

Bolton Council

Report to: Audit Committee

Date: 6th December 2013

Report of: Head of Internal Audit & Risk

Report No:

Contact Officer: John Midlane

Tele
No:331620

Report Title: **Public Sector Internal Audit Standards (PSIAS)**

**Confidential /
Non Confidential:**

(**Non-Confidential**) This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

Purpose:

To allow Audit Committee to understand the new Public Sector Internal Audit Standards (PSIAS) and review how Internal Audit in Bolton compares to it.

Recommendations:

Audit Committee is asked to:

- (i) Note the self- assessment against the PSIAS
- (ii) Agree the action plan to increase compliance with the standards,
- (iii) Agree to receive regular reports on progress against the new standard.

Background Doc(s):

Code of Practice for Internal Audit in Local Government in the UK (2006) – CIPFA
PSIAS
Local Government Application Note – CIPFA.

1. INTRODUCTION:

- 1.1. At its meeting in March 2013 Audit Committee received a report on the new Public Sector Internal Audit Standards (PSIAS). Committee agreed that an assessment of the Internal Audit Section in Bolton Council would be undertaken based upon a checklist produced by CIPFA in its "Local government application note". This report includes that self-assessment along with a draft improvement plan to meet the gaps identified.

2. PUBLIC SECTOR INTERNAL AUDIT STANDARDS:

- 2.1. The new standard came into effect from 1st April 2013 and covers all public sector organisations across central government, health, and local government, The Chartered Institute of Public Finance and Accountancy (CIPFA) published the "Local government application note" which provides a more detailed interpretation that applies to local councils.
- 2.2. The standards encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework and include:
- Definition of Internal Auditing
 - Code of Ethics
 - International Standards for the Professional Practice of Internal Auditing.

The CIPFA document referred to above includes a checklist for assessing conformance with the new standard and this has been used to consider the relative position of the internal audit function in Bolton Council.

- 2.3. The detailed self-assessment is included at Appendix A and a summary against the main headings is show below:

Section of Code:	Level of Compliance
Definition	Full
Code of Ethics	Full
Standards: Attribute standards: <ul style="list-style-type: none">• Purpose, authority and responsibility• Independence & objectivity• Proficiency & due professional care• Quality assurance & improvement programme	High High Full Moderate

Performance standards: <ul style="list-style-type: none"> • Managing the internal audit activity • Nature of work • Engagement planning • Performing the engagement • Communicating the results • Monitoring progress • Communicating the acceptance of risks 	High Moderate Full Full High Full Full
--	--

- 2.4 Attached at Appendix B is an improvement plan to increase compliance with the code; the main issues are highlighted below:

Attribute Standards:

1000 Purpose, authority and responsibility:

Some small matters need to be clarified in relation to recognising the PSiAS in the work we do and being clearer about the responsibility of some statutory officers in relation to internal audit. These will be addressed when the current Audit Charter is reviewed in March 2014.

1100 Independence and objectivity:

There are some issues concerned with the reporting arrangements for internal audit and the responsibility of Audit Committee in managing the service. Internal Audit is part of the Chief Executive's Department and, as such, comes under the control of the Executive Member Leaders Portfolio with Audit Committee having an overview of the work. It is not proposed to change this as it is clear that the current management arrangements are robust.

1300 Quality assurance and improvement programme:

The current process for internal review is felt to be strong and this is reinforced in the Annual Governance Statement. However, it is felt that these should be reviewed and strengthened in the light of PSiAS. A major requirement of PSiAS is that internal audit should have an external review at least every 5 years. Discussions are going on both regionally and nationally to agree what this will look like.

Performance Standards:

2000 Managing the internal audit activity:

There are some minor issues around better links between internal audit documents and the annual plan. These will be addressed when the Audit Charter is reviewed and the annual plan for 2014/15 is prepared.

2100 Nature of Work:

Audit assignments need to be more closely linked to the overall objectives of the council. This will involve some refocusing of governance work and clearer linkages in all audits.

2400 Communicating the results:

The need to report that audit reports are "conducted in conformance with the PSiAS" only if the results of the QAIP support this. Where reports don't conform need to state why. This is a new requirement of the standards and is dependant on the strengthening of the current quality process and inclusion in future reports.

3. CONCLUSIONS

- 3.1.** The PSIAS is fundamental in managing the internal audit function and will be used to measure the quality and success of the service. It brings together best practice across sectors and international boundaries and provides consistent standards for all providers.
- 3.2.** The self-assessment indicates a high level of compliance but also highlights new areas which need to be developed and others where current processes need to be improved, an improvement plan has been drawn up to achieve these. Even after completion of the improvement plan there will be a few items that Bolton will not meet in the way the standards describe, however, there are other processes in place to achieve the same objective.

4. RECOMMENDATIONS:

Audit Committee is asked to:

- (i) Note the self- assessment against the PSIAS
- (ii) Agree the action plan to increase compliance with the standards,
- (iii) Agree to receive regular reports on progress against the new standards.

