

	<b>London Borough of Hammersmith &amp; Fulham</b>  <b>(AUDIT, PENSIONS AND STANDARDS COMMITTEE)</b>  <b>(2 December 2014)</b>
<b>TITLE OF REPORT</b>	
<b>Independent PSIAS Appraisal for LBHF Internal Audit</b>	
<b>Open Report</b>	
<b>For Information</b>	
<b>Key Decision: No</b>	
<b>Wards Affected: None</b>	
<b>Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance</b>	
<b>Report Author: Geoff Drake – Senior Audit Manager</b>	<b>Contact Details:</b> Tel: 0208 753 2529 E-mail: <a href="mailto:geoff.drake@lbhf.gov.uk">geoff.drake@lbhf.gov.uk</a>

## 1. EXECUTIVE SUMMARY

- 1.1. This is a report on the independent review of the LBHF Internal Audit service against the Public Sector Internal Audit Standards. The report conclusion is that the LBHF Internal Audit service generally conforms to the requirements of the Public Sector Internal audit Standards.

## 2. RECOMMENDATIONS

- 2.1. To note the contents of this report

## 3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

#### **4. INTRODUCTION AND BACKGROUND**

- 4.1. This review was undertaken by the Senior Internal Audit Manager for RBKC against the Public Sector Internal Audit standards that came into force from 1 April 2013. The review forms part of an ongoing strategy to review the service independently against these professional standards.
- 4.2. The PSIAS (Public Sector Internal Audit Standards) were introduced from 1 April 2013 and are the standards that all Local Government Internal Audit services must comply with. This review was undertaken at the direction of the Tri-Borough Director of Audit as an independent assessment of the compliance of the audit service provided to the London Borough of Hammersmith and Fulham (LBHF) against the PSIAS.
- 4.3. The Internal Audit service for LBHF is currently provided under a contract with LB Croydon for delivery by Mazars. The Head of Internal Audit is the Tri-borough Director for Audit, Fraud, Risk & Insurance.
- 4.4. The review was based on the LBHF Self-Assessment, with each point reviewed against available evidence to confirm whether the feature was in place or not.

#### **5. PROPOSAL AND ISSUES**

- 5.1. A copy of the full report is attached as Appendix A. This shows that the LBHF Internal Audit service generally conforms to the requirements of the Public Sector Internal Audit Standards.

#### **6. OPTIONS AND ANALYSIS OF OPTIONS**

- 6.1. Not applicable

#### **7. CONSULTATION**

- 7.1. Not applicable

#### **8. EQUALITY IMPLICATIONS**

- 8.1. Not applicable

#### **9. LEGAL IMPLICATIONS**

- 9.1. Not applicable

#### **10. FINANCIAL AND RESOURCES IMPLICATIONS**

- 10.1. Not applicable

#### **11. RISK MANAGEMENT**

- 11.1. Not applicable

#### **12. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

- 12.1. Not applicable

**LOCAL GOVERNMENT ACT 2000-  
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext. of Holder of File/Copy</b>	<b>Department/ Location</b>
1.	Original review report	Geoff Drake Ext. 2529	Corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU

**LIST OF APPENDICES:**

Appendix A            Independent PSIAS Appraisal for LBHF Internal Audit

Independent PSIAS Appraisal for LBHF Internal Audit

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	Introduction
Chapter 1	Purpose and positioning
Chapter 2	Structure & resources
Chapter 3	Audit execution
Appendix A	Summary Assessment

## Introduction

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1. The Quality Assurance and Improvement Programme (QAIP) is a requirement of the new Public Sector Internal Audit Standards (PSIAS) which came into force on 1<sup>st</sup> April 2013. It is intended to raise standards across the public sector. This programme is intended to:
  - Facilitate identification of actions for continuous improvement;
  - Facilitate evaluation of progress with improvement plans; and
  - Provide an approach to both internal reviews and external Quality Assurance reviews which is not “tick box” and which goes beyond compliance with the Standards alone.
2. The QAIP is intended to apply to all internal audit services where compliance with the PSIAS is required. The definition of an internal audit service will vary depending on the arrangements in place for the particular organisation.
3. The internal audit service and therefore the scope of any review should be clearly defined before the review is carried out and agreed by the reviewer and the CAE.
4. Where an internal audit service includes work procured from a third party supplier, this should form part of the overall assessment. Where this is precluded within existing third party contracts this limitation should be noted in the report.
5. The term Chief Audit Executive (CAE) is used throughout the PSIAS to refer to the head of the internal audit service.

