

SWAP

PUBLIC SECTOR INTERNAL AUDIT STANDARDS

SELF ASSESSMENT WITH EXTERNAL INDEPENDENT VALIDATION

ASSESSMENT DATE – DECEMBER 2024

Draft Report issued 12 Dec 2024

Final Report – Issued 8 January 2025

1. Introduction

1.1 In accordance with the UK Public Sector Internal Audit Standards (PSIAS), and the Global Internal Audit Standards, the Chief Audit Executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity (performance standard 1300). The quality assurance and improvement programme should be designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The quality assurance and improvement programme must include both internal and external assessments. An external assessment must be conducted at least once every five years. Full details of the PSIAS and requirements can be found on the [CIPFA website](#).

1.2 There are two acceptable approaches to conducting an external assessment:

- Full external assessment, and
- Self-assessment with independent validation.

1.3 The availability and relevant experience of the assessor or assessment team, the likely cost, the potential for added value and lack of any real or apparent conflict of interest are all factors which should be considered in deciding which method to adopt.

1.4 [SWAP Internal Audit Services](#) (SWAP) requested Devon Assurance Partnership (DAP) to support the "Self-assessment with independent validation" approach, and to undertake a peer review and complete a programme of independent validation of their self-assessment.

1.5 There are similarities between the way that the two organisations (SWAP and DAP) operate and the challenges that they face, each being a shared internal audit service established and engaged by a number of local authorities.

1.6 We can confirm that DAP, and the staff completing this self-assessment review, are independent of SWAP. However, it should be noted that DAP and SWAP are both members of Audit Together and various local government groups such as the Chief Auditors Network (CAN).

2 SWAP Internal Audit Services

2.1 The SWAP website explains that SWAP is a wholly-owned public sector audit partnership, and that working in partnerships allows SWAP to:

- Share knowledge around public sector auditing.
- Formulate fresh perspectives on best practice and risk.

- Expand its network of highly qualified professionals.
- Benefit from specialist knowledge around grant certification.
- Increase value for money.
- Benchmark client performance with that of its partners.

2.2 SWAP's website further explains that SWAP is the largest partnership of its type in England and Wales; with 25 partners (including district, borough, city and unitary councils, police, police and crime commissioners and a fire service.) Each of these partners contribute to a central SWAP budget for the provision of internal audit services.

2.3 SWAP also has a number of external clients. As SWAP is a not-for-profit, TECKAL compliant organisation, any surplus generated through this work is used for the benefit of the partners. External clients include academy schools, local councils, charities, housing associations and others.

3 Scope and Methodology of this Review

3.1 The review examined the self-assessment document and associated evidence collated by SWAP senior officers. We spoke with key officers at SWAP, officers for the client councils (including s151 officers) and Board members, and reviewed a recent stakeholder survey of 80 respondents including Partner CEOs, Audit Committee Chairs and Members and Senior Leadership. We also examined a sample of recently completed audit files to compare actual practice with the professional practices and expected working protocols.

3.2 The review included consideration of:

- Audit planning,
- Testing,
- Reporting and follow up processes,
- Conformance with the Code of Ethics,
- The adequacy of training and development arrangements,
- The availability of specialist audit skills; and
- The use of technologies.

3.3 The review was completed remotely; data and evidence from the internal assessment process completed by SWAP was provided to DAP via SharePoint; discussions with key officers, client officers, and Board members, were conducted using the Teams platform.

3.4 The questions included consideration of:

- The overall quality and effectiveness of the internal audit assurance service provided by SWAP via its internal audit provision:
- Resource planning:
- Strategic audit planning:

- Conduct of audit staff;
- The quality of audit reports; and
- Whether the service was seen to add value to its client organisations.

3.5. At the end of the visit, the findings and conclusions of the review team were reported to the Executive Director of Operations of SWAP.

4 Review Team

4.1 The majority of the review was completed by Robert Hutchins. Robert is the former Head of Devon Audit Partnership; he is a Chartered Member of CIMA (Chartered Institute of Management Accountants) and has over 25 years auditing experience in the public sector, including local government. The work completed by Robert has been subject to quality assurance by Tony Rose, Head of DAP (CMIIA, PIIA, CIA IRM Cert).

