

Appendix 1 – Questions 6 and 7

Feedback report re: 2012 PSIAS consultation

August 2013

Issue raised in response to question 6 or 7		Response by IASAB
Introduction		
1a	<p>In Key Governance Elements:</p> <p>There should be recognition of the Executive (i.e. the LA Cabinet) and the Monitoring Officer</p>	There are terms familiar to local government already within that section (chief financial officer, chief executive etc) so no additional terms are required.
1b	The Internal Audit Charter does not need to define "key relationships" as Standard 1000 on page 12 does not state this as a requirement.	Standard 1000 states 'establish the nature of the chief audit executive's functional reporting relationship with the board' and therefore covers this implicitly.
1c	As organisational structures vary, the term 'senior management' should also be interpreted for each organisation.	<p>The term 'senior management' could be defined for the public sector, especially as there is no glossary definition for the term, yet it is used throughout the PSIAS.</p> <p>PSIAS will be amended to require organisations to define the term 'senior management' within their internal audit charter.</p>

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1d	One respondent felt that the IIA Standards are clear that the board “is the audit committee” and so allowing organisations to decide which individual or group fulfils the role of the board in each standard could lead to a dilution of the use of the term board.	Across the public sector, it is difficult to stipulate one definition for the term board. There are various different types of organisational structures across the sectors, as well as within the sectors. Therefore the IASAB decided that this would allow the greatest amount of flexibility to take account of the differences across sectors.
1e	One respondent proposed the following insertion into the Key Governance Elements section: “Public sector organisations must be held to account for their stewardship of public funds and for the achievement of their public interest objectives and internal audit in the public sector must support this by providing an annual overall audit opinion. Internal audit adds value by providing objective and relevant assurance, and any consulting services provided should contribute to this overall opinion.”	The proposed inclusion is not applicable for this section and the Introduction is sufficiently clear.
2	The Institute of Internal Auditors is now the Chartered Institute of Internal Auditors.	The PSIAS are adopting the mandatory elements of the IPPF of The Institute of Internal Auditors Inc, the global body. Therefore, ‘IIA’ is the correct term.
3	One respondent believes that the statutory requirements for local government organisations should be set out clearly within the introduction. This particularly includes the responsibilities of the organisation as set out in the Accounts & Audit (England) Regulations 2011 and the Local Government Act 1972 (section 151).	There is a valid case that the statutory requirements for internal audit for each area of the public sector should be set out within the PSIAS themselves and not only included in sectoral guidance. This could be included as a public sector addition to the Definition of Internal Auditing, or simply set out in the introduction. RIASS to consider this for their respective sectors.

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4	One respondent feels that whilst the scope details outsourced and shared services, it is not explicit that it should cover any company contracted to undertake ad hoc internal audit work on behalf of the body or agency staff.	The scope adequately covers outsourced audit staff of all types.
5	One respondent believed that the term 'integrity' is used in an inconsistent manner in the PSIAS.	<p>The uses of the term 'integrity' have been reviewed. It is used both in the public sector additions (twice in the introduction and once in a public sector requirement) but more often in the original IIA areas (the Code of Ethics and the Standards).</p> <p>Integrity is a word that can be used in different ways – in the PSIAS it is used with regards the integrity of the internal auditor and the integrity of financial reporting.</p> <p>This has not caused an inconsistency within the PSIAS.</p>
6	One respondent suggested that the sentence in Scope "When performing consulting services the internal auditor should maintain objectivity and not take on management responsibility" should be removed as this is covered in Standard 1100.	<p>Objectivity is covered by Standard 1100. This sentence is actually adding a public sector requirement to a section that is designed to just be an introduction.</p> <p>Remove the sentence from the introduction.</p>

