



devon **audit** partnership

SOUTH WEST AUDIT PARTNERSHIP (SWAP)

External Quality
Assessment of SWAP
Internal Audit Activity

Self-assessment with external
independent validation

DRAFT

OFFICIAL
March 2016



Auditing for achievement

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

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South West Audit Partnership (SWAP)

External Quality Assessment of SWAP Internal Audit Activity Self-assessment with External Independent Validation

March 2016

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1 Executive Summary

- 1.1 As requested by Gerry Cox, Chief Executive of SWAP, Devon Audit Partnership conducted an external quality assessment of the internal audit activity of the South West Audit Partnership (SWAP). The principal objectives of the quality assessment were to assess the internal audit activity's conformance to The Institute of Internal Auditors' (IIA's) International Standards for the Professional Practice of Internal Auditing (Standards), evaluate the internal audit activity's effectiveness in carrying out its mission (as set forth in its charter to its partners), and identify opportunities to enhance its management and work processes.
- 1.2 The South West Audit Partnership Ltd (SWAP) is a company limited by guarantee providing internal audit services to local authorities, police and fire authorities, schools and other quasi-government entities in the south and west of England. SWAP is a local authority owned company.

2 Opinion as to conformance with the Standards

- 2.1 It is our overall opinion that the internal audit activity generally conforms with the Standards and Code of Ethics. For a detailed list of conformance with individual Standards, please see Attachment A. We have identified some opportunities for further improvement, details of which are provided in this report, but none of these issues represent a failure to meet with the Standards.

- 2.2 The IIA's Quality Assessment Manual suggests a scale of three ratings, "Generally Conforms," "Partially Conforms," and "Does Not Conform." "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

3 Scope and Methodology

- 3.1 As part of the preparation for the quality assessment, SWAP prepared documents and detailed information to support its own self-assessment. This included surveys of staff and a representative sample of SWAP partners and other organisations who work with SWAP (e.g. external audit providers).
- 3.2 Part of the external validation process involved speaking with a wide range of partner officers to seek their thoughts and views on how SWAP meets expected targets, and their view on the quality of service being provided. In addition, interviews took place with SWAP executive, management and staff to discuss arrangements and to confirm that SWAP's expected practices are being operated in practice.
- 3.3 SWAP's approach to risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a representative sample of the internal audit activity's workpapers and reports were reviewed.

4 Recommendations and Observations - Summary

- 4.1 SWAP is a well established provider of professional internal audit services to a number of public sector organisations. The internal audit activity meets the Standards and SWAP management regularly look to ways to improve the service they provide (e.g. by developing the "healthy organisation" approach) and add value to all of their partners and clients. A well developed Quality Assurance Improvement Plan is in place that captures areas for development and provides a good record of progress against targets. Consequently, our comments and recommendations are intended to build on an already efficient and effective internal audit provider.
- 4.2 Highlights of the more significant recommendations and observations are summarised below, with detailed descriptions following later in the report.

5 Observations and Detailed Recommendations

- 5.1 We interviewed a wide range of people to gain their insight and views on how SWAP operates and how they adhere to the standards. The interviewees ranged from a recent entrant at auditor level, to Section 151 officers and Audit Committee chairs. The input from all was very much appreciated. A summary of some of the key thoughts from the interviews (anonymised) has been provided at appendix B.
- 5.2 The comments made help to put into context how well some SWAP processes and arrangements are being applied in practice.
- 5.3 Overall we found that partners and clients were very appreciative of the service being provided and considered that a good, cost effective, service is being provided. Some specific quotes from the processes are as follows:-
- *As a customer, I consider SWAP provide good value.*
 - *They answer the difficult questions – do not duck issues.*
 - *Seen as a useful tool for management, and involved at development stage rather than after the event.*
- 5.4 There were also some areas where some clients / partners felt that further development would further enhance the service provided. Some specific comments made included:-
- *We are a demanding client, and see nothing wrong with that, but SWAP need to manage expectations and let us know what is realistic and achievable.*
 - *Competent and professional, but could further develop the concept of “added value”.*
- 5.5 **We recommend** that SWAP management consider these comments, and, in particular, be mindful of the need to manage partner expectations and ensure that every opportunity to add value is taken and fully communicated with partners.
- 5.6 Feedback from staff was also, on the whole, positive, with staff fully appreciating the role they fulfil and the service that they provide to the partners. We noted that SWAP have undertaken a significant restructure in the last 12 months or so, so to get generally positive feedback is a good sign that a difficult process has been generally well managed.
- 5.7 In terms of development, we did pick up that staff indicated that the restructure has had a significant impact on all staff, and there were some points arising for the restructure that could be improved upon. Some specific comments made included
- *Introducing new people – was not until I started studying that I understood the “why” – I was shown the “how” but not the “why”.*
 - *100 staff movements last year – this was too much – have we asked ourselves why?*

- 5.8 Staff recognised good training opportunities that have been provided, but some did question if training should be focused as much as it is on professional audit training. There was a feeling that other skills (such as ICT / management) are also required to provide a “rounded” organisation, but maybe not so much emphasis is given to these areas.
- 5.9 **We recommend** that, now the restructure has had time to settle down, SWAP management consider the induction process for new staff, training for existing staff and also look to encourage a period of stabilisation so that the benefits of staff changes can make a real benefit to partners.
- 5.10 We set out below (attachment A) our assessment of SWAP against the Standards. We are pleased to report that we consider SWAP Generally Conforms with all elements of the Standards.
- 5.10 We have added comments to support our conclusions, and, where applicable made recommendation as to how processes and procedures could be further strengthened.

