

CYNGOR SIR POWYS COUNTY COUNCIL

AUDIT COMMITTEE
29th January 2015

REPORT AUTHOR: County Councillor Dai Davies
Portfolio Holder for Finance

SUBJECT: External Quality Assessment of Internal Audit

REPORT FOR: Information

1.0 Introduction

- 1.1 An effective Internal Audit function enables the Authority to make informed decisions as to improvements required to the control environment. It also assists in the Audit Committee's responsibility to ensure that a sound system of control is in operation.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) were introduced in April 2013 to ensure that the internal audit function meets the needs of clients, their expectations, and the demands of ethical requirements. A new requirement over their predecessors is for organisations to undertake an external quality assessment of the Internal Audit function every five years.
- 1.3 Powys is the first Council in Wales to undertake an external assessment. Following a tendering process, KPMG were commissioned to conduct the assessment on behalf of the Council.

2.0 Outcome

- 2.1 Members noted the draft report at the last Audit Committee meeting in October. A final version of the report was released at the end of November 2014 (included in appendix A) that corrects inaccuracies in the draft and outlines improvement actions to address any non-compliance with the professional standards.
- 2.2 The review identified that the Internal Audit Service is generally compliant with the Standards, but that there are a number of areas where further improvements need to be made in order to achieve full compliance.
- 2.3 The most important improvement opportunity identified by the review is the need for the audit plan to be more closely linked to the Council's key risks, both to support the need for the work and to consider if there are areas of assurance that are not being addressed.

2.4 One of the major obstacles to achieving compliance was the absence of a robust risk management process. However, the permanent appointment of the Risk Manager provides assurance that this issue is being resolved. An embedded, reliable and mature risk management process will take some time to deliver, but already there is evidence through support and close working relationships to expect that audit plans for 2015/16 will be more aligned to corporate risks.

3.0 Progress

3.1 Appendix B provides a progress report to the committee on the delivery of the agreed actions.

4.0 Conclusion

4.1 Whilst there have been some areas of minor slippage, the Internal Audit Service are on track to deliver all of the agreed actions. Once delivered, the function will be fully compliant with the Public Sector Internal Audit Standards.

| Recommendation: | Reason for Recommendation: |
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| <p>The Audit Committee receive the final report on the External Assessment of Internal Audit.</p> <p>A further progress report is provided to a future meeting to confirm the delivery of the actions.</p> | <p>To improve the Internal Audit Service and to ensure compliance to professional standards.</p> |

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| Person(s) To Implement Decision: | Internal Audit Manager |
| Date By When Decision To Be Implemented: | With immediate effect |

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