

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-020-2015/16

Date of meeting: 31 Mar 2016

Portfolio: Governance and Development Management

Subject: Internal Audit Compliance With The Public Sector Internal Audit Standards

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the Committee acknowledges that the Shared Internal Audit Service is compliant with the Public Sector Internal Audit Standards; and**
- (2) That the committee agrees the action plan contained within the report.**

Executive Summary:

This report demonstrates Internal Audit's compliance with The Public Sector Internal Audit Standards (PSIAS) and how this conclusion was arrived at. The report includes an action plan where minor enhancements are required.

Reasons for Proposed Decision:

The Public Sector Internal Audit Standards are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011.

Other Options for Action:

No other options.

Report:

Background

1. On 1 April 2013 new Public Sector Internal Audit Standards came into effect, jointly developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The Standards replaced the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the UK as the mandatory guidance and provide a coherent and consistent internal framework for the whole of the public sector.

2. In the past, compliance with PSIAS has been confirmed in the Chief Internal Auditor's annual report. Since then the Head of Internal Audit at Broxbourne and Harlow has taken on the role of Chief Internal Auditor at Epping Forest District Council (as well as continuing as Head of Internal Audit at Borough of Broxbourne Council), moving towards a shared service between all three Councils.

Approach to the Review

3. This review was undertaken by the Chief Internal Auditor, in conjunction with the Internal Audit team, including the auditors based at Harlow and Broxbourne as all three Councils now follow the same audit methodology and working practices.

4. A single assessment was completed to cover the three councils, which was verified by the Section 151 Officers at Broxbourne and Harlow (as Internal Audit falls under their remit) and the Monitoring Officer at Epping Forest.

5. The self-assessment comprises the following areas:

- Definition of Internal Auditing;
- Code of Ethics;
- Attribute Standards:
 - Purpose, authority and responsibility;
 - Independence & objectivity;
 - Proficiency & due professional care; and
 - Quality assurance and improvement programme;
- Performance Standards:
 - Managing the internal audit activity;
 - Nature of work;
 - Engagement planning;
 - Performing the engagement;
 - Communicating results;
 - Monitoring progress; and
 - Communicating the acceptance of risks.

Results of the Review

6. From the evidence gathered during this review, it is considered that the Internal Audit Shared Service is compliant with the new standards in all three Councils.

7. The action plan below covers all three Councils although only the second action on internal and external assessments is relevant to Epping Forest.

PSIAS action plan for 2016/17		
Area	Description	Actions
Due Professional Care Proficiency	<p>Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility. In exercising due professional care internal auditors must consider the use of technology-based audit (Computer Assisted Audit Techniques) and other data analysis techniques.</p> <p>Neither Harlow nor Broxbourne have access to a commercial software interrogation package such as IDEA.</p>	<p>The Internal Auditors at Epping Forest District Council (EFDC) have access to and use IDEA. Working with EFDC the capability and practicality of IDEA will be evaluated to determine if its use should be extended to Harlow and Broxbourne.</p>

<p>Quality Assurance and Improvement Programme – Internal and External Assessments</p>	<p>PSIAS state internal assessments must include:</p> <ul style="list-style-type: none"> • On-going monitoring of the performance of the internal audit activity; and • Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. <p>External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.</p>	<p>On-going monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity and this is in place. There are a suite of performance indicators in place which are reported to the Audit and Standards Committee. Other internal feedback mechanisms will be considered in 16/17.</p> <p>An external assessment does not have to be completed until 2017/18. However, one will be commissioned towards the end of 16/17 to cover all three Councils so it can inform the shared service going forward. The cost of this will be shared equally.</p>
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Resource Implications:

Resource requirements for the external assessment have been factored into the 2016/17 budget setting process.

Legal and Governance Implications:

The PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011.

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (2013) against which internal audit activity should be measured and determined.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

Section 151 Officers at Broxbourne and Harlow (as Internal Audit falls under their remit) and the Monitoring Officer at Epping Forest.

Corporate Governance Group.

Background Papers:

Public Sector Internal Audit Standards and Local Government Application Note.

Risk Management:

Failure to comply with the PSIAS could undermine the work of Internal Audit and the assurances provided to the Audit and Governance Committee.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date/Name	Summary of equality analysis
31/03/16 Chief Internal Auditor	The report is to demonstrate compliance against the Public Sector Internal Audit Standards and has no equality implications.