### The Approach

6. This Framework has four sections reflecting four questions that the evaluation should seek to address:
  - Purpose and positioning - Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?
  - Structure and resources - Does the internal audit service have the appropriate structure and resources to deliver the expected service?
  - Audit execution - Does the internal audit service have the processes to deliver an effective and efficient internal audit service?
  - Impact - Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation?
7. Each section is divided into several sub-sections covering key elements of an effective internal audit service as follows:

Purpose & positioning	Structure & resources	Audit execution	Impact
<ul style="list-style-type: none"> <li>• Remit</li> <li>• Reporting lines</li> <li>• Independence</li> <li>• Risk based plan</li> <li>• Assurance strategy</li> <li>• Other assurance providers</li> </ul>	<ul style="list-style-type: none"> <li>• Competencies</li> <li>• Technical training &amp; development</li> <li>• Resourcing</li> <li>• Performance management</li> <li>• Knowledge management</li> </ul>	<ul style="list-style-type: none"> <li>• Management of the IA function</li> <li>• Engagement planning</li> <li>• Engagement delivery</li> <li>• Reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Standing and reputation of internal audit</li> <li>• Impact on organisational delivery</li> <li>• Impact on governance, risk, and control</li> </ul>

8. For each sub-section a series of statements of good practice are provided as a guide in determining the performance of the service. Against this an assessment should be made as to the degree of conformance using the following scale, aligned with the Public Sector Internal Audit Standards:
- **Fully Conforms** the reviewer concludes that the internal audit service fully complies with each of the statements of good practice.
  - **Generally Conforms** means the reviewer has concluded that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects. For the sections and sub-sections, this means that there is general conformance to a majority of the individual statements of good practice, and at least partial conformance to the others, within the sub-section. As indicated above, general conformance does not require complete/perfect conformance.
  - **Partially Conforms** means the reviewer has concluded that the internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit. Some deficiencies may be beyond the control of the service and may result in recommendations to senior management or the audit committee of the organisation.
  - **Does Not Conform** means the reviewer has concluded that the internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and good practice statements within the section or sub-section. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the audit committee.

9. An overall assessment of the performance of the internal audit service in conforming to good practice should be made using the same scale.

#### **Performance of the evaluation**

10. The framework for the review is premised on the assessment being performed by individuals with considerable recent experience of internal audit. It is expected that anyone involved in performing the evaluation will have operated at a senior level within an internal audit function and be professionally qualified (CCAB, CMIIA or equivalent).
11. The PSIAS require that a self-assessment evaluation be performed internally at least annually to provide on-going feedback on the quality of the internal audit service.
12. In addition a formal external assessment should be independently carried out at least once every five years as set out in the Public Sector Internal Audit Standards. The chief audit executive must agree the scope of external assessments with an appropriate sponsor, e.g. the Chief Executive, The Section 151 Officer or chair of the audit committee as well as with the external assessor or assessment team. The framework set out below should provide an adequate scope in most cases. Where any external assessment is likely to be subject to moderation, as in the case of peer review, then the less that the assessment differs from this framework the better.
13. In the case of peer review, it is recommended that an internal self-assessment is carried out in advance of the external review and that the external review will seek to validate the findings of the internal review.
14. In performing the evaluation, the individuals completing the external assessment need to consider the evidence that exists to support the assessment as to whether the internal audit service being reviewed conforms to the statements of best practice. This evidence needs to be documented and space is provided for this on the following pages. Sufficient evidence should be documented such that another competent reviewer considering the same evidence would come to the same conclusion.
15. In each case a judgment call is required keeping in mind the definitions above, based on evidence collected during the course of the assessment undertaken. The existence of opportunities for improvement, or better alternatives does not in itself reduce a Generally Conforms rating.
16. It is expected that the evidence gathered will be a combination of:
  - Interviews with stakeholders such as Chief Executive and/or Section 151 Officer and/or chair of the audit committee;
  - A review of a sample of completed audit files;
  - A questionnaire to be completed by the 'customers' and staff of the internal audit service (see section 4); and
  - Review of any other supporting evidence, Including Audit Committee minutes, Head of Internal Audit Report and Annual Governance Statement and any audit policies and procedures.

- 17.** The individuals interviewed, the number of files selected and the number of questionnaire participants (both invites and responses) should be clearly set out in the report.
- 18.** Where there is insufficient evidence to demonstrate the application of statements of best practice, actions should be identified which will help address the deficiencies. These should be documented as per the template below with each action being given a target date for completion and an identified individual with responsibility for ensuring its completion.
- 19.** The assessment rating for each sub-section should be summarised in the Summary Assessment.
- 20.** The reviewer should provide an overall assessment based on the ratings for each section and their judgement as to the extent to which the internal audit service addresses the four questions set out in paragraph 6 above. The rationale for the overall assessment should also be documented.



**Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?**

Remit			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> <li>An internal audit Charter defines the purpose, authority and responsibility, within the organisation, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards, including a definition of the Board.</li> <li>The internal audit Charter is approved by the Board and is regularly reviewed, and communicated to all senior management and other relevant people</li> <li>The Charter defines the nature and scope of the assurance and consulting services provided to the organisation (including any assurances provided to parties outside of the organisation) and is such that it can provide independent and objective assurance and is not part of the direct control framework</li> <li>The Charter clearly defines internal audit's role in evaluating and</li> </ul>	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> <li>Yes. LBHF IA Charter</li> <li>Yes. Reported to the Audit, Pensions and Standards Committee (APS) on 30<sup>th</sup> June 2014 (minutes seen)</li> <li>Yes. Within the Charter's Objectives.</li> <li>Yes. Within the Charter's Objectives</li> </ul>	
	<input type="checkbox"/>		<b>Fully conforms</b>
	<input type="checkbox"/>		<b>Generally conforms</b>
	<input type="checkbox"/>		<b>Partially conforms</b>
	<input type="checkbox"/>	<b>Does not conform</b>	
	Associated references PSIAS: Code of Ethics 1000 Purpose, Authority and Responsibility 1110 Organisational Independence 1210 Proficiency 2110 Governance 2120 Risk Management 2130 Control		

<p>contributing to the development of risk management, control and governance processes. Internal audit's role in relation to any fraud-related / investigations work is clearly defined within the Charter.</p>		
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Remedial actions	Target date	Responsibility
None identified		

Reporting lines			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> <li>The Board reviews and approves the appointment of the Chief Audit Executive (CAE)</li> <li>The CEO and the Chair of the Audit Committee contribute to the CAE's appraisal</li> <li>Reporting lines for the CAE support independence, with functional reporting to the Board</li> <li>The Board agrees the strategy/plans of the internal audit service</li> <li>The CAE or their representative attend all Board and/or senior management meetings, particularly where key issues are discussed relating to governance, risk management or control across the organisation</li> <li>The CAE meets regularly with the Section 151 Officer</li> <li>The Board routinely see and considers the outputs of the internal audit service</li> <li>The Board is routinely updated with internal audit status and activity reports</li> </ul>	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> <li>As per the Charter, the Joint Chief Exec &amp; Chair of RBKC's ATS (as employing authority), are involved in the CAE's appraisal. (In reality the Chair's involvement is informal)</li> <li>Reporting lines as per the Charter support independence. Verified from reviewing reports to the APS.</li> <li>Annual audit plan reported to 13<sup>th</sup> Feb APS. Strategy forms part of Charter and reported to 30<sup>th</sup> June APS. Evidence of consideration in minutes</li> <li>Evidence of attendance at APS meetings &amp; FIB meetings.</li> <li>The CAE attends FIB (includes tri-b Section 151 officers) – confirmed from minutes of FIB meetings.</li> <li>Quarterly reports to APS.</li> <li>Reports to APS</li> </ul>	
	<input type="checkbox"/>		<b>Fully conforms</b>
	<input type="checkbox"/>		<b>Generally conforms</b>
	<input type="checkbox"/>		<b>Partially conforms</b> <b>Does not conform</b>
	Associated references PSIAS: 1100 Independence and Objectivity 1110 Organisational Independence 1111 Direct Interaction with the Board 2010 Planning 2060 Reporting to Senior Management and the Board		

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Remedial actions	Target date	Responsibility
None identified		

