

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 7

meeting date: 20 NOVEMBER 2013
title: PUBLIC SECTOR INTERNAL AUDIT STANDARDS UPDATE
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

- 1.1 To update members on the Public Sector Internal Audit Standards, which were introduced in April 2013.

2 BACKGROUND

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) adopted a common set of Public Sector Internal Audit Standards (PSIAS) with effect from 1 April 2013.
- 2.2 The PSIAS supersede the 2006 CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom*, and an application note has been developed by CIPFA to demonstrate local government specific requirements within the PSIAS framework.
- 2.3 The PSIAS encompasses the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF) and apply to all public sector internal audit service providers, whether in-house, shared service or outsourced.
- 2.4 The new standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

3 CURRENT POSITION

- 3.1 A brief review has been undertaken of the requirements of the PSIAS and the CIPFA application note and there are not many significant changes from the previous CIPFA code.
- 3.2 The main changes that have been identified are:
- The Quality Assurance and Improvement Programme required by the PSIAS must include both internal and external assessments, with the external assessment to be undertaken at least every five years.
 - The terms 'board' and 'senior management' must be defined for the purposes of internal audit activity.
 - Any 'significant' consultancy services that have not been included in the Audit Plan should be approved by the 'board'.
- 3.3 With regard to the Quality Assurance and Improvement Programme, internal assessments will be carried out by the Principal Auditor (referred to as the Chief Audit Executive in the IIA). This will include the review of policies, procedures and working practices, supervision and performance assessment of staff, setting performance targets and monitoring the service against these targets.

- 3.4 External assessments may take the form of an externally validated self-assessment or an exercise undertaken by an external assessor. Such external assessor may not necessarily be our external auditors, Grant Thornton, although they can be used to undertake the assessment. The CIPFA application explains that the review work already undertaken by our external auditors for placing reliance on the work of the internal audit activity does not automatically correspond with the requirements laid out in the PSIAS and CIPFA application note.
- 3.5 Based on the information contained within the CIPFA application note, at this council the term 'board' would relate to Accounts and Audit Committee and 'senior management' would relate to the Corporate Management Team (CMT).
- 3.6 The PSIAS and the CIPFA application note also require the council to have an Internal Audit Charter. This term has not generally been applied within local government, but is comparable to the existing Terms of Reference and Audit Manual. A new Internal Audit Charter will be produced and reported to Accounts and Audit Committee at a future meeting, encompassing the existing Terms of Reference and Audit Manual.
- 3.7 A further review of the Internal Audit service against the requirements of the PSIAS and the CIPFA application note will also be undertaken, incorporating the checklist for assessing conformance, which is included within the application note and very detailed. The results of the review will be reported back to Accounts and Audit Committee at a future meeting.

4 CONCLUSION

- 4.1 The new Public Sector Internal Audit Standards (PSIAS) and the CIPFA application note are comparable to the requirements of the previous 2006 CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom*, but with some further requirements.
- 4.2 A further detailed review of the Internal Audit service against the requirements of the PSIAS and the CIPFA application note will also be undertaken, and a new Internal Audit Charter will be brought back to a future meeting for approval.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

P21-13/LO/AC
7 November 2013

BACKGROUND PAPERS: