

Report title: Internal Audit External Assessment	
Report to: Audit Governance and Standards Committee	
Report author: Paula Clowes	
Date: 4 June 2018	For: Information
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County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 This report provides the Audit, Governance and Standards Committee with the results of the recent external assessment of the level of compliance with the Public Sector Internal Audit Standards (PSIAS)

2. Recommendations

- 2.1 Members are requested to note the results of the assessment.

3. Background

- 3.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013. The standards require periodic self-assessments and an assessment or validation of a self-assessment by an external person every five years. Essex County Council's Internal Audit Service has recently (February 2018) undertaken the required self-assessment and commissioned this validation from the Chartered Institute of Public Finance Accountancy (CIPFA).
- 3.2 The validation was carried out through a process of interview and document review. Two audits were reviewed and a further five audits were checked. Key documents, including the Charter and reports to the Audit, Governance and Standards Committee (AGSC) were examined. .
- 3.3 The assessor made some practical and pragmatic recommendations and suggestions to improve compliance with the standards. The Head of Assurance has taken action to implement them, where it was agreed to do so.

- 3.4 Internal Audit was assessed against 14 standards. Only one was deemed non-complaint. This was a matter that does not impact on audit quality or delivery.
- 3.5 Overall the assessor concluded “The service is highly regarded within the Council and provides useful assurance on its underlying systems and processes. I identified some minor areas of non-compliance with the standards, but nothing that would compromise the effectiveness of the service.”
- 3.6 The full report is attached at appendix 1.

4. Policy Context

- 4.1 A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
- 4.2 The Relevant Internal Audit Standard Setters (RIASS) adopted a common set of PSIAS from 1 April 2013. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:
- Definition of Internal Auditing
 - Code of Ethics, and
 - International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).
- 4.3 The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced and chief audit executives are expected to report conformance on the PSIAS in their annual report. In addition standard 1312 requires an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

5. Financial Implications

- 5.1 There are no financial implications

6. Legal Implications

- 6.1 Internal Audit is a key way in which councillors can be assured that the Council is using its resources effectively and that the Council is discharging its fiduciary duties concerning taxpayers' money. It helps services to design systems which have appropriate controls and also helps identify and respond to breaches if they occur. This report provides confirmation that the Internal Audit activity at ECC complies with the PSIAS.

7. Staffing and Other Resource Implications

7.1 There are no staffing or resource implications.

8. Equality and Diversity Implications

8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

8.3 Equality and diversity matters have been considered in the production of this report.

9. List of Appendices

Appendix 1 - CIPFA Report