

Appendix 1 – Questions 1–5

Feedback report re: 2012 PSIAS consultation

August 2013

Question 1 - Are there any other areas in the IIA Standards where you believe an additional interpretation or requirement is needed in the PSIAS?

48% of respondents identified other areas in the IIA Standards where they believed additional interpretation or requirement is needed. The following issues were raised:

Issue raised in response to question 1	Response by IASAB
<p>1 Definition of Internal Auditing</p> <p>Suggested Public Sector <i>Interpretation</i>:</p> <p>"The main purpose of internal audit activity is to provide the Accountable Officer, in an economical, efficient and timely manner, with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Head of Internal Audit's opinions are a key element of the framework of assurance that the Accountable Officer needs to inform the completion of the Annual Governance Statement."</p> <p>A public sector requirement should be added to reflect the role of the Accountable Officer and the specific assurance given to the AO by internal audit on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p>	<p>Both respondents were from central government and the existing GIAS do not have an addition to the Definition of Internal Auditing.</p> <p>While there is a case for including an additional public sector Interpretation to the Definition, this would be counter to the concept of minimalism that the IASAB has adopted when considering whether additions should be made to the original IIA Standards.</p> <p>See also 2110 below.</p>

Issue raised in response to question 1		Response by IASAB
2	<p>1100 Independence and Objectivity</p> <p>An indication of how internal audit 'removes itself from party political conflict' would be welcomed.</p> <p>Suggested insertion of 'informed' i.e. "internal auditors must be objective <u>and informed</u> in performing their work".</p> <p>There should be more in the PSIAS regarding the consulting role of internal audit e.g. independence requirements, relationship with assurance work, planning, conduct and reporting.</p>	<p>It is true that the UK political aspect of internal auditing in the public sector is not covered by the IIA Standards and a requirement or interpretation regarding political independence may be welcomed.</p> <p>RIASS will consider this for inclusion in future guidance.</p> <p>This Standard is only concerned with independence and objectivity and proficiency of auditors and identifying, analysing and documenting information are topics dealt with in other Standards.</p> <p>The IIA Standards include specific requirements and interpretations for Consulting Services, inherent to each main Standard. There is already sufficient coverage of the areas highlighted by the respondent e.g. in 1130, 1220, 2010, 2201 etc.</p>
3	<p>1111 Direct Interaction with the Board</p> <p>The previous central government requirement relating to the HIA having free and unfettered access to the Chair of the audit committee should be reinstated.</p> <p>Suggested amendment "The chief audit executive must communicate and interact directly with the board <u>or its committees</u>".</p>	<p>As each organisation that is covered by the PSIAS will have to define 'the board' for themselves, the Standard is written in a flexible enough way to allow CAEs to interpret it to cover the audit committee, Chair of the audit committee or any other committee that fulfils the role of the board in this instance.</p>

	Issue raised in response to question 1	Response by IASAB
4	<p>1130.A1 Impairment to Independence or Objectivity</p> <p>Clarification is required for 'in the previous' year. Does this mean audit/financial year or calendar year?</p>	<p>This would be the previous financial (audit) year – this would also provide the most consistency across the public sector.</p> <p>No clarification required.</p>
5	<p>1220 Due Professional Care</p> <p>CAEs also need to take into account the time budgeted to do a piece of work and auditors should be responsive to what they are asked to do by the client i.e. the work required for a 2 day review will be a lot different to e 2 week review.</p>	<p>A 'reasonably prudent and competent' internal auditor should be able to consider the extent of the work required for engagements of differing lengths of time.</p>
6	<p>1230 Continuing Professional Development</p> <p>Should it be the responsibility of the CAE to include plans for continuing professional development in the strategy?</p> <p>There should be an NHS Wales requirement for all internal audit staff to have their knowledge, skills and competencies assessed through the Knowledge and Skills Framework (KSF) assessment process.</p>	<p>As the strategy has not been mandated in the PSIAS, it would seem inappropriate to suggest specific content.</p> <p>If sectoral or country-specific requirements or interpretations are to be included in the PSIAS, the requirement should be either for the NHS or for Wales.</p> <p>There may be a need for guidance in this area, however this will be for the Department of Health/NHS Wales to consider providing once the PSIAS are in force. The PSIAS need to remain at a high level.</p>

Issue raised in response to question 1		Response by IASAB
7	<p>1311 Internal Assessments</p> <p>Internal assessments ‘must include’ periodic self-assessments or assessments by other persons within the organisations ‘with sufficient knowledge of internal audit practices’ – an interpretation would be welcomed on this, as this may prove difficult especially for smaller bodies.</p> <p>Would quality reviews under ISO 9001 count as an internal assessment?</p>	<p>If a public sector interpretation is included on this point, this would make the PSIAS prescriptive and would reduce the flexibility gained from a higher-level principles-based set of Standards.</p> <p>This should be covered in RIASS guidance.</p> <p>It is unlikely that any assessment under ISO 9001 would satisfy the requirements as set out in the PSIAS. The assessor also needs to have specific knowledge as per the PSIAS.</p>
8	<p>1321 Use of Conforms with the International Standards for the Professional Practice of Internal Auditing <i>Interpretation</i></p> <p>Clarification is requested for “All internal audit activities will have... results of external assessments”.</p>	<p>The respondent has mistakenly defined ‘internal audit activities’ to be all audit work and reports and has assumed therefore that every report should make reference to the results of departmental assessments.</p> <p>The Glossary definition of Internal Audit Activity clearly states that it is, in effect, the internal audit department and not the outcomes of internal audit work.</p>

