

# Public Sector Internal Audit Standards – Self Assessment – Summary Report

## February 2024

### 1. Introduction

- 1.1 Introduced in 2013 and updated in 2017, Public Sector Internal Audit Standards (PSIAS) define the nature of internal audit across the UK public sector. They set principles and a framework for internal audit services to deliver in order to provide a professional service and establish the basis for the evaluation of internal audit performance.
- 1.2 The PSIAS requires an annual self-assessment and independent external assessment every five years.
- 1.3 This report summarises the results of the self-assessment, details the areas of non and partial compliance and identifies the next steps in achieving compliance (where appropriate).
- 1.4 The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced.
- 1.5 The PSIAS assess 2 areas:
  - **the Attribute Standards**, which look at the characteristics of the organisation and the individuals performing internal audits.
  - **the Performance Standards**, which describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured.
- 1.6 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.

1.7 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. Self-Assessment Process

- 2.1 As previously agreed with Members of the Audit Committee, a self-assessment was undertaken in February 2024 to assess the level of compliance with the PSIAS and to identify further work required to comply with the Standards.
- 2.2 A self-assessment was undertaken by the Chief Internal Auditor with input, challenge and support from the Group Auditors.
- 2.3 This report summarises the results of the self-assessment, specifically detailing the areas of non and partial compliance and identifies the next steps in achieving compliance (where appropriate).
- 2.4 We have not reported the areas of full compliance.

## 3. Self-Assessment Results

- 3.1 The checklist for assessing conformance with the PSIAS identifies 344 standards in the form of questions against which an assessment as to the level of compliance is made.
- 3.2 The following table summarises the results of the self-assessment:

Summary of Responses:	Count:
Compliant	308
Partial Compliance	13
Not Compliant	1
Not Applicable	22
<b>Total</b>	<b>344</b>

- 3.3 The following sections detail the areas of non and partial compliance and identify the next steps in achieving compliance (where appropriate).
- 3.4 For the purposes of the standard, the Chief Audit Executive (CAE) is the Chief Internal Auditor, and the Board is the Audit Committee.

#### 4. Area of Non-Compliance

##### Fraud Risk Assessment

- 4.1 It is a requirement of the Standards that the Internal Audit activity evaluates the potential for fraud and also how the organisation itself manages fraud risk.

**Response:**

We are not aware of a fraud risk assessment being conducted and we have not yet evaluated the organisations controls to manage this risk. Plans are in place to complete a fraud risk assessment as part of the 2024/25 Internal Audit Plan and we will undertake further work to evaluate how the organisation itself manages fraud risk.

#### 5. Areas of Partial Compliance

##### Board Oversight

- 5.1 The Standards require the Board to approves the internal audit budget and resource plan.

**Response:**

In common with most other local authorities, the number of audit plan days is approved by the Audit Committee, but not the financial budget. Approval of the budget is not specifically performed by the Board, as this is considered to be a management activity, however, in agreeing the audit plan and the associated number of days, the Board is able to satisfy itself as to the level of audit coverage.

- 5.2 There is a requirement for feedback to be sought from the chair of the audit committee for the CAE's performance appraisal.

**Response:**

The Audit Committee terms of reference includes a requirement to undertake a review of the effectiveness of Internal Audit, which would identify any feedback about the Chief Internal Auditors performance. Any concerns by the Chair of the Audit Committee should be raised with the Section 151 Officer. However, there is no formal process to pick up

feedback from the Audit Committee Chair within the Chief Internal Auditor's Performance & Development discussions, this is common with other local authorities.

## External Assessment

5.3 There were eight areas of partial compliance which relate to the arrangements and reporting of the results of an independent External Assessment, we have marked these as being partially compliance for full transparency, but they could be considered not yet required. These areas of partial compliance include the need to:

- ensure an external assessment been carried out, or is planned to be carried out, at least once every five years;
- discuss the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board;
- agree the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the Chief Finance Officer or the Chief Executive;
- ensure the assessor or assessment team demonstrate its competence in both areas of professional practice of internal auditing and the external assessment process;
- ensure the CAE has used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment;
- manage any real or potential conflicts of interest of the assessor or assessment team;
- report the results of the activity to senior management and the board.

### Response:

There is no evidence of an external assessment being undertaken in the past five years. Plans are in place to undertake an external assessment once the service is transferred to Orbis IA (a service which has already been confirmed as being fully conforming with the Standards), the results of which will be reported to the Audit Committee and the areas with Appendix A will then be addressed.

## Other sources of assurance

5.4 The standards require the internal audit plan to take into account the organisation's assurance framework, and to ensure the audit planning approach identifies and relies on other sources of assurance. Further the Chief Audit Executive is required to carry out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance.

**Response:**

Identification and assessment of other sources of assurance is picked up through liaison with key stakeholders and built into our audit planning process. It is however recognised that this is an area for improvement and further work will be carried out to evaluate the extent to which Internal Audit can rely on the assurance of other providers in planning its activity.

**6. Next Steps**

- 6.1 As part of the transition to Orbis, work will continue to develop and improve the Hastings Borough Council Internal Audit service with a view to bringing it fully in line with professional standards. It is anticipated that much of this will be achieved by applying existing Orbis IA principles and working practices to the service, given these are already confirmed to be in full conformance. Further updates will be reported to the Audit Committee as part of future Internal Audit progress reports.

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