

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).

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

The Internal Audit Standards Advisory Board (IASAB) discussed the changes to the IPPF at their meeting in October 2015. The Relevant Internal Audit Standard Setters¹ (RIASS) and the IASAB are aware that the UK PSIAS ('the PSIAS'), in the current form, are no longer in agreement with the Global IIA's IPPF. 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 two main additions to the IPPF from 1 April 2016, namely the Mission and Core Principles, subject to a consultation period during which practitioners and other interested parties may comment on whether there are any fundamental barriers to their assimilation.

In general, the feedback obtained from practitioners by the IASAB regarding the Mission and Core Principles has been positive. The IASAB does not therefore anticipate any fundamental reason against their incorporation into the PSIAS but would appreciate feedback from a wider range of stakeholders to test this assumption.

Practitioners should note that the Global IIA are currently consulting on proposed revisions to the Standards, primarily to reflect the IPPF changes that came into force in July 2015². This further underlines the rationale behind bringing the PSIAS up to date as soon as possible. Please note that the PSIAS are still currently in force in the UK public sector until such time as the RIASS decide to amend them.

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.

² <https://global.theiia.org/news/press-releases/Pages/Proposed-Internal-Audit-Standards-Changes-Unveiled.aspx>

Timetable for Global IIA and IASAB revisions to the IPPF/UK PSIAS

6 July 2015

Changes to IPPF (detailed below) introduced into the Global IIA's IPPF.

22 February – 18 March 2016

IASAB consultation on inclusion of the Mission and Core Principles into the PSIAS.

1 April 2016

Proposed implementation date for inclusion of the Mission and Core Principles into the PSIAS.

30 April 2016

Closure of Global IIA's consultation into the revised Standards.

Autumn 2016

Likely publication of final amendments to Global IIA's Standards.

October – December 2016

Proposed IASAB consultation period on revising the PSIAS, incorporating the final amendments to Global IIA's Standards.

1 April 2017

Proposed effective implementation date for revised PSIAS.

IPPF Changes

The changes introduced in July 2015 were as follows:

- The **Mission of Internal Audit** sits around the whole of the IPPF, both the mandatory elements and the recommended guidance. It is mandatory in nature.

Mission

To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

- The **Core Principles for the Professional Practice of Internal Auditing** form a new section of the mandatory elements of the IPPF = Core Principles, Definition, Standards, Code of Ethics.

Core Principles

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. How an internal auditor, as well as an internal audit activity, demonstrates achievement of the Core Principles may be quite different from organization to organization, but failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission.

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organization.

5. Is appropriately positioned and adequately resourced.
 6. Demonstrates quality and continuous improvement.
 7. Communicates effectively.
 8. Provides risk-based assurance.
 9. Is insightful, proactive, and future-focused.
 10. Promotes organizational improvement.
- The change from 'strongly recommended' to 'recommended' for the non-mandatory elements of the IPPF = Implementation guidance and supplemental guidance.

Implementation Guidance will replace all existing Practice Advisories in time. Existing Practice Advisories can still be used to support conformance with the *Standards* until such time as new Implementation Guides are issued.

Supplemental Guidance: All Practice Guides, Global Technology Audit Guides (GTAGs), and Guides to the Assessment of IT Risks (GAIT) automatically become part of the recommended Supplemental Guidance layer.



International Professional
Practices Framework



Consultation questions

The IASAB would appreciate responses on the following questions:

- 1 In your view, are there any fundamental reasons why the Mission of Internal Audit and the Core Principles for the Professional Practice of Internal Auditing should not be incorporated into the UK PSIAS?
- 2 In your view, are there any barriers to incorporating the Mission and Core Principles into the PSIAS effective from 1 April 2016?
- 3 In your view, would any transitional arrangements assist with the practical implementation of the new areas? (If so, please provide examples.)
- 4 Are there any areas of the new elements where you would appreciate more guidance? (For example, the IASAB is already considering additional guidance on the term 'organisational value', as used in the Mission.)

Please send responses to the IASAB Secretariat at the following email address by Friday 18 March 2016: keeley.lund@cipfa.org