

RAG Assessment of Conformance with the Public Sector Internal Audit Standards

	Standards Reference	R	A	G	Commentary
1	Ethics			G	Green Overall
	<p>Integrity</p> <p>Internal Auditors:</p> <p>a) Perform their work with honesty, diligence and responsibility?</p> <p>b) Observe the law and make disclosures expected by the law and the profession?</p> <p>c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation?</p> <p>d) Respect and contribute to the legitimate and ethical objectives of the organisation?</p>			<p>G</p> <p>G</p> <p>G</p> <p>G</p>	

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<p>Objectivity</p> <p>Internal Auditors display objectivity by not:</p> <ul style="list-style-type: none"> a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? b) Accepting anything that may impair or be presumed to impair their professional judgement? c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review? 			<p>G</p> <p>G</p> <p>G</p>	
<p>Confidentiality</p> <p>Internal Auditors display objectivity by:</p> <ul style="list-style-type: none"> a) Acting prudently when using information acquired in the course of their duties and protecting that information? b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation? 			<p>G</p> <p>G</p>	

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<p>Competency</p> <p>Internal Auditors display objectivity by:</p> <p>a) Only carrying out services for which they have the necessary knowledge, skills and experience?</p> <p>b) Performing services in accordance with the PSIAS?</p>			<p>G</p> <p>G</p>	
<p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</p>		A		<p>Use Performance Development Review (Appraisal) process to confirm maintenance of CPD Logs (include the completion of 'Training Log' to be completed by all Audit & Risk staff).</p>
<p>2 1000 Purpose, Authority and Responsibility</p>			G	<p>Green Overall</p>
<p>Content and maintenance of an Internal Audit Charter</p>		A		<p>The current Internal Audit Terms of Reference requires a refresh to ensure full compliance with the Standards. This includes:</p> <ol style="list-style-type: none"> 1) Defining the terms 'Board' (Corporate Audit Committee) and 'Senior Management' for purposes of internal audit activity. 2) Establish the Chief Audit Executive's (CAE) functional reporting relationship with the Corporate Audit Committee (CAC). 3) Establish the responsibility of the CAC and Statutory Officers with regards to internal audit. 4) Identify internal audit's contribution to the review of the effectiveness of the control environment. 5) Establish the organisational independence of internal audit. Especially in light of the current proposed restructuring of the Resources Directorate. 6) Cover the arrangements for appropriate resourcing. This has to take into account the reduction of internal audit personnel over the last three years and whether the service can now provide 'reasonable' assurance due to the reduced capacity of the team to review Council activities. 7) Recording arrangements to avoid conflict of interest if undertaking non audit activities. 8) Define assurance services provided internally and to external parties, i.e. Academies.

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					9) Define nature of consulting services. 10) Recognise the mandatory nature of the PSIAS.
3	1100 Independence & Objectivity		A		Amber Overall See detail below. Plus a need to put in place processes to ensure individual internal auditors can and will declare 'one-off' and 'on-going' potential conflicts of interest, e.g. a friendship or family relationship with individual(s) subject to an Audit Review or Investigation.
	<i>1110 Organisational Independence</i>	R			
	CAE reporting to an organisational level equal or higher to the corporate management team enabling internal audit to fulfil its responsibilities (independence & objectivity).	R			The proposed restructure of the Resources Directorate indicating that the CAE will report to a Divisional Director Finance who will have a portfolio of service responsibilities.
	CAE confirms to the board, at least annually, that the internal audit activity is organisationally independent.		A		The CAE needs to obtain the CAC approval of the internal audit budget and resource plan. The CAC should be required as part of its Terms of Reference to approve decisions related to the appointment and removal of the CAE.
	The Chief Executive to undertake, countersign, contribute feedback to or review the performance appraisal of the CAE	R			
	Chair of CAC to provide feedback on the CAE's performance appraisal	R			
	<i>1111 Direct Interaction with the Board</i>			G	
	<i>1120 Individual Objectivity</i>			G	