Issue raised in response to question 6 or 7		Response by IASAB
Code of Ethics		
7	One respondent asked whether it was appropriate for members of other professional bodies to comply with both the IIA CoE as well as their own organisational/professional requirements.	It is the duty of the RIASS to remind all professionals working in public sector internal audit that their professional behaviour is likely to be subject to other Codes of Ethics in addition to that included in the PSIAS, especially where those other Codes are more rigorous than the IIA version.
8	One respondent suggested some wording changes throughout the PSIAS to avoid them still effectively being the IIA Standards plus additions. For example, references to 'the Institute' in the Code of Ethics (and 1210 Proficiency). The respondent suggested changing references to 'the Institute' to "the standard setter".	The IASAB is unable to alter the wording within the original IIA Standards. It is currently clear enough that the PSIAS have adopted the IIA Standards (plus Definition and CoE) in their entirety and references to the Institute will be read as intended i.e. that the IIA is the standard setter for the Global Standards but the RIASS have adopted and adapted them in their own right.
9	One respondent believed that reference to Nolan should come under the Code of Ethics and not 1120, which "seems random".	<p>Standard 1120 uses the terms 'impartial, unbiased attitude' and also discusses conflicts of interest. Reference to Nolan fits here but appreciates that it would also fit comfortably in the Code of Ethics public sector requirement.</p> <p>Principle 2 Objectivity would appear to be the most appropriate place for a public sector addition relating to Nolan.</p> <p>The reference to Nolan will be moved out of Standard 1120 and to the end of the Code of Ethics.</p>

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10	One respondent requested that the public sector definition should be expanded to state what action would be taken against those internal auditors who are not members or any professional body. GIAS stated that breaches of the CoE should be identified by HIAs and referred to the audit committee and Head of the Government IA Professional as appropriate. The respondent suggested that the wording such as this could be included in the PSIAS.	<p>The original CoE and the public sector requirement does not mention what action would be taken against internal auditors who do not belong to a professional body at all.</p> <p>However, the IASAB believes that this is covered adequately by the existing wording.</p>

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1000 Purpose, Authority and Responsibility		
11	Replace the words “internal audit charter” with “document”. The key issue is that this should be documented, not that the document should have any particular name. In an LA context, the final sentence (about approval) needs reconsideration, depending upon the interpretation of “board”.	The IASAB cannot amend the wording of the original IIA Standards.
12a	With regard to the point about “appropriate resourcing”, somewhere there needs to be recognition that an audit committee may have a different view as to what is appropriate to the executive (with the latter normally having formal responsibility for proposing the budget).	The secretariat acknowledges that there may be a difference in opinion between different parts of an organisation, and even between the CAE and the board. However, the IASAB does not believe that this is appropriate for the PSIAS.
12b	Another respondent asked for further guidance and prescription regarding ‘appropriate resourcing’, particularly in a period of budgetary pressure.	This is a matter to be dealt with in local, individual circumstances.
13	One respondent asked for clarification as to whether the charter is the same as the local government ‘terms of reference’.	This is covered in the Local Government Application Note.

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14	The public sector definition should refer to the audit committee.	<p>The PSIAS are clear that the term board must be defined by organisations as per their individual circumstances. However, the IASAB may wish to discuss whether further guidance on defining 'board' is included in the PSIAS and if so, where that should be (e.g. in the Glossary).</p> <p>However, this has already been covered in the discussion to previous recommended actions.</p>
15	The charter should also refer to 'counter fraud' work as this emphasises proactive as well as reactive work.	The term 'any fraud-related work' covers counter fraud work as well.
16	One respondent would like further clarification on the word 'appropriate' as in 'arrangements for appropriate resourcing' by stipulating what this would include (e.g. the skills and experience required etc).	This is a matter to be dealt with in local, individual circumstances.
17	<p>One respondent believed that there is no reason to require the public sector specifically to 'cover the arrangements for appropriate resourcing' as no argument has been made that this is more appropriate for the public sector than the private sector.</p> <p>The same respondent asked that if this requirement were to be retained, the reasons why should be made clear in the introduction.</p>	The PSIAS state elsewhere the CAE's responsibilities regarding engagement resourcing and the IASAB considers the Charter to be the appropriate place to set out the overall arrangements for resourcing.

