

**PUBLIC SECTOR INTERNAL AUDIT STANDARDS
SELF ASSESSMENT 2013-14 - LGSS INTERNAL AUDIT NORWICH**

2013 PSIAS Requirements	Evidence of Achievement	Action Plan for Development
<p>Code of Ethics:</p> <p><i>Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.</i></p> <ul style="list-style-type: none"> • <i>Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement</i> • <i>Objectivity – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.</i> • <i>Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so</i> • <i>Competence – Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.</i> 	<p>The staff appraisal system considers these issues; where areas of concern are identified these will be set as action points as part of the PADP process. To date no significant points of conflict have been identified.</p> <p>All Internal Audit staff have familiarised themselves with the new Public Sector Internal Audit Standards, which are available via the shared folders. In addition, every year they are required to sign the code of ethics from the standards, covering requirements to ensure compliance with ethics for internal auditors.</p> <p>Staff are rotated on regular basis across audit areas.</p> <p>An Internal Audit staff away day considered the role of Internal Audit within the organisation and considered the organisations aims and objectives etc. These sessions will be held periodically going forwards to ensure that all staff maintain their understanding of the Code of Ethics.</p>	
<p>1000 Purpose, Authority and Responsibility</p> <p><i>....Purpose, authority and responsibility of Internal Audit is formally defined by the organisation in a charter consistent with these standards.</i></p>	<p>An Audit Charter, which takes account of the new Public Sector Internal Audit Standards which were effective from April 1st 2013, has been prepared.</p>	

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<p><i>...This charter is reviewed periodically and approved by senior management and the relevant boards.</i></p> <p><i>...The chief audit executive should discuss the Definition of Internal Auditing, the Code of Ethics and the Standards with senior management and the board.</i></p> <p><i>....The internal audit charter must cover the arrangements for appropriate resourcing.</i></p> <p><i>...The nature of consulting services must be defined in the internal audit charter.</i></p> <p><i>...The internal audit charter must define the role of internal audit in any fraud-related work.</i></p> <p><i>...The internal audit charter must include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.</i></p>	<p>The charter was approved by the relevant committees at Cambridgeshire and Northamptonshire county councils during 2014.</p> <p>Resource levels with Internal Audit and Risk Management (IARM) are assessed on an annual basis as part of the Internal Audit planning process</p> <p>Resource levels have been reviewed by the Head of IARM and a re-structure of LGSS IARM in the Northampton, Cambridge and Norwich offices is imminent.</p> <p>Internal Audit has the capacity to undertake consultancy type reviews as requested by senior management of the Council.</p> <p>The Audit Charter defines audit responsibilities in relation to fraud. This is elaborated within the Authority's Anti-Fraud Policy.</p> <p>LGSS IARM is not responsible for services outside of the delivery of Internal Audit. Where staff transfer internally to Internal Audit, the Head of Internal Audit will ensure they do not audit activities they were previously responsible for, for at least 18 months. This includes transfers after periods of secondment whilst undertaking professional training.</p> <p>Work is assigned by Audit Managers to avoid potential conflicts of interest. No conflicts have arisen to date</p>	<p>Report the outcome of the restructure to Audit Committee</p>

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<p>1100. Independence and Objectivity</p> <p><i>...The internal audit activity must be independent and internal auditors must be objective in performing their work</i></p> <p><i>...The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity</i></p> <p><i>....Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.</i></p>	<p>The Audit Charter sets out and confirms the independence and objectivity of Internal Audit.</p> <p>The Head of Internal Audit and Risk Management (HIARM) has direct access to those charged with governance; the Audit Committee, the Chief Executive, S151 Officer and Chair of the Audit Committee.</p> <p>Reports are made in HIARM's own name to management and to the Audit Committee.</p> <p>No conflict of interest between operational responsibilities and audit has been found.</p> <p>The size of the Internal Audit section means that controlled rotation of audit work within the team is the norm.</p> <p>All staff have signed a declaration of interest form in the past, but this is not done annually.</p>	<p>All staff to complete an annual declaration of interests form</p>