4.2 Devon Assurance Partnership operates under a partnership arrangement; the partners comprising local authorities and blue light services; the Partnership supports a wide range and number of other clients.

5 Overall Opinion

5.1 It is our overall opinion that SWAP **generally conforms** to the Public Sector Internal Audit Standards (PSIAS), including the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

5.2 The reviewer found areas of good practice and high standards as well as some areas which in our opinion require further attention (see section 7 below). Appendix A records the assessment against each Standard; Appendix B records a summary of the improvement actions identified with management responses; Appendix C sets out the definitions for the ratings; Appendix D provides a summary of areas that should be considered by management, to which management responses are provided at Appendix E.

5.3 The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. A full description of the ratings is included at Appendix C and scaled down version is given below:

- **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to 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 service from performing its responsibilities in an acceptable manner
- **Does Not Conform** - Means the deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit service from

performing adequately in all or in significant areas of its responsibilities. The full definitions are given at the end of this document.

5.4 The Standards refer to a set of core Principles which, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively and failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission. The Principles are summarised as follows: -

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

5.5 It is pleasing to confirm that we consider these core Principles are being achieved.

6 Areas of Good Practice

6.1 SWAP is well established, and the views provided by employees, senior officers and Board members confirmed that the Team have a good reputation with client senior management.

6.2 From our review of records, and feedback from those we spoke with, the audit team conduct themselves in a professional manner, display knowledge of the areas they are auditing, adopt a flexible approach and are seen to be responsive to the needs of the client. It is good to see that knowledge in specialist areas (for example data analytics) is effective, with those we spoke to saying that skills and ability in this area have improved in recent years.

6.3 Audit assignments are well planned, and testing is directed to those areas of greatest importance. Working papers within the Partnership's audit management system (AuditBoard) are completed to a good standard.

6.4 We found that there is an effective charter and strategy in place that guides the audit work for the clients. Reports to audit committees are produced timely, and provide clear and useful information, including various graphics, to help members measure performance and understand how assurance is being provided.

6.5 We spoke to a number of people during the review and some of the (many) positive comments we received included:-

- "SWAP are effective in meeting the needs of their partners in a flexible way".

- “I am really enjoying working for SWAP – it is challenging, but very motivating work”
- “They are great, hard-working, keen, responsive”.
- “Extremely helpful on an individual level – part of the culture”.
- “Fraud, IT audit work, analytics all really good”.

6.6 Other positive areas identified included:-

- All Assistant Director’s (AD’s) are Chartered Internal Auditors (or equivalent). Their personal profiles are available on the SWAP website. <https://www.swapaudit.co.uk/senior-leadership-team>. This promotes openness and transparency.
- All ADs underwent training in the summer of 2024 on providing constructive feedback.
- The AuditBoard management system has good reporting tools that will aid SWAP management to ensure a professional and high-quality service to its many partners and clients.
- Dedicated data analytics team help to “embed” data analytics for all audits and provide specialist advice and guidance when needed.

6.7 SWAP recently conducted a stakeholder survey with 80 replies received. The overall score painted a positive picture, with, for example, 90% of respondents rating the “extent to which you feel the Internal Audit team understands risk, governance and control in your organisation” high or very high. Amongst comments received was : *“Reports are clear and concise, drawing out key issues. The recommendation tracker is particularly useful for Governance group.”*

6.8 The SWAP self-assessment process was detailed and thorough. The process has identified areas where further improvements have been identified, and management have already identified a suggested action to address such weaknesses (for example 1311.e; 2330.e; 2240.f). We are confident that the team will work to complete these actions. To limit duplication, these self-assessment actions are not reported in our report.

7 Areas for further improvement identified by the review

7.1 There is good evidence to confirm that SWAP management continually review practices and procedures, and compliance against the Standards. However,

7.1.1 The AuditBoard Data Quality dashboard shows anomalies such as reviews where the same person signed off the work programme as completed the work. The Leadership Team use these dashboards to identify errors and make improvements to working practices. At the time of this review there were multiple areas to be followed up. AuditBoard provides good analysis for senior management to review / assess working practices and quality of working papers and should be used to understand why some issues and inconsistencies are occurring and to address these issues.