Independence		
Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> <li>Internal audit's position within the organisation is clearly established including authorisation for access to records, personnel and physical properties relevant to the performance of engagements</li> </ul>		<ul style="list-style-type: none"> <li>Yes. IA Charter.</li> <li>The CAE has executive responsibility for the insurance service across</li> </ul>
	✓	

<ul style="list-style-type: none"> <li>• The internal audit service is free of executive responsibilities such that it can provide independent and objective assurance</li> <li>• Conflict of interests are identified, appropriately managed and avoided including those transferring to internal audit from elsewhere in the organisation</li> <li>• Audit personnel are routinely rotated on assignments</li> <li>• Audit personnel do not have any conflicting operating responsibilities or interests</li> <li>• All internal audit staff are aware of and comply with the Code of Ethics and the Nolan principles</li> <li>• Consultancy work that internal audit may undertake is clearly defined and agreed in advance by the Audit Committee when required by the PSIAS</li> <li>• Areas which have been the recipient of internal audit 'consultancy' work are subject to audit review by personnel independent of the consultancy work</li> <li>• The CAE, at least annually, confirms to the Board the organisational independence of the internal audit activity</li> <li>• The CAE notifies the appropriate parties if independence or objectivity is compromised</li> </ul>	<p>Associated references PSIAS: Code of Ethics 1100 Independence and Objectivity 1110 Organisational Independence 1120 Individual Objectivity 1130 Impairment to Independence or Objectivity</p>	<p>the Tri-borough. However this relationship was effectively managed during the recent audit of this service.</p> <ul style="list-style-type: none"> <li>• The CAE has a declarable interest in relation to the contractor Mazars. The relationship has been formally declared to the Joint Chief Executive as direct Line Manager. The interest and mitigating controls have historically been declared to the Chair of RBKC's Audit and Transparency Committee when the Director was Head of Audit. There is sufficient evidence at the time of this review that the mitigation of this interest is managed effectively at both Councils.</li> <li>• N/A fully outsourced contract. Senior Audit Manager And Director are required to make any declarations as part of the Annual Appraisal process.</li> <li>• N/A Out sourced. The nature of outsourcing is such that rotation will be a common feature of the work allocation.</li> <li>• See above.</li> <li>• Charter: "All staff and contractors are required to sign an annual statement confirming their compliance with the IIA Code of Ethics."</li> <li>• Outsourced service. Different staff would undertake any proposed</li> </ul>
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Remedial actions	Target date	Responsibility

Risk based plan			
Statements of good practice	Assessment	Evidence	
<p>A risk based internal audit plan has been developed which:</p> <ul style="list-style-type: none"> <li>considers the relative risk maturity of the organisation</li> <li>considers the risk appetite as defined by management</li> </ul>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>Yes – tri-borough and sovereign plan as submitted in draft to the APS in February 2014.</li> <li>Risk Appetite not formally specified. Officers continue work to determine the levels at which risk is unacceptable.</li> <li>Yes – plan takes into account specialisms to undertake these reviews.</li> <li>Yes. Audit coverage and governance assurance from senior officers are the basis of the annual opinion.</li> <li>Yes. APS meeting February 2014.</li> <li>Yes – reported to FIB, Business Board and Senior Management.</li> <li>The plan (sovereign &amp; tri-b) review is ongoing and changes approved by the Tri-b Director for Audit.</li> <li>Yes. The plan presented to APS is shown to be a “living” document and the</li> </ul>	
	✓		<b>Fully conforms</b>
	<input type="checkbox"/>		<b>Generally conforms</b>
	<input type="checkbox"/>		<b>Partially conforms</b>
<ul style="list-style-type: none"> <li>includes an assessment of optimal resources and skills required to deliver both the audit assurance and consultancy work, including identification of specialist skills, which may be required</li> <li>is clearly designed to enable the CAE to deliver an annual opinion on the effective of Governance, risk management and the system of control</li> <li>has been approved by the Board</li> <li>has been promulgated to all relevant parties</li> <li>is subject to regular review to ensure that it remains appropriate and current</li> </ul> <p>Either the audit plan or a separate audit strategy document should:</p> <ul style="list-style-type: none"> <li>include an</li> </ul>	<p>Associated references</p> <p>PSIAS: 2010 Planning 2020 Communication and Approval 2030 Resource Management</p>		