Issue raised in response to question 1	Response by IASAB
<p>9 2020 Communication and Approval</p> <p>The strategy should also be communicated to senior management and the board for review and approval.</p> <p>One central government respondent said that the removal of the previous CG requirement that 'the HIA must agree the strategy and periodic plans with the Accounting Officer and Audit Committee' makes the responsibility for the approval of plans etc less clear.</p> <p>Suggested NHS Wales Requirement:</p> <p>"The Head of Internal Audit must agree the audit strategy and annual operational audit plan with the Accountable Officer and Audit Committee."</p>	<p>There is currently no requirement for the internal audit strategy, if a CAE decides to draft and issue one, to be communicated to the board.</p> <p>The PSIAS already require the CAE to ensure that the internal audit charter and risk-based plan are taken to the board. Requiring the strategy to be also thus communicated could be seen as adding another burden and, in this case, for something that is only optional.</p> <p>For NHS Wales suggestion, please see response for 1230.</p>
<p>10 2040 Policies and Procedures <i>Interpretation</i></p> <p>Further detail as to the form and content would be welcomed e.g. planning, review, use of appropriate techniques and format of reports.</p>	<p>The IIA interpretation is deliberately flexible to allow for CAEs to establish policies and procedures as best fits their organisation/internal audit activity.</p> <p>This is an area where RIASS guidance would be of use.</p> <p>This is for professional guidance, not guidance around the PSIAS.</p>

Issue raised in response to question 1	Response by IASAB
<p>11 2060 Reporting to Senior Management and the Board</p> <p>It would be useful to elaborate on the relationship between internal audit and the preparation of the annual Governance Statement e.g. how does the annual report flow into the Governance Statement?</p> <p>The reporting requirements that link the annual report in 2060 with the overall opinion in 2450 and which “play a pivotal role” in the governance statement should be outlined.</p> <p>Suggested NHS Wales Requirement:</p> <p>“The Head of Internal Audit must agree arrangements for interim reporting in the course of the year and produce an annual report that incorporates the audit opinion – as a minimum there should be progress reports presented to each Audit Committee except where the annual report is presented.”</p>	<p>It would be useful for some internal auditors to have further interpretation/guidance on the link between the annual report and the annual governance statement.</p> <p>However, this would be better addressed in RIASS guidance and not by including another public sector interpretation.</p> <p>The link between the annual report and the annual governance statement can be covered in future guidance.</p> <p>For NHS Wales suggestion, please see response to 1230.</p>

Issue raised in response to question 1	Response by IASAB
<p>12 2070 External Service Provider and Organisational Responsibility for Internal Audit</p> <p>The interpretation to this Standard does not fit with the Standard itself as the QAIP does not lead to an external service provider making the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.</p> <p>In Wales the NHS Wales Shared Service Partnership will require specific interpretation as suggested:</p> <p><i>NHS Wales Interpretation</i></p> <p>"In NHS Wales internal audit is collectively provided to local health bodies by NHS Wales Audit & Assurance Services being a division of the NHS Wales Shared Service Partnership. Each local health organisation is represented on the NHS Wales Shared Service Committee which provides a collective route for commissioners to performance manage internal audit provision."</p>	<p>It would appear that there may be a valid point in the response in that while the Standard requires external providers of internal audit services to ensure that they make the organisation aware of the organisation's responsibility for maintaining an effective internal audit activity, the interpretation states that this (i.e. the organisation's) responsibility is discharged via the QAIP.</p> <p>However, the QAIP is only directed at the CAE and not the organisation, so it does not appear to fulfil the requirement of the Standard itself.</p> <p>The responsibility for an effective IA service is discharged by the CAE carrying out the QAIP (which is the mechanism) and presenting findings back to the organisation.</p> <p>For NHS Wales suggestion, please see response to 1230.</p>

