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**CONFIDENTIAL**  
**Public Sector Internal Audit Standards**  
**(PSIAS)**  
**Conformance Report 2018/2019**

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Report Issued By: Siobhan Martin (Head of Internal Audit)

Date: August 2018

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## **1 INTRODUCTION**

- 1.1 This conformance review is evidence required to demonstrate the Internal Audit Service is 'fit for purpose' and compliant with the national mandatory standards. The Audit and Governance Committee are required to review and comment upon the effectiveness of the Internal Audit Service and this report assists with this responsibility.
- 1.2 Public Sector Internal Audit Standards (PSIAS) are mandatory and apply to all internal audit service providers, whether in-house, shared services or outsourced. The objectives of the PSIAS are to:
- define the nature of internal auditing within the UK public sector
  - set basic principles for carrying out internal audit in the UK public sector
  - establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
  - establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 1.3 Standard 1300 requires the Chief Audit Executive (Head of Internal Audit) to develop and maintain a Quality Assurance and Improvement Programme (QAIP) that includes periodic self-assessments and an assessment by an external person every five years.
- 1.4 Suffolk Coastal and Waveney District Council and Ipswich Borough Council (parties to the Internal Audit Partnership) were externally assessed in November 2016 by the Chartered Institute of Public Finance and Accountancy (the main PSIAS assessor in the UK).
- 1.5 The external assessment identified near full compliance with the 300 plus tests performed, with no areas of non-compliance with the standards.
- 1.6 This self-assessment review relates to 2017/18 and 2018/19 and will be reported to the relevant Audit and Governance Committees.

## **2 CONCLUSION**

- 2.1 The review identified near full compliance with the 300 plus tests of conformance, with no areas of non-compliance within the standards that would affect the overall scope or operation of the internal audit activity.
- 2.2 A small number of areas were identified where there is partial compliance and scope for improvement to ensure the service is meeting best practice.

## **3 AUDIT SCOPE AND OBJECTIVE**

- 3.1 The primary focus of this review was to conduct a self-assessment to evaluate the Council's Internal Audit Service conformance with the Code of Ethics and Standards.
- 3.2 This has been achieved by completing the Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note. This Checklist forms Chapter 4 of the Local Government Application Note.

## 4 FINDINGS

- 4.1 The table below summarises the results from the more extensive PSIAS conformance checklist and highlights areas where there is partial compliance.

Ref.	PSIAS Standard	Comments
1	Definition of Internal Audit	Fully compliant
2	Code of Ethics	Fully compliant
3	Attribute Standards	
3.1	1000 Purpose, Authority and Responsibility	Fully compliant
3.2	1100 Independence and Objectivity	Fully compliant except minor wording change for the Audit & Governance Committee's terms of reference
3.3	1200 Proficiency and Due Professional Care	Fully compliant
3.4	1300 Quality Assurance and Improvement Programme	Fully compliant except for ensuring comprehensive performance targets are in place
4	Performance Standards	
4.1	2000 Managing the Internal Audit Activity	Fully compliant
4.2	2100 Nature of Work	Fully compliant except for carrying out an ethics audit
4.3	2200 Engagement Planning	Fully compliant
4.4	2300 Performing the Engagement	Fully compliant except for ensuring the retention requirements for records are consistent with the organisation's guidelines
4.5	2400 Communicating Results	Fully compliant
4.6	2500 Monitoring Progress	Fully compliant
4.7	2600 Communicating the Acceptance of Risks	Fully compliant

**ACTION PLAN**

REC No.	RISK	FINDING	AGREED ACTION	RESPONSIBLE OFFICER	MANAGEMENT IMPLEMENTATION DATE	INTERNAL AUDIT COMMENTS
1	Failure to comply with Public Sector Internal Audit Standards may result in inefficient and ineffective processes and potential reputational damage if reported.	The current wording for the Audit & Governance Committee's terms of reference does not state that the Committee should approve decisions relating to the appointment and removal of the Head of Internal Audit.	Amend the wording for the Audit & Governance Committee's terms of reference to include specific reference to approving decisions relating to the appointment and removal of the Head of Internal Audit.	Siobhan Martin	Dec 2018	HOIA to discuss feasibility of this with the Monitoring Officer.
2	Failure to comply with Public Sector Internal Audit Standards may result in inefficient and ineffective processes and potential reputational damage if reported.	Comprehensive performance targets for measuring, monitoring and reporting progress on internal audit activities are not in place.	Generate comprehensive performance targets, which have been developed in consultation with appropriate parties, and ensure that progress against the targets is measured, monitored and reported (including to the Audit & Governance Committee).	Siobhan Martin	Sep 2018	HOIA to direct Audit Managers to introduce additional meaningful performance indicators.
3	Failure to comply with Public Sector Internal Audit Standards may result in inefficient and ineffective processes and potential reputational damage if reported.	There has not been a recent ethics audit carried out.	Ensure internal audit has evaluated the design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.	Siobhan Martin	March 2019	Internal Audit Plan 2018-19 at IBC and SCDC/WDC includes a review ethics.
4	Failure to comply with Public Sector Internal Audit Standards may result in inefficient and ineffective processes and potential reputational damage if reported.	Retention requirements for all types of engagement records have not been updated to ensure they are consistent with the organisation's guidelines.	Develop and implement retention requirements (that are consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements) for all types of engagement records held by internal audit.	Siobhan Martin	May 2018 Completed	Completed as a part of the GDPR Council wide implementation programme.