

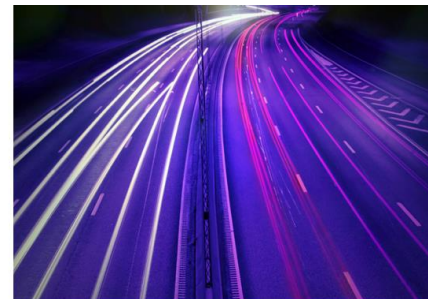
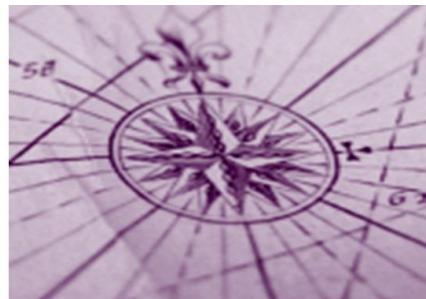


NEWCASTLE UNDER LYME
BOROUGH COUNCIL

External Quality Assessment

Internal Audit Services

Executive report – November 2022



Contents

Opinion	3
Executive summary and basis for opinion	4
Summary of good practice	6
Part one	
• Compliance with the Public Sector Internal Audit Standards - Findings and recommendations	7
Part two	
• Suggestions for enhancement of internal audit services	13
Part three	
• Benchmarking	17
Appendices	22

External Quality Assessment

Newcastle Under Lyme Borough Council

**BUSINESS
RISK
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Opinion: The Internal Audit services received by Newcastle Under Lyme Borough Council are delivered to a standard that **generally conforms** with the Public Sector Internal Audit Standards.

Key matters arising from the review:

- Increasing integration of the use by internal audit of risk-based techniques with the risk appetite of the Council particularly in terms of planning at a strategic and engagement level would be mutually beneficial,
- Ensuring clear logic within the use of inherent and residual risk assessments through working papers for each assignment to focus on agreed management objectives, significant risks and relevant key controls contained within the Council risk management system, will support the assurance provided in the final audit report would enhance the focus of engagements.
- Consideration should be given to increasing the prominence of the basis for expressing internal audit recommendations and opinions in line with risk impact definitions recognised by the Council within the Risk Management Policy within all aspects of the internal audit process.

Good Practice identified during the review

- An Internal Audit Charter setting out the role and responsibilities of Internal Audit, guides delivery and establishes the basis of the Head of Internal Audit's Annual Opinion.
- The service has developed a documented internal audit methodology, which includes analysis of risk using a Heat Map process and supporting templates that delivers a consistent risk-based service.
- Self-assessment identifies areas in which future development will be beneficial and is based upon the development of job descriptions, performance appraisals, the establishment of a training needs and client feedback.
- Routine reporting informs clients and the Audit Committee regarding progress regarding completion of the internal audit plan, findings and the follow up of recommendations.
- Reporting is encouraged to provide a balanced view of risk and control within each engagement.
- A diary record of progress within an engagement is maintained within the Audit Engagement Brief.

Executive summary

Internal Audit Services are delivered by an in-house team from Stoke-on Trent City Council managed by Clare Potts as Strategic Manager - Audit & Fraud, who assumes the role of Chief Audit Executive (CAE) for the purposes of this review.

The service has responded to the changes of focus in professional standards by developing a risk based approach with regard to planning and the completion of assignment work; the Internal Audit Manual has been updated in October 2021 to reflect the requirements of the Public Sector Internal Audit Standards (PSIAS) and better align content to its current methodology.

From an internal audit perspective, considerable advantage is to be gained from increasing development and recognition of the client Risk Management processes, which reflect a 'Three lines of Defence approach' and therefore provide a basis for risk-based internal audit as required by the standards. Further development of the process at an operational level would allow further enhancement of internal audit services.

With regard to planning, it would be beneficial to continue to align services with the Council's risk appetite. The current process defines key controls and those further mitigating actions which are required, these could be more effectively used to drive the focus of engagements in conjunction with the 'Risk Heat Maps' developed by internal audit within each engagement.

