

<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	13 <sup>TH</sup> MARCH 2013
<b>Subject:</b>	Introduction of Public Sector Internal Audit Standards
<b>Report Of:</b>	Internal Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	To introduce the standards discuss actions necessary for compliance.
<b>Recommendation(s):</b>	That the standards be formally adopted, actions approved and the updated Internal Audit Charter and Code of Ethics for Internal Auditors be approved.

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## **1.0 Introduction**

- 1.1 The Chartered Institute of Public Finance and Accounting (CIPFA) and the Chartered Institute of Internal Auditor (CIIA) announced in May 2011 that they would work in collaboration to drive the development of the internal auditing profession in the public services.
- 1.2 As a result of this collaboration, work has been undertaken with the Relevant Internal Audit Standard Setters and this has produced a unified set of Public Sector Internal Audit Standards (PSIAS). The full version of these are attached. (Appendix A)
- 1.3 These new standards are based on the mandatory elements of the CIIA's International Professional Practices Framework and will apply across central and local government. In essence the new standards are the same as the CIIA's framework with additional requirements and interpretations for the UK Public Sector.
- 1.4 The new standards come into force on 1<sup>st</sup> April 2013. However it was thought timely to bring these to the attention of the committee before they come into force.

## **2.0 Change of reporting from CIPFA Code of Practice to the new standards.**

- 2.1 Currently it is a requirement that a self assessment of the work of the internal audit function against the CIPFA Code of Practice for Internal Audit be carried out annually. From April 2013 this will be replaced by a requirement to state whether the function conforms to the requirements of the PSIAS.

2.2 Therefore the end of year report for 2012/13 to be brought to the committee in June will report on the level of compliance with the CIPFA code of practice and the report for the following year will then report on the level of compliance with the new standards.

### **3.0 Compliance with the new standards**

3.1 Although the PSIAS do not come into effect until April it was felt appropriate to look at how well the function currently conforms with the standards in order that any necessary actions can be taken to ensure it conforms as closely as possible by the time of the first official review.

3.2 When the Internal Audit Manager was undertaking study for the Diploma in Internal Audit (PIIA) with the CIIA, they put in place an Audit Charter and a Code of Ethics for Internal Auditors as this was a requirement of the CIIA even though it was not required by CIPFA for the public sector. Because these two documents are already in place it has meant that the internal audit function already generally conforms to the new standards.

3.3 The checklist that has been used is the CIIA's own checklist for their own framework. Additional guidance for local authorities will be included in the Local Government Application Note on the PSIAS which it is planned to publish in March. However the main points are unlikely to change and therefore this checklist is the best guidance currently.

3.4 The checklist can be found at Appendix B and shows the areas of the standards where there is partial or no compliance and the actions which need to be taken.

3.5 In brief there are three areas to be considered:

- Rotation of staff on assignments – this is not particularly practical with a small team and where certain staff have specialisms and therefore only partial compliance can be met.
- Requirement of external assessment every 5 years – to be discussed with Corporate Management Team.

3.6 The only other adjustments are some additions of wording to both the Audit Charter and the Code of Ethics for Internal Auditors to make specific reference to the standards and clarify one or two other points.

3.7 Updated versions of both the Audit Charter and the Code of Ethics for Internal Auditors are attached for discussion and approval. (Appendices C and D)

3.8 The Standards do show specific Public Sector requirements which are not yet included in the checklist which was used. Internal Audit conforms to these except in one area. There will be a requirement for the 'chief audit executive' to hold a professional qualification (CIIA, CCAB or equivalent) and be suitably experienced. It is thought that this will be a "comply or explain" requirement. The Internal Audit Manager is PIIA qualified (Diploma level IIA)

rather than CMIIA qualified (Advanced Diploma level) but has almost 10 years audit experience, six of which have been in a management position. Consideration is currently being given to the Internal Audit Manager undertaking the relevant further study and examination(s) to obtain the higher qualification.

#### **4.0 Consultation**

4.1 Corporate Management Team.

#### **5.0 Resource Implications**

5.1 Financial – Training expenses would be necessary to complete further training.

5.2 Staffing – None directly as a result of this report.

#### **6.0 Other Implications**

6.1 None

#### **7.0 Summary of Options**

7.1 None

#### **8.0 Recommendation**

8.1 That the standards be formally adopted, actions approved and the updated Internal Audit Charter and Code of Ethics for Internal Auditors be approved.

<b>Jackie Humphrey</b> <b>Internal Audit Manager</b>
<b>Background Papers:</b> Public Sector Internal Audit Standards Chartered Institute of Internal Auditors – Quality Assurance and Improvement Programme – procedure and evaluation.