

REPORT TO: SCRUTINY COMMITTEE – 25 JUNE 2013

REPORT ON: PUBLIC SECTOR INTERNAL AUDIT STANDARDS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 283-2013

1.0 PURPOSE OF REPORT

To advise Members of the new Public Sector Internal Audit Standards (PSIAS) and to summarise the implications for the Council's Internal Audit Service.

2.0 RECOMMENDATIONS

Members of the Committee are asked to note the information contained within this report, in particular the implications of the new PSIAS, which are effective from 1 April 2013, on the Council's Internal Audit Service.

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

4.1 As Members are aware CIPFA has traditionally been recognised as the standard setter for internal audit in local government in the United Kingdom and the Council's Internal Audit Service has followed the principles and practices as detailed in the 2006 CIPFA Code of Practice.

4.2 In 2011, CIPFA and the Chartered Institute of Internal Auditors announced their intention to work more closely to develop new standards and education initiatives for internal auditors in the public sector. The resulting collaboration between the two institutes led to an agreement to develop a set of internal audit standards applicable to all areas of the UK public sector. In 2012, the UK Internal Audit Standards Advisory Board was formed and the remit of this Board was to develop the new unified set of public sector internal audit standards referred to as the PSIAS. These standards are based upon the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework.

4.3 The PSIAS, which came into effect on 1 April 2013, have been adopted by all of the relevant internal audit standard setters, including the Scottish Government, and replace the previous CIPFA Code of Practice referred to in paragraph 4.1 above. Compliance with the PSIAS is mandatory for internal audit in the public sector and applies to all internal audit service providers whether in-house, a shared service or outsourced.

4.4 In summary, the key objectives of the revised standards are to define the nature of internal auditing within the UK public sector, set out the basic principles for carrying out internal audit, establish a framework for providing internal audit services which add value to the organisation and establish the basis for the evaluation of internal audit performance.

4.5 The PSIAS states that a professional, independent and objective internal audit service is one of the key elements of good governance. In addition, it contains detailed standards which underpin service delivery covering such matters as independence and objectivity, quality assurance and improvement, effective management, engagement planning and performance and communicating results. The PSIAS also sets out a code of ethics containing the requirement for integrity, objectivity, confidentiality and competency. A copy of the full publication can be accessed electronically through the link given below:

<http://www.cipfa.org/Policy-and-Guidance/Standards/Public-Sector-Internal-Audit-Standards>

4.6 Whilst some areas of the PSIAS are similar to the requirements under the previous Code there are also parts which are either new or have been further developed. Given this, CIPFA has produced a Local Government Application Note to supplement the PSIAS and provide guidance in applying the standards and thereby assist bodies in shaping and managing the internal audit function. Included within the Application Note is a self assessment checklist which will enable organisations to assess their conformance with the PSIAS.

4.7 In order to ensure compliance with the PSIAS and identify areas where action is required, a review of the existing working practices and documentation of the Council's Internal Audit Service is to be undertaken. As part of this exercise update reports will be submitted to Committee as appropriate.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Sallie Dailly, Chief Internal Auditor

DATE: 03 June 2013