

APPENDIX A

International Standard	Key conformance criteria	Assessment	Action to be taken
<p>1130 Impairment to Independence or Objectivity</p>			
<p>If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.</p> <p>Interpretation:</p> <p>Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.</p> <p>The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.</p> <p>1130. A1 Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.</p> <p>1130. A2 Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.</p> <p>1130. C1 Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.</p>	<p>CAE has established rules of conduct that clearly set out expected behaviour and defines the nature of conflict of interest and impairment of objectivity.</p> <p>This may include recognition or adoption of the organisation's Code of Practice provided this contains sufficient detail – including the acceptance of gift and hospitality. Where these do not exist or they lack clarity IA should formulate separate policies.</p> <p>Internal auditors are required to register hospitality and gifts, which is reviewed on a regular basis.</p> <p>Policies make auditors aware they must report any real or perceived conflict of interest as soon as such conflict arises.</p> <p>Procedures exist to support the policy and there is information to illustrate application – conflict of interest statements.</p> <p>Policy exists to ensure that assurance engagements of areas that are under the control or direct influence of the CAE are overseen by a party external to the CAE</p> <p>IA engagements are rotated ensuring that activities and entities are not audited by the same auditor.</p> <p>The assignment of internal engagements are rotated to ensure that internal auditors involved in the development of systems and procedures do not review the management of risks and application of risk responses in these areas.</p>	<p>The Code of Ethics for Internal Auditors clearly defines what is expected in terms of integrity and objectivity. It also lists the responsibilities of the individual auditor for applying professional care and conducting themselves appropriately. This covers gifts and hospitality, conflicts of interest etc.</p> <p>The current team is small and therefore rotation of staff on assignments is not always possible, especially where there is a specialism involved.</p>	<p>It is not felt that there can be clear rotation of assignments owing to the size of the team and necessary specialisms. It is therefore felt that this non-conformance cannot be completed addressed.</p>

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<p>1130.C2 If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.</p>			
<p>1130 Conclusion</p>	<p>Impairment to Independence or Objectivity</p>	<p>●OGC <input checked="" type="radio"/>PC ●DNC</p>	
<p>1310 Requirements of the Quality Assurance and Improvement Program</p>			
<p>The quality assurance and improvement program must include both internal and external assessments.</p>	<p>There is a plan or schedule agreed with senior management and the board that sets out the type, nature and timing of future assessments – both internal and external.</p>	<p>An internal self-assessment of the Effectiveness of Internal Audit (using the CIPFA template) is compiled and reported to the Audit and Governance Committee annually.</p>	<p>No external review has been carried out. This matter is to be raised with the Chief Finance Officer and discussions will be held with the Sussex Audit Group to discuss the possibility of mutual assessments.</p>
<p>1310 Conclusion</p>	<p>Requirements of the Quality Assurance and Improvement Program</p>	<p>●OGC <input checked="" type="radio"/>PC ●DNC</p>	
<p>1312 External Assessments</p>			
<p>External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:</p> <ul style="list-style-type: none"> • The form and frequency of external assessments; and • The qualifications and independence of the assessor or assessment team, including any potential conflict of interest. <p>Interpretation:</p> <p>External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.</p> <p>A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and</p>	<p>The CAE consults with the board when deciding the frequency of the external assessment and the qualifications and independence of the external reviewer or review team.</p> <p>The reviewer or review team is from outside the organisation and is free from any obligations to or interests in the organisation – in particular consulting services.</p> <p>Reviewers are qualified, with appropriate competence and experience of IA – at least three years at manager level - and knowledge of leading practices in IA, as well as current, in-depth knowledge of the IPPF.</p> <p>There is evidence of comprehensive external reviews at least every 5 years (This includes peer review where there is an element of independence in the process).</p> <p>For some organisations external quality reviews may be carried out more regularly based upon regulatory or funding requirements – particularly the public sector.</p>	<p>No external review has been carried out.</p>	<p>This matter is to be raised with the Chief Finance Officer and discussions will be held with the Sussex Audit Group to discuss the possibility of mutual assessments.</p>

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<p>the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.</p> <p>An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.</p>	<p>External audit reviews may also be appropriate where significant change has occurred within the organisation of internal audit activity.</p>		
<p>1312 Conclusion</p>	<p>External Assessments</p>	<p>●OGC ●PC ○DNC</p>	
<p>1321 Use of Conforms with the International Standards for the Professional Practice of Internal Auditing</p>			
<p>The chief audit executive may state that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement program support this statement.</p> <p>Interpretation:</p> <p>The internal audit activity conforms with the <i>International Standards</i> when it achieves the outcomes described in the <i>Definition of Internal Auditing, Code of Ethics and International Standards</i>.</p> <p>The results of the quality assurance and improvement programme include the results of both internal and external assessments. All internal audit activities will have the</p>	<p>The wording that the IA activity uses in reports regarding conformance with the IPPF is consistent with the results of the quality assessments – internal and external.</p> <p>The IA activity conforms to the IPPF when it achieves the outcomes described in the Definition of Internal Auditing, Code of Ethics and International Standards.</p>	<p>Currently the annual reports to the Audit and Governance Committee refer to the conformity with the CIPFA review of the Effectiveness of Internal Audit.</p> <p>Reporting on conformity with these standards does not come into effect until April 2013.</p>	<p>In the end of year report to Audit and Governance Committee for the year 2013-14 conformance with these standards will be reported.</p>

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results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.			
1321 Conclusion	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	<input type="radio"/> GC <input checked="" type="radio"/> PC <input type="radio"/> DNC	
1322 Disclosure of Non-conformance			
When non-conformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.	There is evidence of appropriate disclosure linked to 1321.	<p>Consideration will be given to the wording of any report of non-conformance with the standards in the end of year report for 2013-14.</p> <p>It is not felt that the lack of an external assessment nor inability to use "conforms with" in the report will impact the overall scope or operation of the internal audit activity.</p>	Consideration will be given to the wording of any report of non-conformance with the standards in the end of year report for 2013-14.
1322 Conclusion	Disclosure of Non-conformance	<input type="radio"/> GC <input checked="" type="radio"/> PC <input type="radio"/> DNC	
2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'.			
Internal auditors may report that their engagements are conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, only if the results of the quality assurance and improvement program support the statement.	<p>Internal and external assessments support any statements that are made inside and outside the organisation.</p> <p>Senior management and the board are aware of and agree such statements.</p>	Currently there is no statement concerning conformance with these standards since they do not come into force until April 2013	The report to the Audit and Governance Committee for 2013-14 will include wording concerning conformance with these standards.
2430 Conclusion	Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'.	<input type="radio"/> GC <input type="radio"/> PC <input checked="" type="radio"/> DNC	
2431 Engagement Disclosure of Non-conformance			
When non-conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards impacts a specific engagement, communication of the results	<p>Where appropriate, communication of results discloses non-conformance with the IPPF.</p> <p>The nature of the non-conformance is discussed</p>	Currently there is no statement concerning conformance with these standards since they do not come into force until April 2013	The report to the Audit and Governance Committee for 2013-14 will include wording concerning conformance with

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<p>must disclose the:</p> <ul style="list-style-type: none">• Principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved;• Reason(s) for non-conformance; and• Impact of non-conformance on the engagement and the communicated engagement results.	<p>and reviewed with senior management and the board with a record of any agreed action.</p>		<p>these standards.</p>
<p>2431 Conclusion</p>	<p>Engagement Disclosure of Non-conformance</p>	<p><input type="radio"/>GC <input type="radio"/>PC <input checked="" type="radio"/>DNC</p>	