The degree to which risk appetite is embedded within assessment can be developed in order that internal audit can provide an assurance opinion in relation to risk management, governance and control. Ensuring clear alignment with the risk matrix will enable internal audit plans and assignments to focus on the value of 'Control Risk' and thereby increasingly concentrate its attention on management objectives, significant risk, key controls and the assurances available to mitigate risk. Continuing to develop this thread will enhance both the efficiency and effectiveness of internal audit as well as its benefit to the Council.

Consequently, with a constantly changing risk environment, particularly as the service responds to the changing needs of the Council, there is a need and opportunity for the internal audit service to continue to enhance delivery through acting as a catalyst to ensure that robust risk management systems are operational, increasing its awareness of the assessment of risk and as a consequence informing its own approach. This will help ensure that internal audit focuses on the most appropriate areas and can demonstrate that it continues to provide a service that effectively contributes towards the achievement of the Council stated objectives, through the provision of independent assurance.

Current services are assessed to '**generally conform**' with the PSIAS standards with the service demonstrating a high standard of delivery within its peer group. A series of specific recommendations are made in the report that follows which reflect building on the existing strengths in relation to resources, competency and delivery in order to enhance future services and as a result enhance the benefit of the service to the Council.

Basis for overall opinion

Generally Conforms means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the 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. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

Partially Conforms means the evaluator has concluded that 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. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

Does Not Conform means the evaluator has concluded that 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. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the *Standard* to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.

Source: Institute of Internal Auditors (2016)

Overall assessment

1	RESOURCES		Excelling – Processes in this area are embedded within every-day practices and mostly reflect best practice that is consistent with PSIAS expectations.
2	COMPETENCY		Established – Processes in this area are generally compliant with the PSIAS and embedded within every-day practices; the EQA has identified a number of areas where further development would be beneficial.
3	DELIVERY		Established – Processes in this area are generally compliant with the PSIAS and embedded within every-day practices; the EQA has identified a number of areas where a more consistent approach and further development would be beneficial.

Summary of good practice identified within EQA

Standard	Good practice identified	Observation
1000	An Internal Audit Charter has been established and agreed with management and the Audit and Standards Committee (ASC).	The combination of the Charter, supported by the Internal Audit Manual is comprehensive and establishes an appropriate framework against which internal audit services can be delivered in accordance with the PSIAS.
1100	Independence and objectivity	A process is in place regarding the identification and management of potential conflicts and/or declarations of interest.
1311	The service has conducted internal assessment exercises regarding its performance.	Performance review is embedded within quality control procedures and supported by a staff appraisal process which identifies and supports performance development needs. Further quality assurance is undertaken which has highlighted a number of areas where the team feel development would be beneficial.
2020	Active engagement at Member and management level	Represents the establishment of a good understanding of key issues through routine interaction with Officers and Members.
2030	The need for appropriate internal audit resources can be supported by support from appropriate other external sources, including in cases where a conflict may exist.	This represents a firm basis for the successful delivery of the internal audit plan and the use of support, if required.
2040	A detailed internal audit manual is in place which aligns with the PSIAS.	Provides for a consistent methodology, within which the service is delivered through a series of templates.
2060	Reports are produced using a standard template which is consistently applied.	Demonstration of a consistent approach to communication which is well received by management and the ASC's – effective follow-up ensures that issues are not lost.
2300	Internal auditors identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.	Effective supervision and review of progress ensures a consistent approach and delivery of the approved methodology.
2400	Internal auditors communicate results of engagements.	The internal audit team routinely conducts exit meetings with regard to the findings emerging from engagements.

Part one

The logo for Business Risk Solutions is a blue square with a white border. The text "BUSINESS" is at the top, "RISK" is in the middle in yellow, and "SOLUTIONS" is at the bottom. There are vertical bars on the left and right sides of the square.

