

# Consultation on the UK Public Sector Internal Audit Standards

## Introduction

In July 2015, the Global Institute of Internal Auditors (Global IIA) made changes to the International Professional Practices Framework (IPPF) in the form of additions (Mission and Core Principles for the Professional Practice of Internal Auditing) and some renaming of existing guidance areas (eg. Implementation and Supplemental Guidance).

The Public Sector Internal Audit Standards (PSIAS) were revised to incorporate the changes; specifically the addition of the Mission and Core Principles. The new PSIAS came into force on 1 April 2016.

In line with expectations, Global IIA subsequently consulted upon changes to the International Standards (the Standards) themselves, releasing the results of the consultation in October 2016 and with the new and revised Standards coming into effect from 1 January 2017.

## Impact on the UK Public Sector Internal Audit Standards (PSIAS)

The Internal Audit Standards Advisory Board (IASAB) discussed the changes to the International Standards at their meeting in October 2016. The Relevant Internal Audit Standard Setters<sup>1</sup> (RIASS) and the IASAB are aware that the PSIAS, in the current form, will no longer be in agreement with the Global IIA's IPPF from 2017. This gives a specific complication for IIA members working in the UK public sector as they will be able to comply with the PSIAS but not with their own Institute's Standards. One of the initial key reasons for developing the PSIAS was to eliminate these sorts of discrepancies across the different sectors and particularly for IIA members.

The IASAB proposes that the RIASS adopt the new and revised Standards from 1 April 2017, subject to a consultation period during which practitioners and other interested parties may comment on whether there are any fundamental barriers to the changes.

In general, the feedback obtained from practitioners by the IASAB regarding the new and revised Standards has been positive, although there have been discussions relating to the need for additional public sector requirements or interpretations. The IASAB does not anticipate any fundamental problems with the incorporation of the new and revised Standards into the PSIAS but would appreciate feedback from a wider range of stakeholders to test this assumption.

Summaries of the changes to the Standards and to the public sector requirements and interpretations are set out in appendices A and B.

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<sup>1</sup> The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

**Consultation questions**

The IASAB would appreciate responses to the following questions:

- 1 In your view, are there any fundamental reasons why the new and revised Standards should not be incorporated into the UK PSIAS?
- 2 In your view, are the proposed changes to the public sector requirements and interpretations appropriate? Are there any other amendments to the existing public sector additions that you believe should be made?
- 3 In your view, are there any more public sector requirements or interpretations that you believe are necessary in the UK PSIAS?
- 4 In your view, are there any barriers to incorporating the new and revised Standards into the PSIAS effective from 1 April 2017?
- 5 In your view, would any transitional arrangements assist with the practical implementation of the new Standards? (If so, please provide examples.)
- 6 Are there any areas of the new and revised Standards where you would appreciate more guidance?

**Please send responses to the IASAB Secretariat at the following email address by Tuesday 31 January 2017: [keeley.lund@cipfa.org](mailto:keeley.lund@cipfa.org)**

**Summary of new and revised Global IIA Standards**

**Appendix A**

<b>Area/Standard</b>	<b>New/Revision</b>	<b>Comments</b>
Introduction	Revision	
1000 – Purpose, Authority, and Responsibility	Revision	Clarifies the mandatory elements and now also refers to the Mission
1010 – Recognizing Mandatory Guidance in the Internal Audit Charter	Revision (new title)	
1110.A1 – Organisational Independence	Revision	
1112 Chief Audit Executive Roles Beyond Internal Auditing	New Standard	Emphasises that safeguards are required to avoid conflicts of interest.
1130.A3 Impairment to Independence or Objectivity	New Standard	
1210 – Proficiency	Revision	Reflects the new Core Principle on being 'future-focused'.
1300 – Quality Assurance and Improvement Program	Revision	
1311 – Internal Assessments		
1312 - External Assessments	Revision	
1320 – Reporting on the Quality Assurance and Improvement Program	Revision	Adds expected disclosures to the reporting of QAIP results.
1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”	Revision	
1322 - Disclosure of Nonconformance		
2000 – Managing the Internal Audit Activity	Revision	Explicitly refers to the internal audit activity considering 'trends and emerging issues that could impact the organization'.
2010 – Planning	Revision	Amended wording to the Interpretation.

2050 – Coordination and Reliance	Revision	New Interpretation relating to reliance on other assurance providers.
2060 – Reporting to Senior Management and the Board	Revision	Expanded Interpretation setting out what the CAE’s reporting and communication to senior management and the board must include information about.
2070 – External Service Provider and Organizational Responsibility for Internal Auditing		
2100 – Nature of Work	Revision	
2110 – Governance	Revision	
2200 – Engagement Planning	Revision	
2201 – Planning Considerations	Revision	
2210.A3 Engagement Objectives	Revision	New Interpretation setting out different types of evaluation criteria.
2230 – Engagement Resource Allocation	Revision	New Interpretation defining ‘appropriate’ and ‘sufficient’ resources.
2410 – Criteria for Communicating	Revision	
2410.A1 – Criteria for Communicating	Revision	
2430 – Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	Revision	
2431 – Engagement Disclosure of Nonconformance	Revision	
2450 – Overall Opinions	Revision	
Glossary definition of ‘Board’	Revision	
Glossary definition of ‘Chief Audit Executive’	Revision	Now states ‘The specific job title <i>and/or responsibilities</i> of the chief audit executive may vary across organizations’.

Glossary definition of 'Core Principles for the Professional Practice of Internal Auditing'	New	
Glossary definition of 'International Professional Practices Framework'	Revised	

Summary of proposed changes to public sector requirements and interpretations

Appendix B

Area/Standard	Requirement/ Interpretation	Content	Note
1000 Purpose, Authority and Responsibility	Requirement	<p>The internal audit charter must also:</p> <ul style="list-style-type: none"> <li>define the terms 'board' and 'senior management' for the purposes of internal audit activity;</li> <li>cover the arrangements for appropriate resourcing<sup>1</sup>;</li> <li>define the role of internal audit in any fraud-related work; and</li> <li><u>describe safeguards to limit independence or objectivity</u> if internal audit <u>or the chief audit executive</u> undertakes non-audit activities<sup>1</sup>.</li> </ul> <p><u>1 Footnote: These requirements should be read in conjunction with Standards 2030 Resource Management and 1112 Chief Audit Executive Roles Beyond Internal Auditing.</u></p>	
<u>1112 Chief Audit Executive Roles Beyond Internal Auditing</u>	<u>Interpretation</u>	<u>In the UK public sector, chief audit executives would not be expected to undertake roles with responsibility for core management controls or functions.</u>	New Interpretation Will propose to the RIASS that they include further clarification, including examples if appropriate, in their own sector-specific guidance.
1322 Disclosure of Non-conformance	Requirement	<u>Such non-conformances must be highlighted by the chief audit executive to</u> be considered for inclusion in the governance statement.	
2050 Coordination			Removed the PSR completely as the revised Standard 2050 Coordination and Reliance now covers this.

2450 Overall Opinions	Requirement	<p>The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</p> <p>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.</p> <p>The annual report must <b>also include</b> a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.</p>	
International Professional Practices Framework	Interpretation	<p>Only the <b>Mission and the</b> mandatory elements apply for the purposes of the Public Sector Internal Audit Standards.</p>	