

Public Sector Internal Audit Standards – External Assessment

Audit Committee

Date: 15th September 2016

Author: Head of Internal Audit
Wards: None
Locality Affected: None
Parishes Affected: None

1. Purpose and Reasons

- 1.1 The Public Sector Internal Audit Standards introduced a requirement for an external assessment of internal audit which must be conducted at least once every five years by a qualified, independent reviewer external to the organisation.
- 1.2 Members agreed at their meeting on 23rd February 2016 that the external assessment of the Council's Internal Audit function would be carried out by the Chief Internal Auditor at Bristol City Council. This paper sets out the results of that external assessment.
- 1.3 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.

2. Recommendations

The Committee is recommended to:

- 2.1 Audit Committee reviews and notes the outcome of the external assessment of the Council's Internal Audit section.

3. Detail

Background

- 3.1 The Public Sector Internal Audit Standards have replaced CIPFA's Code of Practice for Internal Audit in Local Government as the mandatory guidance for internal audit in the public sector.
 - 3.2 The main purpose of the Public Sector Internal Audit Standards was to:
 - Define the nature of internal auditing in the UK public sector
 - Set basic principles for carrying out internal audit in the UK public sector
 - Establish a framework for providing internal audit services (both assurance and consultancy)
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning
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Further information on the subject of this report can be obtained from Nick Hobbs,
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- 3.3 The Standards (no. 1312) introduced the requirement for an external assessment of Internal Audit. This assessment should be carried out at least once every five years by a qualified, independent assessor from outside the organisation.
- 3.4 Members agreed that Bristol City Council would carry out our external assessment. The assessment was carried out during June 2016. The terms of reference are attached as Appendix 1.
- 3.5 The review included the following:
- Independent validation of a self-assessment against the Standards carried out by the Head of Internal Audit. This included a review of supporting documentation and details of responsibilities, resources, structure, activity, quality and performance measures and reports.
 - Examination of a sample of audits
 - Interviews with key staff to confirm audit procedures and process including the Chair of Audit Committee, Chief Executive, Section 151 Officer and Monitoring Officer.
 - A survey of a sample of main stakeholders

Findings

- 3.6 The report setting out the detailed outcome of the review is attached as Appendix 2. In summary the external assessment found that:
- 3.7 The external assessment considered whether there was 'conformance', 'partial conformance' or 'non-conformance' to the requirements of the Public Sector Internal Audit Standards. Bristol's Chief Internal Auditor concluded that the Council's Internal Audit Service **conforms** to the requirements of the Standards.
- 3.8 Some partial conformances and non-conformances which require further development and opportunities were identified which should enhance the strategic and operational function of the Internal Audit Service. These do not significantly impact on the overall opinion.
- 3.9 The assessment identified that the Internal Audit Service is well positioned, valued and makes an active contribution to the continuous improvement of systems of governance, risk management and internal control. It operates to ethical standards and with a high level of professionalism and integrity.
- 3.10 An action plan is included in the report and appropriate management responses have been included.

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4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 There are no direct financial implications arising from this report.

Legal and Human Rights Implications

5.2 The external assessment against the Public Sector Internal Audit Standards ensures compliance with the mandatory guidance under the Accounts and Audit Regulations 2015.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

5.4 Internal Audit's remit is to examine the adequacy of the Council's governance, risk management and internal controls. Effective systems of governance, risk management and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy is achieved.

Diversity Impact Assessment

5.5 None

Risk Management

5.6 Not applicable

6. Consultees

6.1 The Corporate Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

7.1 None

8. Appendices / Background papers

Appendix 1 – terms of reference for the external assessment

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Appendix 2 – Bristol City Council internal Audit report: External Assessment of
Swindon BC Internal Audit Service

9. Key Decision/Decision in Forward Plan

Not Applicable