

## Appendix A

### Internal Audit Performance Management and Quality Assurance (including results of PSIAS self assessment)

The Public Sector Internal Audit Standards (PSIAS) state that the Audit Manager must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity and to demonstrate that the internal audit service is:

- (a) meeting its aims and objectives;
- (b) compliant with the PSIAS;
- (c) meeting internal quality standards;
- (d) effective, efficient, continuously improving; and
- (e) adding value and assisting the organisation in achieving its objectives

The results of the programme must be reported at least annually to the Audit and Governance Committee.

Performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the internal audit service as a whole.

This performance management and quality assurance framework must include, but is not limited to:

- A comprehensive set of targets to measure performance. The Audit Manager should measure, monitor and report appropriately on the progress against these targets;
- Seeking user feedback for each individual audit and periodically for the whole service;
- Periodic self assessments to evaluate conformance with the Code of Ethics and the Standards
- An external assessment every 5 years with the scope agreed by an appropriate sponsor; and
- An action plan to implement improvements.

### Performance Indicators

There are no national performance indicators in existence for Internal Audit, but we do monitor the following Local Performance Indicators (LPI's):

Local Performance Indicator	Target	Actual
Percentage of Audit plan completed	95%	95.8%
Percentage of fundamental systems reviewed annually	100%	100%
Customer satisfaction - % Good or Excellent as per feedback forms	90%	87.5%
Draft reports produced within 15 days	90%	92.8%

Final reports produced within 15 days	90%	96%
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Overall, performance against the indicators is good.

### **User Feedback**

The customer satisfaction results are derived from the customer satisfaction surveys issued following each individual audit. The surveys were only introduced in December 2013 and of the 12 surveys issued to date, 9 have been returned, giving a return rate of 75%. Of the 9 responses, only one indicated that we had not met the required satisfaction standard, but due to the small number of surveys issued this does equate to 12.5%

A more accurate result will be obtained once the surveys have been in use for a whole year. It is intended to carry out a survey of all stakeholders at the end of 2014/15 to obtain feedback for the whole service as required by the Standards.

### **Self Assessment**

A self assessment has been undertaken by the Audit Manager of Internal Audit's conformance with the Code of Ethics and Standards, the results of which are below.

### **External Assessment**

External Assessments must be conducted at least once every five years by a qualified, independent assessor from outside the organisation. It is intended to carry out the first external assessment in the final quarter of this financial year. The result of this assessment will be reported in the Annual Internal Audit Report 2014/15.

## **Public Sector Internal Audit Standards (PSIAS) Self Assessment**

### **Summary of Non Conformances and Partial Non Conformances**

<b>1</b>	<b>PSIAS Non Conformances</b>
1.1	<p><b>Standard number 1100 Independence &amp; Objectivity</b>  <i>Element number 51</i>  The chief executive or equivalent does not undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive (CAE), known as the Audit Manager for Exeter City Council.</p>
1.2	<p><b>Standard number 1100 Independence &amp; Objectivity</b>  <i>Element number 52</i>  Feedback is not sought from the chair of the audit committee for the Audit Manger's performance appraisal</p>
1.3	<p><b>Standard 1210 Proficiency</b>  <i>Element number 67</i>  The Audit Manager is not qualified member of CMIIA or CCAB.,</p>
<b>2</b>	<b>PSIAS Partial Non Conformance</b>

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## 2.1 **Standard 1130 Impairment to Independence or Objectivity**

### *Element number 59*

Assignments for ongoing assurance engagements and other audit responsibilities are not always rotated periodically within the audit team.

#### **Audit Manager's comment**

This standard is only partially met due to the limitations of a very small team. Wherever possible, assurance engagements are rotated periodically within the Internal Audit Team whilst also trying to balance continuity and the time it takes to learn how new systems work.

## 2.2 **Standard 2010 Planning**

### *Element number 121 & 126*

The risk-based plan does not take into account all the organisation's other sources of assurance. It has also not been possible to take into account the organisation's risk management framework and relative risk maturity of the organisation as this had not been updated for some time.

#### **Audit Manager's comment**

Sources of assurance are taken into account when preparing the audit plan, however, a full understanding of all of the Council's sources of assurance has not been documented but is currently being established. The Council's risk management framework is currently under review.

## 2.3 **Standard 2030 Resource Management**

### *Element number 147*

The risk-based plan does not explain how internal audit's resource requirements have been assessed.

The audit resource is based on the resource available from the Internal Audit staff employed. The audit plan is approved annually by the A&G Committee. Should additional specific work be required this would need to be bought in and a report and proposal would need to be presented to the A&G Committee for approval.

#### **Audit Manager's comment**

The risk based plan determines the time allocations based on the resources available. The Senior Management Team determine the Audit resource

## 2.4 **Standard 2050 Coordination**

### *Element numbers 153, 154 & 155*

The risk-based plan includes other sources of assurance, if known, and any additional work that may be required to place reliance upon those sources. The Audit Manager is conducting an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance. However, there is currently no protocol for the Audit Manager to share information and coordinate activities with other internal and external providers of assurance and consulting services.

#### **Audit Manager's comment**

Reliance placed on external auditors and regulators. Currently conducting an exercise to identify all other sources of assurance and once established will be used to inform the audit plan in future.

## 2.5 **Standard 2210 Engagement Objectives**

### *Element numbers 217, 218 & 219*

The Council currently does not have an established performance monitoring mechanism in place therefore, it is not possible for internal auditors to ascertain whether management and / or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished.

#### **Audit Manager's comment**

Performance monitoring is currently under development corporately within the organisation

## 2.6 **Standard 2450 Overall Opinion**

### *Element number 302*

This standard requires that expectations of senior management, the board and other stakeholders are taken into account in the overall audit opinion.

### **Audit Manager's comment**

Whilst the expectations of senior management, the board and other stakeholders would be considered when making the annual audit opinion, the audit opinion would remain the opinion of Internal Audit.