

# INTERNAL AUDIT STANDARDS SELF ASSESSMENT

Governance & Audit Committee 4th March 2020

Report Author **Head of the Audit Partnership: Christine Parker**

Portfolio Holder **Cllr Rob Yates; Cabinet Member for Financial Services & Estates**

Status **For Information**

Classification: **Unrestricted**

Key Decision **No**

## Executive Summary:

This report summarises the results of the EKAP self-assessment against the Public Sector Internal Audit Standards (PSIAS).

## Recommendation(s):

Members note the content of the report and the actions required to work towards full compliance with the PSIAS

## CORPORATE IMPLICATIONS

<b>Financial and Value for Money</b>	There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2019-20 budgets.
<b>Legal</b>	The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.
<b>Corporate</b>	Under the Local Code of Corporate Governance the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.
<b>Equalities Act 2010 &amp; Public Sector Equality Duty</b>	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

	Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.	
	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
	Foster good relations between people who share a protected characteristic and people who do not share it.	
<i>There are no equity or equalities issues arising from this report.</i>		

<b>CORPORATE PRIORITIES (tick those relevant) ✓</b>	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

<b>CORPORATE VALUES (tick those relevant) ✓</b>	
Delivering value for money	X
Supporting the Workforce	
Promoting open communications	X

## 1.0 Introduction and Background

- 1.1 From 1st April 2013 the EKAP has been working to the Public Sector Internal Audit Standards (PSIAS), defined as the proper practice for Internal audit in the UK Public Sector. A mandatory local government sector-specific application note issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) supplements the Standards.
- 1.2 The previous self-assessment against the PSIAS was undertaken in 2016 by the Head of the Audit Partnership and was reviewed by the two Deputy Heads of Audit, this review concluded that EKAP partially complied and resulted in an action plan for improvements working towards full compliance.
- 1.3 A self-assessment to demonstrate the extent to which the service complies with the PSIAS and to identify any areas where further work is required was undertaken in December 2019, to enhance independence a different EKAP Auditor undertook the self-assessment, which has been reviewed by the Head of Audit. The assessment comprises 193 questions against which evidence to support 'Fully Complies, Partially Complies, Does Not Comply or Not Applicable' has been assessed and has concluded the following:

	YES	PARTIAL	NO	NOT APPLICABLE
PERCENTAGE	87%	6%	1%	6%
TOTALS	167	12	2	12

The table demonstrates that EKAP continues to be predominantly compliant with the PSIAS, and some improvements have been identified i.e. regarding housekeeping, document control and retention, future proofing and keeping EKAP procedures updated. The recommended actions to ensure full compliance in all areas can be met and improved is attached at Annex 1.

- 1.4 It should be noted that Internal Audit's level of compliance with professional standards is continually being monitored and reported on the Balance Scorecard of Performance Indicators to members on a quarterly basis.
- 1.5 Two key documents that the self-assessment has relied upon, are updated annually and have not significantly changed since the last self-assessment. The Audit Mission and Charter are attached within these committee papers alongside the Audit Plan report as part of the agenda. Any further updates or amendments to these key documents will be brought before the committee for approval in three years, or sooner if required.

## **2. The Self-Assessment Against the Public Sector Internal Audit Standards (PSIAS)**

- 2.1 The Head of the Audit Partnership has undertaken a self-assessment to demonstrate the extent to which the service complies with the PSIAS (and supplementary application note) and to identify any areas where further work was required to demonstrate compliance.
- 2.2 This review therefore, notes the changes to the new 2017 updated standard and the resultant action plan addresses the areas that are required before the EKAP can accurately use the phrase "conforms with the International Standard for the Professional Practice of Internal Auditing".
- 2.3 The PSIAS are broken down into two main areas

- **Attribute Standards address the characteristics of organisations performing the Internal Audit activities.**

Standard 1000 – Purpose, Authority and Responsibility

Standard 1100 – Independence and Objectivity

Standard 1200 – Proficiency and Due Professional Care

Standard 1300 – Quality Assurance and Improvement Programme

- **Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated.**

Standard 2000 – Managing the Audit Activity

Standard 2100 – Nature of Work

Standard 2200 – Engagement Planning

Standard 2300 – Performing the Engagement

Standard 2400 – Communicating Results

Standard 2500 – Monitoring Progress

Standard 2600 – Communicating the Acceptance of Risks.

2.4 The Self-Assessment process also reviewed the following key documents:

- Mission of Internal Audit,
- Core Principles for the professional practice of internal auditing, and
- Code of Ethics

2.5 The Action Plan records those improvements required to comply with the standards. The self-assessment therefore concludes that EKAP complies in all other areas. A full copy of the PSIAS can be downloaded free at;

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

### **3. Next Steps**

3.1 The progress towards achieving the actions contained in the Action Plan shown as Annex 1 will be reported in the annual report brought to the Committee in July.

#### 4.0 Background Papers

- PSIAS
- CIPFA Local Government Application Note
- IIA Checklist for Self-Assessment.

#### 5.0 Options

- 5.1 Members note the content of the report and the actions required to work towards full compliance with the PSIAS.

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#### Annex List

Annex 1	Action Plan for the Self-Assessment against the Public Sector Internal Audit Standards (PSIAS).
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#### Background Papers

Title	Details of where to access copy
<i>Internal Audit Annual Plan 2019-20</i>	Previously presented to and approved in March 2019 at Governance and Audit Committee meeting
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership

#### Corporate Consultation

<b>Finance</b>	Chris Blundell; Head of Financial Services (Deputy S151 Officer ) Tim Willis (Deputy Chief Executive)
<b>Legal</b>	Tim Howes, Director of Corporate Governance