Issue raised in response to question 1		Response by IASAB
13	<p>2100 Nature of Work</p> <p>There is an opportunity to clarify internal audit's role, within central government in particular, to help to set expectations of internal audit (as set out in the NAO's recent report on the central government internal audit service).</p> <p>This would especially help where we are challenged by management when requesting policy documents to review.</p>	<p>This request, and the NAO report to which it refers, is more relevant to a need for additional operational guidance and not necessarily for further interpretation within the PSIAS.</p> <p>RIASS to consider for future guidance.</p>
14	<p>2110 Governance</p> <p>Further guidance relating to the fourth bullet point ('Coordinating the activities of and communicating information among the board, external and internal auditors and management') would be useful.</p> <p>Also, reference should be made here to the annual Governance Statement.</p>	<p>'Coordinating the activities of...' does appear to require some clarification since the internal audit activity does not 'organise' the board, external auditors or management.</p> <p>The "its" refers back to the governance process/board, not the internal audit activity.</p>
15	<p>2110 Governance 2120 Risk Management 2130 Control</p> <p>The CAE in local government has a statutory duty to provide an opinion on the adequacy of the organisation's risk, governance and control arrangements within the annual governance statement. This should be included in the PSIAS.</p>	<p>This point is related to those responses relating to the Definition of Internal Auditing (above).</p> <p>It may be that the glossary public sector definition of Governance Statement should be expanded to cover these points.</p> <p>This is covered in sectoral guidance.</p>

Issue raised in response to question 1		Response by IASAB
16	<p>2120.A2 Risk Management</p> <p>There should be an NHS requirement to recognise the NHS Counter Fraud Service and internal audit's liaison with it.</p> <p>Suggested NHS Requirement:</p> <p>"The Head of Internal Audit must liaise, on a regular basis, with the Local Counter Fraud Specialist (LCFS) to ensure the risk of fraud is identified and managed appropriately."</p> <p>The PSIAS should reference the wide range of roles that an internal audit team plays in supporting risk management arrangements.</p>	<p>The inclusion of any reference to LCFS was discussed in a previous IASAB meeting and it was agreed with the Department of Health that no separate reference was required.</p> <p>The existing Standard is detailed enough on risk management and internal audit's roles and responsibilities in this area.</p>
17	<p>2200 Engagement Planning</p> <p>The plan needs to be proportionate to the length of the engagement.</p>	<p>This is, to a certain extent, an obvious point.</p>
18	<p>2201.A1 Planning Considerations</p> <p>One respondent requested that the PSIAS mandate that the restrictions on distribution or the results of the engagement and access to engagement records should be explicitly written onto the front of documents.</p>	<p>This is not something that should be included as a public sector requirement.</p> <p>This is a matter for individual organisations.</p>

Issue raised in response to question 1		Response by IASAB
19	<p>2220 Engagement Scope</p> <p>As well as 'consulting opportunities' (2220.A2), reference should also be made to "investigation needs", for example if a routine audit brings up concerns about a potential fraud, this may become a separate fraud investigation.</p>	This is adequately covered in 2210.A2.
20	<p>2310 Identifying Information</p> <p>The term 'evidence' is not used and should be included in the Standard, along the lines of "the external auditor's requirement for sufficient, appropriate evidence".</p>	'Information' has a wider connotation than 'evidence' and as such no additional interpretation is required.
21	<p>2330 Documenting Information</p> <p>Suggested NHS Wales Requirement: "The Head of Internal Audit must ensure that all internal audit records are retained in accordance with the requirements set by the Welsh Assembly Government and are released to internal and external parties in accordance with the organisation's Freedom of Information Policy and Publication Scheme."</p>	For NHS Wales suggestion, please see response to 1230.

Issue raised in response to question 1	Response by IASAB
<p>22 2410 Criteria for Communicating A3, and 2421 Errors and Omissions</p> <p>'Must' should be replaced with 'should'. In the context of public reporting, and in particular where results are communicated on an organisation's website, it might be impossible to comply with 'must' because organisations cannot easily identify who the reports have been shared with (e.g. audit committee reports).</p>	<p>Although a valid point is made by the respondent regarding an organisation's ability to control information that is shared on the internet, the IASAB is unable to alter the wording of the original IIA Standards.</p> <p>This is not an issue requiring guidance. For 2421, a correction would simply be issued on the website.</p>
<p>23 2440 Disseminating Results</p> <p>A public sector requirement should be included stating the need to provide a summary conclusion to the board as part of the interim and annual reports.</p> <p>It would also be expected that internal audit would agree results and recommendations with management prior to issuing final reports.</p> <p>It is not feasible for a CAE to review all final communications. There should be a local government interpretation allowing for this function to be delegated.</p>	<p>This is covered in 2440.A2, which states:</p> <p>"...prior to releasing results to parties outside the organisation the chief audit executive must:</p> <p>...Consult with senior management and/ or legal counsel as appropriate..."</p> <p>Responsibility for reviewing final communications ultimately rests with the CAE.</p>

Issue raised in response to question 1		Response by IASAB
24	<p>2500 Monitoring Progress</p> <p>One respondent would welcome an interpretation on the issuing of recommendations, the handling of management responses to these and the monitoring of delivery of the recommendations.</p>	<p>Existing internal audit activities should already have procedures in place for monitoring recommendations arising from audit work.</p> <p>If further information is required, it would be better suited to guidance.</p>