7.1.2 Under the “planning, reporting and engagement” part of Audit Board we were informed that it is expected that key documents, such as the plan, charter, annual report etc should be filed but in some cases such documents were not located in such a folder. This does not mean that the document did not exist, but there may be value in re-affirming to staff the need for all key documents to be stored as expected.

7.1.3 The Quality Assurance Improvement Plan (QAIP) was last presented to the Board in February 2023, although an update on progress was provided in 2024 to reflect the self-assessment process being prepared. Whilst we can see that SWAP look to continuously improve its services, and how it meets (or indeed exceeds) the Standards, we consider that there would be merit in capturing improvement actions in a more dynamic QAIP and in presenting this document on a more frequent basis to the Board. Further, making changes / improvements can often come at “a cost” – be that staff time or other additional resources - and time frames for completion of tasks need to be understood; for these reasons a more comprehensive and informative QAIP, with “SMART” targets would, we consider, be advantageous for senior SWAP staff and the Board.

7.1.4 Examples of Audit Charters that we viewed referred to “global Internal Audit Standards” – but not the PSIAS. As most SWAP clients are in the public sector there would appear to be value in making a simple amendment to the Charter to include reference to the PSIAS, and, where appropriate, the Local Government Application Note (LGAN). Similarly, there is no direct reference to the Accounts and Audit (England) Regulations 2015, although the Charter does include reference to Internal Audits contribution to control environment effectiveness. There would appear to be value in referring to these regulations in the Charter.

7.1.5 Fraud Risk Assessment - The Charter states that a fraud risk assessment will be reported to the Audit Committee. However, there could be an opportunity to enhance the understanding of the SWAP / internal audit role in relation to Fraud Risk for each client by reflecting the local arrangements for each Partner / Client, including who is completing the Fraud Risk Assessment (i.e. SWAP or the in-house team of that Partner).

7.1.6 It is expected that the Head of Internal Audit will be notified of all suspected or detected fraud, corruption or impropriety. Whilst the current Charter captures the spirit of this, it is not specific in the requirements. There may be scope to clarify / strengthen the wording in the Charter to ensure that Internal; Audit (SWAP) are suitably notified of relevant matters.

7.1.7 Assurance mapping – standard 2050.i.b asks if the audit team have “carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance” – the self-assessment response identifies inconsistency in approach and acknowledges that some assessments may require a refresh.

7.1.8 We spoke to client officers / board members from a variety of clients. One such officer commented that documents / approaches can sometimes feel “local authority” based and not suitably adapted to reflect the requirements / needs of Blue Light services. There is an opportunity to be more receptive of the needs of different clients.

8. Acknowledgements

8.1 We would like to pass on our thanks to the staff at SWAP and those senior officers and members who gave their time and input to aid us in completing this review.

A handwritten signature in black ink that reads "Tony Rose". The signature is written in a cursive, flowing style.

Tony Rose
Head of Devon Audit Partnership

8 January 2025

PSIAS External Assessment

Appendix A

Key

GC = Generally Conforms PC = Partially Conforms DNC = Does Not Conform

		GC	PC	DNC
1000	Purpose, Authority, and Responsibility			
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	Y		
1100	Independence and Objectivity	Y		
1110	Organisational Independence	Y		
1111	Direct Interaction with the Board	Y		
1112	Chief Audit Executive Roles Beyond Internal Auditing	Y		
1120	Individual Objectivity	Y		
1130	Impairment to Independence or Objectivity	Y		
1200	Proficiency and Due Professional Care	Y		
1210	Proficiency	Y		
1220	Due Professional Care	Y		
1230	Continuing Professional Development	Y		

		GC	PC	DNC
1300	Quality Assurance and Improvement Program	Y		
1310	Requirements of the Quality Assurance and Improvement Program	Y		
1311	Internal Assessments	Y		
1312	External Assessments	Y		
1320	Reporting on the Quality Assurance and Improvement Program		Y	
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	Y		
1322	Disclosure of Non-conformance	n/a		

		GC	PC	DNC
2000	Managing the Internal Audit Activity	Y		
2010	Planning	Y		
2020	Communication and Approval	Y		
2030	Resource Management	Y		
2040	Policies and Procedures	Y		
2050	Coordination and Reliance	Y		
2060	Reporting to Senior Management and the Board	Y		

