

GOVERNANCE & AUDIT COMMITTEE: 21 MARCH 2023

PUBLIC SECTOR INTERNAL AUDIT STANDARDS – PEER / EXTERNAL QUALITY ASSESSMENT REVIEW

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 8.3

Reason for the Report

1. The Terms of Reference for the Governance and Audit Committee sets out its responsibility:
 - To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.
2. The Public Sector Internal Audit Standards (PSIAS) require (in Standard 1312) that “external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.”
3. The external assessment of Cardiff Council’s Internal Audit Section has been carried out through a peer assessment approach, led by the Chief Auditor in Monmouthshire / Newport Council (Andrew Wathan) who was allocated to undertake the assessment.
4. This report has been prepared to provide Governance and Audit Committee Members with details the outcome of the assessment, and an opportunity to discuss the approach and report with the assessor.

Background

5. The Public Sector Internal Audit Standards (PSIAS) are mandatory for all internal auditors working in that area. They are based upon the Institute of Internal Auditors (IIA) International Professional Practices Framework and have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The purpose of the PSIAS is to define the nature of internal auditing within the UK public sector and to create a framework and principles of good practice.
6. This is the second external assessment that has been carried out in respect of Cardiff Council’s Internal Audit section following the publication of the PSIAS in 2013. The self-assessment approach has followed the framework established for the previous assessment, whereby the Audit Manager completed a self-assessment that was subject to validation by another Welsh Local Authority. The process is designed to be a

supportive process that identifies opportunities for development which ultimately help to enhance the value of the audit function to the authority.

7. The last peer assessment was reported to the Committee (then named Audit Committee) in March 2018. It contained four recommendations and reported no significant deviations from the Standards.
8. Following the last peer assessment, at regular intervals the Audit Manager has considered and reported to the Committee on the PSIAS Action Plan and progress. On an annual basis the Audit Manager has completed a self-assessment against the Local Government Application Note, which provides a breakdown of the requirements of the PSIAS. The overall position has been reported to Committee within Internal Audit Annual Reports.
9. All recommendations arising from the last peer assessment and subsequent annual internal assessments by the Audit Manager have been reported to Committee as addressed. Completion was reported within the Internal Audit Annual Report 2019/20, as reported to Committee on 28 July 2020.
10. The approach to this peer assessment has been discussed with the Governance and Audit Committee Chairperson, and details have been provided to Governance and Audit Committee in July and November 2022 and January 2023.

Issues

11. The external peer assessment has been undertaken during the period November 2022 to February 2023 by the Chief Internal Auditor and Audit Manager at Newport City Council, both qualified via CIPFA with extensive internal audit management experience within local government.
12. The assessment has reported no partial or non-conformance with the requirements of the PSIAS. The Internal Audit Service of Cardiff Council has been assessed as conforming to 304 of the requirements (includes those not applicable).
13. The Cardiff Council Internal Audit Service is assessed as generally conforming with the Standards in all significant areas and operating independently and objectively. One optional action was proposed and has been implemented, relating to the communication of the audit scope and objectives along with the risk, within audit outputs.
14. The full assessment is contained within **Appendix A** for Governance and Audit Committee consideration and comment.

Legal Implications

15. There are no legal implications arising from this report.

Financial Implications

16. There are no financial implications arising from this report.

Recommendations

17. To consider and make any relevant contributions to the external quality assessment of internal audit in Cardiff Council.

CHRIS PYKE
AUDIT MANAGER

The following are attached:

Appendix A: External Assessment of Cardiff City Council's Internal Audit Service

Background Papers

- Public Sector Internal Audit Standards [Public sector internal audit standards PSIAS | CIPFA](#)
- 2018 PSIAS external quality assessment report to the Audit Committee - [Agenda item - Public Sector Internal Audit Standards : Cardiff Council \(modern.gov.co.uk\)](#)