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	<i>1130 Impairment to Independence or Objectivity</i>		A		The CAE currently also has operational responsibility for Procurement, Information Governance and Business Continuity & Emergency Planning Teams.
4	1200 Proficiency and Due Professional Care			G	Green Overall
	<i>1210 Proficiency</i>		A		Further consideration needed of use of computer assisted audit techniques including data analysis
	<i>1220 Due Professional Care</i>			G	
	<i>1230 Continuing Professional Development</i>			G	
5	1300 Quality Assurance and Improvement Programme		A		Amber Overall.
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>	R			Based on adoption of the new Standards wef 1 st April there is a need to develop a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated. It will need to be maintained by the CAE and assess efficiency / effectiveness and opportunities for improvement.
	<i>1311 Internal Assessments</i>			G	
	<i>1312 External Assessments</i>			G	Based on requirements of PSIAS external assessment every 5 years will be introduced.
	<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>			G	As above
	<i>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</i>			G	As above

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<i>1322 Disclosure of Non-conformance</i>			G	As above
6 Performance Standards				
2000 Managing the Internal Audit Activity			G	Green Overall
<i>2010 Planning</i>			G	
<i>2020 Communication and Approval</i>			G	Need for CAE to communicate any significant interim changes to the plan and/or resource requirements to senior management and the CAC for review and approval.
<i>2030 Resource Management</i>			G	
<i>2040 Policies and Procedures</i>		A		Need to compile a documented Audit Manual to formally guide internal audit activity.
<i>2050 Coordination</i>			G	
<i>2060 Reporting to Senior Management and the Board</i>		A		Need to report periodically to CAC and senior management (as agreed) about significant risk exposures and control issues, including fraud risks, and governance issues. In addition to any other matters needed or requested.
<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>				N/A – Service provided by In-house Service
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?				

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2100 Nature of Work			G	Green Overall
<i>2110 Governance</i>			G	Consider new IT Strategy – IT Governance supports Council’s objectives and that this is considered when developing the risk based audit plan.
<i>2120 Risk Management</i>			G	
<i>2130 Control</i>			G	
2200 Engagement Planning			G	Green Overall
<i>2210 Engagement Objectives</i>		A		Need to consider formalising (documenting) the engagement preliminary risk assessment of the activity under review to verify that the objectives of the audit are correctly focussed. This will include ascertaining whether or not adequate criteria to evaluate accomplishment of objectives have been agreed and are in use. E.g. VFM criteria used – have resources such as money, people, assets been considered.
<i>2220 Engagement Scope</i>			G	
<i>2230 Engagement Resource Allocation</i>			G	
<i>2240 Engagement Work Programme</i>			G	
2300 Performing the Engagement			G	Green Overall
<i>2310 Identifying Information</i>			G	

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<i>2320 Analysis and Evaluation</i>			G	
<i>2330 Documenting Information</i>			G	
<i>2340 Engagement Supervision</i>		A		New system recently introduced to evidence adequacy of Supervision & Review by Audit Team Leaders.
2400 Communicating Results			G	Green Overall
<i>2410 Criteria for Communicating</i>			G	
<i>2420 Quality of Communications</i>			G	
<i>2421 Errors and Omissions</i>				N/A – Haven't experienced a significant error or omission in a 'final communication'.
<i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i>		A		Compliance review of PSIAS has only just commenced following the Standards adoption with effect from 1 st April 2013.
<i>2431 Engagement Disclosure of Non-conformance</i>		A		As above
<i>2440 Disseminating Results</i>			G	
<i>2450 Overall Opinion</i>			G	
2500 Monitoring Progress			G	Green Overall Based on Standards and 2012/13 Performance Indicators revising the 'Assurance Level' (Internal Audit Opinion) in relation to poor implementation of audit recommendations at 'Follow-Up' will be considered.
2600 Communicating the Acceptance of Risks			G	Green Overall We have not had an occasion when the CAE has concluded that management

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				have accepted a level of risk considered as unacceptable to the Council.