

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	20th May 2013	AGENDA ITEM NUMBER
TITLE:	New Public Sector Internal Audit Standards	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Desktop Review of Conformance with Public Sector Internal Audit Standards.		

1 THE ISSUE

1.1 The Relevant Internal Audit Standards setters (including HM Treasury, Department of Health and CIPFA for Local Government) have adopted a new set of Public Sector Internal Audit Standards (PSIAS). The aim of this report is to inform the Committee about the new standards (adopted to provide a consistent framework for internal audit services across the UK public sector) and to provide the results of a desk top exercise to initially assess B&NES Council Internal Audit Service conformance with the Standards.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to:

- 1) Note that the Council's Internal Audit Service will have to comply with the new PSIAS which came into effect from 1st April 2013.
- 2) Comment on the RAG assessment of conformance with the PSIAS (Appendix 1) and approve the action plan recorded in this report to ensure compliance with the standards.

3 FINANCIAL IMPLICATIONS

3.1 The implementation of an action plan to ensure compliance with the PSIAS will be carried out using existing resources, i.e. Internal Audit management time. Within a five year period an external assessment will be required. Initial conversations have taken place with other local Council Heads of Internal Audit and it has been agreed in principal that we will work together to complete external assessments.

4 THE REPORT

- 4.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1st April 2013. They provide a consistent framework for auditors working across the different parts of the public sector and are designed to drive improvement, leading to better public financial management.
- 4.2 They are based on the Institute of Internal Auditors' International Standards, Definition of Internal Auditing and Code of Ethics, replacing the existing ones in local government (CIPFA Code of Practice for Internal Audit in Local Government, central government and the NHS).
- 4.4 A key difference for local government is the terminology. The PSIAS use the term 'Chief Audit Executive' (CAE), the description used internationally, rather than 'Chief Internal Auditor or Head of Internal Audit' more commonly used in the UK.
- 4.5 Another change is the requirement for an Internal Audit 'Charter'. This formally defines purpose, authority and responsibility of the internal audit activity as well arrangements for avoiding conflicts of interest.
- 4.6 There is a need for a risk-based plan linked to a strategic / high-level statement on how the service will be provided and developed in accordance with the charter and how this links to the organisation's objectives and priorities.
- 4.7 A Quality Assurance and Improvement Programme (QA&IP) will need to be in place requiring both internal and external assessments. The external assessment will be required at least every 5 years. The CAE is required to include a statement on the results of the QA&IP in the annual report. The external assessment must be carried out by a qualified and independent assessor from outside the organisation. It can be a full external evaluation or a self-assessment with independent external validation.
- 4.8 An initial desk top review of the Standards has been carried out to provide an understanding of work required to comply with the Standards. The RAG assessment of conformance with the PSIAS is attached (Appendix 1).
- 4.9 This assessment has identified that in the main the service is complying with the new standards. However there are some areas of further clarification and improvement still required and the key actions are summarised below:

No.	Action	Responsible Officer	Target Date for Completion
1	Consider and report upon changes to the Resources Directorate senior management structure in terms of Internal Audit's status, reporting lines and organisational independence.	DD Risk & Assurance	September 2013
2	Carry out a fully 'evidenced' internal assessment of compliance with the new Public Sector Internal Audit Standards.	DD Risk & Assurance	September 2013
3	Agree the timing and provider for the external assessment process as required by the Quality Assurance and Improvement Programme.	DD Risk & Assurance	April 2014

4	Review and update the current Internal Audit Terms of Reference and formally adopt a new Council Internal Audit Charter.	Group Manager (Audit & Risk)	September 2013
5	Formalise systems and communicate the need for Audit staff to declare 'interests' at individual auditor and engagement level.	Group Manager (Audit & Risk)	September 2013
6	Verify maintenance of Auditors Continued Professional Development Logs.	Group Manager (Audit & Risk)	September 2013

5. RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. No significant issues to report for the Committee.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7. CONSULTATION

7.1 A copy of this report was presented to the S151 Officer and Monitoring Officer for comment.

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Background papers	None
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