

Public Sector Internal Audit Standards external assessment

Date of meeting 21 February 2025

Date of report 31 January 2025

Report by Chief Executive

1. Object of report

To ask the committee to note the appointment of Azets as the external assessor to review conformance with the Public Sector Internal Audit Standards (PSIAS).

2. Background to report

Members may recall the SPT Annual Audit report 2023/2024, presented to the 6 September 2024 meeting, within which Audit Scotland made the following recommendation:

Internal Audit External Assessment, Public Sector Internal Audit Standards (PSIAS) requires that external assessments of internal audit must be carried out at least once every five years. The last external assessment of SPT IA was carried out in March 2017.

Risk: SPT's internal audit function are not compliant with Public Sector Internal Audit Standards. To comply with PSIAS, SPT should obtain an external assessment of their Internal Audit function once every five years.

SPT's response at that time: Partially accepted. SPT await the new PSIAS guidance and plan to conduct an external assessment exercise in 2025.

SPT plan to conduct an external assessment in early 2025 using the current PSIAS.

3. Outline of proposals

The PSIAS have been developed to provide a consistent standard across the UK public sector and applies to central government, local government, and NHS organisations. The committee agreed to adopt the PSIAS at its meeting of 22 March 2013.

The PSIAS state:

'The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme must include both internal and external assessments.'

'External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board, the form of external assessments and the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.'

Interpretation:

'External assessments can be in the form of a full external assessment, or a self-assessment with independent validation. A qualified assessor or assessment team demonstrates competence in two areas:

- *the professional practice of internal auditing; and*
- *the external assessment process.*

Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs'.

Following an internal review of the above criteria and reference to audit appointments, it is recommended that Azets are appointed as the external assessor to review conformance with the PSIAS.

It is proposed that a self-assessment with independent validation approach is taken to provide the external quality assessment (EQA). The benefits of this approach are:

- the independent assessor will be provided with a pre-populated assessment and supporting documents/information (knowledge provision);
- less engagement time required;
- clarity of service provision.

The independent validator(s) will require the following arrangements:

- attendance/observation at an Audit and Standards meeting;
- access to/meetings with key stakeholders;
- access to internal records.

Upon appointment of the external assessor, the following proposed timetable is in accordance with the Audit and Standards committee cycle:

Action	By whom	Due date
Present outline report to the Audit & Standards committee	Audit and Assurance manager	21 February 2025
Approve appointment of external assessor	Audit & Standards committee	21 February 2025
External assessment	External assessor/key stakeholders	31 March 2025
External assessment report to Audit & Standards committee	External assessor	13 June 2025

4. Committee action

The committee is asked to note the appointment of Azets as the external assessor to review conformance with the Public Sector Internal Audit Standards (PSIAS).

5. Consequences

Policy consequences	<i>In accordance with the Internal Audit Charter.</i>
Legal consequences	<i>The Local Authority Accounts (Scotland) Regulations 2014 require SPT to operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing.</i>
Financial consequences	<i>Cost to be met from existing budget provision.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>None.</i>
Climate Change, Adaptation & Carbon consequences	<i>None.</i>

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Name Valerie Davidson
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