**BUSINESS
RISK
SOLUTIONS**

Compliance with the Public Sector Internal Audit Standards

Business Vision and Mission, Governance arrangements, Recognition of standards, Charter, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

	Issue identified	Recommended action	
1	<p>Internal Audit Charter (IAC)</p> <p>The IAC requires an annual assurance opinion to be provided to the Audit and Standards Committee regarding the 'Control Environment', interpreted within the PSIAS as that relating to governance, risk management and control.</p> <p>Para 10.1 correctly states the basis for planning in the context of the full knowledge of the CAE however this contrasts with the narrower basis for the Annual Opinion.</p> <p>The Annual Opinion for 2021/22 para 2.4 stated that "From the evaluation and testing of systems during 2021/22 there appears to be a Satisfactory level of control".</p> <p>Best practice reflects using a wider basis for the opinion reflecting the full knowledge of the CAE including significant risks which the client is facing and information from other assurance sources.</p>	<p>The annual internal audit planning process is based upon a continuous assessment of the risk environment faced by the Council, therefore the opinion is not based on the current years work as stated. It would be more accurate to reflect on the full knowledge of the CAE in providing an opinion on risk management, governance and control.</p> <p>Consider documenting how internal audit will determine its opinion relating to risk management and governance in relation to the need for the Councils to demonstrate compliance with CIPFA Solace and the Council's Code of Governance.</p> <p>Additionally, the Annual Opinion is based upon wider knowledge of significant risks and the various sources of assurance that exist, including the risk management processes and this should be clarified or reflected in the Annual Report.</p> <p style="text-align: right;">PSIAS 1000</p>	
2	<p>Performance appraisal</p> <p>The self-assessment identified that the CAE's appraisal which is undertaken by the Monitoring Officer at Stoke-on-Trent City Council, could beneficially include input from both the Chair of Audit and Standards Committee and the Head of Finance.</p>	<p>Inviting observations from both the Chair of Audit and Standards Committee and the Head of Finance at Newcastle Under Lyme Borough Council in advance of the performance appraisal undertaken by the Monitoring Officer would be good practice.</p> <p style="text-align: right;">PSIAS 1110</p>	

	Issue identified	Recommended action
1.	<p>Audit Universe</p> <p>The current internal audit planning model reflects use of a “standard audit universe’ to which are applied a number of factors which represent a judgement of risk from an internal audit perspective.</p> <p>This is appropriate in circumstances where the client risk management system cannot be relied upon.</p> <p>Further development of this approach through increasing alignment with the Council’s risk environment at strategic and operational levels would enhance internal audits’ ability to demonstrate a commitment to helping the Council achieve its objectives.</p>	<p>The development of a comprehensive internal audit plan that reflects the significant risks that are recorded with the Councils risk management system represents an essential feature of both strategic and operational internal audit planning as it acts as a basis for both ensuring attention on significant risks on a priority basis, as well as providing an indication of the resources required to provide continuous independent assurance.</p> <p>Internal Audit works with each client manager at the time of an engagement to identify significant risks; it would be opportune to increasingly recognise and promote the value of ‘Control Risk’ at an operational level and transparently integrate this within the planning process.</p> <p>It would be beneficial therefore to increasingly align development of the internal audit planning system with the Council’s risk management processes in order to ensure that resources are consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which the Council is exposed at an inherent level.</p> <p>The need to review key systems on a rotational basis should be reconsidered and in future aligned with the risk based approach and previous assurance opinions.</p> <p>It may be that such an approach would also help embed effective risk management within the Council’s governance processes at an operational level as this has been the subject of negative comment in the most recent reviews by both internal and external audit.</p>

Competency continued

	Issue identified	Recommended action
2.	<p>Audit objectives</p> <p>The Audit Engagement Brief currently contains a statement which reflects the 'purpose' of the review as providing assurance regarding the area subject to review.</p> <p>In accordance with PSIAS requirements, which recognise the value of focusing on the objectives of the area under review; it may be beneficial to re-focus the statement on Management Objectives as this would align directly with the significant risks which are then identified.</p>	<p>It may be beneficial to increasing capture the Management Objectives for the area subject to review as this will help identify nature of the significant risks being and will assist with the discussions with client managers at the planning and reporting stages.</p> <p>Consequently determination of the key controls that will provide mitigation of the identified significant risks will provide the basis upon which the assurance opinion is provided.</p> <p style="text-align: right;">PSIAS 2201</p>
3.	<p>Use of the risk matrix and 'Heat Map'</p> <p>The current methodology requires identification at the commencement of an audit of the significant risks to be considered. The gross risk is then assessed with input from management in terms of its likelihood and impact and the outcome recorded on a Heat Map.</p> <p>Where available the assessment is informed by client risk management processes.</p> <p>The review then aims to identify appropriate policies, procedures and controls, concluding with an opinion based upon the residual risk in each area.</p> <p>The logic of this process represents good practice.</p>	<p>The PSIAS promotes the use of risk based techniques and the focus on significant risk. The Heat Map supports this process, although its value is then diminished by focusing on all risks, including those of a 'negligible/minor' nature.</p> <p>Consider re-focusing each engagement on those significant risks which threaten achievement of management objectives. This may both add value as well as allow more efficient use of resources.</p> <p>The single learning point from the client survey indicates that the service might provide increased focus on significant risk and introducing best practice from elsewhere within the audit approach. This may promote understanding of risk throughout the process and produce outcomes which are regarded as adding value by clients.</p> <p style="text-align: right;">PSIAS 2010</p>

