

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

Ref	Standard		Evidence / Comment	Action Required	Current Status
3	ATTRIBUTE STANDARDS				
3.1	1000 Purpose, Authority and Responsibility				
C3	Does the internal audit charter also:				
	b) Establish the Head of Internal Auditor's (HoIA) functional reporting relationship with the Audit Committee?	Y	See section in the Charter on Reporting Lines and Relationships.	Assess whether the Audit Committee (AC) Terms of Reference still complies with the PSIAS and new CIPFA Audit Committee guidance due out by 31 Dec 2013.	Due September 2014 Audit Committee.
LGAN	d) Establish the responsibility of the Audit Committee and also the role of the statutory officers (such as the Chief Financial Officer, the Monitoring Officer and the Head of Paid Service) with regards to internal audit?	P	The Charter covers Section 151 officer, Chief Executive, Corporate Management Team (CMT), Chair of Audit Committee and Audit Committee.	Amend the Charter to cover the role of all the statutory officers with regards to internal audit.	Implemented. Refer to the Charter that went to March 2014 Audit Committee.
	m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?	Y	See section in the Charter on Independence and Accountability.	Assess whether the ethical standards statement that each auditor signs still reflects the requirement of the PSIAS.	Implemented. All staff have signed an updated statement.
				Ensure the arrangements for avoiding conflicts of interest where the Head of Internal Audit undertakes non-audit activities are set out in the Strategy.	Implemented. Refer to the Strategy that went to March 2014 Audit Committee.

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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C3	o) Define the nature of consulting services?	Y	See section in the Charter on Independence and Accountability.	Amend this definition in the Charter to more explicitly explain the difference between assurance and consulting services once this has been clarified.	Implemented. Refer to the Charter that went to March 2014 Audit Committee.
1110 Organisational Independence					
C14	Does the HoIA confirm to the Audit Committee, at least annually, that the internal audit activity is organisationally independent?	N	This is a new requirement.	Include a statement in the in HoIA annual report for 2013/14 concerning organisational independence.	Implemented. Refer to the HoIA Annual Report on June 2014 Audit Committee agenda.
C15 f)	Does the Audit Committee seek reassurance from management and the HoIA as to whether there are any inappropriate scope or resource limitations?	P	This has not been done explicitly before.	Include a statement in relevant annual governance reports regarding whether there has been any inappropriate scope or resource limitations regarding the Internal Audit function.	Implemented. Refer to the HoIA Annual Report on June 2014 Audit Committee agenda.
C16	Does the Chief Executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the HoIA?	Y	This will be done for the first time for the HoIA's 2013/14 appraisal in April 2014.	Determine the information required from the Chief Executive.	A short questionnaire was produced and feedback was provided in April 2014.
C17	Is feedback sought from the chair of the Audit Committee for the HoIA's performance appraisal?	Y	This will be done for the first time for the HoIA's 2013/14 appraisal in April 2014.	Determine the information required from the Chair of the Audit Committee.	

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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1130 Impairment to Independence or Objectivity					
C29 LGAN	Have internal auditors complied with the Bribery Act 2010?	Y	The actions required to comply with this are included in the Council's Anti Fraud & Corruption Policies and Strategies which all staff must comply with.	Whilst the new Ethical Statement does not specifically refer to the Bribery Act 2012, it is drafted in such a way as to cover these requirements.	Implemented.
3.3	1200 Proficiency and Due Professional Care				
1210 Proficiency					
C38	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Y	Auditors do have the skills to evaluate the risk of fraud and one of the team now has a BTEC Level 7 Advanced Professional Certificate in Investigative Practice.	Assess whether the audit approach in the Audit Manual sufficiently covers the role of internal audit in terms of identifying and ensuring adequate control of fraud risks when undertaking audits.	Fraud risks were identified in the 2014/15 Audit Plan approved by the March 2014 Audit Committee. Audit Manual update due to be completed by 30 September 2014.
C40	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	Y	Via the use of a framework contract with an external supplier. The in-house team are currently undertaking a project with an external supplier to develop these skills.	Complete the project and confirm the data matching skills have been transferred before the work is signed off.	This project has been satisfactorily completed.