6 **Inherent Limitations**

- 6.1 The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed

7 **Acknowledgements**

- 7.1 We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this assessment process.

Robert Hutchins
Head of Partnership
March 2016

Attachment A – SWAP - Quality Assessment Evaluation Summary

(GC = Generally Conforms, PC = Partially Conforms, DNC = Does Not Conform)

Quality Assessment Evaluation Summary—Overall Evaluation		GC	PC	DNC
OVERALL EVALUATION				

Quality Assessment Evaluation Summary—Major/Supporting Standards		GC	PC	DNC
1000	Purpose, Authority, and Responsibility			
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> in the Internal Audit Charter	Y		

Internal Audit Charters are presented to all partners and we consider that the Charters effectively meet requirements.

However, we noted that, for local authority partners, no reference is made in the Charter to the Accounts and Audit Regulations 2015 (1) (see below). **Recommendation** Reference to the Accounts and Audit Regulations 2015 in Audit Charters may help to further strengthen understanding of the role and importance of the Internal audit function.

(1) The Accounts and Audit (England) Regulations 2015, state:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

There may also be scope to consider a section in the Charter to deal with “non-conformance”. The Charter gives the right of access to records / employees etc, but in the (unlikely) event that this is prevented it would be helpful to have in place a process for how such issues would be addressed.

1100	Independence and Objectivity			
1110	Organisational Independence	Y		

From April 1st 2013, SWAP has been established as a publicly owned Company, Limited by Guarantee. SWAP is a company controlled within the meaning of the 1989 Local Government and Housing Act. Each Partner organisation has an equal vote on the Board.

Quality Assessment Evaluation Summary— Major/Supporting Standards		GC	PC	DNC
<p>Being a separate organisation helps to ensure that SWAP is independent from the partners that it reports upon.</p> <p>There is a limited risk that, as SWAP is reliant on partners to remain within the partnership that they will report in a way that "appeases" the partner; however we found no evidence that SWAP staff or management would be affected by such a situation.</p> <p>It is important that each partner recognises that their Internal audit function is provided by SWAP; partner staff should be fully aware of who and how to make contact with their Internal Audit team. At Somerset CC we found that the web page referring to internal audit was somewhat out of date (referring to the 2003 Account and Audit regs) and states that the "agreement with SWAP runs until March 2015". SWAP and Somerset CC staff are aware of the issue but have not been able to enable changes to the web page to be made.</p> <p>Recommendation - SWAP and Somerset CC staff continue in their efforts to update the Somerset CC web page to accurately reflect internal audit arrangements.</p>				
1111	Direct Interaction with the Board	Y		
<p>The SWAP Board meets on a regular (quarterly) basis and discusses issues relating to the performance of SWAP.</p> <p>For each partner organisation, SWAP will interact with the relevant senior management team and appropriate committee; for SWAP partners the Audit Committee is seen as the "Board" in respect of the IIA standards.</p> <p>We found good evidence of regular and effective interaction between the Audit Committee at SWAP partner organisations and SWAP.</p>				
1120	Individual Objectivity	Y		
<p>All SWAP staff, including those on temporary contracts, are required to annually sign a Declaration of Independence and Ethical Standards.</p>				
1130	Impairment to Independence or Objectivity	Y		
<p>SWAP management have confirmed that they are unaware of any Impairment to Independence of Objectivity and we agree with this assessment.</p>				
1200	Proficiency and Due Professional Care			
1210	Proficiency	Y		

Quality Assessment Evaluation Summary— Major/Supporting Standards		GC	PC	DNC
<p>All staff have appropriate Job Descriptions and supporting Person Specifications.</p> <p>SWAP also utilise the IIA Key Competencies Matrix which is used by Managers to ensure staff have the necessary credentials. We noted that staff Development Review procedures are currently under review and will be linked to the revised 10 Core Competencies produced by the IIA – Auditors, Seniors and Assistant Directors have been identified under each of the categories.</p>				
1220	Due Professional Care	Y		
<p>SWAP ensure due professional care is applied when considering and producing risk assessed annual plans and this is further supported through desk review, work programme design and review/approval by a Lead Auditor.</p> <p>Terms of Reference for assignment reviews are agreed and signed off by the Client, and SWAP have a Performance and Quality Review Process to ensure necessary standards are being maintained.</p>				
1230	Continuing Professional Development (CPD)	Y		
<p>SWAP have a clear programme to promote CPD for all its staff. This includes attendance at IIA and CIPFA events, and attendance and contribution to other organisations such as County Chief Auditor Network (CCAN) and West of England Audit Group (WOEAG).</p> <p>However, in our discussions with staff, it was found that although professional development is well supported, development in other skills, particularly management skills, is not so well developed. An example given was that although managers and supervisors were instructed as to the new <i>process</i> to be followed for one to one and appraisal meetings, this was somewhat limited to understanding the process, rather than on how to effectively manage outputs (improve moral, communications, client interaction etc)</p> <p>Recommendation - that consideration be given to providing opportunities for managers and supervisors to develop their management skills as well as supporting CPD.</p> <p>SWAP carry out regular staff surveys. The results from these surveys will be most useful in identifying potential issues and enabling management to prevent these from becoming issues.</p>				
1300	Quality Assurance and Improvement Program			
1310	Requirements of the Quality Assurance and Improvement Program (QAIP)	Y		
<p>The QAIP has been in place for some time and is well developed. The plan is shared with the Board and a summary is provided to each partner via the Annual Internal Audit Report.</p> <p>The QAIP is a detailed document that captures a wide range of developmental opportunities for SWAP. Our review found that it had been kept up to date, reflects the current challenges for SWAP and provides good evidence of how SWAP management are ensuring the “continuous improvement” of the partnership.</p>				

