



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

Neath Port Talbot Internal Audit Services

FINAL INTERNAL AUDIT REPORT

Internal Audit External Quality Assessment

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August 2023

| CONTENTS | | |
|-----------------|---|-----------|
| 1 | Introduction & Background | 3 |
| 2 | Assessment Results | 3 |
| 3 | Assessment Summary | 4 |
| | Appendix A Definitions of the Assessment Criteria and Ratings Used | 9 |
| | Appendix B Action Plan to address non / partial conformance areas (Identified by the Service) | 10 |
| | Appendix C Actions to strengthen arrangements where conformance is already achieved | 11 |
| | Appendix D Report Distribution List | 12 |

1. INTRODUCTION & BACKGROUND

- 1.1 The Public Sector Internal Audit Standards (PSIAS) became effective from 1 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.
- 1.2 The two possible approaches to external assessments outlined in the standards included either a full external assessment, or an internal self-assessment, which is validated by an external reviewer.
- 1.3 Members of the Welsh Chief Auditor Group (WCAG) elected to adopt the self-assessment approach, with another member of the WCAG undertaking the independent validation.
- 1.4 For Neath Port Talbot Council, the Head of Internal Audit and Procurement Services at Conwy County Borough Council undertook the independent validation during 2023. In accordance with the PSIAS, the reviewer is an appropriately qualified and experienced Internal Auditor.
- 1.5 The validation assessment comprised a detailed desktop review of the self-assessment and supporting evidence, additional evidence being requested and provided well as discussions with the Head of Internal Audit and the Audit Manager, to clarify certain points and to gain insight on the operation of the Internal Audit Team and adherence to the Standards.
- 1.6 Any non-conformance with the Standards and the impact must be disclosed to senior management and the Governance and Audit Committee.

2. ASSESSMENT RESULTS

- 2.1 The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), namely: the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.
- 2.2 Across the mandatory elements of the PSIAS, there are 56 best practice areas or standards, which comprise 305 best practice lines. The table at Section 3 below gives a summary of the results of the external validation assessment.
- 2.2 Definitions of the assessment criteria and ratings used are given at Appendix A.

3. ASSESSMENT SUMMARY

The validation assessment conducted in 2023 concludes that the Internal Audit Service for Neath Port Talbot County is currently conforming with 54 of the 56 Public Sector Internal Audit Standards (PSIAS) and partially conforming in two areas. There are no examples of non-conformance identified.

An overall assessment of 'Generally Conforms' with the Public Sector Internal Audit Standards is therefore applicable.

- 3.1 'Generally Conforms' is the highest overall rating available to the assessor.
- 3.2 As shown above, the results of the external assessment are very positive with all areas achieving 'general conformance' with the standards apart from two areas showing partial conformance. These areas were:

Standards 1130 – Impairments to Independence or Objectivity

This is because the Head of Internal Audit has responsibilities for the accountancy team responsible for producing the annual statement of account, all bank related matters and the insurance team.

I am satisfied that there are adequate safeguards in place to mitigate this and to limit impairment to the independence or objectivity. Therefore, no further action needs to be taken.

Standards 1300 – Quality Assurance & Improvement Programme

As part of the Quality Assurance & Improvement Programme an annual self-assessment should be undertaken to assess the efficiency and effectiveness of the Internal Audit activity and identify opportunities for improvement.

I am satisfied the remainder of the Quality Assurance & Improvement Programme is undertaken and a self- assessment will now be undertaken annually.

- 3.3 In addition, I have made suggestions for strengthening arrangements where conformance is already achieved. They are shown Appendix C.

4. RESULTS

| | SUMMARY OF RESULTS | GC | PC | DNC | Observations/Suggestions for strengthening arrangements where conformance is already achieved |
|------------|---|----|----|-----|--|
| 1 | Mission of Internal Audit | ✓ | | | |
| 2 | Definition of Internal Auditing | ✓ | | | |
| 3 | Core Principles for the Professional Practice of Internal Auditing | ✓ | | | |
| 4 | Code of Ethics | ✓ | | | |
| 5 | Attribute / Performance Standards | ✓ | | | |
| Ref | Attribute / Performance Standards | ✓ | | | |
| 1000 | Purpose, Authority and Responsibility (The sum of <i>Standards</i> 1000-1010) | ✓ | | | |
| 1100 | Independence and Objectivity | ✓ | | | |
| 1110 | Organisational Independence | ✓ | | | |
| 1111 | Direct Interaction with the Board | ✓ | | | |
| 1112 | Chief Audit Executive Roles Beyond Internal Auditing | ✓ | | | I am satisfied there are adequate safeguards to limit impairment to independence or objectivity. |
| 1120 | Individual Objectivity | ✓ | | | |
| 1130 | Impairments to Independence or Objectivity | | ✓ | | I am satisfied there are adequate safeguards to limit impairment to independence or objectivity. |
| 1200 | Proficiency and Due Professional Care | ✓ | | | |

