

## **Outcome of the External Assessment of Internal Audit by CIPFA against the Public Sector Internal Audit Standards (PSIAS)**

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### **Purpose of this report:**

This report informs the Committee of the outcome of the recent external assessment of Internal Audit against the Public Sector Internal Audit Standards, undertaken by CIPFA.

### **RECOMMENDATIONS**

The Committee is asked to:

1. Consider and comment on the outcome of the external assessment.

### **Overview and Scrutiny Comments/Recommendations**

1. This report is not scheduled to be considered by Overview and Scrutiny, as this is the responsibility of the Audit Committee.

### **Background**

2. The Accounts and Audit Regulations state that internal audit should conform to 'proper practices'. Current proper practice for internal audit is set out in the Public Sector Internal Audit Standards (PSIAS) 2013.
3. These standards have four key objectives:
  - 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. The Standards consist of 4 overarching categories, (containing over 200 detailed questions), which are summarised below, and set out how the internal audit service should perform its functions.

| Category Reference | Standards   |
|--------------------|---|
| 1                  | Definition of Internal Auditing   |
| 2                  | Code of Ethics  |
| 3                  | Attribute Standards <ul style="list-style-type: none"> <li>• Purpose, Authority and Responsibility</li> <li>• Independence and Objectivity</li> <li>• Proficiency and Due Professional Care</li> <li>• Quality Assurance and Improvement Programme</li> </ul>   |
| 4                  | Performance Standards <ul style="list-style-type: none"> <li>• Managing the Internal Audit Activity</li> <li>• Nature of Work</li> <li>• Engagement Planning</li> <li>• Performing the Engagement</li> <li>• Communicating Results</li> <li>• Monitoring Progress</li> <li>• Communicating the Acceptance of Risks</li> </ul> |

5. The standards require periodic self-assessments and an assessment by an external person every five years. The independent external assessment should be undertaken by an appropriately qualified assessor who is independent of the organisation. Following a tendering exercise, CIPFA were appointed to undertake the review. CIPFA is one of the professional bodies who sets internal audit standards for public bodies and provides professional guidance on the standards as well as other aspects of internal audit, and has experience in conducting such reviews.
6. The review was undertaken during January 2016 by Elizabeth Humphrey.

### **Outcome of the review**

7. Of the 12 standards assessed, the review confirmed that Internal Audit was fully compliant with 10. Four minor areas of partial non compliance were identified and all of these issues have now been addressed.
8. Two further suggestions were made to improve compliance and these issues will be addressed.

9. The detailed report and associated action plan are appended to this report.

### **Council Priorities**

10. An effective internal audit function will indirectly contribute to all of the Council's priorities.

### **Corporate Implications**

#### **Legal Implications**

11. None directly from this report.

#### **Financial Implications**

12. None directly from this report

#### **Equalities Implications**

13. None directly from this report.

### **Conclusion and next Steps**

14. Action has been taken to address the recommendations contained within the report. Every effort will be made to ensure that internal audit practices continue to conform to the required standards, including any revisions that may be made from time to time.
15. It is a requirement of the PSIAS to include a statement on conformance with the standards within the Internal Audit Annual Audit Opinion and the Committee will be kept informed on conformance with the standard through this reporting mechanism.

### **Appendices**

Appendix A – CIPFA Final report on the external assessment of the internal audit function.

### **Background Papers**

None.