Issue raised in response to question 1		Response by IASAB
	Glossary	
25	<p>Accountable Officer</p> <p>Suggested NHS Wales Definition: "This is the person appointed to be accountable for the operations of an organisation and the preparation of its accounts. For NHS organisations, the appointee is the Chief Executive. The role of the Accountable Officer and their responsibilities are defined within an Accountable Officer Memorandum."</p>	<p>For NHS Wales suggestion, please see response to 1230.</p>
26	<p>Audit Strategy</p> <p>There should be a Public Sector definition of Audit Strategy in the Glossary.</p>	<p>As the term 'audit strategy' is used within the PSIAS, there is a case for included a separate audit strategy glossary definition. However, a definition is already provided in the public sector interpretation to 2010.</p> <p>The paragraph currently in the interpretation to 2010 will be moved to the glossary.</p>
27	<p>Board</p> <p>More than one respondent would welcome further interpretation of the term Board for the public sector. One respondent said that leaving such a large part of the Standards "open to interpretation" undermines the value of the PSIAS and also suggests the impracticalities of having a common set of public sector standards.</p> <p>One respondent felt that the Application Note partly solves this issue, but such an important issue should be addressed in the PSIAS themselves.</p>	<p>The number of respondents who requested further interpretation of the term 'board' within the PSIAS themselves are relatively few (less than 10%), but this is an area that those respondents consider to be important.</p> <p>Further interpretation is not needed for the glossary term 'board'. The PSIAS is to be kept at a high level.</p>

Issue raised in response to question 1	Response by IASAB
<p>28 Chief Audit Executive</p> <p>Suggested NHS Wales Definition: "With the advent of the NHS Wales Shared Services Partnership the function of chief audit executive in NHS Wales is vested in the Director of Audit & Assurance. The Director of Audit & Assurance will make arrangements for the delegated performance of the function through a nominated Head of Internal Audit to service the specific requirements of these standards at each local health organisation."</p>	<p>For NHS Wales suggestion, please see response to 1230.</p>
<p>29 Internal Audit Activity</p> <p>This should also mention the need for an effective Audit Committee in line with CIPFA Guidance.</p>	<p>As audit committees are currently not mandatory within the public sector, and the CIPFA guidance is primarily designed for UK local government, it would be more appropriate to include this in RIASS guidance where required.</p> <p>RIASS to consider for future guidance.</p>
<p>30 Local Counter Fraud Specialist</p> <p>"Suggested NHS Wales Definition: Established under Minister for Health and Social Services Directions, each NHS Wales organisation has a designated LCFS responsible for: developing an anti-fraud culture; and deterring, preventing, detecting and investigating fraud."</p>	<p>For NHS Wales suggestion, please see response to 1230.</p>

Issue raised in response to question 1		Response by IASAB
31	<p>Risk</p> <p>A “definition of opportunity” should be included i.e. “the risk of not realising an opportunity and the associated likelihood of this”.</p>	The glossary definition is of the term ‘risk’ itself: the respondent is actually suggesting an example of a risk. It is not appropriate to add one example to the definition.
	Other	
32	There is no reference to the duty of public sector bodies to have whistle-blowing policies and a designated non-officer member who is responsible for this.	This is part of the context in which public sector bodies work. We do not believe it should be included in the internal audit standards.
33	There is no reference to the NHS Counter Fraud Service and including reference would be an opportunity to “enhance a common understanding of approaches”.	See above for 2120.
34	There is no reference to the Freedom of Information Act and other additional duties that are placed upon public sector internal auditors.	FOI and other items are covered in the PSIAS, for example in 2330 and 2440.
35	More than one respondent referred to more explicit reference being made to the role of internal audit in carrying out Value for Money work. A definition of ‘value for money’ was also requested.	<p>Value for Money is only mentioned once in the PSIAS in the public sector interpretation to 2210.</p> <p>Keeping a broad term ensures that this will cover future changes to VfM requirements. There is sufficient guidance in existence.</p>

Issue raised in response to question 1	Response by IASAB
<p>36 The term Senior Management should also be defined because of the variation in organisational structures.</p> <p>It should also be expanded to include the Accountable Officer.</p>	<p>Although the term Senior Management occurs throughout the IIA Standards, there is no glossary definition. There is scope for a public sector definition to be added to the glossary, setting out what types of roles would be included in practical terms.</p> <p>However, it may be difficult to agree on a definition that would fit across the public sector.</p> <p>Due to the variation in defining the term 'senior management' in the public sector, this will be left for individual organisations to define in their audit charter.</p>
<p>37 Clarity should be given as to the difference between the "joint and severable approach to boards in the private sector" versus that in the public sector.</p>	<p>Once public sector organisations have identified which group or individual fulfils the role of the board in the PSIAS, the approach to board in the private sector will not be relevant and therefore does not require explanation.</p>
<p>38 Reference should be made to the difference between the Principal Accounting Officer and the Accounting Officers "lower down with... the same vote".</p>	<p>There is already existing guidance on this and it is not specific to internal audit.</p>
<p>39 More clarification on the extent to which internal auditor should become involved in fraud prevention, detection and investigation would be welcomed (especially in light of 1000 and 1210.A2).</p>	<p>Existing references to fraud throughout the PSIAS do provide an appropriate level of detail as to the role that internal audit should play with regards to fraud prevention, detection and investigation.</p> <p>Further detail would be better suited to guidance.</p> <p>RIASS to consider for future guidance.</p>