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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1220 Due Professional Care					
C41	Do internal auditors exercise due professional care by considering the: c) Adequacy and effectiveness of governance, risk management and control processes?	Y	This was set out in the Terms of Reference and now the Charter.	Assess whether the audit approach in the Audit Manual sufficiently covers the role of internal audit in assessing the adequacy of risk management processes when undertaking audits.	Audit Manual update due to be completed by 30 September 2014.
3.4 1300 Quality Assurance and Improvement Programme					
C47	Has the HoIA developed 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?	Y	The team has an audit approach that determines how the team operates and work is managed / supervised that includes a performance assessment of each job and client satisfaction surveys. These are used to identify development needs re individual staff or the team and opportunities to improve the overall service delivered. There are also team performance indicators that cover cost, process and customer satisfaction.	Assess whether the quality assurance and improvement programme still covers all the requirements of the PSIAS.	Implemented. Refer to the HoIA Annual Report on June 2014 Audit Committee agenda.

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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C50 LGAN	If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?	Y	As evidenced by completion of this assessment. In previous years, an annual assessment was undertaken against relevant professional guidance and supporting evidence was provided of compliance. The results of this were included in the HoIA's annual report.	Update this assessment at the end of the financial year and include the results of this in the HoIA Annual Report.	Implemented. This action plan has been included in the Head of Internal Audit report for 2013/14.
C57 LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?	Y	Client satisfaction surveys are sent out at the end of each assignment. The results of this are reported upon to each AC meeting as part of the team's suite of performance indicators.	Develop a short service survey for completion periodically by senior management and the Audit Committee.	2014/15 Not yet due
1312 External Assessments					
C61 LGAN	Has the HoIA considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	Y	The last external assessment by external audit against the CIPFA Code of Practice for Internal Audit in LG in the UK covered the year ended 31 March 2011. To date, the HoIA has completed the assessment and provided it with supporting evidence for someone independent of the service to assess. However the other option is to opt for a full external assessment by a suitably qualified person. The assessment must take place within 5 years of the PSIAS coming into force i.e. April 2013.	Decide on the approach to be adopted with the Head of Finance & Resources and Chief Executive when the next assessment is due.	This needs to be completed before 31 March 2018. Consideration is being given to commissioning an external assessment in 2015/16.

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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C70	Has the HoIA included the results of the QAIP and progress against any improvement plans in the annual report?	Y	The HoIA always includes a comment about internal audit's compliance with the relevant professional standards in the annual report.	Ensure the HoIA report also includes a reference to progress made implementing improvement action plans.	Implemented. Refer to the HoIA Annual Report on June 2014 Audit Committee agenda.
<i>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing' & 1322 Disclosure of Non-conformance</i>					
C71, C72, C73	<p>Has the HoIA stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?</p> <p>Has the HoIA reported any instances of non-conformance with the PSIAS to the Audit Committee?</p> <p>Has the HoIA considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?</p>		These are new requirements.	<p>Evaluate how to comply with the requirement to report any instances of non-conformance with the PSIAS to the Audit Committee once further guidance on this becomes available.</p> <p>Include a relevant declaration about whether internal audit activity conforms to the PSIAS in the 2013/14 HoIA Annual Report.</p> <p>Assess whether there is any need to include a disclosure in the Annual Governance Statement at the year end.</p>	<p>This guidance is starting to be issued now.</p> <p>The implications of such guidance will be evaluated and acted upon as required.</p> <p>Implemented.</p> <p>Refer to the HoIA Annual Report on June 2014 Audit Committee agenda.</p> <p>Implemented.</p> <p>Refer to the HoIA Annual Report on June 2014 Audit Committee agenda.</p>