Competency continued

	Issue identified	Recommended action
4.	<p>Supervision Supervision is shown on the Working Paper (diary section) and as comments within the document which are responded to by the auditor.</p> <p>Evidence of review is contained with email process.</p> <p>File review is completed at end of engagement and before release of draft report.</p>	<p>Ensure supervisory processes provide robust evidence of review throughout the audit engagement.</p> <p>Consider hyperlinking relevant documentation within the diary included as part of the 'Working paper'..</p> <p style="text-align: right;">PSIAS 2340</p>

Competency continued

Issue identified

Recommended action

5. Recognition of risk appetite

As mentioned above use of the Heat Map within internal audit planning represents good practice and recognises the mitigation processes that support the identification of risk appetite,

The assessment of gradings could do likewise by directly aligning definitions of risk assessment with the gradings allocated to recommendations and within opinions.

NULBC uses that shown below:

Final Risk Rating	Management Action required	Review/Reporting required
High	This level of risk is not acceptable and immediate action is required to reduce the risk. Unless the Board agrees that the risk is acceptable, the Board must be notified of the risk and the Board must be notified of the risk and the Board must be notified of the risk.	The appropriate Executive Director must be made aware immediately and this risk must be escalated to the Board. The appropriate Executive Director must be made aware immediately and this risk must be escalated to the Board. The appropriate Executive Director must be made aware immediately and this risk must be escalated to the Board.
Medium	This level of risk is not acceptable and immediate action is required to reduce the risk. Unless the Board agrees that the risk is acceptable, the Board must be notified of the risk and the Board must be notified of the risk.	The appropriate Board of Directors must be made aware of the final rating of this risk and they must consider the effectiveness of the control environment and make a decision as to whether this risk should be escalated to the Board of Directors for consideration.
Low	This level of risk is not acceptable and immediate action is required to reduce the risk. Unless the Board agrees that the risk is acceptable, the Board must be notified of the risk and the Board must be notified of the risk.	The appropriate Board of Directors must be made aware of the final rating of this risk and they must consider the effectiveness of the control environment and make a decision as to whether this risk should be escalated to the Board of Directors for consideration.

In matrix form being:

L I K E L I H O O D	HIGH	Amber 7	Amber 8	RED 9
	MEDIUM	Green 4	Amber 5	Amber 6
	LOW	Green 1	Green 2	Amber 3
		Low	Medium	High
		IMPACT		

Consider aligning internal audit grading structures with the recognised processes – although recognising that the approach would need adoption across all clients.

Rec' grade	NULBC
High	9
Medium	5, 6, 8
Low	3,7 1,2,4

The approach would then allow alignment between the level and volume of recommendations being made with the overall opinion.

Opinion	Link
Good: "A good level of effective control, which allows reliance to be placed on the management of the system."	Green
Satisfactory: "A satisfactory level of control. However, some control weaknesses have been identified which need to be corrected in order to move up to a good level of control."	Green, Yellow
Marginal: "A number of weaknesses have been identified which make it difficult to place reliance on the operation of the internal control framework. Improvements are required to increase the adequacy and effectiveness of control."	Yellow, Green
Unsatisfactory: "A number of significant weaknesses have been identified which make it difficult to place reliance on the operation of the internal controls. Significant improvements are required to increase the adequacy and effectiveness of control."	Yellow
Unsound: "At least one fundamental absence or weakness exists which places the system open to major error, waste, loss or abuse. Fundamental weaknesses need immediate action to improve the control environment."	Red

In this respect consider reducing the levels of opinion to at least four on basis that Marginal and Satisfactory opinions appear very similar.

