
PUBLIC SECTOR INTERNAL AUDIT STANDARDS QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1 SUMMARY

- 1.1 Public Sector Internal Audit Standards (PSIAS) were introduced with effect from 1 April 2013 against which the Council's internal audit function should measure its effectiveness. To aid this the Audit & Performance Manager (APM) must develop and maintain a Quality Assurance & Improvement Programme (QAIP).

2 INTRODUCTION

- 2.1 In December 2013 the introduction of the PSIAS was reported to this Committee. These comply with the requirements of the Accounts and Audit Regulations 2011.
- 2.2 At that time the Audit Committee approved the Audit Charter, which defines the key role and responsibilities of Internal Audit and is closely linked to the PSIAS.

3 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

- 3.1 The QAIP is designed to provide assurance that Internal Audit:-
- Performs its work in accordance with the Audit Charter, which is consistent with the PSIAS and relevant codes of ethics, effectiveness of working and identifying areas for improvement
 - Operates in an efficient and effective manner
 - Adds value and continually improves internal audit functions
- 3.2 The QAIP includes internal and external assessments of the range of Internal Audit's work.

3.3 Internal Assessments

Ongoing assessments are conducted through:-

- Documented audit procedures to ensure a consistent structure and approach for all audit engagements
- Documented review of audit working papers at commencement and end of each audit engagement
- Supervision of audit engagements
- All draft reports and recommendations are reviewed and approved by the Audit & Performance Manager
- Completed engagements are reported to Senior Management and the Audit Committee

- Monthly review of performance against a small range of indicators relating to time management and progression of workload
- Annual self-assessment against PSIAS checklist for compliance.

3.4 External Assessments

External assessment will appraise and express an opinion about Internal Audit's compliance with the PSIAS. The first external assessment must be carried out by April 2018.

An external assessment is required at least once every five years by a qualified, independent assessor from outside of the Council. This can be carried out as a full external review or external validation of an internal self-assessment.

Options may include a peer review from another Council or a review from an organisation providing this service, for which there would be a cost. The final arrangements and timing will be subject to approval by this Committee.

4 COMPLIANCE WITH PSIAS 2013/14

- 4.1 The PSIAS self-assessment checklist, together with an associated Local Government Application Note, contains 326 questions and covers key areas of Attribute Standards (applicable to the Council and individual auditors) and Performance Standards (nature of the internal audit function and criteria against which it can be measured). Questions in relation to consultation engagements have been marked as not applicable as this is not a function that Internal Audit carries out apart from requests for advice about controls.
- 4.2 The outcome is that Internal Audit is not compliant with the PSIAS but this is due to the fact that the external assessment has not yet been undertaken. It is not considered that other areas of non-compliance materially affect the internal audit function from effective working within the spirit of the PSIAS.
- 4.3 The self-assessed scores in relation to the checklist are shown in appendix 1. 230 are adjudged to be compliant with 54 not applicable. 37 have been scored as Partial Compliance with 5 as Not Compliant. In many cases a partial score is considered acceptable for an internal audit team with the size and complexity as that at Rochford
- 4.4 The 5 areas of non compliance are as follows:-

PSIAS	Response	Action
The Audit Committee does not appoint the APM or appraise her work (2 Questions)	The APM is appointed under the same arrangements as other senior manager posts within the Council. The APM is appraised by the Head of Finance	No action required
Compliance to PSIAS	Full compliance with PSIAS can only occur after an external assessment	External Review with target by end of March 2016. Must be completed by April 2018
Has the internal audit activity evaluated the design, implementation, and of the organisation's ethics-related objectives, programmes and activities? (2 Questions)	Not specifically reviewed	Develop the audit plan to take into account ethics relate action plan when developed. 2015/16 Audit Plan

5 AUDIT CHARTER

- 5.1 The Audit Charter, agreed by this Committee in December 2013, has been reviewed as part of the PSIAS process. It is considered that it remains fit for purpose and there have been no issues that impact upon it since approval.

6 RISK IMPLICATIONS

- 6.1 The internal audit function contributes to the effectiveness of the Council's risk management arrangements.

7 RESOURCE IMPLICATIONS

- 7.1 The level of compliance and work undertaken by Internal Audit is based on the resources available to Internal Audit.

8 RECOMMENDATION

- 8.1 It is proposed that the Committee **RESOLVES**
- (1) That the outcome of the 2014 review of the Public Sector Internal Audit Standards be agreed.
 - (2) That the renewal of the Audit Charter for 2014/15 be agreed.

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Y Woodward

Head of Finance

Background Papers:-

None.

