



## AUDIT COMMITTEE - 6TH MARCH 2013

**SUBJECT: PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

**REPORT BY: DEPUTY CHIEF EXECUTIVE**

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### 1. PURPOSE OF REPORT

- 1.1 To inform Members of the introduction of a common set of Public Sector Internal Audit Standards (PSIAS) from 1st April 2013.

### 2. LINKS TO STRATEGY

- 2.1 To ensure that the auditing function performs in a way that contributes to the ongoing successful delivery of Councils services.

### 3. THE REPORT

- 3.1 Provision of internal audit services within Local Government has for many years been governed by a Code of Practice produced by The Chartered Institute of Public Finance and Accountancy (CIPFA), the last of which was issued in 2006.
- 3.2 A new set of standards is being introduced with effect from 1st April 2013 the objectives of which are to:
- a) Define the nature of internal auditing within the UK public sector
  - b) Set basic principles for carrying out internal audit in the UK public sector
  - c) Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
  - d) Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 3.3 The document itself includes an amended definition of internal audit, a Code of Ethics and two main standard areas, the Attribute Standards which address the characteristics of those performing internal audit activities, and the Performance Standards which describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated.
- 3.4 A summary comparing the old Code to the New is shown at Appendix 1. It can be seen that most topics appear in both albeit some have been slightly re-branded. As a consequence the operational procedures employed by Internal Audit Services are well established and should in the main meet the new code requirements.
- 3.5 One area within the Attribute Standard makes reference to ongoing internal and external assessment and although internal performance and quality control measures are in place the use of external assessment is something new and one which will require further consideration. Although the requirement is for an assessment every 5 years it is not clear at present what

form these assessments will take, who will do them and how much they will cost but it is hoped that once the new arrangements bed themselves in additional guidance will become available to enable a decision on how best to proceed.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The additional requirement to externally assess Internal Audit Services will result in an additional cost to the Authority.

#### **5. PERSONNEL IMPLICATIONS**

- 5.1 There are none.

#### **6. EQUALITIES IMPLICATIONS**

- 6.1 There are no potential equalities implications of this report. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

#### **7. RECOMMENDATIONS**

- 7.1 Members of the Audit Committee are asked to note the implementation of the new set of standards for internal audit and the likelihood in future of additional expenditure as a result of the requirement for an external review.

#### **8. STATUTORY POWER**

- 8.1 Local Government Act 1972.

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Appendices:  
Appendix 1 – Comparison of Old Code to New