

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28TH JANUARY 2016

REPORT OF THE CHIEF INTERNAL AUDITOR AS THE HEAD OF AUDIT

THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) – PROPOSALS FOR UNDERTAKING AN EXTERNAL ASSESSMENT.

1. Purpose of Report.

- 1.1 This report outlines the benefits of, and seeks Audit Committee agreement to the proposed arrangements for carrying out the external review of the Council's Internal Audit Shared Service function, as required by the Public Sector Internal Audit Standards (PSIAS).

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 Internal Audit's work impacts on all of the Corporate Improvement Objectives and other Corporate Priorities.

3. Background.

- 3.1 The Public Sector Internal Audit Standards introduced a requirement for an external assessment which must be conducted at least once every five years by a qualified, independent reviewer from outside the organization. The relevant standard states:

“Standard 1312 – External Assessments – External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive (Head of Internal Audit) must discuss with the board (Audit Committee); the form of external assessments; the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest”.

- 3.2 The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment should be a supportive process that identifies opportunities for development which ultimately helps to enhance the value of the audit function.

4. Current situation / proposal.

- 4.1 The two possible approaches to external assessment outlined in the standard include either a full external assessment or an internal self-assessment which is validated by an external reviewer. Therefore, the options available are as follows:-

- Peer reviews to be carried out by the Heads of Internal Audit across Wales;

- Buying-in the function from a professional body, e.g. The Institute of Internal Auditors;
- Buying-in the service from another suitably qualified and experienced individual / firm.

4.2 Attached at **Appendix A** is a summary of the options outlining the advantages and disadvantages associated with each option (this list is not exhaustive) and a rough estimate of the likely cost.

4.3 A similar report was submitted to the Vale of Glamorgan Council's Audit Committee on 16th November 2015; who resolved that their preferred option would be buying-in the function from a professional body, e.g. The Institute of Internal Auditors.

5. Effect upon Policy Framework & Procedure Rules.

5.1 None.

6. Equality Impact Assessment

6.1 There are no equality implications.

7. Financial Implications.

7.1 The cost for each option is set out in Appendix A. and this will be borne within the existing Internal Audit Shared Service budget.

8. Recommendation.

8.1 That the Committee have regard to the options as set out in **Appendix A** and identify their preferred choice to ensure that compliance with the Public Sector Internal Audit Standards is achieved.

8.2 Note that a further report will be presented to the Committee; setting out the proposed scope and objectives of the assessment to be undertaken to ensure that the Committee can gain the necessary external assurances on the effectiveness of the Internal Audit Shared Service function.

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Background documents

None