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18	One respondent asked for a “discussion” about the relationship between the strategy and the internal audit charter to be included in the public sector requirement to this Standard.	Such additional detail would be better suited for guidance. The IASAB will consider this in future phases.
19	One respondent stated that references in particular to resourcing, fraud and conflicts of interest are covered elsewhere in the Standards.	These are covered in the Standards, but this public sector requirement is pulling those items together as they must all be included in the internal audit charter. It is not going into the level of detail covered by the Standards.
20	One respondent suggested an additional public sector requirement for 1000.C1 as follows: “Public sector requirement The nature and scope of the consulting review should aim to improve governance, risk management and control and the evidence gathered should contribute to the chief audit executive opinion. When performing consulting services, the internal auditor must maintain objectivity and not take on management responsibility”.	These points are adequately covered elsewhere in the Standards and an additional public sector requirement at this point is not required.
21	One respondent asked whether, in the situation where the CAE is providing internal audit services to more than one organisation, one internal audit charter is acceptable. The respondent then asked that if one charter for all bodies was acceptable, what would the outcome be if the boards of each organisation had differing and conflicting responses to the charter.	Each organisation should be provided with its own internal audit charter, even if it is essentially the same fundamental document. This will allow for flexibility in the arrangements as well as allowing for differing responses by each board. The IASAB will consider providing future guidance on this.

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22	<p>One respondent felt that the third bullet point should be reworded to reflect other non-audit activities that are closely related to audit:</p> <p>“define the role of internal audit where the service supports any non-audit activities that are closely related to audit, such as counter fraud and investigatory work”.</p>	<p>The IASAB understands the reasoning behind the proposed wording. However, it believes that the current wording is sufficient.</p>
23	<p>One respondent suggested that that following wording be included at the start of the public sector requirement:</p> <p>“The main purpose of internal audit activity within the public sector, is to provide the Accountable Officer / Chief Executive / Chief Financial 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”.</p>	<p>The points in the proposed text are covered elsewhere in the PSIAS.</p>

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1110 Organisational Independence		
24	1110.A1 CFOs may need to direct audit work, including, on occasion, pursuing things that the CAE may not necessarily wish to pursue. This should not be deemed to be 'interference'.	The concept of independence for the CAE and internal audit activity overall is key. CAE must be able to manage working relationships and allow input from other stakeholders into the areas in 1110.A1, but there is a difference between that and interference.
25	This standard needs to be interpreted for outsourced internal audit provision "i.e. the board or audit committee to review the contractual arrangements and payments".	Although this is a valid point, it is unclear whether this is the correct place to include mention of contractual monitoring, if at all in the PSIAS or whether this should be included in sectoral guidance. The IASAB will consider this for future guidance.
26	Several respondents in different sectors stated that the Board (or audit committee) is not the appropriate place for the review and approval of the CAE's remuneration. The CAE should be treated with the same level of confidentiality as other officers and the board/audit committee has too wide an attendance as well as minutes being routinely circulated.	The IASAB has tried to make clear in the PSIAS that the term 'board' can be interpreted in various ways, according to the circumstance as set out in each Standard. Therefore, it is acceptable that in this instance, the role of the 'board' may be fulfilled by a remuneration committee or other such group. CIPFA will ensure that this is made explicit in the Local Government Application Note.
27	One respondent asked that the public sector requirement should refer to unfettered access to the Chair of the audit committee.	The original Standard and the public sector requirement both cover this point in that the CAE having functional reporting lines to the board will also cover the audit committee and hence, the Chair.

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<p>28 One respondent asked that a public sector addition referred to situations where the internal audit service is provided by an external provider.</p> <p>For example, additional examples of functional reporting to the board could include:</p> <ul style="list-style-type: none"> • “approving decisions regarding the appointment and removal of the internal audit service; and • approving the internal audit fee”. 	<p>These are further examples of functional reporting to the board, but the list in the PSIAS should not be taken as exhaustive and therefore further additions are not required.</p>
<p>29 One respondent suggested amending the public sector requirement to “The chief audit executive must report functionally to the board as defined within the audit charter”.</p>	<p>This would be superfluous to the public sector requirement.</p>
<p>30 The Chartered IIA (IIA-UKI) proposed the following amendment to the public sector:</p> <p>“The chief audit executive must report functionally to the board. Where the chair of the board is a senior member of the executive, the chief audit executive should if possible report to the board through the chair of the audit committee where this is an independent non-executive director, or, where this is not the case, the lead non-executive board member”.</p>	<p>The IIA-UKI’s concerns regarding independence where the board is chaired by the Accounting or Accountable Officer are understood.</p> <p>However, the membership of the board in the public sector still allows for independence to be maintained as well as through the other groups and individuals that may fulfil the role of board.</p> <p>Alternative amendment to the PS requirement has been proposed and the IIA-UKI is in initial agreement with this.</p>