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels

	Issue identified	Recommended action	
1.	<p>Governance The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements.</p> <p>Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.</p>	<p>In Local Government the Council establishes a Code of Governance in accordance with CIPFA SOLACE – it would be beneficial to map internal audit activity to the content of the Code in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report.</p> <p>This would provide transparency regarding the basis upon which the opinion has been based.</p> <p style="text-align: right;">PSIAS 2110</p>	
2.	<p>Risk Management The review of systems at NULBC in 2022 followed observations by the External Auditor regarding the benefits of further developing the system. The system methodology is fundamentally sound with the core principles regarding:</p> <ul style="list-style-type: none"> • Identification of risk • Analysis and evaluation in relation to existing controls • Mitigation, and • Monitoring <p>forming the basis of the risk management process.</p> <p>Consequently, the internal audit opinion can be compiled by assessment of both the overall approach and separately within each audit, and combined to form an overall opinion.</p>	<p>The standards require an annual opinion to be provided in the Head of Internal Audit’s Annual Report regarding the effectiveness of the risk management process. Given the reviews in this area it would be beneficial to support the opinion with specific evidence regarding how the combination of the assurances gained at both strategic and at an operational level within engagements have been assessed.</p> <p>This would include progress on the implementation of recommendations having being made.</p> <p style="text-align: right;">PSIAS 2120</p>	

	Issue identified	Recommended action
3.	<p>Release of draft and final reports</p> <p>Reports are currently issued to clients by the auditor responsible for the engagement following approval by the CAE.</p> <p>Approval for release is authorised under cover of an email.</p> <p>Reports are issued in the name of the Auditor.</p>	<p>Consideration should be given to either:</p> <p>a) showing the process for approval of each report by redesign of the existing front cover of the reporting template, or b) Including the name of the Head of Internal Audit above that of the Auditor on the front cover.</p> <p style="text-align: right;">PSIAS 2420</p>
4.	<p>Internal Audit Risk Based Strategy</p> <p>Audit Engagement Plans and Reports do not contain an explanation of how the Internal Audit Team relate the levels of risk evaluation to the conduct of the audit, and the grading of recommendations, leading to an opinion.</p> <p>It would be beneficial to include a summary of the grading processes used within all client communications as this would help embed both internal audit's approach and improve familiarity with risk management throughout the client.</p>	<p>Definitions of the grading of risks and the basis for opinions should be included within the Internal Audit Manual (through cross-reference to client Risk Management Policies), Audit Engagement Plans and Audit Reports as this would help to ensure a consistent approach and understanding of risk is embedded throughout both internal audit and the Council.</p> <p style="text-align: right;">PSIAS 2420</p>

Part two



Suggested enhancements for consideration

Suggested Enhancements for consideration

	Issue identified	Recommended action
1.	<p>Key Performance Indicators Completion of the Internal Audit Plan is regarded as the current focus of performance monitoring, although other indicators based on recommendations and opinions are recorded in the Head of Internal Audit's Annual Report.</p> <p>Good practice elsewhere utilises a range of quantitative and qualitative measures to demonstrate performance against the Internal Audit Charter.</p> <p>The future introduction of Pentana software may be beneficial in this respect.</p>	<p>Consideration could be given to devising a more comprehensive list of indicators and including these within the QAIP process to be summarised in the Head of Internal Audit's Annual Report of performance and client feedback received. This may include both KPI's already produced and others which may be available and include:</p> <ul style="list-style-type: none"> • Reports issued to agreed timescales • Recommendations accepted/not accepted by risk rating • Recommendations acted upon in a timely manner • Client satisfaction • Staffing levels and qualifications • Planned training completed <p style="text-align: right;">PSIAS 1310</p>
2.	<p>Training The Internal Audit Team has developed a comprehensive training and skills matrix which includes reference to mandatory requirements although this has not been maintained.</p> <p>As the internal audit planning process is based on a continuous review of the Council's assurances needs and devises a forward looking plan based on need and priority, it would be beneficial to consider the future training needs of internal audit staff and include these in future resource planning.</p>	<p>Consider the benefits of using the priorities included in internal audit planning process to identify potential courses or seminars which may provide increased understanding of the risk environment that will require review in the medium term.</p> <p>Ensure that training records are maintained and used to inform the QAIP.</p> <p style="text-align: right;">PSIAS 1210</p>
3.	<p>Fraud Survey The Internal Audit Team participates in the CIPFA Fraud Survey which reflects good practice regarding the consideration of fraud risk within the PSIAS.</p>	<p>When completed it would be beneficial to align outcomes with the significance of fraud risk in relation to achievement of the management objectives agreed within each engagement.</p>

