



devon**audit**partnership

Audit Update Report

Public Sector  
Internal Audit Standards

Plymouth City Council  
Audit Committee

March 2013

**Auditing for achievement**

# Plymouth City Council Audit Committee

## Update note on Public Sector Internal Audit Standards

### 1. Introduction

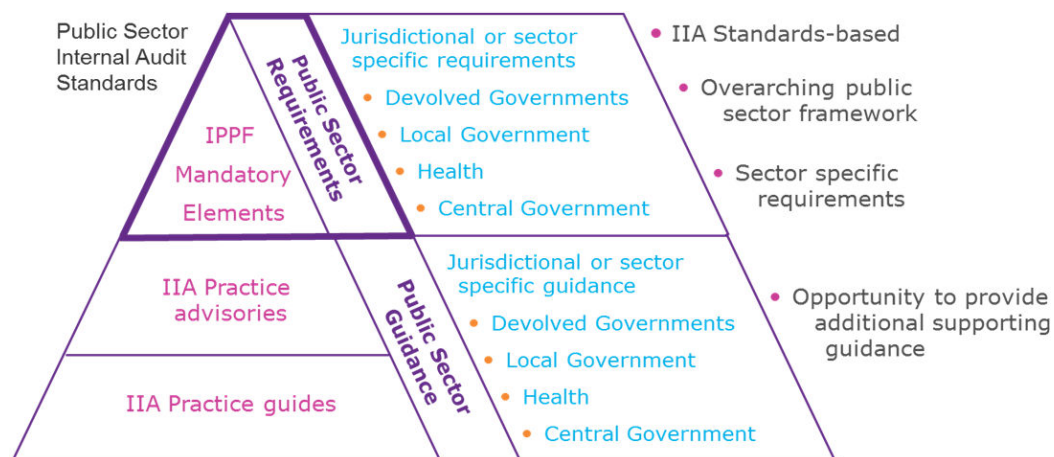
1.1 Organisations in the UK public sector are currently covered by different internal audit standards. In the central government and health (NHS) sectors, the standards are based on those issued by the Institute of Internal Auditors (IIA), whereas the local government sector uses the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for internal audit in local government in the UK (the Code).

1.2 As organisations work more closely together in formal partnerships and informal arrangements, and internal auditors work across the public sector, the following weaknesses in the current situation became apparent:

- a lack of consistency across the UK public sector and inconsistent update processes for the standards in use
- different guidance for different, but related, sectors and
- no structure to articulate public sector needs and influence best practice development.

1.3 Since May 2011 collaboration has taken place between CIPFA and the IIA, with the agreement of the Relevant Internal Audit Standard Setters (RIASS), to develop a set of internal audit standards applicable to all areas of the UK public sector based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). The revised standards are referred to as 'the Public Sector Internal Audit Standards' (PSIAS).

1.4 CIPFA and the IIA have set out the Standards in the diagram below:-



1.5 It has been determined that the PSIAS will come into force from 1 April 2013 for all areas of the public sector. The new standards will provide:

- a coherent and consistent public sector internal audit framework
- a co-ordinated update process, and
- a public sector voice in IIA standard setting.

- 1.6 The RIASS have established the Internal Audit Standards Advisory Board (IASAB) to advise on the development and maintenance of PSIAS.

## **2. Framework overview**

- 2.1. The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing

## **3. Purpose of the PSIAS**

- 3.1. The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

## **4. Scope of the PSIAS**

- 4.1. The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced.
- 4.2. All internal audit assurance and consulting services fall within the scope of the Definition of Internal Auditing. The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 4.3. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace internal auditors' own professional bodies' Codes of Ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.
- 4.4. In common with the IIA IPPF on which they are based, PSIAS comprise Attribute and Performance Standards. The Attribute Standards address the characteristics of organisations and parties performing internal audit activities. The Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated.

## **5. What are the implications for Plymouth City Council?**

- 5.1 The standards make a number of references to the 'board' which the standards define as :-

“The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically, this includes an independent group of directors (e.g. a board of directors, a

supervisory board or a board of governors or trustees). If such a group does not exist, the 'board' may refer to the head of the organisation. 'Board' may refer to an audit committee to which the governing body has delegated certain functions".

- 5.2 It is expected that CIPFA will issue guidance to local authorities on how to interpret the term "board", however, and until further guidance is provided, the "Board" for Plymouth City Council will be considered to be the Audit Committee
- 5.3 The internal audit function of the Council is provided by the Devon Audit Partnership (DAP). It is important that the Council, and in particular the Audit Committee, are assured that the internal audit provider (DAP) meets the standards and accords with these standards from the 1 April 2013 onwards. As part of his/her Annual Report, the Head of Devon Audit Partnership will provide a commentary on how the Partnership has adhered to the Standards.
- 5.2 External assessment of how the internal audit function is undertaken by the Authority's external auditors (Grant Thornton) and they will provide their independent opinion on how well the Partnership meets the Standards
- 5.3 As a direct action, the Internal Audit Charter for the provision of Internal Audit should be updated to reflect the key elements of the PSIAS

## **6. What are the implications for Devon Audit Partnership?**

- 6.1 Previously, service delivery of the Partnership was measured under the Code of Practice for Internal Audit as prepared by CIPFA. Early in 2011 we became aware of the proposed change in approach, and that the IIA standards were likely to be the benchmark to which we would be compared.
- 6.2 With this in mind, we undertook a self-assessment against the IIA standards; the results of our self-assessment were positive.
- 6.3 During the Autumn of 2012, we worked with other partnerships / shared service internal audit providers (South West Audit Partnership (SWAP), Hertfordshire Shared Internal Audit Service, Veritas) to undertake "peer" reviews of the self-assessment.
- 6.4 In October 2012, Helen Maneuf, Head of Assurance of Hertfordshire Shared Internal Audit Service undertook a peer review of DAP. Helen concluded:-

"DAP is considered to be operating in conformance with the IIA standards. The service has established a strong reputation with its clients and recent structural changes are proving beneficial. There are opportunities to further develop the business to ensure DAP is strongly placed to progress and to deliver its vision"
- 6.5 Helen made some further key observations:

"DAP is a credible service, with a professional reputation and is respected in the organisations it serves. The April 2012 restructure has assisted in strengthening client focus. DAP has sufficient independence to fulfil its remit and is building a stand-alone identity; DAP has appropriate access and profile within the organisations it serves".

"Those team members interviewed by the assessor spoke very credibly and coherently about the value and purpose of internal audit and without exception shared a view about internal audit existing to help the business to achieve its aims and objectives in a supportive and appropriately challenging way".

6.6 Helpfully, Helen also identified areas where we could further improve. These issues have been captured in our development plan and will be addressed over the coming months.

Robert Hutchins  
Head of Devon Audit Partnership  
January 2013



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