<p>assessment of risks that the audit service itself faces in delivering the plan and plans for controlling and mitigating the risks identified</p> <ul style="list-style-type: none"> <li>include consideration of if, and how, internal audit will rely on the assurance provided by other assurance providers.</li> <li>include an assessment of the range of audit techniques that have been selected as the most effective for delivering the audit objectives</li> <li>set out how the internal audit service will measure its performance, quality assure itself and seek continuous improvement</li> </ul>		<p>strategy identifies how the service will deliver the plan.</p> <ul style="list-style-type: none"> <li>Takes into account any agreed collaboration with or reliance on the work of External Audit.</li> <li>The resources and techniques available to fulfil the audit plan are considered across the external provider, tri-b and includes specialisms.</li> <li>Performance and non-compliance with PSIAS will be reported to APS quarterly. Annual self-assessment and independent QA every 5 years. Current peer review across tri-b.</li> </ul>
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Remedial actions	Target date	Responsibility

Integration with other assurance providers		
Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> <li>The internal audit service effectively co-ordinates with appropriate assurance providers to reduce the duplication and minimise gaps in the</li> </ul>	✓	<p>Yes. Only 3<sup>rd</sup> party assurances relate to tri-borough audits, which is coordinated between services.</p> <p>Yes. Audit Strategy.</p>
	<b>Fully conforms</b>	
	<b>Generally conforms</b>	
	<b>Partially conforms</b>	
	<b>Does not conform</b>	

<p>assurance framework</p> <ul style="list-style-type: none"> <li>• Internal audit promote co-operation between internal and external audit</li> <li>• When auditing shared service functions consideration is given to audit work being performed by other audit services such that duplication is minimised</li> <li>• When internal audit needs to work with other internal auditors from another organisation, the respective roles and responsibilities of the involved parties have been clearly defined and agreed in advance</li> </ul>	<p>Associated references PSIAS: 2050 Coordination</p>	<p>Yes. Tri-borough &amp; Bi-borough audit plans</p> <p>Yes. Tri-borough plans are based on audits being undertaken by the separate audit services so that responsibility and roles are very clear.</p>
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Remedial actions	Target date	Responsibility
None identified		

**Does the internal audit service have the appropriate structure and resources to effectively deliver the internal audit remit?**

Competencies to deliver IA remit		
Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> <li>The CAE holds a professional qualification (i.e. CMIIA, CCAB or equivalent professional membership) and is suitably experienced</li> </ul>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>The CAE and Senior Manager are both professionally qualified with suitable levels of experience.</li> <li>Fraud resources are</li> </ul>
	<input checked="" type="checkbox"/>	
	<input type="checkbox"/>	
	<input type="checkbox"/>	
	<p><b>Fully conforms</b></p> <p><b>Generally conforms</b></p> <p><b>Partially conforms</b></p> <p><b>Does not conform</b></p>	

<ul style="list-style-type: none"> <li>• The audit function has access to the appropriate skills (technical expertise, qualifications, experience) required to ensure assurance can be provided in all areas of the business, for example in relation to fraud and knowledge of IT risks and controls</li> <li>• Where there is a contracted out or partnership arrangement there is ongoing monitoring to ensure that contractors have the skills required for designated audit assignments</li> </ul>	<p>Associated references PSIAS: Code of Ethics 1210 Proficiency 1220 Due Professional Care</p>	<p>managed by the Tri-Borough Director with a good working relationship between the teams. Other specialisms are resourced through the out-sourced contract.</p> <ul style="list-style-type: none"> <li>• The CAE and Senior Manager rely on the terms of the contract to ensure that appropriate staff with the requisite levels of skills and specialisms are employed on the contract. Not independently verified.</li> <li>• The Senior Manager does a sample check of audit files to provide an independent QA process to confirm the self assessment QA processes of the contractor are compliant. The current level has been endorsed by the CAE.</li> <li>• A full review of all IT audit files is undertaken by the RBKC's Senior Auditor responsible.</li> </ul>
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Remedial actions	Target date	Responsibility

