

**INTERNAL AUDIT CONSORTIUM – REPORT ON THE NEW PUBLIC
SECTOR INTERNAL AUDIT STANDARDS**

MEETING: AUDIT COMMITTEE

DATE: 26th JUNE 2013

**REPORT BY: INTERIM HEAD OF INTERNAL AUDIT
CONSORTIUM**

FOR PUBLICATION

**BACKGROUND PAPERS: Public Sector Internal Audit
Standards**

[http://www.cipfa.org/Policy-and-Guidance/Standards/-
/media/Files/Publications/Standards/Public%20Sector%20Internal
%20Audit%20Standards.pdf](http://www.cipfa.org/Policy-and-Guidance/Standards/-/media/Files/Publications/Standards/Public%20Sector%20Internal%20Audit%20Standards.pdf)

1 Purpose of Report

1.1 To report to Members a summary of the new Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) developed, in collaboration with the Chartered Institute of Internal Auditors (CIIA) and a range of other public bodies. The PSIAS came in to force on 1st April 2013 and are mandatory. The PSIAS replace the Code of Practice for Internal Audit in Local Government which was last revised in 2006.

2 Recommendations

2.1 That the introduction of the new Public Sector Internal Audit Standards is noted and that the adoption of the PSIAS is agreed.

2.2 The compliance of the Internal Audit Consortium will be assessed against the PSIAS checklist and its findings reported back to this committee.

3 Background

- 3.1** In May 2011, the Chartered Institute of Public Finance and Accountancy agreed to collaborate to produce and develop a set of internal audit standards. The result was the PSIAS which are based on the mandatory elements of the Institute of Internal Auditors (IIA) and the International Professional Practices Framework (IPPF). The PSIAS are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 3.2** The PSIAS which came in to force on the 1st April 2013 consists of the following:-
- Definition of Internal Auditing
 - Code of Ethics
 - Standards for the Professional Practice of Internal Auditing
- 3.3** In Local Government, the PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011.
- 3.4** Generally it appears that most of the content of the PSIAS is a continuation of existing best practice. As the Consortium has operated in compliance with the CIPFA Code of Practice there should not be any material changes in the Consortium's day to day operational arrangements.
- 3.5** The Application Note that supports the PSIAS contains a checklist for compliance with the standards. The checklist will be completed by the Consortium to identify any areas of non compliance and to formulate an action plan to address any gaps identified.

4 Key Differences between the CIPFA Code of Practice 2006 and the PSIAS

- 4.1** The key changes and points to note between the CIPFA Code of Practice and the PSIAS are shown below:-
- The PSIAS use the term "Chief Audit Executive" rather than "Head of Audit" however it is not intended that organisations amend the job titles of Heads of Audit.
 - Within the PSIAS, the terms "board" and "senior management" must be interpreted in the context of the governance arrangements within each individual organisation. It is expected that the audit committee will fulfil the role of the board in the majority of instances.

- The definition of Internal Audit has changed to:-
 - *Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*
- There is a requirement for an internal audit "Charter" the content of which is largely the same as the current Terms of Reference, however, these will require review and updating.
- There is no longer a requirement to produce an Audit Strategy. Instead a risk based plan must incorporate or be linked to a strategic or high level statement. This should set out how the internal audit service will be provided and developed in accordance with the Charter and how it will link to the organisation's objectives and priorities. The risk based plan should be fixed for a period of no longer than one year. It should outline the assignments to be carried out, their respective priorities and the estimated resources needed.
- The quality of the service has to be subject to an external assessment at least every 5 years. This may be satisfied by either a full external assessment or by undertaking a self assessment with independent validation. The same checklist as that for externally validated self-assessments will be used to undertake an internal assessment (paragraph 3.5).
- The PSIAS place the responsibility for monitoring progress with the Head of Audit to ensure that management actions have been effectively implemented or if not that senior management have accepted the risk of not taking action.

5 Recommendations

- 5.1 That the introduction of the new Public Sector Internal Audit Standards is noted and that the adoption of the PSIAS is agreed.
- 5.2 The compliance of the Internal Audit Consortium will be assessed against the PSIAS checklist and its findings reported back to this committee.

6 Reason for Recommendations

- 6.1 To inform Members of the new PSIAS and the actions being taken to ensure that they are appropriately considered and adopted.