Quality Assessment Evaluation Summary— Major/Supporting Standards		GC	PC	DNC
1311	Internal Assessments	Y		
<p>The Quality Assurance and Improvement Program (QAIP) is reviewed at every Board meeting as are the Balanced Scorecard, Budget and Risk Register. Part of the process has included full discussion on the process to be followed.</p> <p>The QAIP is considered a live document which is updated in response to development which may be identified through its regular review at Board meetings. On a periodic basis the QAIP is also reported to Partner Audit Committees.</p> <p>SWAP confirm that the internal audit activity “conforms with the International Standards for the Professional Practice of Internal Auditing” on the front page of the SWAP Website and in all reports to Audit Committees.</p> <p>SWAP internal processes have already identified that whilst "the Charters refer to work being carried out in accordance with the Standards, they do not specifically refer to SWAP’s conformance. This will be addressed at the next update".</p> <p>In addition, engagement reports have not referred to SWAP’s conformance either but this has already been addressed in a revised report template.</p> <p>Recommendation – identified management actions need to be completed as planned.</p>				
1312	External Assessments	Y		
<p>The external assessment process has been considered by the Board, and it has been agreed to complete a “Self- Assessment with External Validation”. Although the Standards require a review at least every five years It has been agreed to complete an external review every 3 years.</p>				
1320	Reporting on the Quality Assurance and Improvement Program	Y		
<p>See comments at 1310 above</p>				
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	Y		
<p>See also 1311 above.</p>				
1322	Disclosure of Non-conformance	Y		
<p>There are no issues of non-conformance to report.</p>				

Quality Assessment Evaluation Summary— Major/Supporting Standards		GC	PC	DNC
2000	Managing the Internal Audit Activity			
2010	Planning	Y		
<p>The internal audit manual provides guidance to new and existing staff on how audit planning should take place. The guidance provided is good, and should ensure a consistent and professional approach across all SWAP partners.</p> <p>However, we do consider that the planning guidance could be further strengthened and understand that this is expected to take place in the near future. At this time it would be appropriate to consider the following comments.</p> <ul style="list-style-type: none"> i) The introduction in the document refers to the Public Sector Internal Audit Standards; as SWAP have a number of local government partners it may be appropriate to also make reference to the CIPFA Local Government Application Note (LGAN). ii) The document refers to <i>"Directed work - work that we have no choice in doing. This list is not exhaustive but this work generally focuses around the key financial systems work External Audit place reliance upon "</i> – the phrase “directed work” is not how internal and external currently coordinate audit activity and a new phrase should be considered. In addition wording such as "no choice In doing" could be replaced by "work for which it is important that IA provide an annual assurance opinion" or something similar. iii) The planning guidance also refers to <i>"Requested work - work that is specifically requested by Directors or Senior Managers during this process. Consideration will be given to any work that services may require on a consultancy basis"</i>. We were a little confused by this statement - is such consultancy work considered to be part of the IA plan, or is it seen as over and above the plan? Some clarity may assist staff. iv) Finally, we found that the guidance refers to "Assistant Directors will..... be in a position to go to each meeting armed with potential risks". It is a minor point, but the word "armed" may benefit from being replaced with "well informed" - after all this should be a discussion, not a battle. <p>Recommendation - that the planning guidance by updated to reflect current best practice.</p>				
2020	Communication and Approval	Y		
<p>We found good evidence to support that SWAP management and staff communicate the risk based internal audit plan, and findings from work assignments in a professional and informative way.</p>				
2030	Resource Management		Y	
<p>SWAP have recently undertaken a restructure of staff to ensure that it can continue to provide a high</p>				