| | SUMMARY OF RESULTS | GC | PC | DNC | Observations/Suggestions for strengthening arrangements where conformance is already achieved |
|------|---|-----------|-----------|------------|---|
| 1210 | Proficiency | ✓ | | | |
| 1220 | Due Professional Care | ✓ | | | |
| 1230 | Continuing Professional Development | ✓ | | | |
| 1300 | Quality Assurance and Improvement Programme | | ✓ | | Internal self-assessment will now be taken annually as part of the Quality Assurance & Improvement Programme. |
| 1310 | Requirements of the Quality Assurance and Improvement Programme | ✓ | | | |
| 1311 | Internal Assessments | ✓ | | | |
| 1312 | External Assessments | ✓ | | | |
| 1320 | Reporting on the Quality Assurance and Improvement Programme | ✓ | | | |
| 1321 | Use of Conforms with the International Standards for the Professional Practice of Internal Auditing | ✓ | | | |
| 1322 | Disclosure of Non-conformance | ✓ | | | |
| 2000 | Managing the Internal Audit Activity | ✓ | | | |
| 2010 | Planning | ✓ | | | |
| 2020 | Communication and Approval | ✓ | | | |
| 2030 | Resource Management | ✓ | | | |
| 2040 | Policies and Procedures | ✓ | | | |
| 2050 | Coordination | ✓ | | | |
| 2060 | Reporting to Senior Management and the Board | ✓ | | | |

| | SUMMARY OF RESULTS | GC | PC | DNC | Observations/Suggestions for strengthening arrangements where conformance is already achieved |
|------|--|-----------|-----------|------------|--|
| 2070 | External Service Provider and Organisational Responsibility for Internal Audit | ✓ | | | |
| 2100 | Nature of Work | ✓ | | | |
| 2110 | Governance | ✓ | | | |
| 2120 | Risk Management | ✓ | | | |
| 2130 | Control | ✓ | | | |
| 2200 | Engagement Planning | ✓ | | | |
| 2210 | Engagement Objectives | ✓ | | | |
| 2220 | Engagement Scope | ✓ | | | |
| 2230 | Engagement Resource Allocation | ✓ | | | |
| 2240 | Engagement Work Programme | ✓ | | | |
| 2300 | Performing the Engagement | ✓ | | | |
| 2310 | Identifying Information | ✓ | | | |
| 2320 | Analysis and Evaluation | ✓ | | | |
| 2330 | Documenting Information | ✓ | | | |
| 2340 | Engagement Supervision | ✓ | | | |
| 2400 | Communicating Results | ✓ | | | |
| 2410 | Criteria for Communicating | ✓ | | | |
| 2420 | Quality of Communications | ✓ | | | |
| 2421 | Errors and Omissions | ✓ | | | |
| 2430 | Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'. | ✓ | | | |

| | SUMMARY OF RESULTS | GC | PC | DNC | Observations/Suggestions for strengthening arrangements where conformance is already achieved |
|------|--|-----------|-----------|------------|--|
| 2431 | Engagement Disclosure of Non-conformance | ✓ | | | |
| 2440 | Disseminating Results | ✓ | | | |
| 2450 | Overall Opinions | ✓ | | | |
| 2500 | Monitoring Progress | ✓ | | | |
| 2600 | Resolution of Senior Managements Acceptance of Risks | ✓ | | | |
| | OVERALL CONCLUSION – CONFORMANCE WITH PSIAS | ✓ | | | |

Definitions of the assessment criteria and ratings used

| Glossary | |
|------------|---|
| GC | Generally Conforms with PSIAS - The relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of 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. General conformance does not require complete / perfect conformance, the ideal situation, successful practice, etc. |
| PC | Partially Conforms with PSIAS - The activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, 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 Code of Ethics and / or achieving their objectives. |
| DNC | Does Not Conform with PSIAS - The activity is not aware of, is not making good-faith efforts to comply with or is failing to achieve many / all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the 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. |
| N/A | Not Applicable - The sections marked N/A do not apply to this assessment. Any n/a answers should be treated as generally conforming with the PSIAS. |
| CAE | Chief Audit Executive (CAE) - A generic title used to describe the person responsible for managing the internal audit activity. In Neath Port Talbot Council, it is the Head of Internal Audit (HIA). |

Action Plan to address non / partial conformance areas

| Standard | Action to address non / partial compliance | Who is responsible for implementing the action | Timescale |
|---|--|--|---------------|
| 1130 – Impairment to Independence/ Objectivity | Any assurance engagements in areas over which the CAE also has operational responsibility, these engagements will be overseen by someone outside of the internal audit activity. The name of the HIA will be removed from the audit reports in respect of service which he has operational responsibility. | Audit Manager | Actioned. |
| 1300 – Quality Assurance & Improvement Programme (QAIP) | As part of the QAIP an annual self-assessment should be undertaken to assess the efficiency and effectiveness of the Internal Audit activity and identify opportunities for improvement. | Audit Manager | 31 March 2024 |

Appendix C

Actions to strengthen arrangements where conformance is already achieved

| Standard | Action to strengthen arrangements | Who is responsible for implementing the action | Timescale |
|---|--|--|---|
| Mission of Internal Audit | 1. Include Mission in Annual Report - To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. | Audit Manager | Include in Annual Report for 2023/24 |
| Core Principles for the Professional Practice of Internal Audit | 2. Include in the Internal Audit Charter – Promoting organisational improvement. | Audit Manager | Include in the updated Charter for 2024/25. |
| Core Principles for the Professional Practice of Internal Audit | 3. Include in the Internal Audit Charter – Internal Audit is insightful, proactive, and future focused. | Audit Manager | Include in the updated Charter for 2024/25. |
| Attribute Standards 1000 | 4. Consulting Services need to be defined in the Charter. | Audit Manager | Include in updated Charter for 2024/25 |
| Attribute Standards 1000 | 5. Include in the Internal Audit Charter - the arrangements for appropriate resourcing. | Audit Manager | Include in updated Charter for 2024/25 |

Report Distribution List

Appendix D

Governance & Audit Committee Chair

Head of Internal Audit

Audit Manager