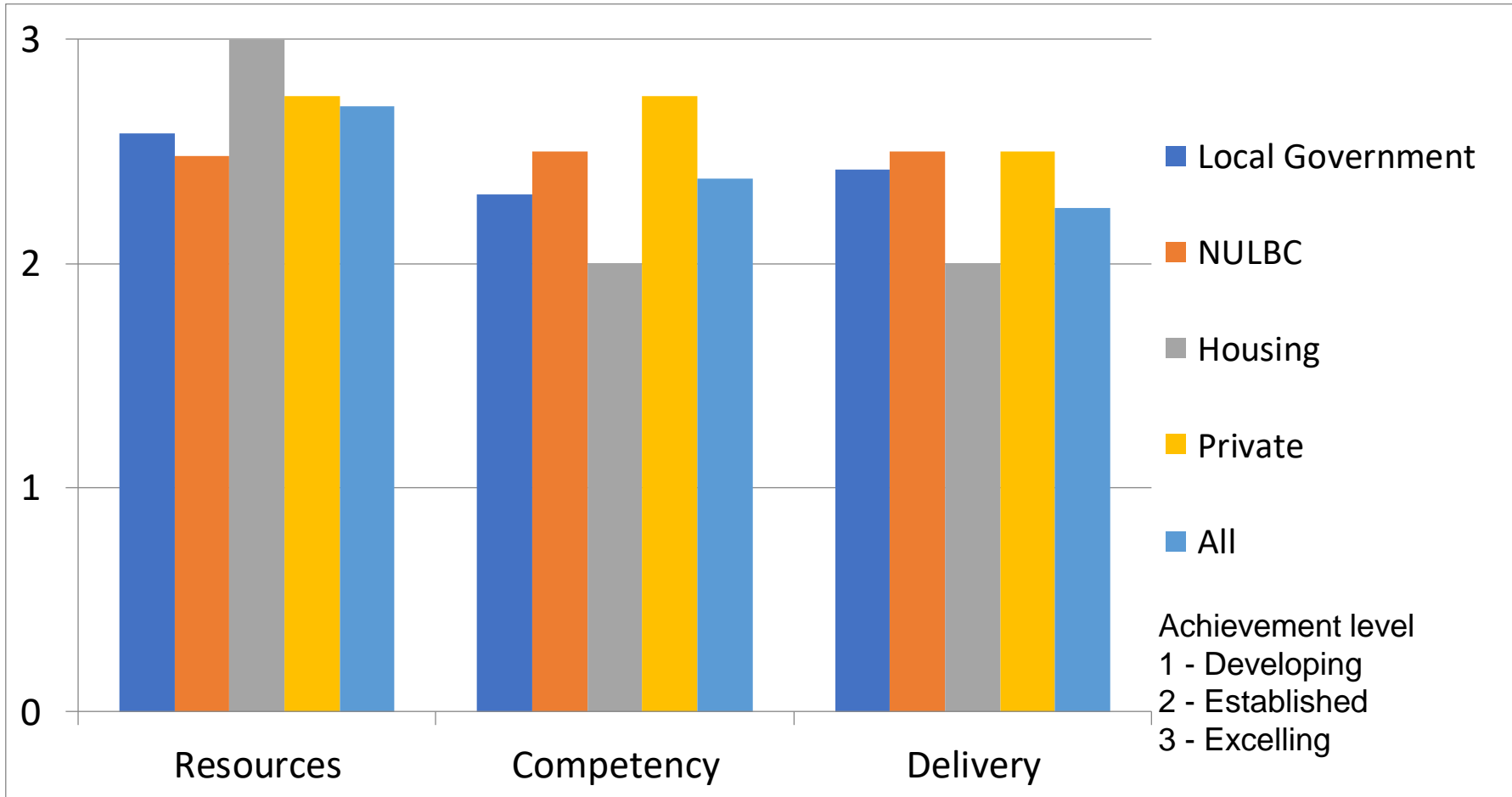
Suggested Enhancements for consideration