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1120 Individual Objectivity		
31	One respondent asked for additional guidance to address where external contractors provide non-audit services.	The PSIAS are sufficiently flexible to allow the Standards to be applied to internal and external providers of internal audit services in this Standard and in others (such as 1130).
32	There should be an explicit requirement for all internal auditors to declare any conflicts of interest on an annual basis.	<p>This is covered in Standard 1130, which requires all auditors to disclose any impairment, real or perceived, to independence.</p> <p>However, requiring an annual declaration may be seen to uphold objectivity.</p> <p>This is for individual organisations to put into place if desired.</p>
33	One respondent felt that the existing Code of Ethics is sufficient without reference to the Nolan Standards.	Reference to the Nolan Standards is important and of especial relevance to the public sector.
34	<p>One respondent suggested that an NHS Wales requirement should be added as follows:</p> <p>“NHS Wales requirement</p> <p>All internal auditors working within NHS Wales must complete an annual declaration of interest to the Head of Internal Audit. All declarations will be communicated to the Board Secretary”.</p>	This is considered to be too specific for the PSIAS, which are intended to be more high-level.

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1130 Impairment to Independence or Objectivity		
35	There should be a 'vice versa' to 1130 i.e. if an auditor obtains a position in the organisation outside of the internal audit function, they should refrain from carrying out audit work covering the area they are due to move to.	<p>This is a valid point. However, unless a new position is known about far in advance of an actual job move, it may not be appropriate to state this in the PSIAS.</p> <p>This is also covered elsewhere in the Standards with respect to conflicts of interest.</p>
36	1130.A2 One respondent stated that with current budgetary limits, external audit should be able to fulfil the role of overseeing assurance engagement for which the CAE has responsibility.	<p>The PSIAS cannot specify what external auditors review as part of their function.</p> <p>This part of the Standard allows for greater flexibility within the public sector as it does recognise and allow for the situation that many CAEs are in i.e. where they have additional operational responsibilities for areas in addition to internal audit.</p> <p>It would be inappropriate for there not to be any additional scrutiny of assurance engagements over which the CAE Has operational responsibilities.</p>
37	<p>One respondent believed that the public sector requirement for obtain board approval for significant additional consulting services was impractical/onerous.</p> <p>Another respondent suggested a requirement that the CAE should periodically and retrospectively report all changes/additions to the audit plan to the board, including consultancy work.</p>	<p>The public sector requirement is specifically referring to consulting services undertaken by the internal audit activity that are 1) significant and 2) not already included in the audit plan.</p> <p>It is important for the board to monitor the level of audit versus non-audit services provided before such engagements are accepted and it is anticipated that significant consulting services that have not been anticipated should not be the norm.</p>

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38	<p>One respondent felt that audit committees do not meet frequently enough to be able to approve new significant consulting services before the engagement is agreed. The respondent suggested that agreement could be obtained by the audit committee Chair instead.</p> <p>More than one respondent suggested that guidance/further detail could be included in the PSIAS in relation to the extent to which approval can be obtained by the board after the acceptance of an engagement.</p>	<p>It is up to individual authorities to decide who or what group best fulfils the term board in each situation. The audit committee is likely to be the most appropriate candidate in this case, and delegation arrangements intra committee meetings, such as delegation to the Chair, are acceptable and consistent with this requirement.</p> <p>Therefore, it is up to individual organisations to manage how they carry out this process.</p>
39	<p>One respondent suggested that board approval should be on the advice of the audit committee.</p>	<p>In a fair number of cases, the board will be the audit committee for this standard and if not, this is likely to be because of timing issues (see point 4). Therefore it would be impractical to obtain audit committee advice in such cases.</p> <p>Also, requiring the board obtains audit committee advice is duplicating the process.</p>
40	<p>One respondent asked for clarification in the text that the public sector requirement applies not only to additional consulting services being proposed by an in-house internal audit provider but also any services provided by an external provider of internal audit services.</p>	<p>The public sector requirement is sufficiently flexible to be applicable to both situations where internal audit services are provided by in-house or outsourced providers.</p>
41	<p>One respondent suggested that the public sector requirement should state that “there should be contingency and flexibility in the plan to address more routine consulting requests”.</p>	<p>It is inherent in the public sector requirement that is only referring to significant additional consulting services – i.e. anything that is not significant should be covered by contingency.</p>