Quality Assessment Evaluation Summary— Major/Supporting Standards		GC	PC	DNC
<p>quality, professional and effective service within the financial envelope provided by the partners. The restructure has had an impact on all levels of staff; there have been a number of staff changes as a result.</p> <p>New staff members we spoke to had already gained an excellent understanding of the principles of internal audit, and how to ensure partner requirements are addressed, and we feel confident that such new staff will continue to develop and be an asset to SWAP and partners</p> <p>However, the change process has led to some delays in audit deliverability as new staff are recruited and effectively trained. By and large Board members that we spoke to acknowledged that some short term downturn in performance was to be expected, but also considered that perhaps senior SWAP staff had not effectively "managed expectations" or adjusted plans to allow for the change process to be delivered. One Interviewee felt that SWAP could have made better efforts to recruit short term replacements to fill gaps and ensure that plans were fully delivered.</p> <p>SWAP staff acknowledged that the restructure has had an impact of deliverability in the last year or so, and that there has been a tendency to "roll forward" uncompleted work to a future year. Such practice can be appropriate, but can also lead to an ever growing backlog that never seems to be addressed - this can in turn lead to staff unhappiness (stress) and partner dis-satisfaction. There would appear to be scope for SWAP to consider how partner expectations can be managed more effectively.</p> <p>Recommendation - SWAP staff to be mindful of the need to manage client expectations in a realistic way. It may be better to say a task cannot be completed, rather than store up a problem to future periods. Audit plans should be updated to reflect expected deliverability.</p> <p>Recommendation - SWAP should consider the way that work is rolled forward to future financial years. This may be appropriate, but there is a risk of building up increasing pressures that may become unmanageable.</p>				
2040	Policies and Procedures	Y		
<p>We found good evidence to support that Appropriate internal audit policies and procedures have been documented and communicated to staff, and that these policies and procedures are understood and used by staff.</p>				
2050	Coordination	Y		
<p>SWAP have developed assurance mapping processes for its partners to help identify where sources of assurance are being obtained and any gaps in assurance. This will help partners in directing assurance resources in the most effective way.</p> <p>Discussions with External Audit colleagues indicated that good dialogue takes place between SWAP and external audit to ensure that duplication is limited and "added value" maximised.</p>				
2060	Reporting to Senior Management and the Board	Y		

Quality Assessment Evaluation Summary— Major/Supporting Standards		GC	PC	DNC
<p>SWAP staff ensure that identified significant corporate risks are brought to the attention of the Audit Committee. Our review of audit committee reports provided good evidence that issues are raised in a timely and effective manner, enabling “those charged with governance” to be aware of issues of concern and to ensure suitable corrective action is being taken where possible.</p> <p>Audit Committee members we spoke with confirmed that SWAP was a valued independent voice, that enabled the Audit Committee to be assured around the effectiveness of risk management arrangements but also highlighting those concerns that required further attention.</p>				
2070	External Service Provider and Organisational Responsibility for Internal Auditing	Y		
<p>2100 Nature of Work</p>				
2110	Governance	Y		
<p>We found that SWAP plan and undertake work that will contribute to the ongoing development of governance arrangements at their partners.</p>				
2120	Risk Management	Y		
<p>Our review found good evidence to confirm that SWAP evaluate and contributes to improving risk management arrangements at its partners.</p>				
2130	Control	Y		
<p>SWAP recognise the key role of internal audit in helping to shape the control environment at an organisation.</p> <p>Audit reviews commence with an initial meeting. Guidance on such meetings, provided to audit staff, provides a clear template to help identify key risks when setting up a review; this ensures that audit resources are directed where they can add most value and help further improve the organisation’s control, efficiency and effectiveness.</p> <p>Overall we consider that SWAP assists partner organisations in maintaining an effective control process that also helps prevent and detect instances of fraud and corruption.</p>				
<p>2200 Engagement Planning</p>				
2201	Planning Considerations	Y		

Quality Assessment Evaluation Summary— Major/Supporting Standards		GC	PC	DNC
<p>We found good evidence to support that client specific requirements are taken into account when preparing the annual audit plan and when preparing the detailed brief for assignments.</p> <p>SWAP also consider the benefits for their clients when undertaking "thematic" reviews, with the wider results from work being shared (confidentially) to aid the identification of best practice and solution sharing.</p>				
2210	Engagement Objectives	Y		
<p>Engagement objectives are clearly stated on the agreed and signed off "Terms of Reference".</p> <p>The "initial meeting template" is used to record initial risk assessment and helps to steer the focus of the audit on the key issues or concerns for the organisation.</p>				
2220	Engagement Scope	Y		
<p>The engagement scope is referred to in the "terms of reference"</p> <p>As referred to above, an "initial meeting template" has been developed that further helps to capture the risks facing the service or department and helps to ensure the engagement addresses those key concerns.</p> <p>This initial meeting will also consider the systems, records and key personnel who will be involved in the audit.</p>				
2230	Engagement Resource Allocation	Y		
<p>SWAP has sound practices in place to ensure that the right person is allocated the right resources to complete the assignment to the quality expected.</p> <p>It is always difficult to determine the resources required for a review, as a number of factors will influence the time required to complete each element (test) to the expected standard. There will be "swings and roundabouts" in the process, with some reviews taking less time than planned and others taking longer, however overall we conclude that SWAP do make every effort to ensure resource allocation is right at the outset.</p> <p>Feedback from customers and staff is also obtained to help in future assignment planning.</p>				
2240	Engagement Work Program	Y		
<p>A detailed work programme is prepared for each engagement. This is recorded on the MKi system, which is used to capture evidence, the auditor's findings and conclusions and managerial review.</p>				
2300	Performing the Engagement			

