

**TONBRIDGE & MALLING BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**28 January 2013**

**Report of the Chief Internal Auditor**

**Part 1- Public**

**Matters for Recommendation to Council**

**1 PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)**

**Summary**

**This report informs Members of the introduction of the PSIAS and requests that Members adopt them for the provision of Internal Audit within the Council.**

**1.1 Introduction**

- 1.1.1 There have been two separate bodies responsible for providing standards for Internal Audit in the United Kingdom. In the public sector, internal auditors are required to comply with standards set by the Chartered Institute of Public Finance (CIPFA) while private sector internal auditors have been required to comply with standards set by the Chartered Institute of Internal Auditors (IIA).
- 1.1.2 Both the Chief Internal Auditor and Audit Manager are Chartered Internal Auditors and have therefore been subject to compliance with both sets of standards.
- 1.1.3 In May 2011 CIPFA and the IIA announced plans to collaborate on the first unified set of public sector internal audit standards. Following a period of public consultation, the proposed standards were adopted by both bodies and come into force on 1 April 2013,

**1.2 PSIAS**

- 1.2.1 The standards are 40 pages long and are not provided as an annex to this report. Members are requested to view them in on the CIIA website. Should any Member wish for a hard copy then one can be made available.

[http://www.iaa.org.uk/en/other/document\\_summary.cfm/docid/AAA690A1-7DA1-49A1-B86395891C0333FE](http://www.iaa.org.uk/en/other/document_summary.cfm/docid/AAA690A1-7DA1-49A1-B86395891C0333FE)

- 1.2.2 The PSIAS replace both the CIPFA Code of Practice for Internal Audit in the United Kingdom 2006 and the IIA Code of Practice. However, the two documents had the same four overriding principles: -

- Integrity
- Objectivity
- Confidentiality
- Competency

- 1.2.3 The PSIAS has been tailored to maintain these principles. There are no significant changes in the standards that were not included in the former CIPFA or CIIA standards.
- 1.2.4 The most noticeable change is the requirement for external inspection of the Internal Audit function; while the CIPFA Code required an external assessment every three years, the new PSIAS extend this requirement to once every five years. The scope of the external assessment also requires agreement of the s151 officer or the Chair of the Audit Committee.
- 1.2.5 There is also a requirement for the Chief Executive to disclose any non-conformance with the “Definition of Internal Auditing, the Code of Ethics or the Standards” that impact on the overall scope or operation of the internal audit activity. This must be disclosed to the Audit Committee. More significant deviations should be reported in the annual governance statement.
- 1.2.6 The processes in place for conducting and reporting internal audit activity at this Council are considered by the Chief Internal Auditor to meet these new standards.

### **1.3 Legal Implications**

- 1.3.1 The Accounts and Audit Regulations require local authorities to maintain a proper internal audit function. Compliance with the old CIPFA Code of Practice met this requirement and these new standards will also meet this legal requirement.

### **1.4 Financial and Value for Money Considerations**

- 1.4.1 Failure to comply with these standards would mean that the requirement to provide an adequate internal function was not met. This could lead to additional external inspection and a future requirement to meet the standards being introduced.

### **1.5 Risk Assessment**

- 1.5.1 The standards are designed to take a risk based approach to Internal Auditing.

### **1.6 Equality Impact Assessment**

- 1.6.1 There are no issues arising as these are national standards that will require statutory compliance.

## 1.7 Recommendation

1.7.1 Members are asked to **RECOMMEND** to Council to adopt the standards contained within the PSIAS for the provision of Internal Audit.

Background papers:

contact: David Buckley

CIIA/CIPFA Public Sector Internal Audit Standards

David Buckley

Chief Internal Auditor

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	Compliance with statutory requirement
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	Compliance with statutory requirement
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*