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1210 Proficiency		
42	Certified Internal Auditor is the US qualification and the UK equivalent is a Member of the Chartered Institute of Internal Auditors.	The public sector requirement uses the UK term CMIIA.
43	One (CG) respondent was concerned that a government standard is effectively 'promoting' a single professional body i.e. as the Standard itself recommends the designations offered by the CIIA [sic].	The Standard itself does highlight the IIA's own qualification but also refers to "other appropriate professional organisations". The public sector requirement specifies CCAB qualifications before then the Chartered IIA's CMIIA qualification so there is a balance between the references.
44	One respondent felt that the public sector requirement should only refer to Chartered IIA qualifications (i.e. CMIIA and PIIA). This will allow internal audit to move forward as a profession in its own right.	<p>As many of the CAEs working in the public sector are CCAB qualified, it would not be feasible to state that CAEs must only have an IIA qualification – this would lead to many organisations not complying with the PSIAS.</p> <p>The IIA Standards themselves state that there are qualifications from other professional organisations that will suffice and therefore limiting CAEs in the UK public sector to membership of only one professional institute would be a retrograde step.</p>
45	In addition to relevant qualifications, skills and experience, one respondent felt that the CAE should have "adequate seniority to have access to senior management".	This covered in 1110, where the Standards and public sector requirement state that the CAE must report functionally to the board.

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46	One respondent pointed out that there is no mention of the need for internal audit staff to have development plans.	Standard 1230 Continuing Professional Development makes it clear that auditors need to develop. However, it is acknowledged that development plans are not mentioned within the PSIAS. This is a local administrative arrangement.
47	One respondent suggested amending the public sector requirement to “The chief audit executive must hold a relevant professional accounting or audit qualification (CCAB, CMIIA or established equivalent)”.	The words “accounting or audit” are superfluous and that for a qualification to be the equivalent of a CCAB or CMIIA, it is highly unlikely not to be ‘established’.
48	More than one respondent asked for a list of those qualifications that are considered to be ‘equivalent’.	Including a prescriptive list of potential other qualifications would unnecessarily narrow the field of potential CAEs.
49	The Global IIA suggested that the CIA and Certified Government Auditing Professional (CGAP) qualifications should be added to the public sector requirement.	The CIA designation is already included in the original IIA Standards. The CGAP ‘certification program’ is a one-paper multiple choice exam (as per the Global IIA’s website). Therefore this is not equivalent to the CIA, CMIIA or CCAB qualifications.
50	One respondent suggested that an additional NHS Wales requirement should be included here: “NHS Wales requirement The Head of Internal Audit will assess internal auditor’s knowledge, skills and competencies through the Knowledge and Skills Framework (KSF) assessment process”.	This is covered under the responses to Q2.

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51	One respondent pointed out that the glossary entry for CAE appears to state that the CAE does not have to be professionally qualified.	The public sector requirement is clear in that the CAE must hold a professional qualification.
52	One respondent suggested that the requirement for a professionally qualified and suitably experienced CAE should be extended to all internal auditors.	It is impractical to mandate that all internal auditors working within the public sector should be professionally qualified and suitably experienced. It would not allow for trainees or internal auditors who are either professionally qualified but are new to internal audit or are highly experienced non-qualified internal auditors.

