

**FALKIRK COUNCIL**

**Subject: PUBLIC SECTOR INTERNAL AUDIT STANDARDS**  
**Meeting: AUDIT COMMITTEE**  
**Date: 25 March 2013**  
**Author: INTERNAL AUDIT MANAGER**

**1. INTRODUCTION**

- 1.1 The purpose of this report is to advise Members of the new Public Sector Internal Audit Standards, and to summarise the implications for Internal Audit at Falkirk Council.

**2. BACKGROUND**

- 2.1 As Members are aware, the practice of Internal Audit in Local Government is currently governed by the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (The Code). The Code is based around 11 Standards on, for example, the scope of Internal Audit; ethics; staffing, training, and continuing professional development; Internal Audit planning; and the practice of undertaking and reporting on Internal Audit work.
- 2.2 Since the Code was implemented in 2006, Falkirk Council has worked towards compliance. As well as annual self assessments against the Code, Members will recall that, during 2012, West Lothian Council undertook an external peer review. The outcomes of self assessment and peer review have been reported to Audit Committee previously, both confirming a high level of compliance.
- 2.3 Over the course of 2012, CIPFA and the Chartered Institute of Internal Auditors (the CIIA) have worked to develop a pan-public sector set of standards. The aim of this exercise was to bring together the key elements of the Code, the CIIA's International Standards for the Professional Practice of Internal Auditing, and various other sector specific standards (eg NHS and Central Government).
- 2.4 Draft Public Sector Internal Audit Standards were issued for consultation in July 2012, and Falkirk Council Internal Audit fed into a combined response submitted by the Scottish Local Authorities Chief Internal Auditors' Group in September 2012.
- 2.5 A final version of the Standards was issued in December 2012, with a requirement that the Standards be adopted from 01 April 2013.

### **3. PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

3.1 The Standards are relevant to Members of the Audit Committee as they:

- 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.

3.2 The full text of the Standards is available via this link: <http://www.cipfa.org/Policy-and-Guidance/Standards/Public-Sector-Internal-Audit-Standards>. For Members' information, however, the following bullet points summarise the key points / changes:

- the Standards stress the need for Internal Audit to be a value adding activity;
- they are framed around Attribute Standards (characteristics of Internal Audit providers), Performance Standards (on the nature and quality of Internal Audit services), and Implementation Standards (on specific activities, eg assurance, consulting);
- there is a requirement for an Internal Audit Charter (covering the purpose, authority, and responsibilities of Internal Audit);
- Internal Audit sections are required to develop and maintain a quality assurance and improvement programme (through internal and external assessment);
- the need for Internal Audit to take account of other, alternative, sources of assurance is stressed.

3.3 Fundamentally, the new standards are an evolution of the Code to which we currently work. They are based on professionalism and common sense, which should underpin everything that Falkirk Council's Internal Audit section (individually and collectively) does.

- 3.4 In my 2012/13 Annual Assurance Report to Members, which will be presented to the summer meeting of this Committee, I will provide a statement on our compliance with the CIPFA Code. From next year, however, the Annual Assurance Report will be based around the new Standards.
- 3.5 The first step towards this will be the drafting of an Internal Audit Charter, which will also be included on the agenda of the summer Audit Committee meeting. Thereafter, it is my intention to work towards full compliance with the Standards in as short a timeframe as possible.

#### **4. RECOMMENDATIONS**

##### **4.1 Members are invited to note:**

**4.1.1 that new Public Sector Internal Audit Standards will replace the previous CIPFA Code from 01 April 2013;**

**4.1.2 the implications for Falkirk Council Internal Audit; and**

**4.1.3 the commitment to work towards implementing the new Standards in full.**

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**Internal Audit Manager**

**Date: 15 March 2013**