

<b>Meeting:</b>	<b>GLT</b>	<b>Date:</b>	<b>11<sup>th</sup> June 2013</b>
	<b>Audit &amp; Governance Committee</b>		<b>24<sup>th</sup> June 2013</b>
<b>Subject:</b>	<b>Public Sector Internal Audit Standards (PSIAS)</b>		
<b>Report Of:</b>	<b>Group Manager Audit &amp; Assurance</b>		
<b>Wards Affected:</b>	<b>Not Applicable</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
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<b>Appendices:</b>	<b>None</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 To inform Members of changes to the Internal Audit standards

### 2.0 Recommendations

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that
- (1) The details of the report be noted.

### 3.0 Background and Key Issues

- 3.1 The 1<sup>st</sup> April 2013 saw the introduction of the new United Kingdom Public Sector Internal Audit Standards (PSIAS) that apply across the whole of the public sector. The PSIAS are based on the Institute of Internal Auditors (IIA) Standards, with a limited number of additional requirements and interpretations that allow the PSIAS to be adopted for the public sector.
- 3.2 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 subject to the Accounts and Audit (England) Regulations 2011.
- 3.3 These new Standards are intended to promote further improvement in the professionalism, quality, consistency, and, effectiveness of internal audit across the public sector. The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced a Local Government Application Note to provide guidance to local authorities on how to apply the new Standards.
- 3.4 Following discussions with the DCLG with regards to what constitutes 'proper practices' in internal control as per the Accounts and Audit Regulations 2011,

CIPFA have now advised that 'proper practices' for UK local government is the PSIAS plus the Local Government Application Note. Therefore, the content of both these documents must be followed in order to satisfy proper internal audit practices.

3.5 The PSIAS became effective from the 1<sup>st</sup> April 2013, and the CIPFA Local Government Application Note was issued towards the end of April 2013. A brief review of the Standards and the Application Note has not identified many significant changes between the PSIAS and the previous CIPFA Code, with the main changes currently identified as being:-

- The Quality Assurance and Improvement Programme required by the PSIAS must include both internal and external assessments. The external assessment must be undertaken at least once every five years
- The terms 'board' and 'senior management' must be defined for the purposes of internal audit activity.
- Any 'significant' additional consultancy services that have not been included in the Audit Plan, should be approved by the 'board'.

#### **4.0 Alternative Options Considered**

4.1 Not applicable as new requirement to implement the PSIAS with effect from 1st April 2013.

#### **5.0 Reasons for Recommendations**

5.1 The new PSIAS apply to all public sector internal audit service providers.

#### **6.0 Future Work and Conclusions**

6.1 At this stage of the review, it is apparent that the Internal Audit Charter will require updating to take account of the requirements of the PSIAS. A report on this, together with any other changes identified from implementing the new Standards, will be presented to the September 2013 meeting of this Committee.

6.2 The new Standards also introduce a requirement for an external assessment against compliance with the Standards which is to be carried out once every five years. This will incur an additional cost, however the possibility of carrying out one review for the Internal Audit Shared Service (rather than a separate review for Gloucester City Council and Stroud District Council) will be examined.

6.3 As stated in para 3.5 above, the PSIAS became effective from the 1<sup>st</sup> April 2013, and the CIPFA Local Government Application Note was issued towards the end of April 2013. Although there would not appear to be many significant changes between the PSIAS and the previous CIPFA Code, a detailed review of the new Standards is being undertaken to identify all changes.

#### **7.0 Financial Implications**

7.1 There are no significant financial implications arising from this report however the requirement to undertake an external assessment of the effectiveness of internal audit once every five years will be an additional cost to the service.

(Financial Services have been consulted in the preparation this report.)

## **8.0 Legal Implications**

- 8.1 There are no significant legal implications arising directly from the recommendation in this report. Compliance with the regulations and guidance referred to will provide assurance that the Council's financial affairs are conducted lawfully.

(Legal Services have been consulted in the preparation this report.)

## **9.0 Risk & Opportunity Management Implications**

- 9.1 A professional, independent and objective internal audit service is one of the key elements of good governance in local government. The contents of both the PSIAS and the CIPFA Application Note must be followed in order to satisfy proper internal audit practices.

## **10.0 People Impact Assessment (PIA):**

- 10.1 A requirement of the Accounts & Audit Regulations 2011 is for the council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The internal audit service is delivered by the in-house team. Equality in service delivery is demonstrated by the team being subject to, and complying with, the council's equality policies
- 10.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **11.0 Other Corporate Implications**

### Community Safety

- 11.1 There are no Community Safety implications arising from the recommendation made in this report.

### Sustainability

- 11.2 There are no Sustainability implications arising from the recommendation made in this report.

### Staffing & Trade Union

- 11.3 There are no Staffing and Trade Union implications arising from the recommendation made in this report.

**Background Documents:** Public Sector Internal Audit Standards (PSIAS)  
CIPFA Local Government Application Note for the UK PSIAS