Issue raised in response to question 6 or 7		Response by IASAB
1312 External Assessments		
53	One respondent stated that external assessments should be the responsibility of the external auditor.	The nature and extent of any review work is a matter for the external auditor.
54	One respondent asked that the Chair of the audit committee be added to the examples of who could act as an appropriate sponsor.	This is not an executive function of the audit committee and therefore an amendment would not be appropriate.
55	One respondent believed that reference should be made to the “annual audit report” rather than the ‘annual report’.	The term used in the PSIAS is the ‘annual report’ therefore no amendment is necessary.
56	One respondent felt that there was repetition in the first two paragraphs of the public sector requirement: the first paragraph was implicit in Standard 1300 and the second covered in 1320. Another respondent felt that the last paragraph would be better included under Standard 1320.	The use of the term ‘sponsor’ in the public sector context, as being a different role to senior management and the board, does warrant an additional public sector requirement. However, the last paragraph could be moved to a separate public sector requirement under 1320. The first paragraph remains, the second paragraph to be removed and the third to be moved to 1320.
57	One respondent felt that it should be the responsibility of the external assessor to determine the scope of the assessment with the sponsor to avoid the CAE from influencing the assessment.	The PSIAS states already that the CAE must discuss the form of the external assessment with the board and the public sector requirement is only adding the requirement that a sponsor must be involved in determining the scope. This is therefore adding a level of independence into the process.

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58	<p>One respondent stated that when internal audit services are provided by an external provider, it is “customary for them to be appointed on a 3 year contract”.</p> <p>Therefore the respondent asked that the requirement should be altered to reflect that a provider may be appointed for a period less than five years.</p>	<p>This may cause a problem in such instances where the contract for internal audit services is for less than five years.</p> <p>However, the QAIP is related to the service being given to the organisation and this topic will be considered further in guidance.</p>
59	<p>More than one respondent asked for additional guidance on carrying out self-assessments for the external assessment.</p>	<p>Further guidance is required in this area and believes that it is best suited for guidance.</p> <p>RIASS will consider this for future guidance.</p>

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1322 Disclosure of Non-conformance		
60	One respondent wished for 'significant' to be further defined.	The term 'significant' is a subjective one and it would be difficult to define it in such a way that it could apply across all sectors and type and size of organisation.
61	One respondent asked for clarification as to whether explanation would be required if the CAE did not believe that the non-conformance did not affect the scope or operation of the internal audit activity (in line with the original IIA Standards).	This was also raised against Q4 (point 6) of the ITC and will be discussed under that question.
62	One respondent felt that the first sentence in the public sector requirement duplicated the point already made in the original IIA Standard.	The public sector requirement is stating that all instances of non-conformance must be reported to the board, not only those which affect the scope or operation of the internal audit activity.
63	One respondent believed that the inclusion of a non-conformance statement in the annual governance statement should be at the discretion of the organisation.	The public sector requirement only states that 'more significant' deviations 'must be considered' for inclusion in the governance statement. Therefore it is not mandating a non-conformance statement must be included.

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2010 Planning		
64	One respondent asked for examples of the types of 'respective priorities' referred to in the public sector interpretation e.g. prioritised on the basis of timing/management direction/risk scoring.	Guidance on this area is not considered to be a priority at this time.
65	One respondent believed that the public sector requirement was not needed, especially the addition of references to risk maturity and the assurance framework specifically for the public sector.	<p>The first part of the requirement relates to the internal audit opinion, which is not compulsory under the original IIA Standards.</p> <p>Is it agreed that there may be a case for removing reference to the risk maturity of the organisation.</p> <p>The reference to 'risk maturity' will be removed.</p>
66	One respondent believed that it is unnecessary for the public sector interpretation to state that the risk-based plan is usually set for a period of one year or to stipulate what it should include.	<p>The inclusion of the information distinguishes it from the internal audit strategy and charter. However, it could also be suitable for guidance only.</p> <p>The wording has been amended as a result of a previous recommended action.</p>
67	One respondent suggested that the first sentence of the third paragraph in the public sector interpretation should be amended to "The risk-based plan should be set for a period of no more than one year".	Stating that plans are usually set for a period of a year is more flexible than the proposed change in wording.