Quality Assessment Evaluation Summary— Major/Supporting Standards		GC	PC	DNC
2310	Identifying Information	Y		
<p>Staff are well trained in the approach of Internal audit. The audit programme will show the areas require testing and audit working papers and supporting evidence is recorded for each risk / test area, showing a good trail of how the auditors conclusions was achieved. All working papers and supporting evidence is recorded on MKi.</p>				
2320	Analysis and Evaluation	Y		
<p>Our review confirmed that conclusions and engagement results are based on appropriate analyses and evaluations.</p>				
2330	Documenting Information	Y		
<p>Information is held on the MKi system which provides a secure storage facility. Documents are linked to the audit test, and provide a good record of evidence of how audit conclusions have been arrived at.</p>				
2340	Engagement Supervision	Y		
<p>The MKi system is used to record managerial supervision. The system requires each part of the audit programme to be signed off, highlighting those areas that are not yet reviewed. We reviewed that "quality" of the sign off in a small sample of files and found that the comments made by managers confirmed that review was of a sufficient challenging nature to ensure quality of work and also to help develop auditors, especially those new to SWAP.</p> <p>Feedback is sought from the client for each assignment completed, with the aim of the questionnaires being to gauge satisfaction against timeliness, quality and professionalism. The results of this feedback are by and large positive; for example at Somerset CC in 2014/15 the average feedback score was 82.3% (a target of 85% is set where 80% would reflect the fact that the client agreed that the review was delivered to the expected standard). Where there are individual learning points for the auditor involved, then these will be picked up as part of supervision sessions, helping to ensure that feedback is used to further enhance the service provided.</p> <p>The combined results from client feedback are then reported to the Board and partner clients, to provide evidence that auditees are satisfied with the service being provided.</p> <p>However, there may be scope to improve reporting in this area further. For example we noted that the SWAP Annual report provides for a section on "the numbers" and financial performance, but does not provide information on the feedback received from customers, and no reference is made on the SWAP website of customer views and / or feedback.</p> <p>Recommendation - SWAP should consider further publicising customer feedback and views to help demonstrate that the "views of the customer" are taken into account when developing the service.</p>				

Quality Assessment Evaluation Summary— Major/Supporting Standards		GC	PC	DNC
2400	Communicating Results			
2410	Criteria for Communicating	Y		
<p>Communication of the progress and results of engagements are appropriate based on the nature of the engagement and the needs of the client. Reports state the engagement’s objectives and scope as well as conclusions, recommendations, and action plans.</p>				
2420	Quality of Communications	Y		
<p>Our review concluded that SWAP have effective quality assurance arrangements that ensure that engagement communication is accurate, objective, clear, concise, constructive, complete, and timely. However, we did note that the Somerset County Council 2014-15 Annual Report did contain some minor errors. (for example page 7 refers to "53 reviews that have a final report" however the accompanying pie chart shows 56 reviews) but such issues are minor and not seen as part of a wider issue or concern.</p> <p>One key way of communicating with customers will be via the SWAP website. This has recently been refreshed, but it is recognised that the website could be further developed. Our observation was that the website was technically focused, rather than “customer” focused. It is appreciated that the partners are most likely well aware of how SWAP operate, but for new and potential customers greater details on the audit process, what to expect from SWAP, the SWAP quality standards and how to offer feedback (both positive and negative) would help enhance the website.</p>				
2421	Errors and Omissions	Y		
<p>This part of the standards requires that "if a final communication contains a significant error or omission, corrected information is communicated to all parties". We are assured that SWAP quality assurance processes will ensure that such corrections, if needed, are suitably communicated.</p>				
2430	Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	Y		
<p>Please also see 1311 above.</p>				
2431	Engagement Disclosure of Non-conformance	Y		
<p>We are satisfied that SWAP have suitable arrangements in place that will ensure that non-conformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards will be disclosed.</p>				

Quality Assessment Evaluation Summary— Major/Supporting Standards		GC	PC	DNC
2440	Disseminating Results	Y		
<p>We found suitable evidence that confirmed SWAP staff are well informed as to the reporting lines for each of the partners that they support, ensuring that results from engagements will be reported in accordance with the policy of the partner organisation.</p>				
2450	Overall Opinions	Y		
<p>2500 Monitoring Progress</p> <p>SWAP aim to assist management at all partners in monitoring internal audit results to ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action</p> <p>For example, at Somerset CC, where a review has been assessed as ‘Partial’ or ‘No Assurance’, further information is provided to Members of the key issues identified and the actions agreed with management.</p> <p>At this partner SWAP reported their views on the lack of a formal process for ensuring that priority actions are seen through to completion; however it was good to see that this has since been addressed by a six monthly follow up review.</p>				
2600	Communicating the Acceptance of Risks	Y		
<p>SWAP ensure that identified significant corporate risks are brought to the attention of the Audit Committee (see also 2060 above)</p>				
	The IIA’s Code of Ethics	Y		

RATING DEFINITIONS

“**Generally Conforms**” means the assessor has concluded the following:

- For individual standards, that the internal audit activity conforms to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or elements of the Code of Ethics (both Principles and Rules of Conduct) in all material respects.

- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity achieves general conformity to a majority of the individual standards and/or elements of the Code of Ethics, and at least partial conformity to others, within the section/category.
- For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

“Partially Conforms” means the assessor has concluded the following:

- For individual standards, the internal audit activity is making good faith efforts to conform to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or element of the Code of Ethics (both Principles and Rules of Conduct) but falls short of achieving some major objectives.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity partially achieves conformance with a majority of the individual standards within the section/category and/or elements of the Code of Ethics.
- For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organisation.

“Does Not Conform” means the assessor has concluded the following:

- For individual standards, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the standard (e.g., 1000, 1010, 2000, 2010, etc.) and/or elements of the Code of Ethics (both Principles and Rules of Conduct).
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity does not achieve conformance with a majority of the individual standards within the section/category and/or elements of the Code of Ethics.
- For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit 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.

Feedback / comments from interviews completed.

Board Members, Senior and Operating Management

www = what went well ebi = even better if

	A	B	C	D	E	F
Independence / governance	<p>Provide good independence.</p> <p>As a customer consider SWAP provide good value.</p> <p>Links to the Audit Cttee chair are very good.</p> <p>Very independent – value their opinion.</p>	<p>Professional and competent and do a good job, but would like more “openness” on the issues they are facing – we can help !</p> <p>Healthy Organisation work has been really useful.</p>	<p>Independence enhanced as no longer an “in house” team.</p> <p>Need to meet client’s needs – sometimes deadlines trump risk.</p>	<p>Yes, clearly demonstrate this.</p> <p>But does not always translate into “strong” recommendations.</p> <p>Seen as a useful tool for management, and involved at development stage rather than after the event.</p> <p>Good quality of presentations to the audit committee – clear and understandable.</p>	<p>Good level of independence</p>	<p>Always found to act independently.</p> <p>Happy to make direct contact with SWAP if required.</p> <p>They answer the difficult questions – do not duck issues.</p>
Staff	<p>Excellent – 90% of time. Couple of recent incidents where quality dropped from high standards – probably linked to sickness of key staff.</p> <p>Hope that quality not reliant on key people.</p> <p>SWAP have the ability to call on wide staff base to deal technical or “difficult” audits</p> <p>Restructure has had an impact; some of the people they brought in to support have not made the</p>	<p>SWAP have good access to specialists, but do they travel to all sites?</p> <p>An area for development could be commissioning (rather than contracting and procurement).</p> <p>We are a demanding client and see nothing wrong with that, but SWAP need to manage expectations and let us know what is realistic and achievable.</p>	<p>Right people at the right time at the right place.</p> <p>Restructure last year, which was generally very good. 15 staff have received promotions.</p> <p>Getting good customer feedback</p>	<p>Staff are generally very good.</p> <p>Had a restructure in last 6 months – was informed, but late in the process. Understand that some staff are a bit discontented</p>	<p>Mainly at AD level. AD has a good understanding of client and client needs, but has lost staff skills and knowledge.</p> <p>New people, who have been taken on, will be good, but need time to bed in – they lack experience.</p> <p>SWAP are now a company – if this was PWC then staff issues would not be a client issue. SWAP need to address this.</p>	<p>Always found very professional.</p> <p>Work closely with finance and management team, but have the ability to “stand back”.</p> <p>Have the skills to complete the plan, but sometimes do not meet timeframes.</p> <p>Have good access to specialists and provide good resilience.</p>

	grade.					
Management	<p>Reports – 90 % good. Sometimes (1 or 2) not really got the point.</p> <p>A little bit “low level” not addressing the higher risks.</p> <p>Bit of an “old fashioned” approach.</p> <p>Very good at presenting at Cttee.</p> <p>BUT reports had got a bit cumbersome for members at times, and possibly “bad message” got buried on page 45.</p>	<p>Aware that have a split for quality and delivery – not met the Quality person yet.</p> <p>Fantastic professionalism, but how about a wider (rounded?) view – take into account people; for example the customers receiving the service you are auditing.</p>	<p>Generally well represented at management level.</p> <p>One challenge is to help organisations develop their risk registers – not consistent quality at the moment.</p> <p>Non-opinion pieces of work – need to get the balance right and ensure we add value.</p> <p>Reporting – being looked at to see if we can improve.</p> <p>Healthy Organisation work well received.</p>	<p>Good links with the transformation process, especially at business planning stage of process.</p> <p>Deliver the plan and are flexible. Days reduced, but now more focused. Have seen a “sharing of knowledge” - but not that obvious.</p>	<p>Generally fine, and happy with what is delivered.</p> <p>Appreciate that SWAP do not have a crystal ball, but if they see a “big” issue at another client would really like an early “heads up” with the opportunity to share experience and solve issue together.</p> <p>Have been pro-active and re-active to change.</p> <p>Plan flexibility has suited both sides as there has been a need to slip / change reviews.</p> <p>Appreciated the skills to complete investigations.</p>	<p>Provide good background knowledge of sector issues. Share experiences of issues and knowledge (risk and control).</p> <p>Reports don’t “direct” but do point out the risks and weaknesses.</p> <p>But I do expect to get more than just assurance!</p> <p>Good training events for committee members.</p>
Process	<p>Generally good.</p> <p>Have “added value”, but not always demonstrated in the reports.</p>	<p>Competent and professional, but could further develop the concept of “added value”.</p> <p>Positive sharing of best practice – what does good look like? Reduce bureaucracy / disproportionate control / risk adverse.</p>	<p>Customer feedback levels have been poor – we need to chase this up.</p> <p>Could look at more tailored feedback forms to ensure continuous improvement</p>	<p>Have good skills and are challenging and sensitive.</p> <p>Would like (sometimes and when appropriate) a more forensic examination of a concern – really go into an issue.</p>	<p>SWAP have issued reports in time, but management responses have been slow. Have asked SWAP to “toughen up” in this area.</p> <p>Some recent reports contained minor errors, but to be expected with new people.</p>	<p>Reports a good – provide a good executive summary and then further details. Able to answer detailed questions at committee.</p> <p>Not watered down, enable difficult issues to be considered.</p>

