sector Internal Audit Standards**

**Doncaster Metropolitan Borough Council
Internal Audit Service**

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1 Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013, revised in 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments, or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period.
- 1.2 The Heads of Internal Audit from four councils within South and West Yorkshire established a 'peer-review' process that is managed and operated by the constituent councils. The peer review process addresses the requirement of an external quality assessment by 'self-assessment with independent external validation', and this report presents the summary findings of the review carried out on behalf of Doncaster Metropolitan Borough Council by the Head of Internal Audit of Rotherham Metropolitan Borough Council.
- 1.3 The assessor is a qualified CFIIA (Fellow of the Chartered Institute of Internal Auditors UK) and QIAL (Qualified in Internal Audit Leadership, IIA Global) and has over thirty years' experience within internal audit including performing the role of Chief Audit Executive (Head of Internal Audit) within local government for fifteen years.
- 1.4 Doncaster Internal Audit has been operating under PSIAS since its launch in 2013 and this is the second external quality assessment that they have commissioned, the previous one being in 2017.

2. Background

- 2.1 Doncaster Internal Audit provides audit services to Doncaster Metropolitan Borough Council and St Leger Homes of Doncaster (SLH). Although presented to Doncaster Council's Audit Committee this report also provides assurance to the SLH Board and Audit Committee that Doncaster Internal Audit is professionally competent to meet their internal audit needs.
- 2.2 The service is managed by the Head of Internal Audit and is made up of 8.41 FTE employees delivering around 1300 productive days, including just under 300 within the fraud plan. In addition, SLH receive 79 audit days. The members of the team are highly experienced within internal audit.
- 2.3 From an operational perspective the Head of Internal Audit reports to the Audit Committee and through the s151 Officer to the Doncaster Leadership Team. These two bodies fulfil the roles of 'senior management' and 'the board' as defined by the PSIAS. He also has direct access to the Council's Chief Executive and Monitoring Officer and the Chair of the Audit Committee. For St Leger Homes the reporting lines are to the Audit Committee and the Director of Corporate Services.

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- 2.4 The service uses Teammate to manage all activities, from overall planning to the completion of individual assignments and the tracking of audit actions. Supervision of assignments takes place at every stage and is recorded in Teammate.

3. Validation Process

- 3.1 The self-assessment validation comprised a combination of a review of evidence provided by the service; a review of a sample of five completed internal audits; attendance at an Audit Committee meeting; and a series of interviews with key stakeholders, either in person or using MS Teams. A Pulse survey had recently been carried out and this was also referred to.
- 3.2 Doncaster Internal Audit provided a comprehensive range of documents that they used as evidence to support the validation of their self-assessment, including the:
- Self-assessment against the standards
 - Annual Report of the HIA
 - Annual Plan
 - Audit Charter
 - Progress and other reports to the Audit Committee
 - Audit procedures
 - Quality Assurance and Improvement Plan
 - A range of documents relating to the team structure and team members
 - Anti-Fraud and Corruption Framework
 - Pulse Survey
 - Scopes and reports for five completed audits
- 3.3 In addition the audit files within Teammate for the five audits were shared online, as were the processes within Teammate for planning, risk assessment and audit action tracking.
- 3.4 The validation process was carried out during October and November 2021. The feedback from all interviewees was positive, which was supported by the results of the Pulse survey.

4. Opinion

- 4.1 The opinion from the review is that the Doncaster Internal Audit Service's self-assessment is accurate and they Generally Conform to the PSIAS.
- 4.2 The guidance gives a scale of three ratings, 'generally conforms,' 'partially conforms' and 'does not conform'. 'Generally Conforms' is the top rating and means that the relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the Standards in all material respects. 'Partially Conforms' means that the activity is making good-faith efforts to comply with the requirements but falls short of achieving some major objectives. This will represent significant opportunities for improvement. 'Does Not Conform' means that the activity is not aware of or is not making good-faith efforts to comply with the Standards, or is failing to achieve many of them. This will have a significant

impact on the activity's effectiveness and represent significant opportunities for improvement.

