

Report to: Audit Committee

Date: 8th March 2013

Report of: Head of Internal Audit & Risk

Report No:

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Report Title: **Public Sector Internal Audit Standards (PSIAS)**

**Confidential /
Non Confidential:**

(***Non-Confidential***) This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

Purpose:

To inform Committee of the new Public Sector Internal Audit Standards which come into effect 1st April 2013

Recommendations:

Audit Committee is asked to:

- (i) Note the new PSIAS
- (ii) Agree to the completion of the attached self-assessment checklist
- (iii) Agree to receive regular reports on progress against the new standard.

Background Doc(s):

Code of Practice for Internal Audit in Local Government in the UK (2006) – CIPFA
PSIAS

1. BACKGROUND:

1.1 Internal audit 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 process”

1.2. The Accounts and Audit Regulations 2011 state that for larger local authorities:

“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.”

The proper practice referred to above is the Code of Practice for Internal Audit in Local Government in the UK (2006) which is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

In Bolton this responsibility is discharged through the Internal Audit Section within the Chief Executive’s Department. This section has always worked to the above standard and has reported compliance with the standard in the annual report from the Head of Internal Audit and Risk.

1.3. The Relevant Internal Audit Standard Setters have adopted a new set of Public Sector Internal Audit Standards (PSIAS) from 1st April 2013. These new standards will apply to all public sector bodies and will replace the CIPFA code referred to above.

2. PUBLIC SECTOR INTERNAL AUDIT STANDARDS:

2.1. The new PSIAS take effect from 1st April 2013 and apply equally to all public sector bodies. The new standard is based upon the International Professional Practices Framework produced by the Institute of Internal Auditors with updates to reflect the requirements of public sector organisations.

2.2. The new standard is made up of:

- Definition of internal audit
- Code of Ethics
- Attribute and Performance Standards.

Definition of internal audit:

The definition of internal audit is the one quoted in paragraph 1.1 of this report.

Code of ethics:

The code of ethics includes two essential components; principles that are relevant to the practice of internal auditing, and rules that describe the behaviour of internal auditors.

Principles include:

- Integrity
- Objectivity
- Confidentiality
- Competence.

Standards:

The Attribute Standards address the characteristics of the organisation performing the internal audit activity. Standards include:

- Purpose, authority and responsibility
- Independence and objectivity
- Proficiency and due professional care
- Quality assurance and improvement programme

The Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of the service can be evaluated. Standards include:

- Managing the internal audit activity
- Nature of work
- Engagement planning
- Performing the engagement
- Communicating results
- Monitoring progress
- Communicating the acceptance of risks

A self-assessment checklist has been put together from the new standard and this is attached at Appendix A to this report. This will be used to assess our level of compliance and benchmark with other internal audit providers. This will be completed and reported to Audit Committee.

3. CONCLUSIONS

- 3.1.** The new PSIAS will be fundamental in managing the internal audit function. It brings together best practice across sectors and international boundaries and provides consistent standards for all providers.
- 3.2.** The requirements of the new standard are not fundamentally different from the existing CIPFA standards for local government and Bolton already performs well against them.

- 3.3.** Completion of the self-assessment checklist and continued dialogue with other Greater Manchester internal auditors will ensure that we are able to meet the new standard.

4. RECOMMENDATIONS:

Audit Committee is asked to:

- (iv) Note the new PSIAS
- (v) Agree to the completion of the attached self-assessment checklist
- (vi) Agree to receive regular reports on progress against the new standard.