**Technical training & development<sup>1</sup>**

Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> <li>All new staff receive induction training including both into the internal audit service and induction into the organisation</li> </ul>	<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; width: 100px; height: 100px; margin-right: 10px;"></div> <div style="text-align: center;"> <p><b>Fully conforms</b></p> </div> </div>	<ul style="list-style-type: none"> <li>N/A outsourced contract and within the terms of the contract.</li> </ul>
<ul style="list-style-type: none"> <li>Arrangements are in place to ensure that new staff receive an early assessment of their development needs and appropriate guidance, and training to address these needs</li> </ul>	<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; width: 100px; height: 100px; margin-right: 10px;"></div> <div style="text-align: center;"> <p>N/A outsourced service</p> </div> </div>	<ul style="list-style-type: none"> <li>N/A outsourced contract and within the terms of the contract.</li> </ul>
<ul style="list-style-type: none"> <li>All internal auditors undertake Continuing Professional Development (CPD) and have a training and development plan approved by their line manager</li> </ul>	<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; width: 100px; height: 100px; margin-right: 10px;"></div> <div style="text-align: center;"> <p><b>Partially conforms</b></p> </div> </div>	<ul style="list-style-type: none"> <li>N/A outsourced contract and within the terms of the contract.</li> </ul>
<ul style="list-style-type: none"> <li>Audit planning includes a sufficient time provision for training (including CPD) for all staff</li> </ul>	<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; width: 100px; height: 100px; margin-right: 10px;"></div> <div style="text-align: center;"> <p><b>Does not conform</b></p> </div> </div>	<ul style="list-style-type: none"> <li>N/A outsourced contract and within the terms of the contract.</li> </ul>
<p>Associated references PSIAS: Code of Ethics 1230 Continuing Professional Development</p>		<ul style="list-style-type: none"> <li>N/A outsourced contract and within the terms of the contract.</li> </ul>

Remedial actions	Target date	Responsibility
None identified		

Resourcing			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> <li>Internal audit is sufficiently resourced (in terms of staff and budget available) and deployed effectively to deliver the approved plan</li> <li>There is a recruitment strategy that sets out the recruitment standard to ensure that all staff have the appropriate intellectual qualities, personal attributes, skills, knowledge and qualifications</li> <li>A succession plan exists to ensure that senior vacancies are filled promptly by appropriately qualified staff</li> </ul>		<ul style="list-style-type: none"> <li>N/A outsourced contract.</li> <li>N/A outsourced contract</li> <li>N/A outsourced contract. Succession planning not appropriate to the single in-house post. Any short term issues would be covered from the contractor or the Bi-borough service management hierarchy followed by recruitment. Not verified as the occasion has not arisen for a number of years.</li> </ul>	
	✓		<b>Fully conforms</b> <b>Generally conforms</b> <b>Partially conforms</b> <b>Does not conform</b>
	Associated references PSIAS: 2030 Resource Management		
Remedial actions	Target date	Responsibility	
None identified			

Performance management			
Statements of good practice	Assessment	Evidence	
Appropriate personnel management and development procedures are in place within internal audit including: <ul style="list-style-type: none"> <li>• Written job descriptions</li> <li>• Required competency frameworks</li> <li>• Recruitment procedures</li> <li>• Training and continuing education arrangements</li> <li>• Personal objectives setting and performance appraisal</li> </ul>	N/A	<ul style="list-style-type: none"> <li>• N/A outsourced contract.</li> </ul>	
			<b>Fully conforms</b>
			<b>Generally conforms</b>
			<b>Partially conforms</b>
			<b>Does not conform</b>

Remedial actions	Target date	Responsibility

**Knowledge management**

Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> <li>The internal audit service has systems in place to facilitate knowledge and sharing of best practice/organisational learning</li> <li>All staff attend regular team meetings to ensure that they remain up to date on knowledge of the organisation, the internal audit service and audit practices</li> </ul>	<input type="checkbox"/>	N/A Outsourced service.
	<input type="checkbox"/>	
	<input type="checkbox"/>	
	<input type="checkbox"/>	
	<input type="checkbox"/>	
	<p><b>Fully conforms</b></p> <p><b>Generally conforms</b></p> <p><b>Partially conforms</b></p> <p><b>Does not conform</b></p>	

Remedial actions	Target date	Responsibility



**Does the internal audit service have the processes to deliver an effective and efficient internal audit service?**

Management of the internal audit service			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> <li>The CAE has established policies and procedures (typically in the form of a manual) to guide the internal audit activity</li> <li>Audit methodologies</li> </ul>	✓	<ul style="list-style-type: none"> <li>Deloitte/Mazars Audit Manual covers this. Review of Manual confirms appropriate coverage.</li> <li>Appropriate</li> </ul>	
			<b>Fully conforms</b>
			<b>Generally conforms</b>
			<b>Partially conforms</b>
		<b>Does not conform</b>	

