

This Report will be made
public on 25 February 2020



Report Number **AuG/19/21**

To: Audit and Governance Committee
Date: 4 March 2020
Status: Non-Executive Decision
Corporate Director: Charlotte Spendley – Director – Corporate Services (S151)

SUBJECT: INTERNAL AUDIT STANDARDS SELF-ASSESSMENT

SUMMARY: This report summarises the results of the East Kent Audit Partnership (EKAP) self-assessment against the Public Sector Internal Audit Standards (PSIAS) and the actions required to move towards full compliance.

REASONS FOR RECOMMENDATION:

The Committee is asked to agree the recommendations set out below because:

In order to comply with best practice, the Audit and Governance Committee should independently contribute to the overall process for ensuring that an effective internal audit service is maintained.

RECOMMENDATIONS:

- 1. To receive and note Report AuG/19/21.**
- 2. To note the results of the self assessment and the actions required to work towards full compliance with the PSIAS.**

1. 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 predominately 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;

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. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Non-compliance with Auditing Standards	Medium	Low	Review audit service against the PSIAS on a regular interval
Non implementation of actions required to meet the standards	Medium	Low	Review of progress with the action plan by Audit and Governance Committee via the Annual Report.
Non completion of External Quality Assessment	Medium	Low	Ensure the potential impact of not conducting an EQU is included in the Annual Governance Statement.

5. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's comments (DK)

No legal officer comments are required for this report.

5.2 Finance Officer's Comments (TM)

Responsibility for the arrangements of the proper administration of the council's financial affairs lies with the Chief Finance Officer (S151). The internal audit service helps provide assurance as to the adequacy of the arrangements in place.

5.3 Head of the East Kent Audit Partnership comments (CP)

This report has been produced by the Head of the East Kent Audit Partnership and the areas of non-compliance with the PSIAS are actively being monitored and improved.

5.4 **Diversities and Equalities Implications (CP)**

This report does not directly have any specific diversity and equality implications however it does include reviews of services which may have implications. However none of the recommendations made have any specific relevance.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

- 6.1 Councillors with any questions arising out of this report should contact either of the following officers prior to the meeting.

Christine Parker, Head of the Audit Partnership

Telephone: 01304 872160 Email: Christine.parker@dover.gov.uk

Charlotte Spendley Director – Corporate Services (S151)

Telephone: 01303 853420 Email: Charlotte.spendley@folkestone-hythe.gov.uk

- 6.2 The following background documents have been relied upon in the preparation of this report:

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

Attachments

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

Improvement Actions Required for EKAP to conform with the Public Sector Internal Audit Standard

PSIAS Reference	PSIAS Name	Action Required
1000	Purpose, Authority and Responsibility	<ul style="list-style-type: none"> • Update the Audit Mission statement to recognise each partners' Corporate Objectives and to cross reference the key EKAP documents that support the statement. (Done). • Update each Council's web pages to consistently show the EKAP presence (requests have been sent). • Update the GDPR Document retention schedule to reflect latest Information Asset Register requirements. (Done – to be raised at next team meeting also). • Add a glossary of Terms to the Audit Charter to define the terms 'Board' and 'senior management team'.
1110	Organisational Independence	<ul style="list-style-type: none"> • Remind IA Staff of their ethical responsibilities. December Team Meeting annually to discuss the seven principles of public life etc. • Further expand the role of EKAP in fraud investigations (within the Audit Charter) with regards to the methodology and reporting lines.
1310	Quality Assurance and Improvement Programme (QAIP)	<ul style="list-style-type: none"> • Does the QAIP include both internal and external assessments? Internal self-assessment (Done) No external assessment planned or budgeted for (EKAP Client Officer group decision).
1311	Internal Assessments	<ul style="list-style-type: none"> • Improve the internal quality assessment in accordance with the new requirements; specifically to capture more evidence of the assessments done.
1312	External Assessments	<ul style="list-style-type: none"> • No external assessment planned or budgeted for (EKAP Client Officer Group decision).

1322	Disclosure of non-conformance	<ul style="list-style-type: none"> • The lack of an External Assessment should be included as a deviation from the PSIAS in the annual governance statement (Done).
2010	Planning	<ul style="list-style-type: none"> • LGAN- Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation by allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? No contingency provision is held in audit plans; urgent work is at the cost of planned work in agreement with the s.151. • Has the Chief Audit Executive carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance? Only to Food Standards and H&S. Working with KAG - develop a map of assurance providers.
2000	Managing the IA Activity	<ul style="list-style-type: none"> • General tidy up on files including ensuring compliance with the Document Retention Scheme and disposal of old files, version control on key documents (added to the next Team Meeting Agenda). • Include on the Audit Brief any systems and resources to be reviewed, including those that are under the control of third parties. • Refresh the Audit Manual, add a Work Instruction for Allocating Work. • Even better evidence reasons for job progress comments, including over and underspends on time budgets against individual reviews as recorded on APACE. • The implementation of these corrective actions resulting from the self-assessment should be reported to the board. (Progress to be included in the Annual Report).