

AUDIT COMMITTEE

Public Sector Internal Audit Standards and Internal Audit Charter 22 January 2014

Report of Internal Audit Manager

PURPOSE OF REPORT

To advise Members of the outcome from a self-assessment against the new Public Sector Internal Audit standards and seek approval for a revised Internal Audit Charter

This report is public

RECOMMENDATIONS

- (1) That the proposed action plan in relation to PSIAS compliance (Appendix A) is noted.
- (2) That the revised Internal Audit Charter (Appendix B) is approved.

1.0 Background

- 1.1 Members will recall that they approved a revised Internal Audit Charter at the meeting held on 26 June 2013. The new Charter was drafted to take account of requirements introduced by new Public Sector Internal Audit Standards (PSIAS) and an associated Local Government Application Note (LGAN) published by CIPFA.
- 1.2 The report to Audit Committee advised that the LGAN contained an extensive checklist for assessing compliance with the PSIAS and that further changes to the Charter may well be required following a preliminary self-assessment against the checklist.

2.0 Report

- 2.1 A preliminary self-assessment against the LGAN checklist has now been completed. Given the extent of the checklist, which consists of 334 lines of practice, full details of the assessment have not been appended to this report. Of the 334 lines, the exercise identified 288 points where compliance was achieved (or which were not applicable to our situation). Non-compliance was identified in 17 instances and partial compliance (where we do comply but it is felt that there is scope to raise standards) in 29 instances.
- 2.2 A resulting action plan to address the instances of non-compliance or partial compliance is attached as Appendix A. This sets out a programme of actions covering the next six months, with a view to establishing and demonstrating full compliance with the PSIAS. Progress with this objective will be included in the 2013/14 annual internal audit report which will be submitted to the June meeting of the Committee. Please note that in the assessment, the Internal Audit Manager's role is referred to as the Chief Audit Executive (CAE) and any reference to the "Board" is taken to mean the Audit Committee.

- 2.3 Members are asked to comment on and note the proposed action plan.
- 2.4 As anticipated, this exercise has identified the need for a small number of changes to the Charter. The opportunity has also been taken to update the Charter regarding organisational changes and new senior officer designations.
- 2.5 The amended draft of the Internal Audit Charter is attached at Appendix B with significant changes and additions highlighted.
- 2.6 Members are asked to consider and approve the proposed charter.

3.0 Details of Consultation

- 3.1 Management Team have been consulted in developing the draft Audit Charter.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 Regarding the Internal Audit Charter, the options available to the Committee are to:
 - a. approve the draft charter, either as presented, or with suggested changes; or
 - b. propose an alternative course of action.
- 4.2 Option a) is the preferred option as it will provide the council and its internal audit function with the basis to establish compliance with the PSIAS. It will be possible to consider further minor changes should any be deemed necessary following any future assessments of the internal audit function against the PSIAS.

5.0 Conclusion

- 5.1 Following the self-assessment review against the PSIAS, it is timely and appropriate to update the council's Internal Audit Charter; this establishes the basis for compliance with the new professional standards for internal audit.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)	
Not applicable	
FINANCIAL IMPLICATIONS	
None directly arising from this report	
SECTION 151 OFFICER'S COMMENTS	
The Section 151 Officer has been consulted and has no further comments	
LEGAL IMPLICATIONS	
None directly arising from this report	
MONITORING OFFICER'S COMMENTS	
The Monitoring Officer has been consulted and has no further comments	
BACKGROUND PAPERS	Contact Officer: Derek Whiteway
Public Sector Internal Audit Standards	Telephone: 01524 582028
Local Government Application Note for the UK PSIAS - (CIPFA, in collaboration with the Chartered Institute of Internal Auditors)	E-mail: dwhiteway@lancaster.gov.uk
	Ref: aud/comm/audit/140122Charter