<p>have been developed and are regularly reviewed and updated to ensure they are in line with current practice</p> <ul style="list-style-type: none"> <li>• Policies in respect of document confidentiality, retention requirements and the release to internal and external parties have been developed and are consistent with the organisation's guidelines and any pertinent regulatory or other requirements</li> <li>• Quality assurance procedures are defined and cover all aspects of the internal audit activity including: <ul style="list-style-type: none"> <li>• Supervision and review</li> <li>• QA procedures and checklists including periodic internal quality reviews</li> <li>• Compliance with applicable laws, regulations and government or industry standards</li> </ul> </li> <li>• Auditee / customer satisfaction surveys</li> <li>• Periodic self-assessments against the PSIAS are performed and actions taken to address weaknesses.</li> </ul>	<p>Associated references PSIAS: 1310 Requirements of the Quality Assurance and Improvement Programme 1311 Internal Assessments 2040 Policies and Procedures 2330 Documenting Information</p>	<p>methodologies are in place with the contractor and were recently reviewed in 2014.</p> <ul style="list-style-type: none"> <li>• N/A external audit.</li> <li>• Audit work planned &amp; undertaken in accordance with relevant laws, regulations and standards – Audit Charter &amp; Strategy</li> <li>• Surveys issued with all final reports. Reported monthly to FAIR &amp; reviewed by the Tri-b Director for IA with weaknesses identified and addressed.</li> <li>• Self- assessment undertaken on overall compliance annually with peer review.</li> </ul>
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Remedial actions	Target date	Responsibility
None identified.		

**Engagement planning**

Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> <li>Detailed plans are developed and documented setting out the scope, limitations, objectives, resources, timing and reporting lines for each engagement</li> <li>Engagement plans are agreed with relevant management prior to the start of the fieldwork</li> <li>Engagement plans include consideration of the relevant systems, records, personnel, and physical properties including those under the control of third parties</li> <li>Plans include consideration of the risks to the area under review and the organisation’s risk management and controls processes</li> <li>Time budgets are developed for each engagement plan and are appropriate to the review scope and degree of associated risk</li> <li>Where areas require, particular specialist knowledge subject matter experts are identified and included as part of the audit team</li> </ul>	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> <li>Yes. Sovereign and Tri-borough (and now master) plans.</li> <li>Yes. Part of agreed contract approach, Briefs issued to operational management</li> <li>Yes. Part of agreed contract approach</li> <li>Yes. Part of agreed contract approach</li> <li>Yes. Part of agreed contract approach</li> <li>Yes. Examples will include allocation of IT experts for IT audits</li> </ul>
	<input type="checkbox"/>	
	<input type="checkbox"/>	
	<input type="checkbox"/>	
	<input type="checkbox"/>	
	Associated references PSIAS: 2200 Engagement Planning 2210 Engagement Objectives 2220 Engagement Scope 2230 Engagement Resource Allocation	

Remedial actions	Target date	Responsibility
None identified		

**Performance of Audit work / audit delivery**

Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> <li>Work programmes that</li> </ul>	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> <li>Yes. Use of proprietary</li> </ul>
	<b>Fully conforms</b>	

