

Conformance with the PSIAS during the coronavirus pandemic

The IASAB has developed this guidance to support heads of internal audit and individual internal auditors in the UK public sector. It has the backing of all of the UK Relevant Internal Audit Standard Setters (RIASS)¹.

All internal auditors of any organisation in countries significantly affected by COVID-19 will be reassessing their work plans and staff priorities. For public sector internal auditors there is an additional responsibility. All staff in a public service body have a responsibility to work in the public interest. At a time of national crisis there is a need to act in the best interests of the health, safety and livelihoods of the public as well as supporting the operational needs of the organisation.

As a result very few internal auditors will be operating under 'business as usual' conditions. At the very least they will be doing the majority of work remotely, and staff in many teams are likely to be taking on different roles to support their organisation and the public interest.

The primary concern of heads of internal audit will be to support their organisation and its functions together with concern for the wellbeing of their staff. They may also be worried that the decisions they take could lead to non-conformance with UK Public Sector Internal Audit Standards (PSIAS²).

This guidance should reassure heads of internal audit and the audit committee that diversion from planned audit work will not automatically mean that they do not conform. There are however some basic steps to take to safeguard the longer-term position of internal audit.

Note that useful additional material is provided in an Information Paper *Doing things differently during the coronavirus pandemic – adjusting to the new normal* which is available on the IASAB website at www.iasab.org. This also links to other useful online resources developed in response to the current crisis.

¹ The Relevant Internal Audit Standard Setters (RIASS) are:

- HM Treasury in respect of central government;
- the Scottish Government, the Department of Finance Northern Ireland and the Welsh Government in respect of central government and the health sector in their territories;
- 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.

² PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and include additional UK public sector requirements and interpretations.

Mission of Internal Audit

The Mission of Internal Audit is 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.' In the current circumstances internal auditors will be fulfilling their Mission in different ways than usual. However the critical point is that they should still fulfil that Mission. Ideally, this will provide enough assurance to support audit opinions, and for the Governance Statement, although it will certainly be appropriate to draw attention to the context within which this assurance was gained and potential limitations. If it is not possible to achieve sufficient depth or coverage it will be necessary to caveat opinions and/or the Governance Statement, and explain the impact of this and what will be done to retrieve the position in future. However, the key point is to protect organisational value.

Examples of ways that internal audit can protect organisational value are:

- Helping **protect** the organisation's operations by helping management to find new ways of working
- Providing real-time **advice** and **insight** in the development of new systems and controls. For example where the organisation has to implement a new and urgent government policy.
- Ensuring that internal audit's work remains **risk-based**, but continuously reassessed to reflect the significant changes and escalation of risk levels being experienced.
- Providing real-time **assurance** to the board and audit committee on the actions and decisions being made.
- Helping the organisation to understand and plan for longer term risks resulting from the current crisis to **protect** the organisation and its services going forward.

Applying the Standards

Whatever internal audit work is undertaken, it should be in accordance with PSIAS. In practice the operational situation is likely to make this more challenging. Challenges might include:

- **Diversion of internal audit staff to other work:** this may reduce capacity to carry out audit work, capacity to monitor the quality of that work, and may make it harder to manage threats to independence
- **Diversion of operational staff to other duties:** this may make it difficult to access information or obtain responses to audit queries.
- **Home-working of the majority of staff:** depending on the effectiveness of business continuity arrangements in a home-working environment, both internal audit and operational staff may have reduced access to systems and resources. This may be a particular issue for smaller public sector organisations.
- **Increased levels of sickness absence/sick leave:** these may exacerbate the above issues

However each internal auditor retains their personal responsibility for operating in accordance with PSIAS and should aim to act professionally. The Core Principles in the International Professional Practices Framework articulate internal audit effectiveness, and are short and focused reminders of the professionalism of an internal auditor. There will clearly be strains on resources, and this will make it more difficult to maintain quality and adherence with professional standards. There will often be pressures to contribute to the first and second lines of defence rather than providing assurance, and this may in turn create threats to independence which need to be managed.

Key Steps to Take

1. Advise the audit committee and other key stakeholders³ in the governance process of the changes to the audit plan and operations of the internal audit team. A lengthy report is not required but the committee should be made aware. Brief but regular updates should be provided as the situation develops.
2. Maintain regular and constructive communications with external audit. This will help external audit understand how delivery of assurance is being progressed and provide information on changes in the organisation's system of governance and control
3. Where internal audit staff are reassigned to undertake advisory or consultancy work rather than assurance engagements then they should be made aware of the standards relating to consulting activities, if they are not already familiar with them.
4. Where internal audit staff are diverted into operational roles it should be made clear that for the duration that the staff are not operating as internal auditors. When staff return to their internal audit role, a review can be undertaken to see if any steps are necessary to address impairment to independence and objectivity (standard 1130).
5. Keep clear records of the changes to roles and plans. These will help key stakeholders understand the revised arrangements and will help resolve any conflicts of interest later.
6. Remember the Mission of Internal Audit and act in accordance with it. When the immediate crisis is over the head of internal audit should be able to demonstrate how the operation of internal audit has helped fulfilment of the Mission.
7. At all times Internal Auditors should comply with Government advice, and that of their organisation, regarding health and safety during the coronavirus pandemic.

External Quality Assessment

Heads of internal audit may find themselves in a position where an external quality assessment would not demonstrate the expected level of conformance with the PSIAS. While this may be reasonable in the face of the challenges noted above, they should nevertheless plan to recover the conformance position over time. Such plans will need to take a realistic view of continuing disruption to working practices in the light of developing information: it may be appropriate to begin recovery in advance of a return to fully normal working.

Assessors undertaking a PSIAS review in the next year should take into account the significant interruption to business as usual experienced by internal audit teams in the public sector. Assessors may also need to be flexible in order to schedule and conduct their work in a manner which does not interfere with response to the crisis. The IASAB would encourage assessors to have regard to this guidance note.

³ For example, in central government, the Accounting Officer will need to be kept informed of changes to the normal operation of internal audit.