

30 October 2023		ITEM: 7
Standards & Audit Committee		
Public Sector Internal Audit Standards Self-Assessment 2023		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Chief Internal Auditor		
Accountable Director: Asmat Hussain – Interim Director of Legal & Governance and Monitoring Officer		
This report is Public		

Executive Summary

The Institute of Internal Auditors (IIA) is the global professional body for internal auditing. It publishes the International Professional Practices Framework (IPPF) which includes the definition of internal auditing; a Code of Ethics for internal auditors; International Standards for the Professional Practice of Internal Auditing.

In the UK, the Public Sector Internal Audit Standards (PSIAS) are based on the mandatory elements of the IPPF and are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

In accordance with the PSIAS, the Chief Internal Auditor is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

1. Recommendation(s)

1.1 That the Standards & Audit Committee:

Consider the work being carried out by Internal Audit in relation to the Public Sector Internal Audit Standards Self-Assessment.

2. Introduction and Background

2.1 The PSIAS defines the nature of internal auditing across the UK public sector and were introduced in 2013, and later updated in 2017. They set basic principles and a framework for internal audit services, that will provide value to organisations. The PSIAS apply to all internal audit service providers, whether

in-house, shared services or outsourced and therefore, establish the basis for the evaluation of internal audit performance.

- 2.2 The PSIAS are broken down into 2 specific areas around the Attribute Standards, which looks at the characteristics of the organisation and the individuals performing internal audits, and the Performance Standards, which describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured.
- 2.3 The Attribute Standards cover the following areas:
 - Purpose, Authority, and Responsibility;
 - Independence and Objectivity;
 - Proficiency and Due Professional Care; and
 - Quality Assurance and Improvement Program.
- 2.4 The Performance Standards cover the following areas:
 - Managing the Internal Audit Activity;
 - Nature of Work;
 - Engagement Planning;
 - Performing the Engagement;
 - Communicating Results;
 - Monitoring Progress; and
 - Communicating the Acceptance of Risks.
- 2.5 It against the above areas that the self-assessment is undertaken.

3. Issues, Options and Analysis of Options

- 3.1 It has previously been reported through the Chief Internal Auditor's Annual Reports for 2021/22 and 2022/23, presented to the Standards and Audit Committee on 19th July 2023, that the Internal Audit Service is non-compliant with the PSIAS.
- 3.2 The issues highlighted within the Best Value Inspection Report issued on 15th June 2023, and the Improvement & Recovery Plan developed in response to the intervention and appointment of Essex Commissioners in September 2022 confirmed this and identified that the service was starting from a low base. Compliance with the PSIAS is a key piece of work in the Council's Improvement and Recovery Plan as part of the Governance and Scrutiny workstream.
- 3.3 The results of the self-assessment have identified 1 area of non-compliance and 2 of part compliance around the Attribute Standards. The area of non-compliance relates to the Quality Assurance Improvement Program. The area where there was part compliance were Independence and Objectivity and Proficiency and Due Professional Care. The results of this are attached as Appendix 2.

- 3.4 In respect of the Performance Standards, there were no areas identified as non-compliant but 3 areas were part compliant. These were Managing the Internal Audit Activity, Nature of the Work and Monitoring Progress. The results of this are attached as Appendix 2.
- 3.5 The current Global Standards (which include the IPPF and Public Sector Internal Audit Standards) are being revised and a consultation on a new set of Standards has recently concluded. A report on the revised Standards is due to be issued in January 2024 with implementation of the new Standards expected from January 2025.

4. Reasons for Recommendation

- 4.1 To assist the Standards & Audit Committee in satisfying itself that progress against the Public Sector Internal Audit Standards is progressing and will be sufficient as one of the means of assuring itself of the continuing development of effectiveness and efficiency of the service.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 This report has been shared with members of the Senior Leadership Team before being reported to the Standards & Audit Committee.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 Compliance with the Public Sector Internal Audit Standards is one of the key workstreams in the Governance and Scrutiny programme within the Council's Improvement and Recovery Plan.

7. Implications

7.1 Financial

Implications verified by: **David May**
Strategic Lead Finance

There are no direct financial implications to this report.

7.2 Legal

Implications verified by: **Jayne Middleton-Albooye**
Interim Head of Legal Services and Deputy Monitoring Officer

The contents of this report and appendix form part of the council's responsibility to comply with the Local Audit and Accountability Act 2014 and

the Accounts and Audit Regulations 2015. The council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and achievement of its aims and objectives; ensures that the financial and operational management of the council is effective; and includes effective arrangements for the management of risk.

At least annually the council must undertake an effective internal audit to, amongst other things, evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal audit standards or guidance. The council has delegated responsibility for ensuring this is taking place to the Standards & Audit Committee. There are no legal implications directly arising from this report.

7.3 **Diversity and Equality**

Implications verified by: **Roxanne Scanlon**
**Community Engagement and Project
Monitoring Officer**

There are no direct diversity or equality implications arising from this report.

7.4 **Other implications** (where significant) – i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

In terms of risk and opportunity management, the 6-month Internal Audit Plan and its outcomes are a key part of the council's risk management and assurance frameworks. The Internal Audit Plan is based on risk assessments that include a review of the council's risk and opportunity register.

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Public Sector Internal Audit Standards

9. **Appendices to the report**

Appendix 1 – Public Sector Internal Audit Standards Self- Assessment 2023 report.

Appendix 2 – THURROCK Internal Audit Service - Conformance with the Public Sector Internal Audit Standards - Checklist

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