

AUDIT COMMITTEE

Date of Meeting	Monday, 12 June 2017
Report Subject	External Assessment - Public Sector Internal Audit Standards (PSIAS)
Cabinet Member	Not Applicable
Report Author	Interim Internal Audit Manager
Type of Report	Assurance

EXECUTIVE SUMMARY

Internal Audit must conform to the Public Sector Internal Audit Standards (PSIAS). There must be an assessment every year which must be reported to the Audit Committee. These assessments are normally carried out internally as self-assessments, but there must be an external assessment every five years.

Internal assessments have been carried out every year since the standards were introduced and an external assessment has been carried out this year in March 2017. This report shows the results of the external assessment, to ensure compliance with the components of the standards. Appendix A.

The requirement for external assessments can be met by an external assessor validating an internal assessment. They can be carried out as peer reviews, providing that the reviews are not reciprocal and the reviewer is sufficiently independent. In order to minimise costs, within the Wales Chief Auditors Group the Chief Auditors for 18 Councils in Wales have agreed to follow this route, each one reviewing the other Council. The Chief Internal Auditor from Ceredigion assessed Flintshire Internal Audit on 27th March 2017 and this report shows the results of the external assessment. Actions highlighted as a result of the assessment have been incorporated in the Internal Audit Quality Assurance Improvement Plan (QAIP) at Appendix B and also as part of the Internal Audit Annual Report.

RECOMMENDATIONS

1	The committee is requested to note the report.
---	------------------------------------------------

REPORT DETAILS

1.00	EXPLAINING THE EXTERNAL ASSESSMENT REPORT
1.01	In December 2012 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) published new Public Sector Internal Audit Standards (PSIAS) for internal audit across the public sector. The Standards apply to Central Government departments including Scotland, Wales and Northern Ireland, Local Authorities across the UK, the NHS, Police and Fire Authorities and National Parks. These Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government published in 2006. The standards are based on the CIIA standards and came into force on 1 st April 2013 and updated in 2016 and 2017.
1.02	Internal Audit departments must report their level of conformance with the PSIAS to the Audit Committee. It should then be reported in the Internal Audit Annual Report and stated in every audit report.
1.03	PSIAS includes the Definition of Internal Audit, a Code of Ethics, four Attribute Standards and seven Performance Standards, leading to the overall level of conformance. Internal Audit departments should achieve General Conformance with the PSIAS.
1.04	There is a requirement within the PSIAS for a Quality Assurance and Improvement Programme (QAIP). The requirement is for the Internal Audit Manager to develop and maintain a QAIP to enable the audit activity to be assessed against the PSIAS, this assessment has been carried out each year since the introduction of the standard and following the external assessment (Appendix B).
1.05	External assessment outcomes: The Internal Audit service was assessed against the PSIAS best practice requirements (there are 334 requirements). It was assessed that Flintshire conform with 329 of the requirements, partially conforms with 4 and there was 1 non-conformance. The review also identified 6 suggestions for further improvement. Section 1.07 briefing highlights the findings from the external assessment. Detailed information to support these findings can be found within the external report, Appendix A and the QAIP, Appendix B
1.06	The one non-conformance reported in the external assessment had already been identified in the annual internal self-assessment and is included in the QAIP action plan following this assessment. This was recognised by the assessor and it was stated that the non-conformance was not considered significant.
1.07	None Conformance <ul style="list-style-type: none"> • Undertake Assurance Mapping within the Authority

	<p>Partial Conformance</p> <ul style="list-style-type: none"> • Audit Charter to make reference to Senior Management • Chief Executive to contribute or review appraisal of Internal Audit Manager • Undertake a specific audit on Ethics <p>Suggestions for Improvement</p> <ul style="list-style-type: none"> • Consider rotation of work between Auditors • Covering statement to be included within reports for any Consultancy work • QAIP to be included within the Internal Audit Annual Report • Reference to external assurance within the Annual Report • IA's Document retention policy to be included within the manual and not stand alone document. • Consider reviewing Internal Audit performance indicators to ensure they are meaningful
1.08	Overall the general themes of the findings (partial-conformance and suggestion for further improvement) concern minor changes to documentation and operating procedures, these will be addressed through the QAIP but are not significant in terms of the PSIAS. The external assessor stated that 'Flintshire County Council complies with the standards in all significant areas and operates independently and objectively'.

2.00	RESOURCE IMPLICATIONS
2.01	None.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
4.01	Internal Audit is part of the governance framework for the Council. It is important that it meets the required operational standards to give assurance to the Council that it is functioning properly. This paper shows the results of the assessment of the department against those standards.

5.00	APPENDICES
5.01	Appendix A – External Assessment Report Appendix B – QAIP Action Plan

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
-------------	------------------------------------------------

6.01	None. Contact Officer: Lisa Brownbill, Interim Internal Audit Manager Telephone: 01352 702231 E-mail: Lisa.brownbill@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	None.