Performance of Audit work / audit delivery		
Statements of good practice	Assessment	Evidence
<p>will achieve the engagement objectives are developed and approved prior to use and include procedures for identifying, analysing, evaluating and documenting information during the engagement</p> <ul style="list-style-type: none"> <li>Internal auditors use standard documentation to ensure that evidence and findings are adequately documented</li> <li>Work papers are clear, concise, and appropriately cross-referenced to work programmes so as to enable independent review and comprehension.</li> <li>There is evidence that internal auditors are identifying, analysing, evaluating and documenting sufficient information to support the audit conclusions and opinions</li> <li>There is evidence to confirm that all engagements are led or supervised by suitably competent individuals</li> <li>Audit findings are discussed and confirmed with auditees prior to report drafting</li> <li>Automated tools (e.g. data interrogation) are used appropriately to undertake testing as efficiently as possible</li> </ul>	<input type="checkbox"/> <b>Generally conforms</b>	IA software.
	<input type="checkbox"/> <b>Partially conforms</b>	
	<input type="checkbox"/> <b>Does not conform</b>	
	<p>Associated references PSIAS: 2240 Engagement Work Programme 2310 Identifying Information 2320 Analysis and Evaluation 2330 Documenting Information 2340 Engagement Supervision</p>	<ul style="list-style-type: none"> <li>Yes. Sample file review indicated good cross-referencing, evidence of testing and review.</li> <li>Yes – from sample files reviewed (standard documentation)</li> <li>Yes. From audit file reviews</li> <li>Evidence of supervision and file review by appropriate senior contractor’s staff.</li> <li>Evidence of debrief meeting date as shown on reports reviewed.</li> </ul> <p>Not verified as these processes were not appropriate to the audits reviewed.</p>
<p>Remedial actions None identified</p>	<p>Target date</p>	<p>Responsibility</p>

## Reporting

Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> <li>• Communications are accurate, objective, clear, concise, constructive and timely</li> <li>• Audit reports convey appropriate audit scopes, limitations of scope, results, recommendations and an opinion on the adequacy of controls</li> <li>• Audit evidence is reviewed by a senior member of the audit function to ensure that the audit has been carried out in sufficient depth and to the function's quality standards prior to the audit findings being distributed to the auditees</li> <li>• internal audit recommendations help the organisation address the risk in a way that does not create unnecessary control and the recommendations are practical</li> <li>• Draft audit reports are issued for consideration by the auditees within a reasonable, pre-agreed, timescale before they are finalised</li> <li>• Audit issues are reported to appropriate levels of management and to the Audit Committee</li> <li>• The CAE informs the Audit Committee if he/she believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation</li> <li>• There is a procedure for</li> </ul>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; display: flex; align-items: center; justify-content: center;">✓</div>	<ul style="list-style-type: none"> <li>• Yes. Audit file reviews</li> <li>• Yes. Audit file reviews</li> <li>• Yes. Audit file reviews</li> </ul>	
			<b>Fully conforms</b>
			<b>Generally conforms</b>
			<b>Partially conforms</b>
	<b>Does not conform</b>		
	<p>Associated references PSIAS: 2410 Criteria for Communicating 2420 Quality of Communications 2440 Disseminating Results 2500 Monitoring Progress 2600 Communicating the Acceptance of Risks</p>	<ul style="list-style-type: none"> <li>• Yes. Audit file reviews</li> <li>• Yes. Audit file reviews</li> <li>• Yes. Audit file reviews &amp; Progress Report to APS</li> <li>• Would be reported in Progress Report or specific communication to APS but not verified as minutes for 2014 not showing this has occurred.</li> <li>• Yes appropriate procedure in place to either follow up or obtain assurance on implementation of the recommendations. Validated in reports to APS.</li> <li>• Yes but not reviewed in the sample as not relevant.</li> </ul>	

Reporting		
Statements of good practice	Assessment	Evidence
<p>follow-up that ensures agreed recommendations are implemented effectively or that senior management has accepted the risk of not taking action</p> <ul style="list-style-type: none"> <li>Unresolved or outstanding audit issues are reported to senior management in accordance with pre-agreed timescales and escalation procedures <ul style="list-style-type: none"> <li>The CAE presents to the Board at least annually, a report of internal audit activity containing an opinion of the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes</li> <li>The annual report also states if the function conforms to the PSIAS and report any results of the QAIP</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>Yes – Annual report to APS</li> <li>Yes – Annual report to APS</li> </ul>
Remedial actions	Target date	Responsibility
None identified		

## APPENDIX A

### Summary assessment

	Does not conform	Partially conforms	Generally	Fully conforms	Comments
<b>Purpose &amp; positioning</b>					
• Remit			X		
• Reporting lines				X	
• Independence			X		
• Other assurance providers				X	
• Risk based plan			X		
<b>Structure &amp; resources</b>					
• Competencies			X		
• Technical training & development					N/A. Outsourced contract.
• Resourcing					N/A. Outsourced contract.
• Performance management					N/A. Outsourced contract.
• Knowledge management					N/A. Outsourced contract.
<b>Audit execution</b>					
• Management of the IA function			X		
• Engagement planning				X	
• Engagement delivery				X	
• Reporting				X	