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<p>Audit Committee</p> <p><i>...The chief audit executive must communicate and interact directly with the board (Audit Committee). (1111)</i></p>	<p>An independent Audit Committee exists within the Council chaired by a Councillor. The terms of reference for the Committee have been formally approved and are regularly reviewed. They include responsibility for the review of the Annual Governance Statement.</p> <p>The Audit Committee endorses the Annual Audit Plan and monitors the delivery of this. Internal Audit uses a risk-based approach with the Internal Audit Plan being based on the corporate and service Risk Registers. The Audit Committee endorses this approach.</p> <p>The HIARM attends Audit</p>	

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	<p>Committee meetings, reports on the outcome of Internal Audit work, identifies necessary changes to the Audit Plan, and presents an Annual Report and opinion or assurance on the internal control and risk management framework.</p> <p>The responsibilities of Internal Audit staff and Members, particularly those of the Audit Committee, are laid out in the Audit Charter. There are training sessions for Audit Committee members and specific training is provided upon request.</p>	

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<p>Staffing, training and continuing professional development (CPD)</p> <p><i>...Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities (1200)</i></p>	<p>The skills and competencies required of each post are determined through job descriptions and people specifications and have been reviewed in preparation for the planned restructure of IA&RM.</p> <p>Actual skills and competencies have been assessed and individual training and development plans have been agreed through the formal PADP appraisal process.</p>	

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<p>1300 Quality Assurance</p> <p><i>..... The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</i></p>	<p>All Internal Auditors are aware of their individual responsibilities for due professional care.</p> <p>Arrangements are in place to monitor this:</p> <ul style="list-style-type: none"> ▪ Managers conduct a robust review of audit files and draft reports ensuring that the work completed is in accordance with the original scope of work agreed and to the desired quality. ▪ The HIARM or an Audit 	<p>The Quality Assurance and Improvement Programme requirements have been incorporated within the revised Audit Charter and will be implemented, including an external assessment within five years.</p>

	<p>Manager reviews all reports with a moderate or limited assurance level following on from this review prior to the draft / final reports being issued.</p> <ul style="list-style-type: none"> ▪ Performance of individual auditors to exercise due professional care is and will continue to be included within the PADP process. ▪ Performance measures are defined and results reported to the Audit Committee. ▪ Internal quality reviews are undertaken by Internal Audit Managers and the HIARM. ▪ Post audit questionnaires are issued to each auditee with each draft report, the results of which are summarised in the annual report. 	
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<p>2000. Undertaking Audit Work</p> <p>....<i>Planning</i> The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.</p> <p>...<i>Approach</i> The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.</p> <p>....<i>Recording and Assignments</i> Internal auditors must document relevant information to support the conclusions and engagement results. Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.</p>	<p>Terms of reference are prepared and agreed with management for each audit.</p> <p>A risk-based approach is used and an audit assurance opinion is given for every audit.</p> <p>Issues are discussed with management as they arise and at post audit discussions.</p> <p>Standards of working papers are specified and checked as part of the file review.</p> <p>Internal Audit uses a time recording system. Reports are produced for management information.</p> <p>Adequate working papers supporting conclusions drawn and recommendations made are maintained and retained on file. Reports are issued to appropriate Executive Heads / Heads of</p>	

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	<p>Service.</p> <p>Progress of management in implementing agreed recommendations are monitored by Internal Audit via a method of quarterly follow up and reporting to the Audit Committee by the HIARM.</p>	