2070	External Service Provider and Organisational Responsibility for Internal Auditing	n/a		
------	---	-----	--	--

		GC	PC	DNC
2100	Nature of Work	Y		
2110	Governance	Y		
2120	Risk Management	Y		
2130	Control	Y		
2200	Engagement Planning	Y		
2201	Planning Considerations	Y		
2210	Engagement Objectives	Y		
2220	Engagement Scope	Y		
2230	Engagement Resource Allocation	Y		
2240	Engagement Work Program	Y		
2300	Performing the Engagement	Y		
2310	Identifying Information	Y		
2320	Analysis and Evaluation	Y		
2330	Documenting Information	Y		
2340	Engagement Supervision	Y		
2400	Communicating Results	Y		
2410	Criteria for Communicating	Y		
2420	Quality of Communications	Y		

		GC	PC	DNC
2421	Errors and Omissions	Y		
2430	Use of "Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	Y		
2431	Engagement Disclosure of Non-conformance	Y		
2440	Disseminating Results	Y		
2450	Overall Opinions	Y		
2500	Monitoring Progress	Y		
2600	Communicating the Acceptance of Risks	Y		

		GC	PC	DNC
	Code of Ethics	Y		

Appendix B

External Assessor Summary of Findings & Recommendations

Management Action Plan - Areas for further improvement identified by the review

Report Ref	Areas for further improvement identified by the review	Management Response and Action Plan
7.1.1	SLT should continue to use AuditBoard to review / assess working practices and quality of working papers to understand why some issues are occurring, why there may be inconsistencies, and then work to address these issues.	Agreed and already in progress. The purpose of the dashboards is to highlight such issues so they can be resolved.
7.1.2	A reminder / training should be considered to ensure that key documents, such as the plan, charter, annual report etc are filed on AuditBoard as expected.	Complete - a reminder was issued by the Executive Director of Operations to ADs on 18 December 2024 and will be incorporated into a peer review process.
7.1.3	Quality Assurance Improvement Plan - we consider that there would be merit in capturing improvement actions in a more dynamic QAIP and in presenting this document on a more frequent basis to the Board.	Agreed – The Executive Director of Operations will discuss this with the Board to initiate improvement.
7.1.4	Audit Charters that we viewed referred to “global Internal Audit Standards” – but not the PSIAS. In addition, consider direct reference to the Accounts and Audit (England) Regulations 2015.	Agreed – The Executive Director of Operations will ensure these elements are added to the Charter template.
7.1.5	Fraud Risk Assessment - The Charter states that a fraud risk assessment will be reported to the Audit Committee. However, there could be an opportunity to enhance the understanding of the SWAP / internal audit role in relation to Fraud Risk for each client.	Agreed – The Executive Director of Operations will ensure that a requirement to confirm who is completing the fraud risk assessment is added to the Charter template.
7.1.6	It is expected that the Head of Internal Audit will be notified of all suspected or detected fraud, corruption, or impropriety. Whilst the current Charter captures the spirit of this, it is not specifically stated.	Agreed – The Executive Director of Operations will ensure this element is added to the Charter template.
7.1.7	Assurance mapping – the self-assessment response identifies inconsistency in approach and acknowledges that some assessments may require a refresh.	Agreed – The Executive Director of Operations will refer this action to SLT to consider what action needs to be taken.

Definitions*

“Generally Conforms” means the assessor 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 conformity to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should 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.

* Source – The Chartered Institute of Internal Auditors

Areas which Merit Further Attention

D.1 The following are matters that were highlighted within discussions with the staff and partners which may merit further attention by the SWAP Management Team:

D.1.1 Reward for staff – some officers we spoke with commented about “reward”, sighting this as an area that could be improved. For example:

- “reward used to be more pro-active and good work was “celebrated” – this may still be happening, but as now work at home it feels like this is getting lost”; and
- “Can we have monetary rewards for excellent performance? Does not need to be much (£20 voucher)”

D.1.2 Annual appraisals. There is strong evidence to confirm that staff meet regularly with their line managers in a series of one-to-one meetings. These meetings give good opportunity to discuss work issues, training and development needs etc. However, there is currently no formal “annual appraisal” process. Senior Management should consider if there is a need / opportunity to introduce a formal annual appraisal process for all staff, and to define what that should encompass.

