

**Self Assessment of the Internal Audit Section against the Public Sector Internal Audit Standards****Report by Graham Herbert, Internal Audit Manager****1 Purpose of Report**

The purpose of this Report is to provide to the Audit Committee the results of a self evaluation by the Internal Audit Manager on the level of compliance by Midlothian Council's Internal Audit Section against the Public Sector Internal Audit Standards.

**2 Background**

- 2.1 The Public Sector Internal Audit Standards require ongoing monitoring of the performance of the Internal Audit activity and periodic self-assessments to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- 2.2 External assessments must be conducted every five years by a qualified, independent assessor or assessment team from outside the organisation and a report was submitted to the March 2014 Audit Committee outlining how this might be achieved.
- 2.3 CIPFA has produced a local government application note and this includes a checklist for organisations to undertake periodic self-assessments as part of the quality assurance and improvement programme.
- 2.4 This checklist (attached at Appendix 1) was used to undertake this assessment of the level of compliance against the Public Sector Internal audit Standards as well as the Application Note.

**3 Findings**

- 3.1 Our assessment found that the key elements of the Standards were complied with by Internal Audit during the year. We have identified a small number of areas where performance could be improved and these are noted below. We do not however believe that these are significantly material to require comment in the Annual Governance Statement (AGS).
- 3.2 The following are recorded as improvements as a result of our internal assessment against the Definition of Internal Auditing, the Code of Ethics and the Standards:
  - Internal Auditors to declare any potential conflicts of interest on an annual basis (currently only confirmed once following recruitment to the Council);

- review Internal Audit performance measures for consistency with those recommended by the Scottish Local Authority Chief Internal Audit Group (e.g. including the use of customer satisfaction surveys at the end of audit assignments); and
- undertake a review of the technique of assurance mapping to determine if this can be used to show coverage by other service providers as part of the annual planning process (this is already undertaken by Internal Audit as part of the planning cycle but not using the technique of process mapping).

## **4 Report Implications**

### **4.1 Resource**

There are no direct resource issues arising out of this report.

### **4.2 Risk**

There are no risks identified as part of this report as the Internal Audit Section were found to be compliant with the main elements of the Standards.

### **4.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

### **4.4 Key Priorities within the Single Midlothian Plan**

This report does not relate directly to the key priorities within the Single Midlothian Plan.

### **4.5 Impact on Performance and Outcomes**

This report provides assurance that the Internal Audit Section is complying with the major requirements of the Standards.

### **4.6 Adopting a Preventative Approach**

The self assessment reduces the risk of non compliance against the Standards and allows the Internal Audit Section to provide a more effective service to the Council and Council Service users.

### **4.7 Involving Communities and Other Stakeholders**

There are no communities or other stakeholder issues with regard to this report.

#### **4.8 Ensuring Equalities**

There are no equalities issues with regard to this report.

#### **4.9 Supporting Sustainable Development**

There are no sustainability issues with regard to this report.

#### **4.10 IT Issues**

There are no IT issues with regard to this report.

### **5 Summary**

The Internal Audit Manager has concluded that there is an adequate level of compliance against the Public Sector Internal Audit Standards. This will be subject to external validation over the next few years.

### **6 Recommendations**

The Audit Committee is invited to note:

- the results of the self assessment;
- the areas for development; and
- that the Internal Audit Section will be subject to an external assessment within the next 3 years.

**Date 06/03/2014**

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#### **Appendices:**

Appendix 1 – Checklist for Assessing Conformance with the Public Sector Internal Audit Standards and Local Government Application Note.

**Declaration Box**

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**Title of Report:**

**Meeting Presented to:**

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*I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-*

- All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Human Resources.*
- All risk implications have been addressed.*
- All other report implications have been addressed.*
- My Director has endorsed the report for submission to the Council Secretariat.*

*For Cabinet reports, please advise the Council Secretariat if the report has an education interest. This will allow the report to be located on the Cabinet agenda among the items in which the Religious Representatives are entitled to participate.*

*Likewise, please advise the Council Secretariat if any report for Midlothian Council has an education interest. The Religious Representatives are currently entitled to attend meetings of the Council in a non-voting observer capacity, but with the right to speak (but not vote) on any education matter under consideration, subject always to observing the authority of the Chair.*