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<p>68 One respondent requested that the strategy be made mandatory as it was in GIAS.</p> <p>Another respondent suggested that the 'may' should be amended to "should".</p> <p>Another respondent asked that the option be removed completely as it apparently highlights "on-going public sector bureaucracy".</p>	<p>The IASAB decided to make the strategy optional for greater consistency across the public sector. However, many public sector organisations do have an internal audit strategy.</p> <p>The requirement for organisations to produce an audit strategy will be removed.</p>
<p>69 One respondent suggested that the words after "internal audit opinion..." should be deleted as this is already covered in the IIA interpretation.</p>	<p>This is not covered in the original IIA interpretation.</p>
<p>70 One respondent suggested alternative wording for the public sector interpretation:</p> <p>"Risk based plans, whether multi-year or annual, should outline the assignments to be performed, their respective priorities and the estimated resources needed. The plans should differentiate between assurance and other work".</p>	<p>This proposal suggests that the risk-based annual plan can apply across more than one year. However, the aim of the interpretation is to suggest that risk-based plans are normally for a period of one year and the IASAB would not necessarily want the PSIAS to be seen to be recommending plans that span more than one year.</p>

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<p>71 One respondent suggested an additional NHS Wales requirement as follows:</p> <p>“NHS Wales requirement</p> <p>The Head of Internal Audit must develop and maintain an audit strategy designed to meet the main purpose of the internal audit activity. This risk based strategy must advocate a systematic and prioritised review over a multi-year period, outlining the resources and skills required to meet the assurance needs of the Accountable Officer and Board.</p> <p>The audit strategy must take into account the relative risk maturity of the organisation, taking due regard of the Board Assurance Framework.</p> <p>The Head of Internal Audit must also develop annual operational plans aligned with the audit strategy outlining the assignments to be performed and their proposed timing”.</p>	<p>The need for separate NHS Wales requirements or interpretations will be discussed under Q2.</p> <p>See response to R3 under question 2.</p>

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2030 Resource Management		
72	The need to review internal audit's resource requirements has already been covered within Standard 1110.	<p>The IIA interpretation to Standard 1110 gives example of functional reporting to the board. However, Standard 2030 and the public sector requirement set out that this must be included in the risk-based plan (or strategy).</p> <p>The public sector requirement further specifies the instance when the internal audit opinion (not mandated within the IIA Standards) will be adversely affected by the level of agreed resources.</p>
73	<p>One respondent asked what a CAE should do if resources are inadequate and no more are available.</p> <p>Another respondent pointed out that CAEs can be in constant conflict with the organisation, especially where the CAE does not have complete control over resources.</p>	This would be better suited for inclusion in guidance, and is covered in a previous recommended action.
74	One respondent believed that the second part of the public sector requirement duplicates what is included in the IIA Standard 2020 i.e. to communicate the impact of resource limitations.	It is not agreed that this is repetition.

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2050 Coordination		
75	One respondent asked for further detail on the coordination of work carried out with and on behalf of the external auditor.	<p>This is better suited for additional guidance and not for the PSIAS themselves.</p> <p>RIASS will review for future guidance.</p>
76	One respondent felt that the public sector requirement adds an unnecessary and unachievable burden on public sector auditors. The respondent suggested that it is impossible to plan for any assurance some external bodies may provide (such as OFSTED or CQC) so the planning would only state that external sources of assurance will be taken account of once received, rather defeating the object of trying to plan for them.	There are some sources of external assurance that may be difficult to plan for but there will also be other sources which would be identifiable in advance and for which CAEs will be able to plan.
77	One respondent requested that reference to be made in the public sector requirement regarding the sharing of commercially sensitive information for example, sharing audit plans may potentially give competitors detailed information of charging profiles etc.	This may be a sensitive issue for external providers of internal audit services. However, in the public sector, audit plans may already be shared publically.

Issue raised in response to question 6 or 7		Response by IASAB
2210 Engagement Objectives		
78	One respondent asked for more explicit reference to internal audit's role in improving value for money.	The RIASS already provide guidance on this topic.
79	Further detail on the types of criteria that may be included was requested.	This was not considered to be appropriate for inclusion in the PSIAS.
80	One respondent stated that the criteria for value for money should be mandatory and also that this should be a requirement in the annual internal audit opinion.	<p>The Standard states that it is the responsibility for management and/or the board to establish the criteria to be used, and that internal audit must use whichever criteria have been set, if adequate.</p> <p>Therefore, it would be inappropriate for the PSIAS to mandate that value for money must be a criterion for evaluating governance etc in each organisation across the public sector and though, as the interpretation states, it is likely to be the case that value for money is one of the criteria used.</p>

