

AUDIT AND GOVERNANCE COMMITTEE

27 September 2013

PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Report of the Executive Director of Commercial and Corporate Services

1. Purpose of Report

- 1.1 The purpose of this report is to inform the Committee of the requirements and applicability of the Public Sector Internal Audit Standards (PSIAS) which came into force on 1st April 2013.

2. Background

- 2.1 The PSIAS were developed to create consistent standards for the practice of internal audit across the public sector, and to establish the basis for its quality assurance. They were developed by the Institute of Internal Auditors (IIA) in collaboration with CIPFA and they replace the current standards contained in the CIPFA Code of Practice for Internal Audit.
- 2.2 The PSIAS have been reviewed to assess the impact on the Council's internal audit arrangements and this report sets out the actions necessary to ensure future compliance with the Standards.

3. Assessment of Impact of PSIAS

- 3.1 The assessment shows that the Council's existing arrangements already comply with the new Standards. Some minor updating of procedures will be carried out to reflect the new Standards. CIPFA has issued guidance which will be taken into account when updating these procedures.
- 3.2 In addition, the Council's Audit Charter requires revision to incorporate the definition of internal audit contained in the Standards, as well as some other small changes. A proposed revised Audit Charter is attached at Appendix 1 for consideration and agreement.

4. Recommendations

- 4.1 The Committee is asked to approve the proposed revised Audit Charter at Appendix 1.

REVISED INTERNAL AUDIT CHARTER

Statutory Role / Objectives and Responsibilities

Internal Audit is an independent, objective assurance function established by the Council under the requirements of the Accounts and Audit Regulations 2011. The function is designed to add value, improve operations and assist the Council to achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The prime objective of Internal Audit Services is to provide assurance to the Council in relation to its internal control environment and assist management in delivering the objectives of the Council and its associated bodies through assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment. To this end it is the responsibility of IAS to review, appraise and report upon:

- whether operations are being carried out as planned and objectives and goals are being met;
- the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation, or externally;
- the completeness, reliability and integrity of information, both financial and operational;
- the extent to which the Council's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, extravagance, abuse, ineffective management and poor value for money; and
- the economy, efficiency and effectiveness with which resources are employed.

Internal Audit in meeting the above will have an unrestricted range of coverage of the Council's operations.

The work of Internal Audit contributes to the Council's Integrated Assurance Framework.

Audit Strategy and Operational Planning

Internal Audit will produce an Internal Audit Strategy and annual Operational Internal Audit Plan, agreed by the Executive Director of Commercial and Corporate Services

and considered and reviewed by the Audit and Governance Committee. In producing the Strategy and Plan the head of internal audit will assess the resource requirements needed to deliver them and will have the freedom to determine the priorities for internal audit in consultation with the Executive Director of Commercial and Corporate Services and Chief Officers. In general, but not exclusively, a process of risk assessment will determine the priorities for internal audit.

Professional Standards

Internal audit is required to provide an objective audit service in line with professional auditing standards. The head of internal audit will report directly to the Executive Director of Commercial and Corporate Services and have direct access to, and freedom to report to, all senior management including the Chief Executive, Audit and Governance Committee and Members.

Internal Audit will perform the audit work to the professional standards set out in the Public Sector Internal Audit Standards, including the Code of Ethics.. Furthermore, Internal Audit shall have no responsibilities over the operations that it audits beyond the furnishing of recommendations and advice to management on risks and controls.

Reports

All material findings will be communicated to the relevant departmental management and once agreed a final report will be sent to the Chief Officer and, where appropriate, the Executive Director of Commercial and Corporate Services. Management is expected to implement all agreed audit recommendations within a reasonable timeframe and each audit will be followed up to assess the extent to which this has happened. In addition, the overall results of audit work will be reported regularly to the Executive Director of Commercial and Corporate Services and quarterly to the Audit and Governance Committee. The quarterly reports will contain an opinion on the soundness of the Council's system of internal controls based on the work carried out by Internal Audit. The quarterly reports will also provide the Audit and Governance Committee with an updated Corporate Assurance Map which will summarise assurances gathered from a number of sources under the Integrated Assurance Framework.

Access

Internal Audit shall have access to all officers, buildings, information, explanations and documentation required to discharge the audit role.

This includes not only the City Council, but also:

- organisations to whom the Council has given grants;

- organisations to which the Council awards service contracts; and
- partner organisations in any schemes for which the Council has responsibility as Lead or Accountable Body.

Such rights of access shall be written into the appropriate agreements with these organisations.

Fraud, Corruption and Financial Irregularity

Managing the risk of fraud, corruption and financial irregularity is the responsibility of management. However, Internal Audit will be alert in all of its work to risks and exposures that could allow these risks to occur and will undertake specific work, from time to time, in this regard. Audit procedures alone cannot guarantee that all such incidences will be detected.

The head of internal audit is to be notified by managers of all suspected or detected fraud, corruption or financial impropriety. Internal Audit will seek to respond to requests for such investigations and make appropriate recommendations to minimise any risks.

