

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

23rd JANUARY 2013

REPORT OF THE ASSISTANT CHIEF EXECUTIVE - PERFORMANCE

AUDIT COMMITTEE – PUBLIC SECTOR INTERNAL AUDIT STANDARDS

1. Purpose of Report.

1. This report provides a summary briefing on the new Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) have developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which come into force from 1st April 2013.

2. Connection to Corporate Improvement Objectives / Other Corporate Priorities.

- 2.1. Internal Audit's work impacts on all of the Corporate Improvement Objectives /other corporate priorities.

3. Background

- 3.1. In May 2011, the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) agreed to collaborate in the development of the internal audit profession in the public sector. As a result, national Public Sector Internal Audit Standards (PSIAS), based upon the mandatory elements of the global CIIA's International Professional Performance Framework have been developed.

- 3.2. The PSIAS will come into force from 1st April 2013 and consist of the following:

- Definition of Internal Auditing;
- Code of Ethics; and
- Standards for the Professional Practice of Internal Auditing.

- 3.3. The PSIAS replace the Code of Practice for Internal Audit in Local Government in the United Kingdom, last revised in 2006. 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, the Accounts and Audit (Wales) (Amended) Regulations 2010, Section 95 of the Local Government (Scotland) Act 1973, and Section 54 of the Local Government Act (Northern Ireland) 1972. They are also mandatory for the Office of the Police and Crime Commissioner, constabularies, fire authorities, national park authorities, joint committees and joint boards in the United Kingdom.

4. Current situation / proposal

- 4.1. The new Standards are intended to promote further improvement in the professionalism, quality and effectiveness of internal audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide Accounting Officers with the key assurances they need to

support them both in managing the organisation and in producing the annual governance statement.

4.2. Overall, it appears that most of the content within the Standards looks to be a continuation of existing best practice. Listed below are some key points for the Audit Committee's consideration.

4.3. The Scope of the PSIAS applies to all internal audit service providers whether in-house, shared services or outsourced. They set out that the provision of assurance is the primary objective of internal audit. The chief Internal Auditor is required to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

4.4. All Internal Auditors in the United Kingdom public sector organisations are required to conform to the Code of Ethics of both the Institute of Internal Auditors and their own professional organisation.

4.5. There is a requirement that the purpose, authority and responsibility of the internal audit activity is formally defined in an internal audit charter which is subject to regular review and there is a requirement for the Chief Internal Auditor to confirm to the appropriate part of the organisation annually the organisational independence of the internal audit activity.

4.6. Finally, PSIAS stipulates that the quality assurance and improvement programme must include both internal and external assessments. External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

4.7. Implementation of these standards is not expected to involve considerable work; however; some minor revision to the Internal Audit Terms of Reference and the formulation of an Internal Audit Charter will be required.

4.8. In order to assist the Audit Committee in ensuring that due consideration has been given by the Committee to all aspects of their core functions a copy of the Public Sector Internal Audit Standards is attached at Appendix A.

5. Effect upon Policy Framework & Procedure Rules.

5.1. None

6. Equality Impact Assessment.

6.1. There are no equality issues.

7. Financial Implications.

7.1. None

8. Recommendation.

8.1. That Members give due consideration to this report and agree to the adoption of the PSIAS with effect from 1st April 2013.

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Background Documents

None