

31ST JANUARY 2013

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

PUBLIC SECTOR INTERNAL AUDIT STANDARDS

EXEMPT INFORMATION

None

PURPOSE

To inform members of the new Public Sector Internal Audit Standards that will be effective from the 1st April 2013.

RECOMMENDATIONS

The Committee supports Internal Audit's commitment to and compliance with the Public Sector Internal Audit Standards.

EXECUTIVE SUMMARY

The Public Sector Internal Audit Standards (PSIAS) will be effective from the 1st April 2013. The Standards have been developed jointly by the Chartered Institute of Internal Auditors (IIA), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other public bodies, by tailoring the International Professional Practices Framework (IPPF) – the mandatory international standards as defined by the IIA (global) – to meet the specific requirements of public sector organisations in the UK.

Compliance with the PSIAS will be mandatory. The Council will be under obligation to comply fully or to provide clear justification for any aspect of non-compliance. The PSIAS will replace the CIPFA Code of Practice for Internal Audit in Local Government.

A summary of the standards is detailed below.

Summary of the Standards.

1) Definition of Internal Auditing

The definition of Internal Auditing as defined by the PSIAS will be adopted in the revised Internal Audit Charter.

2) Code of Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as defined by the IIA. If individual auditors have membership of another professional body then they must comply with the relevant requirements of that organisation. In addition, internal auditors must also have regard to the Committee on Standards in Public Life's *Seven Principles of Public Life*.

3) Attribute Standards

1000 Purpose, Authority and Responsibility

There is a requirement to have an Internal Audit Charter – which will define the internal audit activities, purpose, authority and responsibility. It is a requirement that the charter will refer specifically to the Chief Audit Executive (CAE) – for Tamworth Borough Council this role will be undertaken by the Head of Internal Audit Services. It will also refer to the Board – and this role will be undertaken by the Audit & Governance Committee.

1100 Independence and Objectivity

The CAE must establish effective communication with, and have unfettered access to, the Chief Executive and the Chair of the Board – this is already in place at TBC.

In addition, both the Chief Executive and the Chair of the Board will be required to provide feedback on the performance of the CAE as part of the personal development review (PDR) process. The Chief Executive currently provides feedback on the performance of the CAE as part of the PDR process.

Approval must be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. The audit plan identifies a contingency which is used for special investigations, consultancy advice, to take part in corporate projects and any overrun in audits. The use of contingency in this way is part of the normal day to day operation of Internal Audit. Any additional significant consultancy service would have a significant impact on the completion of the audit plan and as such would need Board approval.

1200 Proficiency and Due Professional Care

The CAE must hold a professional qualification and be suitably experienced – this is the case at TBC.

1300 Quality Assurance and Improvement Programme

The CAE must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal activity. The quality assurance and improvement assessment must include both internal and external assessments.

The internal assessment consists of on-going monitoring and periodic self assessments against the *Definition of Internal Auditing, the Code of Ethics and the PS/IAS*. In addition, the CAE must report annually to the Board that Internal Audit conforms and any non-conformities must be reported to the Board with more significant deviations included on the Annual Governance Statement (AGS).

The external assessment must be completed at least every five years. The assessment must be completed by independent experienced, qualified person/persons.

The CAE must agree the scope of an external assessment with an appropriate sponsor – for TBC this will be the Executive Director Corporate Services – or chair of the Board as well as with the assessment team.

Progress on an improvement plan identified following external assessment, must be reported on annually to the Board.

2000 Managing the Internal Audit Activity

The CAE is responsible for developing a risk based annual audit plan taking into account the requirement to produce an annual internal audit opinion on the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the Internal Audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the Council's objectives and priorities – this is current practice at TBC.

The risk based plan must explain how Internal Audit's resource requirements have been assessed and any impact on the provision of the audit opinion through lack of resource must be brought to the attention of the Board.

Any other sources of assurance and any work required to place reliance upon those other sources of assurance must be included in the risk based plan.

2100 Nature of Work

The Internal Audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach. No variation to current practice.

2200 Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. No variation to current practice.

2300 Performing the Engagement

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. No variation to current practice.

2400 Communicating Results

Internal auditors must communicate the results of the engagements. No significant variation to current practice.

2500 Monitoring Progress

The CAE must establish and maintain a system to monitor the disposition of results communicated to management. No variation to current practice.

2600 Communicating the Acceptance of Risk

When the CAE concludes that management has accepted a level of risk that may be unacceptable to the organisation, the CAE must discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the Board. No variation to current practice.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS BACKGROUND

None

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

Public Sector Internal Auditing Standards

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LIST OF BACKGROUND PAPERS

None

APPENDICES

None