



AUDIT COMMITTEE

Date Written	23 rd April 2019
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Exempt/Non Exempt	Non Exempt
Committee Date	29 th April 2019

To: Chair, Ladies and Gentlemen

Internal Audit Peer Review

1.0 SUMMARY OF THE REPORT

- 1.1 The Public Sector Internal Audit Standards (PSIAS) were adopted in the UK in April 2013 and revised from 01st April 2017. The PSIAS include mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and additional requirements and interpretations for the UK public sector.
- 1.2 To conform to the PSIAS the chief audit executive must develop and maintain a quality assurance improvement programme (QAIP) that covers all aspects of the internal audit activity; must include both internal and external assessments and must communicate the results of the QAIP to senior management and the board.
- 1.3 The Audit Manager of Merthyr Tydfil County Borough Council undertook a detailed internal assessment of the Internal Audit Service's compliance with the PSIAS in line with the requirements of the PSIAS and the QAIP.
- 1.4 An external peer review was then undertaken by the Audit Manager of Pembrokeshire County Council in March 2019. The findings confirm compliance with the PSIAS and make some suggestions for further strengthening arrangements that are included in an action plan in the final report. The action plan, that includes 7 recommendations, has been agreed and work is being undertaken to implement those recommendations.
- 1.5 For the purposes of Merthyr Tydfil County Borough Council (MTCBC) and in line with best practice guidance for local authorities in Wales the Audit Committee of MTCBC is defined as the 'board' and the Audit Manager is defined as the 'chief audit executive'. With the introduction of the Regional Audit Service this role will now be the responsibility of the Head of the Regional Audit Service.

1.6 In March a draft report was presented to Audit Committee. Members requested that a follow up report containing the final report with management responses to the report's recommendations be brought to this meeting for review. This report meets that request.

2.0 RECOMMENDATIONS that

2.1 Audit Committee receive the external assessment final report and note its contents and action plan for strengthening existing arrangements.

3.0 INTRODUCTION AND BACKGROUND

3.1 A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

3.2 The relevant internal audit standard setters, the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of local government across the UK, initially adopted a common set of Public Sector Internal Audit Standards (PSIAS) effective from the 01st April 2013, these were subsequently revised and the revised version of the PSIAS adopted effective from 01st April 2017.

3.3 The PSIAS include mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and additional requirements and interpretations for the UK public sector.

Purpose of the PSIAS

3.4 The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal auditing services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

3.5 The PSIAS apply to all internal audit services providers, whether in-house, shared services or outsourced.

PSIAS 1300 Quality Assurance and Improvement Programme

3.6 The chief audit executive must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. A QAIP is designed to enable an evaluation of the internal audit activity's conformance with the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. The QAIP also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the QAIP.

PSIAS 1310 Requirements of the Quality Assurance and Improvement Programme

3.7 The QAIP must include both internal and external assessments.

PSIAS 1311 Internal Assessments

- 3.8 Internal assessments must include:
- Ongoing monitoring of the performance of the internal audit activity.
 - Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

PSIAS 1312 External Assessments

3.9 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessment may be accomplished through full external assessment, or a self-assessment with independent external validation.

PSIAS 1320 Reporting on the Quality Assurance and Improvement Programme

3.10 The chief audit executive must communicate the results of the QAIP to senior management and the board.

4.0 CONCLUSION OF EXTERNAL ASSESSMENT

4.1 The external assessment was undertaken by the Audit Manager of Pembrokeshire County Council via validation of the self-assessment completed by the Audit Manager of Merthyr Tydfil County Borough Council and a site visit on the 07th March 2019 to review evidence and interview Internal Audit staff. This conforms to the PSIAS and also the approach adopted by the Welsh Chief Internal Auditors Group.

4.2 The review involved external independent validation of the 341 best practice areas identified by the PSIAS. Table 1 summarises the results of the external validation findings:

Conformance		Partial Conformance		Non-Conformance	
Number	%	Number	%	Number	%
328	96%	12	3%	1	1%

4.3 A more detailed summary of the findings is included in paragraph 3.3 of Appendix 1.

4.4 The conclusion of the Audit Manager of Pembrokeshire County Council is that “...it is considered Merthyr Tydfil County Borough Council’s Internal Audit service generally conforms to the PSIAS and the impact of the partial-conformance is not considered to be significant. Overall it is felt that Internal Audit complies with the standards in all significant areas and operates independently and objectively.”

4.5 The report has made 7 recommendations to ensure increase compliance with the standards. We have discussed these recommendations with the Audit Manager of

Pembrokeshire County Council and confirm that we accept all 7 recommendations and that we have agreed timescales for their implementation.

5.0 FINANCIAL IMPLICATION(S)

5.1 There no financial implications to consider.

MARK THOMAS
HEAD OF REGIONAL AUDIT SERVICE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
& CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Public Sector Internal Audit Standards	April 2017	Internal Audit Office
External assessment final report	April 2019	Internal Audit Office
Does the report contain any issue that may impact the Council's Constitution?		No