



Report for:	Corporate Committee 27 November 2014	Item number	
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Title:	Independent Review of Internal Audit
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Report authorised by :	Assistant Director of Corporate Governance
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Lead Officer:	Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: anne.woods@haringey.gov.uk
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Ward(s) affected: ALL	Report for: Non-key decision
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1. Describe the issue under consideration

- 1.1 To inform Members of the requirements of the 2013 Public Sector Internal Audit Standards (PSIAS) and the action taken to address these; and to advise Members of the outcome of the independent review of Haringey's internal audit service.
- 1.2 The Corporate Committee is responsible for approving the arrangements for internal audit as part of its terms of reference. In order to facilitate this, and demonstrate compliance with the PSIAS, an independent review of the Council's internal audit function has been completed.

2. Cabinet Member Introduction

- 2.1 Not applicable

3. Recommendations

- 3.1 The Corporate Committee is recommended to note the findings of the independent review attached at Appendix A which confirms that, in accordance with PSIAS definitions, Haringey's internal audit service generally complies with the PSIAS requirements.
- 3.2 The Corporate Committee approves the action plan attached as Appendix B to address the recommendations included in the peer review.

4. Other options considered



Haringey Council

4.1 Not applicable.

5. Background information

- 5.1 In May 2011, the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) agreed to collaborate in the development of the internal audit profession in the public sector. As a result, national Public Sector Internal Audit Standards (PSIAS), based upon the mandatory elements of the global CIIA's International Professional Performance Framework have been developed.
- 5.2 The PSIAS came into force from 1st April 2013 and consists of the following:
- Definition of Internal Auditing;
 - Code of Ethics; and
 - Standards for the Professional Practice of Internal Auditing.
- 5.3 The PSIAS replace the Code of Practice for Internal Audit in Local Government in the United Kingdom, last revised in 2006. Compliance with the PSIAS is mandatory and the Head of Audit and Risk Management is expected to report on the level of conformance within her annual report. It should be noted that discussions with CIPFA suggest an acknowledgement that it may be a number of years before all Local Government Internal Audit services achieve full conformance with the PSIAS. Instances of non-conformance with the PSIAS must be reported to the Corporate Committee (the 'Board' for PSIAS purposes) and any significant gaps must be considered for inclusion in the Annual Governance Statement. No significant gaps were reported in the 2013/14 AGS.
- 5.4 The PSIAS aim to promote the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide the Section 151 Officer (the Assistant Director of Finance) with the key assurances they need to support them in their role and in producing the annual governance statement.
- 5.5 The PSIAS require that an external assessment of Internal Audit's compliance against the standards is carried out at least once every five years. Therefore an external assessment should be carried out 1 April 2018. In the interim years, an internal self assessment is considered sufficient to review compliance with PSIAS.
- 5.6 In London, the London Audit Group has arranged for a reciprocal peer review process to be completed by all Heads of Audit across London at no cost to individual authorities. As part of this arrangement Haringey Council's internal audit function was reviewed by the Head of Internal Audit at the London Borough of Brent in October 2014. The Head of Audit and Risk Management at Haringey will review a different authority's internal audit



function before 1 April 2018. The independent review of Haringey's audit function concluded that:

- The Council's internal audit service generally conforms to the requirements of the Public Sector Internal Audit Standards;
- It fully conforms in all but one area (reporting) within the three fundamental assessment areas (those which test compliance with the basic principles of audit work);
- It was only adjudged as not fully conforming due to the scores within the 'impact' section (which assesses the added value impact of the service); and
- To achieve fully conforming is a difficult benchmark due to the number of standards which need to be achieved and the degree of subjectivity attached to the impact assessment.

6. Comments of the Chief Financial Officer and Financial Implications

6.1 There are no direct financial implications arising from this report. The work within Audit and Risk Management to comply with the PSIAS is completed by Mazars which is part of the framework contract awarded to the London Borough of Croydon from 1 April 2012, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. Other work to support compliance with the PSIAS is undertaken by in-house staff which is funded by the revenue budget.

6.2 It is noted that the reciprocal peer review arrangements put in place by the London Audit Group ensures that the statutory PSIAS review process is completed at no additional cost to local authorities.

7. Comments of the Assistant Director, Corporate Governance and Legal Implications

7.1 The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and has no comments.

8. Equalities and Community Cohesion Comments

8.1 This report deals with how risks to service delivery are managed across all areas of the Council, which have an impact on various parts of the community. Improvements in managing risks will improve services the Council provides to all sections of the community.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications



Haringey Council

10.1 There are no direct implications for the Council's existing policies, priorities and strategies. However, improving controls will assist the Council to use its available resources more effectively.

11. Use of Appendices

11.1 Appendix A – Independent Review of Internal Audit, October 2014
Appendix B – Action Plan