

REPORT TO: **AUDIT & STANDARDS COMMITTEE**

DATE: **9 MARCH 2016**

TITLE: **INTERNAL AUDIT COMPLIANCE WITH THE
PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

LEAD OFFICER: **SARAH MARSH, INTERNAL AUDIT MANAGER
(01279) 446884**

RECOMMENDED THAT:

A the Committee agrees the Action Plan contained within the report.

BACKGROUND

1. In 1 April 2013 new Public Sector Internal Audit Standards came into effect, jointly developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The Standards replaced the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the UK as the mandatory guidance and provide a coherent and consistent internal framework for the whole of the public sector.
2. The last self-assessment was reported to the March 2015 Audit and Standards Committee. This confirmed that the Internal Audit Service was compliant with the requirements of Public Sector Internal Audit Standards (PSIAS) in all significant areas. An Improvement Action Plan was agreed to address the areas of non-compliance identified in the self-assessment.
3. Since the last self-assessment the Internal Audit Manager also took on the role of Chief Internal Auditor at Epping Forest District Council (as well as continuing as Head of Internal Audit at Borough of Broxbourne Council), moving towards a shared service between all three Councils.

APPROACH TO THE REVIEW

4. This review was undertaken by the Internal Audit Manager, in conjunction with the Internal Audit team, including the auditors based at Epping Forest District Council who follow the same working practices as Harlow and Broxbourne.
5. A single assessment was completed to cover the three Councils, which was verified by the Section 151 Officers at Broxbourne and Harlow and the Monitoring Officer at Epping Forest, as Internal Audit falls under their remit.

6. The self-assessment comprises the following areas:
- Definition of Internal Auditing.
 - Code of Ethics.
 - Attribute Standards
 - Purpose, authority and responsibility.
 - Independence & objectivity.
 - Proficiency & due professional care.
 - Quality assurance and improvement programme.
 - Performance Standards
 - Managing the internal audit activity.
 - Nature of work.
 - Engagement planning.
 - Performing the engagement.
 - Communicating results.
 - Monitoring progress.
 - Communicating the acceptance of risks.

RESULTS OF THE REVIEW

7. From the evidence gathered during this review, it is considered that the Internal Audit Shared Service is compliant with the new standards in all three Councils.
8. Last year's PSIAS review (which covered just Harlow and Broxbourne) identified three areas where there was partial rather than full compliance with the standards. Full compliance has now been achieved with one of these as there is adequate evidence in place to confirm the Internal Audit Manager's approval of work programmes for individual audits. A standardised checklist for all key parts of the audit process, including Internal Audit Manager's review of Terms of Reference, work programme and report, is now in place in all three Councils.
9. Work continues to progress the other two, being the use of Computer Assisted Audit Techniques and the use of internal and external assessments as part of the Quality Assurance and Improvement Programme. Both are included in the Action Plan below.

PSIAS Action Plan for 2016/17		
Area	Description	Actions
Due Professional Care Proficiency	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility. In exercising due professional care internal auditors must consider the use of technology-based audit (Computer Assisted Audit Techniques) and other data	The Internal Auditors at Epping Forest District Council (EFDC) have access to and use IDEA. Working with EFDC the capability and practicality of IDEA will be evaluated to determine if its use should be extended to Harlow and Broxbourne.

PSIAS Action Plan for 2016/17		
Area	Description	Actions
	<p>analysis techniques.</p> <p>Neither Harlow nor Broxbourne have access to a commercial software interrogation package such as IDEA.</p>	
<p>Quality Assurance and Improvement Programme – Internal and External Assessments</p>	<p>PSIAS state internal assessments must include:</p> <ul style="list-style-type: none"> • On-going monitoring of the performance of the internal audit activity; and • Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. <p>External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.</p>	<p>On-going monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity and this is in place. There is a suite of performance indicators in place which is reported to the Audit and Standards Committee. Other internal feedback mechanisms will be considered in 16/17.</p> <p>An external assessment does not have to be completed until 2017/18. However, one will be commissioned towards the end of 16/17 to cover all three Councils so it can inform the shared service going forward. The cost of this will be shared equally.</p>

IMPLICATIONS

Place (includes Sustainability)

None specific.

Author: **Graeme Bloomer, Head of Place**

Finance (includes ICT)

Resource requirements for the external assessment have been factored into the 2016/17 budget setting process.

Author: **Simon Freeman, Head of Finance**

Housing

None specific.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

The PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011.

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (2013) against which internal audit activity should be measured and determined.

Author: **Brian Keane, Head of Governance**

BACKGROUND PAPERS

Public Sector Internal Audit Standards and Local Government Application Note.

Glossary of terms/abbreviations used

PSIAS – Public Sector Internal Audit Standards.

CIPFA – The Chartered Institute of Public Finance and Accountancy.

CAAT – Computer Assisted Audit Techniques.