Issue raised in response to question 1		Response by IASAB
40	One respondent requested a definition of materiality in the context of internal audit.	<p>There are two main areas of materiality; quantitative and qualitative. If internal audit wish to calculate a statistical sample, for example, there is already existing guidance to assist them in doing so.</p> <p>It is difficult to pre-define qualitative materiality (i.e. 'significance') as this will be based on individual organisation's situations at any given time.</p> <p>Sufficient guidance exists on this already.</p>
41	One respondent preferred the use of Head of Internal Audit throughout.	The IASAB is unable to alter the wording of the IIA Standards. The use of the term Head of Internal Audit was discussed thoroughly by the IASAB during the drafting of the PSIAS and it was decided that for consistency, the term CAE would be used in the public sector requirements and interpretations. It is intended that the term CAE is a role and not a job title, and allows for flexibility across the public sector.
42	The public sector requirements and interpretations need to reflect the specific role and responsibilities of the S.151 Officer (in local government) "and the inter-relationship with internal audit that... fulfil those responsibilities".	This is a matter for the local government guidance.
43	There are no references to the Chair or Convenor of the audit committee.	Specific reference to the Chair of the audit committee is not required within the PSIAS.

Issue raised in response to question 1		Response by IASAB
44	There should be reference to good practice guides already in existence (published by IIA, HMT/Cabinet Office and CIPFA).	<p>In order to 'future proof' the PSIAS, references to guidance that may date should be omitted. However, the RIASS should make reference to existing guidance when launching and disseminating the PSIAS and should also consider updating such guidance in light of the PSIAS.</p> <p>RIASS accept and will note.</p>

Question 2 - Where 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.)

30% of respondents did not believe that any sector-specific interpretation or requirement already included should be made applicable across the public sector and 43% did not comment. The following issues were raised:

Issue raised in response to question 2	Response by IASAB
<p>1. In general, those respondents who were opposed to the inclusion of sector-specific requirements or interpretations felt that this went against the fundamental principle of having a set of standards that applied across the whole of the public sector.</p> <p>Respondents felt that including sector-specific requirements or interpretations reduces the “overall clarity of the standards” and some of the consistency behind the PSIAS and proposed that sector-specific additions should either be removed or made applicable across the public sector.</p> <p>One respondent also suggested that making sector-specific additions creates a risk that the PSIAS will become inconsistent with the Global IIA Standards.</p> <p>One respondent suggested that the danger in providing more than one public sector requirement for any standard is that ‘other’ sectors would consider that they too should have a variation, therefore defeating the object of a consistent set of public sector Standards.</p> <p>One respondent suggested that sector-specific additions should only be included where there is a policy or regulatory difference (and therefore the CG interpretation in 1110 should be removed).</p>	<p>The argument made by respondents is understood – the case is made stronger as there is only one sectoral addition in the PSIAS (the central government interpretation to Standard 1110).</p> <p>For consistency and clarity of the PSIAS, the options open to the IASAB are either to make the current central government interpretation apply across all the public sector, or to remove it.</p> <p>See below for relevant point relating to amending the CG interpretation for the public sector.</p> <p>The PS requirement wording has been widened. Further discussions to take place regarding the existing CG interpretation.</p>

Issue raised in response to question 2		Response by IASAB
2	<p>If the interpretation in 1110 were to be adopted across the whole public sector, respondents proposed that the 'comply or explain' statement would be used to report any instances of non-compliance.</p> <p>Another respondent suggested that "local interpretation of specifics may vary provided the spirit of the Standards is met".</p>	See above.
3	<p>Central government respondents were more likely to suggest that the interpretation to Standard 1110 should apply across the whole of the public sector. However, some local government respondents also thought that the interpretation should also apply across the sectors.</p>	<p>The IASAB needs to bear in mind that local government respondents were more likely to have a problem with Standard 1110, and in particular the requirement for the 'board' to be involved in the remuneration of the chief audit executive, and therefore if the IASAB decided that the current CG interpretation should apply across the public sector, it may not be practical to simply amend the current reference to 'Accounting/Accountable Officer' to 'the board'.</p>

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?