		Can they give me a greater awareness of challenges that I should be getting ready for?				
General	<p>www – general delivery and product / output generally very good</p> <p>ebi – How the SWAP board of directors operate – not always efficient.</p> <p>Ebi - An audit of (SWAP Board) arrangements would throw up some issues (late agendas etc)</p>	<p>www – professional and committed / genuine in what they do</p> <p>ebi – more responsive. More innovation and proactive – bring ideas to the organisation.</p> <p>ebi – need to be a team, not a collection of individuals</p>	<p>www – successfully deliver the plan each year. Quality high (overall) and client relationships good</p> <p>ebi – Internal data sharing. Good practice / learning from poor performance.</p>	<p>www – achieving a balanced programme. Positive and supporting to the organisation. Personable team – helps managers “open up” to the audit.</p> <p>Ebi – a bit more “critical” – stronger message to get management to understand and address a risk.</p>	<p>www – relationship with AD is very good.</p> <p>Ebi – resource / expectation management –</p> <ul style="list-style-type: none"> • Do what you say you will do • Spend some reserves to enable delivery. Don't set up to fail 	<p>www – where issues have not been resolved – these are followed up by SWAP, enabling the committee to have confidence that things have moved on.</p> <p>Ebi – few and far between – but reports could show better context – e.g. 1 out of 30 schools</p>

Internal Audit Activity Staff

	G	H	I	J	K
Independence / governance	<p>Well aware of clients to support.</p> <p>No areas “off limits”</p> <p>Discuss reports with management to get “buy in” – helps to get the message across</p>	<p>Impartial opinion on what is being reviewed.</p>	<p>Largely based at one client, but feels well placed to provide objective assurance.</p> <p>There are no “off limits” areas.</p>	<p>People based at locations, but work across clients.</p> <p>Helps to see how others are addressing similar issue and helps in being “independent”</p>	<p>Yes, we are the third line of defence.</p> <p>No areas off limits – but sometimes clients will bring in a consultant to look at an area and so we don’t “duplicate” and take this area from the plan – but can you rely on consultants?</p>
Staff	<p>Really good mix of staff.</p> <p>Dorset a bit short on seniors. There is a plan to address, but not yet happened.</p> <p>Do tend to work in patches.</p> <p>Built up good rapport and relationships with client.</p>	<p>Everyone works well together. Manager happy to have a chat.</p> <p>Some of the staff movements and recent starters have made it difficult – the auditee expects the auditor to know the system !</p> <p>Generally clients find audit helpful – no one has asked “why are you here?”</p> <p>Would have liked a little more guidance on the organisation I am auditing – what are their key objectives?</p>	<p>Communications between head office and staff in the field could be better. New AD structure should help this.</p> <p>There has been a lot of turnover, and we are still not fully resourced.</p> <p>There are no pressures to “cut corners” but we are very clear that we must stay within budget.</p>	<p>Good mix of people.</p> <p>Head of SWAP has good reputation locally and nationally.</p> <p>Good skills, but have lost some people e.g. accountancy qualified staff.</p> <p>The previous “pay reward” scheme did not work out – there were some broken promises, and disillusioned staff left – we lost some good people.</p>	<p>We have good staff.</p> <p>Senior management have best interests of SWAP at heart, but sometimes there are differences in opinion.</p> <p>It has been a challenging 12 months after all the staff changes, but hopeful that this will settle down.</p>
Management	<p>Plan and work linked to client objectives.</p> <p>Each audit assignment is planned to add value.</p> <p>Feedback on audits a little limited. Not sure if this is because no response received, or just not passed on.</p>	<p>Manager has a big portfolio, but tries to make time.</p> <p>Team meetings have been a little sporadic.</p> <p>Pleased that being supported to do IIA qualifications.</p> <p>Was rewarded with an increment after 6 mths.</p>	<p>Always try to add value, but difficult in the repeat, KFS reviews.</p> <p>Always issue a feedback questionnaire, but don’t get a lot back.</p> <p>Management is now better than before restructure; previously rarely saw manager. Plus</p>	<p>Cross cutting reviews have been good, but it would have been good to do more.</p> <p>Feedback questionnaire – could be improved – there is a feeling that if you give a bad audit opinion you will get bad feedback and therefore maybe we don’t chase</p>	<p>We have a good basis for planning.</p> <p>The key is to deliver – manage expectations.</p> <p>Do we have the capacity to deliver and pick up? We are not sat around doing nothing – we need to be honest with the client and ourselves.</p>

