

UK Public Sector Internal Audit Standards

Invitation to comment
16 July 2012

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Invitation to comment

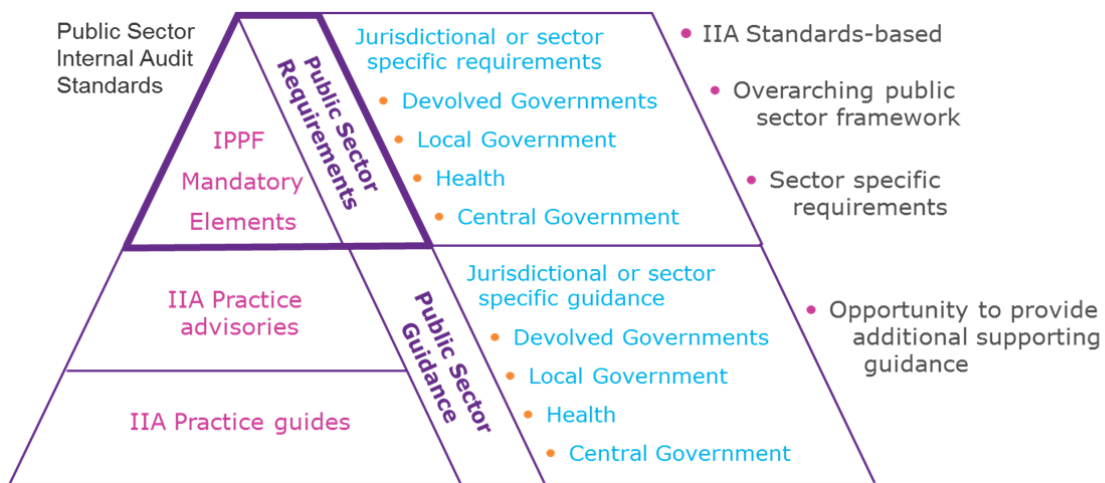
1. Introduction

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). Other sectors, such as higher education and charity, apply the IIA Standards directly. The local government sector uses CIPFA's Code of Practice for internal audit in local government in the UK (the Code).

1.1 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 have become 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.

1.2 The collaboration announced by CIPFA and the IIA in May 2011 has led to an agreement between the Relevant Internal Audit Standard Setters¹ (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 Public Sector Internal Audit Standards' (PSIAS) as set out below:



¹ 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.

1.3 To advise them on the development and maintenance of PSIAS the RIASS have established the Internal Audit Standards Advisory Board (IASAB). The Board's terms of reference and membership are available via <http://www.cipfa.org.uk/pt/iasab/index.cfm>.

1.4 It is currently proposed that PSIAS will come into force from 1 April 2013 for all sectors, and together with the work of the IASAB, they will provide a:

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

2. **Format of PSIAS**

2.1 The IIA Standards are reproduced intact (with the changes proposed in the recent IIA consultation in blue) and public sector requirements and interpretations have been included where the RIASS have concluded that additional public sector-specific detail is needed.

2.2 The overarching principle that the RIASS and IASAB kept in mind when considering all potential public sector interpretations and/or specific requirements was that only the minimum number of additions should be made to the existing IIA Standards.

2.3 The criteria against which potential public sector requirements have been judged for inclusion were agreed as:

- where interpretation is required in order to achieve consistent application in the UK public sector
- where the issue is not addressed or not addressed adequately by the current IIA Standards, and
- where the IIA standard would be inappropriate or impractical in the context of public sector governance (taking into account, for example, any funding mechanisms, specific legislation etc).

2.4 In assessing potential interpretations or requirements against those criteria, the IASAB also considered the

- materiality
- relevance
- necessity, and
- integrity of the requirement being proposed (that is, the additional commentary does not cause inconsistency elsewhere).