76% of respondents did not identify any potential barriers to full implementation across the public sector on 1 April 2013, or did not comment. The following issues were raised:

Issue raised in response to question 3	Response by IASAB
<p>1. One respondent felt that full implementation may be impacted on by the future composition of audit committees under the DCLG's Future of Local Audit project.</p>	<p>As the PSIAS do not current define the 'board', this allows for greater flexibility in relation to any changes that may occur in other relevant areas of public sector policy. For example, if the proposed introduction of auditor panels means that the relationship between internal audit and audit committees consequently changes, the PSIAS should still be applicable.</p>
<p>2 One (local government) respondent also believed that supporting sectoral guidance may influence the implementation date.</p>	<p>CIPFA is planning to publish the Local Government Application Note as close to the implementation date as possible to avoid delays..</p>
<p>3 On respondent (NI LG) believed that full implementation of the PSIAS on 1 April 2013 will impact heavily on already strained resources in two ways:</p> <ul style="list-style-type: none"> 1) Transition will put pressure CAEs and organisations who already are stretched 2) The PSIAS are in some ways more onerous than the current CIPFA Code of Practice "and will put additional pressures on the actual delivery of internal services which meet the standards". 	<p>The points made by this respondent are appreciated. However, the whole of the public sector is current facing the toughest budgetary constraints and financial pressures for many years and only a handful of respondents mentioned this as a potential barrier.</p> <p>Advice has been obtained explaining the current proposals on the widespread reorganisation of the NI local government sector and the impact that this may be having on those bodies. This will not provide any barrier to implementation in those organisations.</p>

Issue raised in response to question 3	Response by IASAB
<p>4 One respondent believed that it may prove difficult to ensure that all internal auditors have a thorough understanding of the PSIAS by the implementation date, and also that internal audit teams will need to have aligned their methodologies and supporting procedures with the PSIAS by that date.</p> <p>One respondent also asked for clarification as to what exactly the CAE will be required to state conformance with in the 2012/13 Annual Report (i.e. only conformance/compliance with the sectoral Standards in place up to 31 March 2013).</p> <p>One respondent, while agreeing that implementation should occur on 1 April 2013, nevertheless thought that there may be a need to allow a year or two for organisations to become fully compliant with the Standards. And if so, such organisations would need to have a plan showing how full conformance would be reached, allowing the Board to monitor progress.</p>	<p>Organisations do not have to be fully conforming with the PSIAS by the implementation date of 1 April 2013: this is just the date on which the PSIAS come into effect.</p> <p>Therefore, in reality, organisations will have a financial year within which to become fully compliant i.e. before the first annual report and 'conform or explain' statement is required.</p> <p>There is also a question as to whether a public sector addition is required requiring organisations to prepare an implementation plan if conformance is not likely to occur by the end of the first financial year.</p> <p>As the PSIAS come into force on 1 April 2013, the first 'comply or explain' statement will be required in 2014. This will be included in a set of FAQs to be published on the website at launch.</p> <p>Organisations should include in the QAIP report whether they will need to prepare an implementation plan if conformance is not likely to occur by the end of the first financial year.</p>
<p>5 One respondent stated that the PSIAS need to be a set of Standards to which all public sector internal auditors can subscribe and trying to apply the Code of Ethics to non-IIA members will be a challenge. "Those that are not members will not necessarily commit" and any sanctions included in the Code of Ethics (e.g. in the Applicability and Enforcement section, which refers explicitly to the IIA's disciplinary procedures) will not apply.</p>	<p>The Code of Ethics clearly states that non-IIA members will be subject to their own professional or organisational disciplinary procedures if any breaches of occur.</p>

Issue raised in response to question 3	Response by IASAB
<p>6 One respondent noted that there are areas of conflict between the PSIAS and the current Code of Practice for Internal Audit in Local Government and believes that those need to be clarified because of the statutory duty that exists for local government organisations to confirm compliance with the Code.</p> <p>One respondent suggested that the PSIAS need to be properly launched “and not just to internal auditors”, for example in order to get buy-in from audit committees when approving the new internal audit charter etc.</p>	<p>CIPFA must make it clear that the PSIAS are replacing the Code of Practice for IA in LG – and other RIASS also need to ensure that they make it clear to their respective audiences that the PSIAS replace the GIAS and NHS IA Standards etc.</p> <p>RIASS are asked to ensure that they make clear to public sector internal auditors that the PSIAS are replacing the previous versions of internal audit standards.</p> <p>The launch and implementation of the PSIAS is communicated as widely as possible to ensure that all relevant stakeholders are aware of the change in Standards.</p>
<p>7 Two respondents believed that the status of the PSIAS in respect of Foundation Trusts must be clarified before the Standards come into effect.</p>	<p>Discussions with Monitor (and the Department of Health) are carried out to clarify this situation as soon as possible.</p> <p>Further discussions need to take place between the DH and Monitor, as well as the RIASS and Monitor.</p>
<p>8 One (NI CG) respondent felt it would be challenging for smaller bodies, including those that outsource their internal audit facilities, to conform fully by the due date. This would be of particular difficulty where the outsourced Internal Audit provider is subject to regular change e.g. procured under term contract. The respondent did believe that ‘conform or explain’ would help in addressing this.</p>	<p>See above for discussion regarding when organisations will actually be expected to be fully compliant with the PSIAS.</p>