	<p>New staff development process – rolled out, but training day was not very positive. Unclear as to what the monthly one to ones are expected to achieve.</p> <p>Induction process for new staff could be clearer. Seniors not always aware what new staff have or have not learned and therefore things get missed.</p>		<p>link with senior auditors is helping.</p> <p>Doing IIA exams, pleased with SWAP support.</p>	<p>this feedback.</p> <p>Had 5 managers in 18 month. Each manager had their own style / approach – as soon as I learned what one manger wanted, it changed!</p> <p>But I plodded along, and got the job done.</p>	
Process	<p>Do not learn enough from previous work – if last year took 10 days, why only have 5 in the plan for this year? Very positive follow up process.</p>	<p>Plan work on a quarterly basis. This often changes, but I am kept up to date.</p>		<p>Good people are doing a good job.</p> <p>We have only lost 1 / 2 clients – so clients like what we do.</p>	<p>Think our quality for price is very good.</p> <p>Working papers good; data sharing good – should we “sell” these benefits more?</p>
General	<p>www - good people, engaged and passionate about the job.</p> <p>Ebi – address staffing issues across Dorset. Resolve inconsistencies between teams and responsibilities.</p>	<p>Ebi – could be a bit firmer with clients, saying we are coming in now to do the work – we need this date by xx – otherwise it makes it difficult to complete the review on time and in time.</p>	<p>www – focus on quality – better than private providers.</p> <p>Ebi – introducing new people – was not until started studying that understood the “why” – was shown the “how” but not the “why”.</p> <p>Ebi – staff restructure – cannot make / keep promises to all our staff.</p>	<p>Ebi – different focus on training – why always IIA?</p> <p>More rounded training – e.g. IT, Fraud, Finance etc could help.</p> <p>100 staff movements last year – this was too much – have we asked ourselves why? This lost time in training / clients lost time from plans.</p> <p>Comms – people were not aware that colleagues had left !</p>	<p>Ebi – need to get better at demonstrating our “added value”</p> <p>Improve our committee report Engage with audit committee chairs, rather than the S151.</p>

External Auditors and Other Service Providers

	L	M
Independence / governance	Demonstrate good level of independence, probably in better position to demonstrate this than previous in house teams.	No concerns. Strike a good balance. Seek steer, but not led.
Staff	Really good compared to competitors. At one client the change to SWAP has resulted in a significant improvement in the quality of IA work. Provide good skills mix and resilience for all partners. Add value – e.g. training for members	Can place reliance on work – so that is good.
Management	Good presentation of reports at Audit Cttee. Reports are specific, not too detailed. Overall right balance between cost and quality.	Very professional, and work well with the audit committee. One instance of a very big audit committee, working in a very detailed way. Seems to have frustrated SWAP rep, maybe some potential to consider and address the issue, rather than getting frustrated.
Process	Good process to follow up on recommendations made. Engage with EA well, recognise that EA and IA should work together	Assurance mapping – have really taken a lead on this with good results. Deliverability? Not alone in being behind in the plan, but a lot of carry forward work which will have an impact on future years.
General	No issues raised.	www – new concepts – e.g. assurance mapping. Www – fully risk based approach. Ebi – we seek to rely on SWAP work, this works well for kfs type work, but maybe not so for ICT work. Can this be improved in some way ?

Independent Validator Statement

The validator was engaged to conduct an independent validation of the South West Audit Partnership's internal audit activity's self-assessment. The primary objective of the validation was to verify the assertions made in the self-assessment report concerning adequate fulfilment of the organisation's basic expectations of the internal audit activity and its conformity to The Institute of Internal Auditors' (IIA's) International Standards for the Professional Practice of Internal Auditing (Standards). Other matters that might have been covered in a full external assessment, such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the Chief Executive of SWAP.

In acting as validator, I am fully independent of the organisation and have the necessary knowledge and skills to undertake this engagement. The validation, conducted during February 2016, consisted primarily of a review and test of the procedures and results of the self-assessment. In addition, interviews were conducted with the Chief Executive of SWAP, chief financial officers, audit committee chairs and other senior members of management of SWAP partners, and appropriate external auditor representatives.

I concur fully with the internal audit activity's conclusions in the self-assessment. Implementation of the limited recommendations contained in my report will, I trust, help further improve the effectiveness and enhance the value of the internal audit activity and support conformity to the Standards.

Robert Hutchins ACMA

Independent Validator

4 March 2016.