3. **The consultation process**

3.1 As PSIAS are new, the RIASS are interested in constituents' views on all the Standards in the new framework. Consultation questions have been set out in the next section on each Standard, although correspondents need only respond on an exception basis. In order to ensure comments can be properly understood and addressed, the RIASS would prefer respondents to support comments with clear reasons and, where applicable, preferred alternatives.

3.2 Responses to this ITC will be regarded as on the public record unless confidentiality is specifically requested. The RIASS have asked the IASAB

Secretariat to collate and analyses the consultation responses on their behalf. Copies of all correspondence and an analysis of responses will then be provided to the IASAB.

3.3 A copy of the draft PSIAS in pdf format can be downloaded from the CIPFA website <http://www.cipfa.org.uk/pt/iasab/index.cfm>

3.4 To assist respondents, a response form (in Word format) is provided for questions 6 and 7. We would be grateful if respondents could use this form to respond to the consultation as this will assist the analysis.

3.5 **Responses are required by 14 September 2012** and should be sent to:

The Secretary
Internal Audit Standards Advisory Board
Policy and Technical Directorate
CIPFA
3 Robert Street
London
WC2N 6RL

E-mail: psias.consultation@cipfa.org.uk

3.6 For ease of handling, e-mailed responses using the Word document form provided are preferred for questions 6 and 7.

Consultation questions

The Relevant Internal Audit Standard Setters (RIASS) are seeking views on the draft PSIAS.

Please respond to the following seven questions, completing the answers to questions 6 and 7 in the Word document form provided.

Question 1

Are there any other areas in the IIA Standards where you believe an additional interpretation or requirement is needed in the PSIAS?

Question 2

Where a sector-specific interpretation or requirement has been included, should this be made applicable in other parts of the public sector and if so, why? (For example, Standard 1110 Organisational Independence.)

Question 3

The implementation timetable is for the PSIAS to come into force on 1 April 2013 for all bodies set out in the Applicability chapter of the PSIAS. Do you know of any potential barriers to full implementation?

Question 4

Standard 2450 Overall Opinions has a public sector requirement box that mandates the chief audit executive to produce an annual report, comprising the annual internal audit opinion; a summary of the work that supports the opinion; and a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

Do you think that a 'conform or explain' statement is the correct way to demonstrate compliance with the PSIAS?

Question 5

PSIAS applies the mandatory elements of the International Professional Practices Framework (IPPF). Are there other parts of the IPPF or other areas where you believe additional supporting guidance applicable to the whole of the public sector would be beneficial? Please identify these and explain why.

Question 6

Where the RIASS are proposing a public sector requirement or interpretation, do you believe that one is necessary?

Question 7

Where the RIASS are proposing a public sector requirement or interpretation, is the proposed additional text appropriate? (If not, please suggest amendments.)

PSIAS ITC – Q 6 and 7 RESPONSE FORM

Section \ Question	Question 6 Where the RIASS are proposing a public sector requirement or interpretation, do you believe that one is necessary?	Question 7 Where the RIASS are proposing a public sector requirement or interpretation, is the proposed additional text appropriate? (If not, please suggest amendments)
Introduction		
Code of Ethics		
Standards Attribute Standards		
1000 Purpose, Authority and Responsibility		
1110 Organisational Independence		
1120 Individual Objectivity		
1130 Impairment to Independence or Objectivity		
1210 Proficiency		
1312 External Assessments		
1322 Disclosure of Non-conformance		

Section	Question	Question 6 Where the RIASS are proposing a public sector requirement or interpretation, do you believe that one is necessary?	Question 7 Where the RIASS are proposing a public sector requirement or interpretation, is the proposed additional text appropriate? (If not, please suggest amendments)
Performance Standards			
2010 Planning			
2030 Resource Management			
2050 Coordination			
2210 Engagement Objectives			
2450 Overall Opinions			
Glossary			
Assurance Framework			
Audit Committee			
Governance Statement			
International Professional Practices Framework			
Overall Opinion			