Issue raised in response to question 3		Response by IASAB
9	One respondent noted the delays in issuing the NHS Internal Standards (i.e. dated 11 April 2011 but not issued until June 2012) and stated that another such delay from RIASS would cause problems with implementation.	<p>The RIASS must ensure that there are no delays in formally adopting the PSIAS once finalised and published in December 2012.</p> <p>RIASS will meet in November to discuss the mechanics of issuing the PSIAS on time.</p>
10	One respondent felt that major barriers would be the risk maturity of the organisation and therefore the appetite of the organisation to have a risk-based internal audit activity; the ability of CAEs to ensure independence and objectivity if they have operational responsibilities outside of internal audit (for example risk management); and the problem that may arise where an organisation does not have an audit committee which can easily fulfil the role of the board, leading to a lack of communication between the CAE and 'the board'.	<p>Referring to the discussion above regarding when organisations will be expected to be fully compliant with the PSIAS: the RIASS consider the IIA Standards to require a recognised high-level of internal audit and as such organisations should seek to attain those high standards. I.e. risk-based internal auditing is regarded as the best way to operate an internal audit service.</p> <p>The PSIAS are sufficiently flexible for many types of organisational structure.</p>
11	One respondent believed that "detailed standards and guidance are required to direct practitioners on the work required to give different opinions, and the extent of exceptions before opinions move from one level to the next". Such detailed guidance is required in order to bring consistency to the quality and comparability of annual internal audit opinions but this is not likely to be achieved by 1 April 2013.	<p>While it is agreed that there is not a current detailed set of guidance for writing different types of internal audit opinions, it believes that this would be better suited to guidance.</p> <p>The IASAB will publish further guidance on this topic (planned for 2013).</p>
12	One respondent (an external provider of internal audit services) stated that they have existing contracts in place which may extend beyond 1 April 2013 and believed that it is not possible for the PSIAS to be implemented for all such clients on the date suggested.	<p>As discussed above, the implementation date is only the date on which the PSIAS will come into force: organisations (and internal audit providers) will have a financial year to ensure that the PSIAS are being complied with.</p>

Issue raised in response to question 3		Response by IASAB
13	One respondent is concerned that where there is an external provider of the IA service, it is the provider that also determines the level of resources available, not the organisation's own audit committee. The organisation therefore cannot see the PSIAS being implemented on 1 April 2013 in such a circumstance.	External IA providers must ensure that they are ready for the implementation of the PSIAS. Organisations with such provision will also need to gain comfort that their IA provider is aware and sufficiently ready.

Question 4 - Standard 2450 Overall Opinions had 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 improvements programme. Do you think that a 'conform or explain' statement is the correct way to demonstrate compliance with the PSIAS?

79% of respondents agreed that a 'conform or explain' statement is the correct way to demonstrate compliance with the PSIAS, or did not comment. The following issues were raised:

Issue raised in response to question 4	Response by IASAB
<p>1. One respondent suggested that a better requirement would be for the organisation to explain how it has met the PSIAS and allow 'local arrangements' for determining that. The respondent says that this would allow for areas of best practice to be shared.</p> <p>One respondent proposed that the requirement should be changed to 'conform and explain' because an explanation of how conformance with the PSIAS has (or has not) been achieved would satisfy the Nolan principles of Accountability and Openness.</p>	<p>The 'conform or explain' statement does not just have to be one line – it can be up to organisations to decide how much detail they wish to put into the statement/annual report.</p> <p>The content of the annual report and 'conform or explain' statement may be better suited for additional IASAB guidance for 2013.</p> <p>IASAB will discuss whether further public sector guidance is required to provide more detail on the annual report and 'conform or explain' statement.</p>
<p>2. One respondent asked for further guidance on what constitutes 'conformance' and gave the example of where a rolling cyclical quality assurance and improvement programme is in place, would there be a 'rolling' statement of conformance?</p>	<p>Other stakeholders have also asked this question informally i.e. can the external assessment be split into sections and carried out over a five-year rolling programme.</p> <p>The IASAB has decided that one complete QAIP report is required.</p> <p>If a rolling programme of assessments were in place this would mean that assessment reports of up to five years old would be collated and this is not acceptable. Therefore, a rolling programme of assessments is not permitted and external assessments must be carried out in their entirety at least once every five years.</p>