	Issue identified	Recommended action
4.	<p>Confidentiality and liability</p> <p>There is an occasional need to share an internal audit report outside of the organisation and in which case the legal implications should be considered.</p> <p>Current reports contain a statement regarding confidentiality and Freedom of Information.</p>	<p>The Internal Audit Team should consider the need to also include an appropriate limitation of liability clause in reports which may be shared with third parties, including external audit.</p> <p>PSIAS 2440</p>

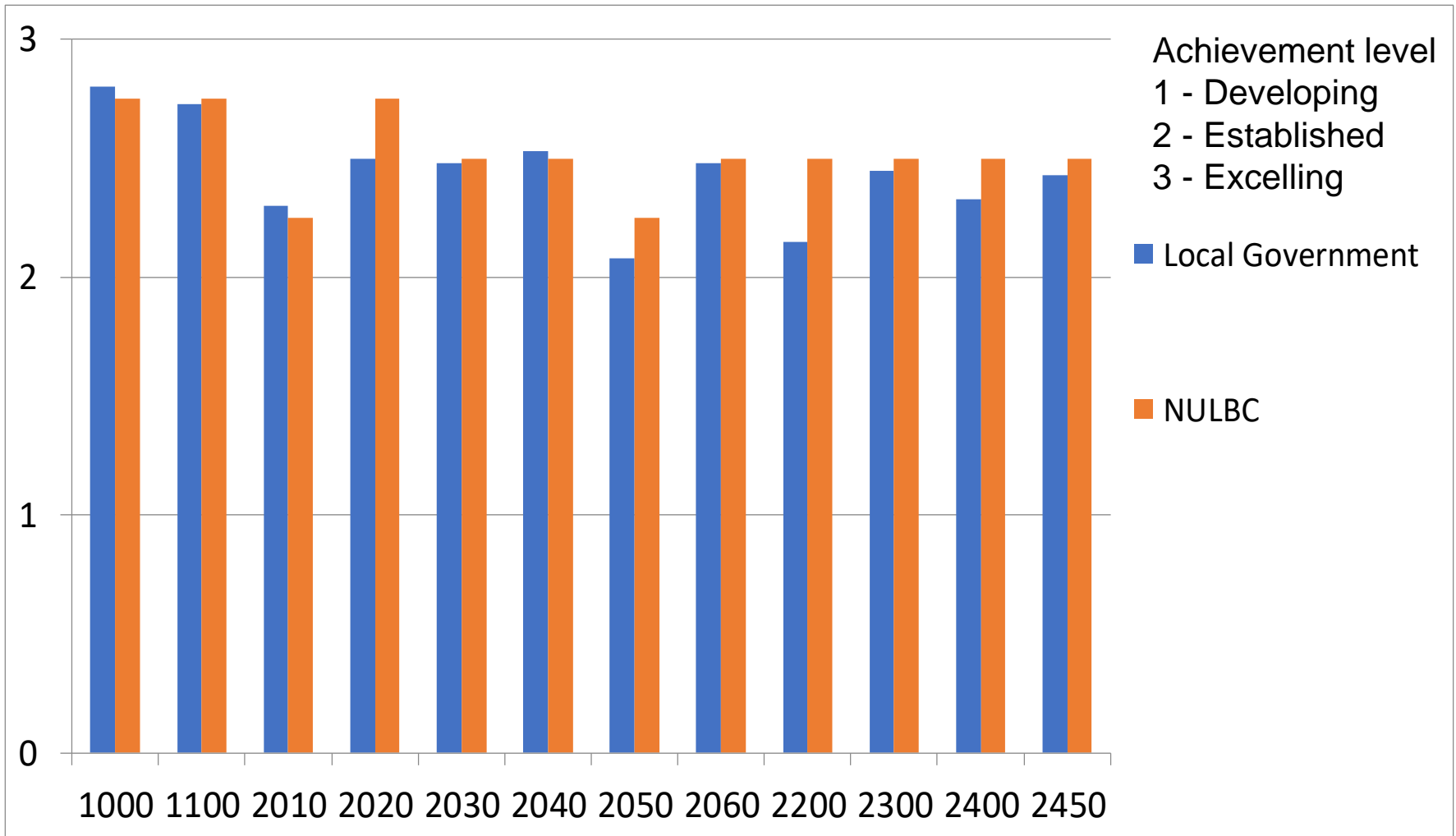
Part three



Benchmarking



Benchmarking - Industry analysis



Appendix

1. Summary of client feedback
2. Key IPPF/PSIAS standards assessed
3. Basis for EQA
4. Grading of recommendations

Summary stakeholder feedback

Question	Positive (%)	Negative (%)
I understand Internal Audit's role in the organisation and its purpose.	100	
Internal Audit is customer focused and understands what the organisation is trying to achieve.	100	
Internal Audit considers the viewpoints of the organisation when planning and undertaking reviews and aims to provide a good balance between assurance and good practice with opportunities for improvement.	100	
Internal audit has a presence in the organisation which is visible and approachable.	100	
The Internal Audit team provides a flexible and reliable service which adds value through the assurance audits and additional work it undertakes.	100	
Internal Audit makes you aware of any significant issues that occur during an audit on a timely basis and you have the opportunity to respond or provide additional information.	100	
Internal audit has the skills to provide appropriate assurance and advice to meet our needs?	100	
Good practice and ideas from other organisations are shared through audits, day to day contact, meetings or other engagement methods.	100	
Average	100	

Conclusion:

Feedback from stakeholders confirms that the Internal Audit Shared Service is considered to provide a good quality internal audit service whose brief is clearly understood and the assurance and advice that is provided is well regarded.

Other relevant observations

The current arrangement with SoTCC's internal audit team works well for NBC. It provides the required level of expertise, independence and resilience.

The Head of Internal Audit engages with Newcastle-under-Lyme Borough Council's Council Members, and has provided Audit and Standards training which was very well received.

Issued	7	Returned	7	Response rate	100%
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Client representative	No'