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<p>2010 Audit Strategy and Planning</p> <p><i>The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.</i></p>	<p>An Audit Strategy was previously reported to Audit Committee prior to internal audit transferring to LGSS. The LGSS Strategy complies with the PSIAS and has been formally endorsed by the Cambs and Northants audit committees as part of the planning process.</p> <p>The risk-based Audit Plan has been prepared in accordance with the Strategy.</p> <p>The Corporate and Service Risk Registers have been used as the basis of the Internal Audit Plan. This has been assessed by the HIARM.</p> <p>Available resources have been compared with the resource need as part of the audit planning process.</p> <p>The plan has been endorsed by the Audit Committee.</p>	<p>Incorporate the LGSS Audit Strategy when the next annual audit plan is reported.</p>
<p>Performance, quality and effectiveness</p> <p>.... The chief audit executive must establish policies and procedures to guide the internal audit activity. (2040)</p> <p>....The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. (2030)</p> <p>Interpretation: Appropriate refers to the mix of knowledge, skills and other</p>	<p>Policies and procedures are defined in an audit manual. Performance indicators are reported to management and the Audit Committee.</p> <p>Audits are assigned according to the skills mix required and there is adequate supervision by the Audit Manager.</p> <p>Post audit questionnaires are issued with each draft report and are summarised in the annual</p>	

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<p>competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.</p> <p>...The chief audit executive should share information and co-ordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts. (2050)</p>	<p>report.</p> <p>Liaison with External Audit occurs in order to minimise the potential for duplication and ensure where reliance upon Internal Audit work is required, that the correct level of Internal Audit coverage occurs.</p>	

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<p>2100 Nature of Work</p> <p><i>The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.</i></p>	<p>Internal Audit contributes to and prepares the Annual Governance Statement. The Annual Report by the Head of Internal Audit documents the contribution of Internal Audit to governance and risk management. Coverage from the Annual Internal Audit Plan evaluates the adequacy and effectiveness of controls.</p>	

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<p>2200 Engagement Planning</p> <p><i>Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.</i></p>	<p>The engagement planning process is documented within the Audit Manual. This incorporates all PSIAS requirements.</p>	

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<p>2300 Performing the Engagement</p> <p><i>Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.</i></p>	<p>The engagement performance process is documented within the Audit Manual. This incorporates all PSIAS requirements.</p>	

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<p>2400. Communicating Results</p> <p><i>...The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and deciding to whom and how it will be disseminated. When the chief audit executive delegates these duties, he or she retains overall responsibility.</i></p> <p><i>...Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.</i></p> <p><i>...Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</i></p> <p><i>Interpretation:</i></p> <p><i>Opinions at the engagement level may be ratings, conclusions or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.</i></p> <p><i>....The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</i></p> <p><i>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</i></p> <p><i>The annual report must incorporate:</i></p> <p><i>the opinion;</i></p> <p><i>a summary of the work that supports the opinion; and</i></p> <p><i>a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement</i></p>	<p>All Internal Audit reports are issued in the name of the HIARM.</p> <p>Audit reports give an opinion on risks and controls, using approved methodology.</p> <p>The scope of each audit is set out in each audit report.</p> <p>Post audit discussions are held with relevant auditees prior to the production of a draft report.</p> <p>Recommendations are prioritised according to risk. Draft reports are discussed with management and action plans agreed in response to recommendations made.</p> <p>Reports are issued to appropriate managers.</p> <p>Where necessary, issues are referred to the Risk Manager.</p> <p>Assurances are sought from managers on delivery of agreed actions.</p> <p>An escalation procedure has been defined.</p> <p>Where necessary, the opinion is revised in the light of the delivery of agreed actions.</p> <p>An Annual Report to support the Annual Governance Statement is presented to the Audit Committee. The report includes the opinion on the control environment and any qualifications to that opinion. The work on which the opinion is based is set out in the report.</p> <p>The report highlights significant</p>	

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<i>programme.</i>	<p>issues and key themes arising from audit work in the year.</p> <p>Interim progress reports are submitted to the Audit Committee. The status of the implementation of recommendations is submitted to the Audit Committee.</p>	

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<p>2500 Monitoring Progress</p> <p><i>The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.</i></p>	<p>A follow up process in place and the results are reported to each Audit Committee.</p>	

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<p>2600 Communicating the acceptance of risks</p> <p><i>When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.</i></p>	<p>The HIARM reports on the outcomes of all audits to the Audit Committee, including those where risks are accepted by management.</p>	