

DOVER DISTRICT COUNCIL

REPORT OF THE HEAD OF AUDIT PARTNERSHIP

GOVERNANCE COMMITTEE – 20 MARCH 2014

INTERNAL AUDIT SELF-ASSESSMENT

Recommendations

<p><i>Members note the content of the report and the actions required to work towards full compliance with the PSIAS</i></p>
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Contact Officer: Mrs C Parker, extension 2160

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 Previously the East Kent Audit Partnership worked to fulfil the requirements of the CIPFA Code of Practice for Internal Audit in the UK 2006. Members will recall that a self-assessment was carried out annually and any improvement actions would be noted in the Effectiveness of Internal Audit Review conducted by your s.151 Officer. Our level of compliance with professional standards was also reported on our Balance Scorecard of Performance Indicators.
- 1.3 The last detailed independent External Assessment of how well EKAP complied with the then CIPFA Code was conducted by the Audit Commission in 2009-10. That review found some minor housekeeping improvements, which were all successfully addressed.

2. Self-Assessment Against the Public Sector Internal Audit Standards

- 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 from the previous to the new 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 Action Plan records those improvements required to comply with the new standard. 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 improvement actions contained in the Action Plan shown as Annex 1 will be reported in the annual report brought to the Committee in June. Additionally, the new standards only require an Audit Charter, so an updated Charter incorporating the (currently separate) Audit Strategy will also be presented to the June Meeting.

4.0 Recommendations

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

5.0 Background Papers

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

6.0 Resource Implications

There are no additional financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2014/15 budget.

7.0 Consultation Statement

Not Applicable.

8.0 Impact on Corporate Objectives and Corporate Risks

The internal audit process is designed to strengthen the Council's corporate governance arrangements, controls framework and risk management arrangements, as well as contributing to the provision of economic, efficient and effective services to the resident of the District.

Attachments

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

CHRISTINE PARKER
Head of Audit Partnership

The officer to whom reference should be made concerning inspection of the background papers is the Head of Audit Partnership, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2160.

Improvement Actions Required for EKAP to “conform with the International Standard for the Professional Practice of Internal Auditing

PSIAS Reference	PSIAS Name	Action Required
1110	Organisational Independence	<ul style="list-style-type: none"> • Update the Audit Charter to reflect that the Head of Audit has direct access to the Chair of the Audit Committee should this be ever required. • Confirm annually that EKAP is organisationally independent. • Remind IA Staff of their ethical responsibilities. • Ensure the HoA’s performance appraisal is reviewed and signed off by Chief Executive and feedback sought from the Chair of the Audit Committee.
1111	Direct Interaction with the ‘Board’ (=Audit Committee).	<ul style="list-style-type: none"> • Consider the need to meet in private at least annually with the Chair of the Audit Committee.
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 and include budget information in the annual report.
1312	External Assessments	<ul style="list-style-type: none"> • Ensure an external assessment is carried out in the next four years. Look into a joint procurement exercise with Kent Audit Group. • Establish a champion/sponsor to oversee the process. • Agree the approach, scope and budget for the External Assessment with the Audit Committee.
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. • Investigate how our software APACE can do more for us, including updating the Audit Universe and Risk scores held. • Better evidence reasons for over and underspends on time budgets against individual reviews as recorded on APACE. • Combine the former Audit Charter and the Strategy, and update the Charter