D.1.3 We noted that no formal rotation arrangements of senior SWAP officers (Assistant Directors) are in place; however, we understand that rotation generally happens in practice as new partners onboard, and unitary councils are formed and management structures flex in response. ADs are responsible for rotating assignments within their teams. It was good to note that management keep a watching brief on staff rotation and should continue to do so.

D.1.4 Peer Review - SWAP management may wish to consider some peer review of assignment working papers, files and reports (1311.b). For example, each AD could review one or two files of another AD and feedback their findings for constructive improvement. This would help provide assurance over consistency, but also share “best practice tips” between AD’s.

D.1.5 Consistency. SWAP have adopted an approach of “conformity not consistency” whereby AD’s are allowed a degree of “freedom” to adapt practices, approaches, documents etc to meet the needs of the local Partner / client, whilst ensuring that the approach used suitably conforms with professional standards (e.g. PSIAS). This is acknowledged, and the fact that approaches can (and are) adapted for Partners is considered positive. However, this has led to some inconsistencies, for example in the style and content of annual reports. SWAP Management will need to continue to record and review inconsistencies to ensure maximum quality of service to all partners and clients.

D.1.6 At standard 2120 Risk Management the self-assessment says :-

“....opinions are based on the following, amongst other things “Completed audits which evaluate risk exposures relating to the organisation’s governance, operations and information systems, reliability and integrity of information, efficiency and

effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.”

At present the SWAP template for annual reports does not mention strategic objectives. We consider that an “easy fix” would be to adjust the wording in the statement to read: -

“completed auditsrelating to the organisations strategic risks, governance.....”

D.1.7 At standard 2130 the self-assessment states that :-

“The Annual Opinion states opinions are based on the following, amongst other things “Completed audits which evaluate risk exposures relating to the organisation's governance, operations and in-formation systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.”

There would appear to be scope to add in “....achieve the organisations strategic objectives....” To fully comply with the PSIAS.

D.1.8 We spoke to a range of client / board members and insight gained should help SWAP management to further develop and refine services. The essence of some of the comments provided are set out below. A summary of more detailed comments has been made available to SWAP management.

- Senior management are excellent, but they should not lose focus on the “front line” and the need to have high quality audit assignment work completed by competent and professionally trained staff.
- Staff need to have an awareness of the political (small p) implications of their work, and the recommendations made, and be steered by Principal Auditors in this regard.
- Staff are aware of FOI (freedom of information) requirements, but perhaps regular refresher training would further aid.
- Consistency – ensuring that audits have a consistent overall rating that reflects the “number and priority” of recommendations.

External Assessor Summary of Findings & Recommendations
Management Action Plan - Areas for further improvement

Report Ref	Areas which Merit Further Attention	Management Response and Action Plan
D.1.1	Reward for staff – some officers we spoke with commented around “reward”, sighting this as an area that could be improved.	Agreed – This action is already recognised by the Executive Leadership Team as an area for improvement and is recorded on the corporate action tracker.
D.1.3	Senior Management should consider if there is a need / opportunity to introduce a formal annual appraisal process for all staff, and to define what that should encompass.	Agreed – This action is already recognised by the Executive Leadership Team as an area for improvement and is recorded on the corporate action tracker.
D.1.4	Peer Review - SWAP management may wish to consider some peer review of assignment working papers, files, and reports.	Agreed - The Executive Director of Operations will ensure that a peer review process is formally implemented.
D.1.5	Consistency. SWAP have adopted an approach of “conformity not consistency”. There is an opportunity for senior SWAP management to identify inconsistencies and ensure that SWAP partners are all receiving the high-quality service expected.	Agreed - The Executive Director of Operations will ensure that inconsistencies (including reports) are identified and reviewed.
D.1.6	The SWAP template for annual reports should be adjusted to read: - <i>“completed auditsrelating to the organisations strategic risks, governance.....”</i>	Agreed – The Executive Director of Operations will ensure that the reports are updated.
D.1.7	The SWAP template for annual reports should be adjusted to read: - <i>“.....achieve the organisations strategic objectives....”</i>	Agreed – The Executive Director of Operations will ensure that the reports are updated.