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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4	PERFORMANCE STANDARDS				
4.1	2000 Managing the Internal Audit Activity				
	<i>2010 Planning</i>				
D5	Has the HoIA determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	P	Refer AC papers March 2013 The Audit Approach and Audit Strategy were not updated and presented to the Audit Committee in support of the 2013/14 Audit Plan, as awaiting CIPFA guidance on the PSIAS application.	Redefine the risk based approach to be used to support the 2014/15 Audit Plan in light of the available resources. Reintroduce an Audit Plan format that links audit to organisational objectives.	Implemented. Refer to the Strategy that went to March 2014 Audit Committee.
D7 / D33 LGAN	Does the risk-based plan take into account the organisation's assurance framework? Has the HoIA carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	P	Some time has been included in the 2013/14 Audit Plan to document and assess the adequacy of aspects of the Council's assurance framework. A corporate Good Governance Group has recently been established. So any work done by the Group going forward will also be considered as part of the Audit Planning process.	Consider the results of this work, if it is available in time, when producing the 2014/15 Audit Plan.	Implemented. Summary of the work done will be reported to management by 30 September 2014.
D8	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:				

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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	a) How the internal audit service will be delivered?	P	Refer to the Audit Strategy AC papers March 2012, which formed the basis for the 2013/14 plan.	Assess whether the Strategy is still fit for purpose in the light of the requirements of the PSIAS.	Implemented. Refer to the Strategy that went to March 2014 Audit Committee.
	b) How the internal audit service will be developed in accordance with the internal audit charter?	Y	This is a new requirement although there has always been a Strategy that supported the Terms of Reference which the Charter has replaced.		
	c) How the internal audit service links to organisational objectives and priorities?	N	Although it is usual for audit jobs in the Audit Plan to be linked to corporate objectives, the 2013/14 plan does not do this.	Link audit reviews to corporate objectives when producing the 2014/15 Audit Plan.	Implemented. Refer to the Audit Plan that went to March 2014 Audit Committee.
D9	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	Y	Refer to the Audit Strategy AC papers March 2012, which formed the basis for the 2013/14 plan.	Review the current arrangements to ensure they are still effective in enabling the HoIA to identify developing Council risks in a timely manner.	Implemented. Refer to the Strategy that went to March 2014 Audit Committee.
D10	In developing the risk-based plan, has the HoIA taken into account the organisation's risk management framework and relative risk maturity of the organisation?	Y	The risk management framework is considered. Work is underway to develop and risk appetite and tolerance approach that can be integrated in the framework.	Organise the initial training session for key officers regarding risk appetite and tolerance. Develop and integrate the approach into the Council's risk management framework in a practical and pragmatic manner.	Risk Appetite and Tolerance workshop delivered on 16 December 2013. Senior Leadership Team session delivered March 2014. Officers are considering how to develop this further.

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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	2040 Policies and Procedures				
D31 LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	Y	<p>Until 2013/14 the Strategy was reviewed annually and presented to management and the AC with the Audit Plan.</p> <p>The adequacy of the audit approach was assessed as part of the external audit review of the service in 2010/11.</p> <p>It has not changed significantly since then, although it is continually developed.</p>	Assess whether the Audit Manual is still fit for purpose taking into account the new PSIAS.	Audit Manual update due to be completed by 30 September.
	2050 Coordination				
D32	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	N	This is not explicitly stated in any of the audit documents / approach but it is the approach auditors would take should the opportunity arise to do so.	<p>Add a section in the Strategy about using other sources of assurance when undertaking audits.</p> <p>Document the approach in the Audit Manual that auditors should take when undertaking an audit to identify and assess the level of assurance that can be provided by other sources and how this can be used.</p>	<p>Implemented.</p> <p>Refer to the Strategy that went to March 2014 Audit Committee.</p> <p>Audit Manual update due to be completed by 30 September.</p>