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Appendix 1

Analysis of Self-assessment Checklist

Compliance With The Standard	Questions	Yes	Partial	No	Not Applicable	Comments
Definition of Internal Audit	3	3				See Audit Charter
Code of Ethics						
Integrity	4	4				
Objectivity	3	2	1			Good working relationship with service areas and staff across Council take part in social activities
Confidentiality	2	2				
Competency	4	4				
Attribute Standards						
Purpose Authority & Responsibility	30	27	3			The PSIAS assume Internal Audit will co-ordinate and carry out all fraud related activity. There is no such defined role at RDC although Audit may be involved in aspects of prevention / investigation
Organisational Independence	15	9	4	2		Partial The APM's role is in the Middle Management Tier whereas the PSIAS looks toward full independence of role / responsibility No Relates to appointment and appraisal of APM by Audit Committee
Direct Interaction with Audit Committee	1		1			Although facility exists within the Audit Charter for direct interaction the process is normally via Head of Finance or the committee schedule

Compliance With The Standard	Questions	Yes	Partial	No	Not Applicable	Comments
Individual Objectivity	2	2				
Impairment to Objectivity	11	2	1		8	Partial Relates to rotation of auditors within engagements. This is done where possible but with a small team this is not always feasible Not Applicable These questions relate to disclosures, gifts etc. which are technically a “No” response. In these cases the actual question is not relevant.
Proficiency & Due Professional Care						
Proficiency	9	8	1			
Due Professional Care	6	5			1	Not Applicable relates to consultancy engagements
Continuing Professional Development	4	3	1			Opportunities for development training etc. are taken when possible
Quality Assurance & Improvement Programme						
QAIP	5	1	4			QAIP reported to this Committee
Internal Assessment	9	4	4		1	QAIP reported to this Committee. Not Applicable relates to fact that no external reviewer has been involved
External Assessment	8			1	7	“No” confirms the external review has not yet taken place. The not applicable response relate to considerations and testing within the external assessment
Reporting on the QAIP	2		2			QAIP reported to this Committee
Performance Standards						
Preamble	5	5				

Compliance With The Standard	Questions	Yes	Partial	No	Not Applicable	Comments
Planning	23	14	6		3	<p>Partial Audit Plan is not directly aligned to Strategic Plan or local / national issues although legislative changes are considered. The Plan is risked based with concentration on key financial services and functions. The Audit Plan does not take into considerations potential conflicts of interest; these are addressed within individual engagements</p> <p>Not Applicable We do have a risk framework and we do not undertake consultancy work.</p>
Communication & Approval	3	3				
Resource Management	3	3				
Policies & Procedures	3	3				
Coordination	4	2	2			Not carried out assurance mapping and relationship with External Audit which has changed in line with the way they carry out their role
Reporting to Senior Management & the Audit Committee	3	3				
External Service Provider and Organisational Responsibility for Internal Audit	3	2			1	No external service provider
Governance	8	5	1	2		<p>Partial Whilst Internal Audit examines the governance arrangements of IT is does not specifically assess how IT fits into the Council's strategy and objectives</p> <p>No</p>

Compliance With The Standard	Questions	Yes	Partial	No	Not Applicable	Comments
						There has not been any audit work based on the Council's ethics related objectives
Risk Management	13	10	1		2	Partial Links to Council's strategy and objectives Not Applicable Relates to consultancy roles
Control	6	4	1		1	Partial Links to Council's strategy and objectives Not Applicable Relates to consultancy roles
Engagement Planning	17	13			4	Relates to auditing of external organisations or consultancy
Engagement Objectives	13	9	1		3	Partial Relates to value for money reviews. Whilst VFM is always considered there have not been any significant reviews in 2014 Not Applicable Consultation and a question that related to absence of evaluation engagement objectives
Engagement Scope	12	3	2		7	Partial Consideration given to personnel and premises when planning engagements Not Applicable One relating to auditing external organisations and the rest relates to consultancy
Engagement Resource Allocation	3	3				
Engagement Work Programme	11	11				
Identifying Information	4	4				
Analysis & Evaluation	7	7				

Compliance With The Standard	Questions	Yes	Partial	No	Not Applicable	Comments
Documenting Information	6	5			1	Relates to releasing documentation to outside parties
Engagement Supervision	2	2				
Communicating Results	1	1				
Criteria For Communication	15	13			2	Relates to outside parties
Quality of Communication	7	7				
Errors & Omissions	1				1	No errors identified
Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing	1				1	Cannot state compliance without external assessment
Engagement Disclosure of Non-conformance	3				3	This section relates to the impact of non-compliance on any audit engagements. It is Audit opinion that non-compliance as shown has not impacted on any engagement.
Disseminating Results	4	2			2	
Overall Opinion	21	18	1		2	Relate to consultancy
Monitoring Progress	4	2			2	Relates to revision of Audit Opinion post reporting and consultancy
Communicating the Acceptance of Risks	2				2	Relates to the position where high risks issues identified during an engagement were not addressed. This has not occurred but procedures for such a situation are addressed in the Audit Charter
	326	230	37	5	54	