Audit Committee	1
Main Client contact	1
Client Manager	5

Key PSIAS Standards assessed

(for benchmarking purposes)

Standard		Focus
1000	Purpose, Authority and Responsibility	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> . The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.
1100	Independence and Objectivity	The internal audit activity must be independent, and internal auditors must be objective in performing their work.
2010	Planning	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
2020	Communication and approval	The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.
2030	Resource Management	The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
2040	Policies	The chief audit executive must establish policies and procedures to guide the internal audit activity.
2050	Co-ordination	The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.
2060	Reporting	The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
2200	Engagement planning	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
2300	Work programme	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
2400	Communicating results	Internal auditors must communicate the results of engagements
2450	Overall opinions	When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Basis for EQA

Compliance with IPPF/PSIAS

- **Resources**

Business Vision and Mission, Governance arrangements, Recognition of standards, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

- **Competency**

Charter, Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development

- **Delivery**

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels

Grading of recommendations

- The grading of recommendations is intended to reflect the relative importance to the relevant standard within the Public Sector Internal Audit Standards (PSIAS).

Recommendation grading	Explanation
Enhance	The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS standards in order to demonstrate a contribution to the achievement of the organisations' objectives in relation to risk management, governance and control.
Review	The Internal audit service should review its approach in this area to better reflect the application of the PSIAS.
Consider	The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services

- In grading our recommendations, we have considered the wider environment in terms of both the degree of transformation that is currently taking place as well as our assessment of the level of risk maturity that currently exists, as these will have a consequence for the conduct of internal audit planning as well as subsequent communication.