- 4.3 This opinion provides assurance to the Audit Committee and SLH and enables them to have confidence in the standard of internal audit provided by the service.
- 4.4 It was clear from the interviews with key stakeholders and from the assessment of documentation that the service is valued and makes an active contribution to the improvement of the systems of governance, risk management and internal control. This was borne out by the Pulse survey carried out by the service shortly before this review. The results were overwhelmingly positive, but the service also reviewed the comments to identify any areas of potential improvement.
- 4.5 The service is headed by experienced leaders who have a good reputation with stakeholders. Roles and responsibilities are understood and there is regular timely communication of audit assurances, issues and concerns to management and Members. Whilst there are suggestions for improvement these do not affect the overall outcome.

5. Findings

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the Internal Audit Strategy.

5.2 Core Principles for the Professional Practice of Internal Auditing

It is clear that the Core Principles are embedded in the practices of Doncaster Internal Audit and that it is a competent and professional service that conforms to all ten elements of the Core Principles.

5.3 Code of Ethics

It is clear that Doncaster Internal Audit demonstrates integrity, objectivity, confidentiality and competency and have regard to the seven principles of public life as required by PSIAS. All employees sign a Declaration of Ethical Behaviour every year.

5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility

Doncaster Internal Audit has a Strategy for 2021 to 2024 and an Audit Charter. Together they define the purpose, authority and responsibility of the service in line with the standard. However, some of the required detail was not included so that recommendations have been made to enhance the Charter.

5.5 Attribute Standard 1100 – Independence and Objectivity

The Service reports in its own name and directly to the Audit Committee and s151 Officer. All employees sign a declaration of interest every year. The Head of Internal Audit has direct access to the Mayor, Deputy Mayor, Chief Executive, s151 Officer,

Chair and Vice-Chair of the Audit Committee. The requirements of the standard are met, but one recommendation has been made to further strengthen the independence of the Head of Internal Audit.

5.6 Attribute Standard 1200 – Proficiency and Due Professional Care

Doncaster Internal Audit has a professional and experienced workforce. The Head of Internal Audit holds a CCAB qualification. The service has staff who are experienced in analysing data and this is used as much as possible. The service does not have a qualified IT auditor but has arranged to use the services of specialist IT auditors from another council. The requirements of the standard are met.

5.7 Attribute Standard 1300 – Quality Assurance and Improvement Programme (QAIP)

The standards require that a QAIP is developed which covers all aspects of the activity and enables conformance with the standards to be evaluated. The service completed a PSIAS Local Government Application Note checklist prior to this review. This resulted in an Action Plan which the service is currently working through. A QAIP is in place and there are good processes within Teammate to monitor the quality of assignments on an ongoing basis. The requirements of the standard are met.

5.8 Performance Standard 2000 – Managing the Internal Audit Activity

Doncaster Internal Audit has supervision and quality assurance processes in place. Processes within Teammate are documented and up to date, however non-IT related procedures have not been reviewed for some time. The service has developed comprehensive planning processes that take into account risks, objectives and governance frameworks; any key issues identified by management; their own risk assessment and the resources available to undertake the audits. From this information they produce a risk-based audit plan that is designed to enhance risk management and governance frameworks and control processes and objectively provide the relevant assurance. The plan is reviewed and approved by senior management and the Audit Committee.

Quarterly relationship management meetings take place with all Directorates to ensure that audit work remains relevant throughout the year. There is a move to agile auditing which will further enhance this. Details of the completed audits and the issues found, together with progress in delivering the plan and performance against Key Performance Indicators are regularly reported to the Audit Committee, with an annual report and opinion at the end of the year. The requirements of the standard are met.

5.9 Performance Standard 2100 – Nature of Work

Doncaster Internal Audit has a systematic and disciplined approach to its activity supported by standardised procedures within Teammate. Internal audit activity evaluates and contributes to the improvement of the organisation's governance, risk management and control framework. Each planned assignment is categorised against one or more of these areas in the annual plan. During this external quality assessment five completed audit assignments were selected for review. They all

conformed to the standard and the Service's own methodology. The requirements of the standard are met.

