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**REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2013/14**

Committee: Corporate Governance & Finance Committee

Date: 21st July 2014

From: Trevor Bowd - Principal Auditor

[P42]

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1.0 **ISSUE**

1.1 To report on the outcome of the review of the effectiveness of Internal Audit for the financial year 2013/14.

2.0 **RECOMMENDATION**

2.1 That the Committee notes the results of the review.

3.0 **BACKGROUND/OPTIONS**

3.1 The Accounts and Audit (England) Regulations 2011 require the Council to undertake an annual review the effectiveness of its internal audit function and to report the findings of this review to Committee.

3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) agreed to collaborate in the development of the Internal Audit profession in the public sector, culminating in the publication of the Public Sector Internal Audit Standards (PSIAS) which are based upon the mandatory elements of the global CIIA's International Professional Performance Framework.

3.3 The PSIAS came into force from 1<sup>st</sup> April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, and are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011.

3.4 CIPFA issued a Local Government Application Note which was developed as the sector-specific requirements for local government and this included a checklist to be used to assess conformance with the PSIAS and identify areas for improvement. In total the Principal Auditor has assessed the Internal Audit service against 316 criteria covering the following areas:-

- Definition of Internal Auditing
- Code of Ethics
- Attribute Standards
- Performance Standards

3.5 The results of the assessment are produced in summary form at Appendix 1.

#### 4.0 ARGUMENTS/CONCLUSIONS

4.1 The review of the effectiveness of Internal Audit forms an integral part of the assurance framework upon which the Annual Governance Statement, which will be presented to this Committee in September is based. The overall conclusion is that the system of Internal Audit is effective.

4.2 The Principal Auditor will ensure that improvements briefly outlined in the attached Appendix 1 are made to improve the overall effectiveness of Internal Audit.

#### 5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1 There are no additional financial implications arising from this report. An Equality Impact Assessment (INRA) is not required.

#### 6.0 APPENDICES

Appendix 1 – PSIAS Compliance Summary and Improvement Plan

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##### **Background Documents**

##### **Location**

##### **Contact Officer**

Public Sector Internal Audit Standards

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## Appendix 1

### Public Sector Internal Audit Standards 2013/14 Compliance Summary and Improvement Plan

Standard	Criteria Assessed Against	Level of Compliance			Observations and Improvement Plan
		Full	Partial	Non	
<b>Definition of Internal Auditing</b>	3	3	0	0	
<b>Code of Ethics</b>	13	12	1	0	
<b>Attribute Standards</b>					
Purpose, Authority and Responsibility	23	22	1	0	
Independence and Objectivity	30	26	1	3	
Proficiency and Due Professional Care	17	16	0	1	Non compliance relates to the qualification of the Principal Auditor and is reported in the Annual Governance Statement.
Quality Assurance and Improvement Programme	21	12	8	1	A high number of instances where only partial compliance can be evidenced. A comprehensive Quality Assurance and Improvement Programme needs to be developed that covers all aspects of the Internal Audit activity which enables all aspects of PSIAS to be evaluated. Non compliance relates to use of Customer Satisfaction Surveys.  <b>Implementation date – December 2014.</b>
<b>Performance Standards</b>					
Managing the Internal Audit Activity	44	34	9	1	Partial compliance relates to enhancements required to the risk-based audit plan. Non compliance relates to carrying out an assurance mapping exercise to identify and determine the approach to using other sources of assurance.  <b>Implementation date – March 2015</b>
Nature of Work	31	24	4	3	Both partial and non compliance relate to Internal

Standard	Criteria Assessed Against	Level of Compliance			Observations and Improvement Plan
		Full	Partial	Non	
					Audit evaluating the design, implementation and effectiveness of the Council's ethics related objectives, programmes and activities. Although some work is undertaken as part of production of the Annual Governance Statement a specific audit review will be included in the Annual Audit Plan for the financial year 2015/16.  <b>Implementation date – March 2016</b>
Engagement Planning	57	53	4	0	Partial compliance relates to consultancy type reviews, ensuring that the engagement process for these types of review are identical to standard audit reviews.  <b>Implementation date – December 2015</b>
Performing the Engagement	23	22	1	0	
Communicating the Results	48	44	4	0	Enhancements required to audit reporting process, including minor amendments to Audit Charter.  <b>Implementation date – March 2015</b>
Monitoring Progress	4	4	0	0	
Communicating and Accepting Risks	2	2	0	0	
<b>Totals</b>	<b>316</b>	<b>274</b>	<b>35</b>	<b>9</b>	
		<b>87%</b>	<b>11%</b>	<b>2%</b>	