

AUDIT & GOVERNANCE COMMITTEE

26TH June 2014

Report of the Head of Internal Audit Services

PUBLIC SECTOR INTERNAL AUDIT STANDARDS & QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

EXEMPT INFORMATION

None

PURPOSE

To report on the Internal Assessment against the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance & Improvement Programme.

To establish the frequency of the external assessment of compliance to the Public Sector Internal Audit Standards.

RECOMMENDATIONS

That the Committee endorses

1. the record of compliance against the Public Sector Internal Audit Standards and Quality Assurance & Improvement Programme.
2. the completion of an external assessment against the Public Sector Internal Audit Standards every five years to comply with the Standards.

EXECUTIVE SUMMARY

The Public Sector Internal Audit Standards (PSIAS) came into force on the 1st April 2013. The PSAIS replace the CIPFA Code of Practice for Internal Audit which had been in place since 2006. Both the standards/codes require that Internal Audit comply with professional best practice and assess themselves against the requirements.

As part of the requirement, the Head of Internal Audit Services is required to develop a Quality Assurance & Improvement Programme (QAIP) that includes both internal and external assessments. The requirement is that the external assessment should be completed at least every five years. In deciding the frequency of the external assessment, it is a requirement that the Head of Internal Audit Services consults with the Audit & Governance Committee. The qualifications and independence of the external reviewer or review team must be decided upon as well. An external assessment every five years would be deemed appropriate. This will give time for the most advantageous external assessment – in terms of value for money – to be investigated.

Under the QAIP, quality should be assessed at both an individual audit engagement level as well as at the broader internal audit activity level. A well developed QAIP will ensure that quality is built in to, rather than on to, the way the Internal Audit activity operates. In essence, Internal Audit should not need to assess whether each individual engagement conforms to the Standards, but that engagements should be undertaken in accordance with an established methodology that promotes quality and, by default, conforms with the Standards.

The QAIP should conclude on the quality of the Internal Audit activity and lead to recommendations for appropriate improvements. It enables an evaluation of:

- Conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards;
- the adequacy of the internal audit activity's charter, goals, objectives, policies and procedures;
- the contribution to the organisation's governance, risk management, and control processes;
- completeness of coverage of the entire audit universe;
- compliance with applicable laws, regulations, and government or industry standards to which the internal audit activity may be subject;
- the risks affecting the operation of the internal audit activity itself;
- the effectiveness of continuous improvement activities and adoption of best practices;
- whether the internal audit activity adds value, improves the organisation's operations, and contributes to the attainment of objectives.

To achieve comprehensive coverage of all aspects of the Internal Audit activity, a QAIP must effectively be applied at three fundamental levels:

1. Internal Audit Engagement Level – self assessment at the audit engagement or operational level.

2. Internal Audit Activity Level – self assessment at the Internal Audit activity or organisational level.

- 3 External Perspective – independent external assessment of the entire Internal Audit activity including individual engagements.

Attached as **Appendix 1** is the Quality Assurance & Improvement Programme for the Authority's Internal Audit Service. This gives an overview of the QAIP in place. Attached at **Appendix 2** are the actions arising from the initial assessment as at the 1st April 2013 and actions to date. **Appendix 3** provides the comprehensive assessment against the PSIAS.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS

There is a risk that non compliance with the PSIAS will lead to non compliance with the statutory requirements of the Accounts and Audit Regulations 2011

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers, Head of Internal Audit Services

LIST OF BACKGROUND PAPERS

Link to Internal Audit Charter

<http://80.1.64.70:9070/documents/s8373/Enc.%201%20for%20Internal%20Audit%20Charter%20and%20Plan%202014-2015.pdf>

Link to Audit Manual

<S:\Councillors\Audit and Governance committee\Audit manual>

APPENDICES

Appendix 1 Quality Assurance & Improvement Programme (QAIP)

Appendix 2 Quality Assurance & Improvement Programme Action Plan

Appendix 3 Public Sector Internal Audit Standards Assessment

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