

## **REPORT ON THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

### **Audit Committee – 10 June 2014**

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

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**This report supports the Key Aim of Effective Management of Council Resources**

**Portfolio Holder** Cllr. Ramsay

**Contact Officer(s)** Bami Cole Ext. 7236

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**Recommendation to Audit Committee:** That Members consider the report on the implementation of the new Public Sector Internal Audit Standards and approve the proposals for achieving full compliance

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### **Introduction**

- 1 Members were advised at a previous meeting of the Committee regarding the requirements of the new mandatory Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013. At their meeting in September 2013, Members were informed that management was considering the new standards and will present proposals for implementing the standards to the Committee at a future meeting. This report deals with the assessment of the audit function compliance with the new standards and proposals to enable full compliance with the new standards.
- 2 The PSIAS is a ground breaking development which every public sector internal audit in the UK is required to comply with. Given its relative infancy, it is unlikely that many organisations will be fully compliant with the requirements at its introduction. This being the first assessment since the introduction of the standards, the objective was to assess the audit function against the standards and to identify areas for further development, in order to achieve full compliance within a reasonable timeframe.

### **Method of Assessment**

- 3 In conducting the assessment, the Internal Audit Manager used the Practice Guidance Notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) to identify relevant areas of the function's activities which required compliance. Thus the Practice Guidance Notes were used to match against current practice in order to identify any relevant gaps or deviations. A detailed report on the results of this exercise is set out on Appendix A.

## Outcome of the Assessment

- 4 The assessment indicates that the Internal Audit function is substantially compliant with the standards. Areas for further development, where applicable, have been identified and documented in Appendix B, as an action plan.
- 5 The action plan has been sent to senior management for consideration regarding how to take the proposals forward.
- 6 The Audit Committee is requested to consider the report and the proposals within the action plan; and to endorse the proposals, or make any comments Members consider appropriate.
- 7 The Committee would be advised in due course, regarding any steps taken to achieve full compliance and their impact, or implications for the Internal Audit function.

## Key Implications

### Financial

The requirement for an independent external review of Internal Audit every five years is likely to incur costs. However, the indications at the moment are that it is likely to be less than £10,000 every five years.

### Legal Implications and Risk Assessment Statement

Compliance with the new standards is a regulatory requirement designed to make the Internal Audit service more effective. The review of the compliance with the new standards of the Internal Audit function, is designed to ensure that the service is effective in carrying out its statutory duties, aimed at strengthening internal control, risk management and governance processes within the Council, including the minimisation of fraud risks. The outcome of the -assessment indicates that the function is substantially compliant with the new standards. Areas for further development have been identified to enable the audit function to achieve full compliance within a reasonable timeframe.

### Value for Money and Asset Management

A robust Internal Audit function contributes to the effective management of the Council and would help mitigate against poor value for money in service provision.

### Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the	No	

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
community?		
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

## Conclusions

The outcome of the assessment indicates that the requirements of the new Standards were substantially met. Areas for further development have been identified and set out in an action plan on Appendix B for management consideration.

## Appendices

Appendix A – Report on Public Sector Internal Audit Standards

Appendix B – Action Plan

## Background Papers:

[The Accounts and Audit \(England\) Regulations 2011](#)

[Public Sector Internal Audit Standards.](#)

**Adrian Rowbotham**  
**Chief Finance Officer**