5.10 Performance Standard 2200 – Engagement Planning

Job briefs are prepared for each audit assignment, reviewed and agreed with the client. Planning ensures that resource allocation matches the nature, complexity and time constraints for each audit. The service has built up a store of audit programmes over the years. This is used when the same area is being audited, having been reviewed and updated as necessary. After the completion of the audit the store is updated with any new information. The requirements of the standard are met.

5.11 Performance Standard 2300 – Performing the Engagement

Work programmes are completed within Teammate. All aspects of the assignment are subject to supervision, review and quality assurance, and conclusions are based on appropriate analyses and evaluation. Some of the service procedures not related to Teammate had not been updated for some time. The requirements of the standard are met.

5.12 Performance Standard 2400 – Communicating Results

The communication of the results of audit assignments is in accordance with the standards. Findings are communicated to the client during the review and the report is issued in draft form for final agreement. Progress Reports and the Annual Report to the Audit Committee also conformed to the standards. The requirements of the standard are met.

5.13 Performance Standard 2500 – Monitoring Progress

There is a comprehensive tracking and follow up process in place, the objective of which is to ensure the implementation of agreed actions. There have been issues in one area but the service has reviewed the risk and assessed it as satisfactory, whilst they continue to monitor progress. The requirements of the standard are met.

5.14 Performance Standard 2600 – Communicating the Acceptance of Risk

The service has appropriate processes in place to deal with communicating and challenging the acceptance of risks. There have been no instances where management has accepted a level of risk that may be unacceptable to the organisation. The requirements of the standard are met.

6 Acknowledgement

I would like to thank all involved for their assistance during this review, in particular those in the audit team who provided me with information and explanations, and those listed below as interviewees.

7 Interviewees

Cllr Austen White, Chair of the Audit Committee

Cllr Glenn Bluff, Vice Chair of the Audit Committee

Damian Allen, Chief Executive

Faye Tyas, Assistant Director Finance and s151 Officer

Julie Crook, Director of Corporate Services, St. Leger Homes

Gareth Mills, Grant Thornton

Perminder Sethi, Grant Thornton

1. Action Plan

Ref	Finding	Recommendation	Management Response / Action	Timescale
1	<p>The service has an Audit Charter which specifies the mission, roles and objectives of Internal Audit, along with their independence, authority and responsibilities. But it does not include detailed information on the following, in line with :</p> <ul style="list-style-type: none"> - Internal Audit's position within the organisation - Establishing the HIA's functional reporting relationship with the board - The accountability, reporting line and relationship between the HIA and those to whom he reports - Establishing the responsibility of the board and the role of the statutory officers with regards to internal audit - Including arrangements for avoiding conflicts of interest if internal audit or the HIA undertake non-audit activities - Recognising the mandatory nature of the PSIAS 	It is recommended that the Charter be amended to explicitly include this information.	The Charter will be amended to explicitly include this information.	31/01/2022
2	There are no concerns about the independence of the Head of Internal Audit, However, his performance review is not referred to the Chief Executive or Chair of the Audit Committee, in accordance with the public sector interpretation within PSIAS.	The independence of the Head of Internal Audit can be further safeguarded by the review of his Performance and Development Review by the Chief Executive, and the provision of feedback from the Chair of the Audit Committee.	The independence of the Head of Internal Audit will be further safeguarded by the review of his 2021 Performance and Development Review by the Chief Executive, and the provision of feedback from the Chair of the Audit Committee	31/01/2022

Ref	Finding	Recommendation	Management Response / Action	Timescale
			and this practice will continue for subsequent years	
3	Most departmental procedures relate to the use of Teammate and are due to be updated after a new version of the software is received. The non-IT procedures have not been reviewed and updated since 2017.	The procedures should be reviewed and brought up to date along with the changes to Teammate procedures.	The procedures will be reviewed and brought up to date along with the changes to Teammate procedures.	Anticipated 31/12/2022 although this is dependent upon the procurement process and outcomes
4	The self-assessment carried out prior to this EQA resulted in an Action Plan with nine actions.	The completion of the actions should be reported to the Audit Committee as part of reporting on the QAIP.	The completion of the actions will be reported to the Audit Committee as part of reporting on the QAIP which will be within the Annual Report of the Head of Internal Audit	30/04/2022