Issue raised in response to question 4	Response by IASAB
<p>3 One respondent felt that the 'conform or explain' approach may stifle development in annual reporting, and could lead to "a greater degree of lip service in fulfilling the prescriptive requirements".</p>	<p>See above for the discussion on whether further guidance is required for the annual report and 'conform or explain' statement.</p>
<p>4 One (local government) respondent suggested that the results of the review of effectiveness of internal audit (as required by the Accounts & Audit (England) Regulations 2011) could be referred to or even summarised in the annual report, instead of a 'comply or explain' statement.</p> <p>The respondent also suggested that, for consistency across the public sector, the effectiveness review results themselves could be incorporated into the annual report.</p> <p>Another respondent agreed that the current approach to reporting on the review of effectiveness should be used instead as the level of assessment required to give such a statement "is considered to be excessive".</p>	<p>Whilst it would not be appropriate for the PSIAS to mandate this local-government-specific review for the public sector as a whole, this may be better suited to either IASAB public sector guidance as discussed above, or in the Local Government Application Note.</p> <p>Assessments for the QAIP are specifically intended to evaluate conformance with the PSIAS (Definition, Code of Ethics and Standards). Currently, reports for the purposes of the Audit & Accounts Regulations are not typically designed to do so.</p> <p>CIPFA have decided that this is not appropriate for inclusion in the LG Application Note.</p>
<p>5 One respondent felt that a 'conform or explain' statement would not fully demonstrate compliance "as it will only be the opinion of the Chief Executive [sic]". They suggested that making the statement subject to external audit, this would provide further evidence of compliance.</p> <p>Another respondent agreed that external audit should review the reliability of the statement as part of their work on determining the level of reliance to place on internal audit.</p>	<p>The nature and extent of any review work is a matter for the external auditor.</p>

Issue raised in response to question 4		Response by IASAB
6	One respondent felt that a statement of conformance was not required as Standard 1322 already mandates that non-conformance that impacts on the scope or operation of the internal audit activity must be reported to senior management and the board (and indeed the public sector requirement further requires any area of non-conformance to be reported to the board). The respondent stated that conformance should be assumed unless specifically disclosed otherwise.	<p>The inclusion of the 'conform or explain' statement was agreed upon by the IASAB in previous meetings, primarily to emphasise the importance of complying with the PSIAS.</p> <p>It is recognised that some organisations do feel that this is an unnecessary additional burden upon the public sector, especially when the IIA Standards only require non-conformance to be reported when it affects the scope or operation.</p> <p>All instances of non-conformance should be disclosed: issues of non-conformance will, by their existence, impact on the overall scope or operation of the internal audit activity.</p>

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.

80% of respondents did not identify any other parts of the IPPF or other areas where further pan-public sector guidance would be beneficial, or did not comment. The following issues were raised:

Issue raised in response to question 5		Response by IASAB
1	Some respondents wanted clarification of the status of the non-mandatory elements of the IPPF. Another respondent stated that all the non-mandatory elements (i.e. practice advisories, position papers and practice guides) should be adopted across the whole of the public sector on a "should basis" where 'should' is defined as per the PSIAS Glossary.	<p>The PSIAS already make it clear that the RIASS have only adopted the mandatory elements of the IPPF.</p> <p>Non-mandatory elements of the IPPF are outside the scope of the RIASS's agreement with the Global IIA. However, the IASAB will consider the possible application of the non-mandatory elements of the IPPF on a case-by-case basis in phase two and subsequent phases in the future.</p>

Issue raised in response to question 5	Response by IASAB
<p>2 Respondents identified general areas of the IPPF such as practice advisories that could be examined for future guidance.</p> <p>One respondent referred to additional guidance produced by HMT “from time to time” as an example of something they would now look to the RIASS to continue doing as well as for the RIASS to determine which topics would be sector-specific and which would be cross-cutting across all of the public sector.</p> <p>One respondent suggested that if the practice advisories can be endorsed/strongly recommended (in line with the IIA) or mandated rather than specific public sector requirements written into them, then they should be.</p> <p>One respondent said that it would be useful to have guidance on/reference to the Freedom of Information Act.</p> <p>One respondent thought that guidance from an internal audit perspective on ISA 610 Using the work of internal auditors would be beneficial.</p> <p>One respondent believed that ISA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing also applied to internal audit and as such should be reflected in the PSIAS. Consequently, “by adopting a closer line with the ISA, external auditors may feel better able to place reliance on the work being performed by the internal audit function, thereby reducing the cost and the overheads associated with audit activity within an organisation”.</p> <p>One respondent detailed areas where more sector-specific guidance would be useful (for example for the Police Sector and NHS), as opposed to more pan-public sector guidance.</p>	<p>This area should be addressed by the IASAB in 2013 i.e. once the PSIAS have been published.</p> <p>All of the suggestions in the responses to question 5 can be addressed at that stage.</p> <p>These suggestions will be addressed in phase two and following when investigating what further public sector guidance is required.</p>

Other Issues Raised

Issue raised		Response by IASAB
1	<p>Applicability Table</p> <p>In Scotland, National Park Authorities are central government bodies.</p> <p>Also, from 1 April 2013, police and fire & rescue services will transfer to central government in Scotland.</p> <p>The correct name is Strathclyde Partnership for Transport.</p>	Actioned.
2	<p>One respondent (Higher Education) did not identify a barrier to full implementation on 1 April 2013 but wished to inform the IASAB that the financial year of HE bodies begins on 1 August.</p>	Actioned.
3	<p>Full stop needed at the end of 1010.</p>	Actioned.