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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	2110 Governance				
D42	Does the internal audit activity: a) Promote appropriate ethics and values within the organisation?	N	This is a new requirement. Many of the processes required to ensure this are covered by the Fighting Fraud Locally framework which the Council is aiming to comply with. To date, this has not been a standard audit in the governance part of the Audit Plan.	Include an audit activity in the Audit Plan regarding evaluating the design, implementation and effectiveness of the Council's ethics-related objectives, programmes and activities.	Time has been included in the 2014/15 Audit Plan to do this.
D44	Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?				
	2120 Risk Management				
D47	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: a) Organisational objectives support and align with the organisation's mission? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?	N	Not recently. A high level self assessment of compliance with the ALARM / CIPFA good practice guidance was completed during 2013/14 to assess potential areas for further investigation. In 2013/14, an audit was undertaken of how well risks are evaluated and reported upon in reports that go to CMT or any member committee / group.	Complete assessment against the ALARM / CIPFA good practice guidance and consider the outcome when producing the 2014/15 Audit Plan.	The HoIA has taken the effectiveness of Council's risk management processes into account when producing the 2014/15 Audit Plan. A summary report will be produced on the effectiveness of the risk management arrangements during 2014/15.

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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	d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?				
4.3	2200 Engagement Planning				
D56	Does the engagement plan include the engagement's: d) Resource allocations?	P	It includes the names and grades of the resources allocated to the work. The budget is stated in the Audit Plan and not reiterated on the Terms of Reference.	Amend the Terms of Reference template to require the budget to be included.	Implemented
D57	Do internal auditors consider the following in planning an engagement, and is this documented: a) the objectives of the activity being reviewed? d) the activity's resources?	P	Whilst they would be considered, if relevant, they may not always be clearly documented as such.	Amend the audit approach in the Audit Manual where required to include all the areas that should be considered when planning an engagement.	Audit Manual update due to be completed by 30 September.

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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2210 Engagement Objectives					
D64 to D68	Does the auditor consider the following when preparing engagement objectives: <ul style="list-style-type: none"> • fraud, error and non-compliance risks • performance management arrangements • governance, risk management and control arrangements • value for money arrangements. 	Y	All of these areas would be considered when researching an area to audit. They would be included in the Terms of Reference if they were relevant to the focus of the audit.	See C38 and D31.	
2431 Engagement Disclosure of Non Conformance					
D113	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: <ol style="list-style-type: none"> a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results? 	N	This is a new requirement.	Build the requirement to disclose non-conformance with the PSIAS into the: <ul style="list-style-type: none"> • Audit Manual • report templates used. 	Audit Manual update due to be completed by 30 September.

APPENDIX 3: COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) 2013/14: ACTION PLAN UPDATE

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D125	Does the annual report incorporate the following:				
LGAN	f) A comparison of work actually carried out with the work planned?	P	This is included in the summary audit progress report which is reported to the same AC as the HoIA annual report.	Consider whether to include actual performance against the Audit Plan in the HoIA Annual Report.	Implemented. Refer to the HoIA Annual Report on June 2014 Audit Committee agenda.
	g) A statement on conformance with the PSIAS?		This is a new requirement.	Include a statement on conformance with the PSIAS in 2013/14 HoIA Annual Report.	
LGAN	h) The results of the Quality Audit and Improvement Programme (QAIP)? i) Progress against any improvement plans resulting from the QAIP?	P	The annual report for 2012/13 concluded there was sufficient evidence to demonstrate professional standards had been adhered to. A summary of the assessment undertaken and the resulting action plan were not included in the 2012/13 annual report, although they have been in previous years.	Ensure the HoIA Annual Report includes the relevant information regarding the results of the quality assurance and improvement programme.	Implemented. Refer to the HoIA Annual Report on June 2014 Audit Committee agenda.
				Provide the AC with a mid-year report on the progress made in implementing actions contained in the team's improvement plan.	
	j) A summary of the performance of the internal audit activity against its performance measures and targets?	P	This is included in the summary audit progress report which is reported to the same AC as the HoIA annual report.	Consider whether to include actual performance against the Audit Plan in the HoIA Annual Report.	Implemented. Refer to the HoIA Annual Report on June 2014 Audit Committee agenda.