

GOVERNANCE COMMITTEE

28 MARCH 2013

REPORT OF HEAD OF WELLAND INTERNAL AUDIT CONSORTIUM

PUBLIC SECTOR INTERNAL AUDIT STANDARDS

1.0 PURPOSE OF REPORT

- 1.1 To update Members about the impact of the new Public Sector Internal Audit Standards on the way that the responsibilities of the "Audit Committee" are discharged and on the steps being taken to support the Committee in the discharge of those responsibilities.

2.0 RECOMMENDATIONS

- 2.1 **That Members note the report.**
- 2.2 **That Members determine how development activities might best be delivered so that the Committee can demonstrate it operates in conformity with the Standards.**

3.0 KEY ISSUES

- 3.1 The Standards set out specific new responsibilities for and expectations of both the Committee and – specifically – the Chair of Committee.
- 3.2 The Committee must satisfy itself that
- the Audit Plan provides sufficient and appropriate assurance in respect of the Council's key risks;
 - proposals received for significant changes to planned audit work would not impair Internal Audit's ability to deliver the level of assurance required by the Committee; and
 - the independence and objectivity of Internal Audit would not be impaired by undertaking consultancy work beyond that already included in the Annual Audit Plan.
- 3.3 The Chair must develop the capacity to make an informed contribution to the periodic evaluation of the performance of the Head of Internal Audit.
- 3.4 To meet these expectations and to discharge these responsibilities, the Committee will need to engage in development activities directed towards enhanced understanding of – and capacity to apply - concepts of risk, risk mitigation and control; and to develop an appropriate understanding of what internal audit does – whether undertaking audits to provide assurance or carrying out consultancy assignments.
- 3.5 The first of those development activities – involving the Chair shadowing the Head of Internal Audit during the conduct of an audit – has now been completed, and feedback on its effectiveness will be made available to the Committee.
- 3.6 The Head of Internal Audit has obtained the agreement in principle from relevant Committee Chairs at two of the other Welland clients for joint commissioning of development activity – to be delivered by the Consortium. It is considered that the development activities required will fall into one of two categories:
- Providing an overview of audit concepts and key issues (e.g. the meaning of

assurance). This could be done in short sessions preceding scheduled meetings of the Committee.

- Developing the independent capacity to deal with those concepts when considering the reports received by the Committee. It is unlikely that this type of activity could be delivered other than through an extended workshop.

It is also considered that development activities may need to be supported for an extended period until the membership of the Committee is comfortable in its capacity to discharge these new responsibilities.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 A Committee operating in full conformity with the Standards would enhance the Council's overall control framework. If the Committee cannot demonstrate that it operates in conformity with the Standard then it will be exposed to criticism when subject to mandatory external review.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 There are no financial or other resource implications arising directly from this report.

6.0 LEGAL IMPLICATIONS/POWERS

- 6.1 There are no legal implications arising directly from this report.

7.0 COMMUNITY SAFETY

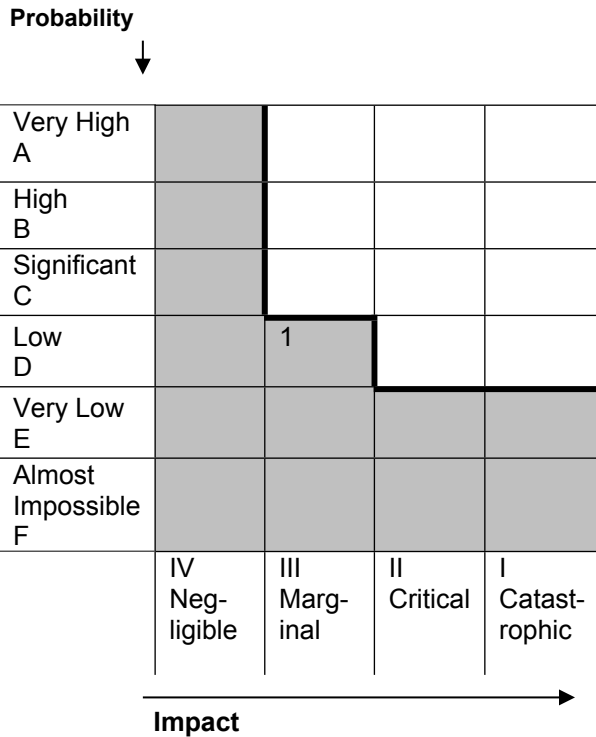
- 7.1 There are no Community Safety implications arising directly from this report.

8.0 EQUALITIES

- 8.1 There are no Equalities implications arising directly from this report.

9.0 RISKS

9.1 If Members, discharging the role of the Council’s Audit Committee, do not demonstrate that they are engaged in effective oversight of the internal audit function and proper consideration of the evidence produced by internal audit about risk management and the effectiveness of controls, the Council’s governance arrangements may be compromised. Failure to demonstrate engagement may also result in adverse reporting from the Council’s External Auditor.



Risk No.	Description
1	Failure to demonstrate effective engagement and oversight

10.0 CLIMATE CHANGE

10.1 There are no Climate Change implications arising directly from this report.

11.0 CONSULTATION

11.1 N/A

12.0 WARDS AFFECTED

12.1 All wards are indirectly affected by the report.

Contact Officer Richard Gaughran
 Date: 11/3/13
 Appendices : None
 Background Papers: N/A
 Reference : N/A