

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 January 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Public Sector Internal Audit Standards (PSIAS)

1 PURPOSE

- 1.1 To provide the Audit and Governance Committee with an overview of the requirements of the Public Sector Internal Audit Standards (PSIAS).

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the report.

3 BACKGROUND

- 3.1 From 1 April 2013, the new Public Sector Internal Audit Standards (PSIAS) came into effect. These were jointly developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA).
- 3.2 Prior to April 2013 Internal Audit was required to comply with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. The PSIAS replaced the CIPFA Code as the mandatory standards for Internal Audit from 1 April 2013.
- 3.3 A summary of the key points of the PSIAS is outlined below. The Standards:
- provide a revised definition of internal auditing, focusing on the role of Internal Audit in providing independent assurance over the Council's risk management, control and governance processes;
 - provide a mandatory Code of Ethics which must be adopted by all internal auditors working in the public sector;
 - require the Internal Audit Charter to clearly set out the role and purpose of Internal Audit as well as the nature of the Internal Audit

Manager's functional reporting relationship with the Audit and Governance Committee;

- affirm Internal Audit's rights of access to all records, assets, personnel and premises relevant to internal audit engagements;
- set out the requirement for a Quality Assurance and Improvement Programme (QAIP) for Internal Audit. The QAIP must include both annual internal assessments and external assessments at least once every five years. The external assessment must be conducted by a qualified, independent assessor or assessment team from outside the Council. The Internal Audit Manager is required to discuss with the Audit and Governance Committee the form of external assessment and the qualification and independence of the external assessor or assessment team;
- require the preparation of an annual risk based audit plan designed to allow an opinion to be given on the Council's arrangements for risk management, control and governance.

3.4 Internal Audit is required to undertake an assessment of compliance with the PSIAS and report on the results.

3.5 A Local Government Application Note has been developed by CIPFA for Local Government organisations within the UK public sector – the Application Note contains a checklist to assist in assessing conformance with the Standards. The checklist contains over 300 best practice questions.

3.6 The checklist was used by Internal Audit to undertake an internal self assessment review of conformance with the PSIAS. A summary of the results is attached as Appendix A. The self assessment has highlighted the following:

- Full conformance – 251
- Non-conformance – 4
- Partial conformance – 29
- Not Applicable – 49

3.7 For areas of non-conformance, a detailed action plan has been prepared and is attached as Appendix B. Areas of partial conformance relate primarily to areas where the standards are being complied with, but there was a lack of documentation to evidence compliance. This is currently being addressed. Of the 49 areas that have been assessed as Not Applicable, 27 relate to consulting engagements which are not currently undertaken by Internal Audit and the remaining relate to situations that have either not been encountered or that are not applicable to Scotland.

4 POLICY IMPLICATIONS

4.1 None

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	8 January 2015

EAST LoTHIAN COUNCIL – SUMMARY OF CONFORMANCE WITH PSIAS

Appendix A

SECTION	STANDARD	CONFORMANCE				TOTAL
		YES	PARTIAL	NO	N/A	
1	DEFINITION OF INTERNAL AUDITING	3	-	-	-	3
2	CODE OF ETHICS	13	-	-	-	13
3	ATTRIBUTE STANDARDS					
3.1	Purpose, Authority and Responsibility	19	-	1	1	21
3.2	Independence and Objectivity	21	-	1	7	29
3.3	Proficiency and Due Professional Care	17	1	-	3	21
3.4	Quality Assurance and Improvement Programme	22	-	2	3	27
4	PERFORMANCE STANDARDS					
4.1	Managing the Internal Audit Activity	31	9	-	7	47
4.2	Nature of Work	24	4	-	3	31
4.3	Engagement Planning	37	2	-	19	58
4.4	Performing the Engagement	22	-	-	-	22
4.5	Communicating Results	37	12	-	6	55
4.6	Monitoring Progress	3	1	-	-	4
4.7	Communicating the Acceptance of Risks	2	-	-	-	2
TOTAL		251	29	4	49	333

EAST LOTHIAN COUNCIL – PSIAS ACTION PLAN

Appendix B

STANDARD	COMPLIANT	AGREED ACTION	RESPONSIBLE OFFICER	AGREED DATE OF COMPLETION
3.1 Purpose, Authority and Responsibility				
Does the Internal Audit Charter establish Internal Audit's rights of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	No	A report will be brought to the full Council setting out the requirements of the Public Sector Internal Audit Standards, in respect of Internal Audit's rights of access.	Internal Audit Manager	June 2015
3.2 Independence and Objectivity				
Is feedback sought from the Chair of the Audit and Governance Committee for the Internal Audit Manager's performance appraisal?	No	Feedback from the Chair of the Audit and Governance Committee will be incorporated within the existing Performance Review and Development (PRD) process.	Internal Audit Manager	June 2015
3.4 Quality Assurance and Improvement Programme (QAIP)				
Has the Internal Audit Manager reported the results of the QAIP to Senior Management and the Audit and Governance Committee?	No	The results of the QAIP will form part of the Internal Audit Annual Report for 2014/15, which will be presented to the Audit and Governance Committee in May 2015.	Internal Audit Manager	May 2015
Has the Internal Audit Manager included the results of the QAIP and progress against any improvement plans in the annual report?	No	The results of the QAIP will form part of the Internal Audit Annual Report for 2014/15, which will be presented to the Audit and Governance Committee in May 2015.	Internal Audit Manager	May 2015