Issue raised in response to question 6 or 7		Response by IASAB
2450 Overall Opinions		
81	<p>The Standard states that internal audit must take into account the expectations of senior management, the board and other stakeholders. This may compromise internal audit's independence as it suggests that internal audit should give an overall opinion in line with what may be wholly unreasonable expectations.</p>	<p>The Standard does say this, however taking into account stakeholders' expectations does not necessarily mean allowing those expectations to cloud the internal auditor's judgement and issue an incorrect overall opinion.</p> <p>The public sector requirement has further interpreted this part of the Standard as requiring the overall opinion and annual report to be utilised by the organisation for its annual governance statement. This would be in line with taking stakeholders' expectations into account as it is about the overall content and format and not necessarily about the detailed conclusions within those documents.</p>
82	<p>One respondent suggested that there should be two separate reports:</p> <ol style="list-style-type: none"> 1. The Annual Report (including the overall opinion) 2. The results of the review of effectiveness of internal audit and compliance with professional standards. 	<p>The review of effectiveness of internal audit does not apply to all sectors. The PSIAS do not prevent organisations from restating their internal audit activity's conformance (not otherwise) elsewhere i.e. in the report of the review or in the annual governance statement etc. Likewise, local authorities may wish to include the results of the above review in their annual report.</p> <p>However, the most suitable place for the 'conform or explain' statement is within the annual report.</p>
83	<p>One respondent stated that the PSIAS should extrapolate further what the 'nature' of internal audit should be within the public sector, especially in light of the recent NAO report.</p>	<p>This would be a useful discussion on which the IASAB could lead in the future and it will be considered as part of the programme of further guidance. However, it is not suitable for inclusion in the PSIAS.</p>

Issue raised in response to question 6 or 7		Response by IASAB
84	The public sector requirement should clarify that the opinion is on governance, risk and the control environment.	The public sector requirement in the glossary does this.
85	One respondent suggested that the second part of the public sector requirement should be moved to 2060 Reporting to Senior Management and the Board.	This was not agreed by the IASAB.
86	<p>One respondent believed that the 'conform or explain' statement should not be included in the annual report as that would either extend the document significantly, detracting from the purpose of the report, or would lead to the inclusion of just a summary of the QAIP results that could be misleading if "reported out of context".</p> <p>The respondent suggested that the annual report should simply confirm that the QAIP results have been reported to the board in-year and this will also allow for full explanation of any issues arising from the assessments to be discussed.</p>	<p>The 'conform or explain' statement should still be included in the annual report. However, it may well be that organisations do choose to report on the results of assessments separately to the board and only summarise this in the annual report.</p> <p>This is considered to be a satisfactory method of reporting.</p>
87	<p>One respondent suggested an additional NHS Wales requirement:</p> <p>"NHS Wales requirement</p> <p>The Head of Internal Audit must provide to the Accountable Officer with an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, timed to support the Annual Governance Statement".</p>	<p>The need for additional NHS Wales requirements and interpretations will be discussed under Q2.</p> <p>See R3 of question 2.</p>

Issue raised in response to question 6 or 7		Response by IASAB
88	One respondent suggested amending the first bullet point in the public sector requirement as follows: “- the opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control”.	This wording is already set out in the public sector definition of overall opinion in the glossary and therefore the secretariat believes that this is duplication.

Issue raised in response to question 6 or 7		Response by IASAB
Glossary		
	Assurance Framework	
89	More than one respondent asked for further guidance on the assurance framework to be included in the PSIAS. For example, what it looks like and how it can be used to ensure an efficient and effective overall assurance to the board.	The term is widely-used but may have subtle differences between the sectors. Further detail on this would be better suited to guidance. RIASS to consider for future guidance.
90	One respondent would like the role of the Principal Accounting Officer versus the Accounting Officer to be explicitly stated.	This is a matter to be considered further by HMT.
	Audit Committee	
91	One respondent felt that the role of the audit committee should cover more than just financial reporting.	The definition of audit committee is sufficiently wide to encompass more than just financial reporting.
92	One respondent believed that the definition should take account of proposed changes to local public audit e.g. with regard to the appointment of external auditors.	The outcome of the current Future of Local Audit project is yet uncertain in respect to the effect this will have on the form and structure of current local government audit committees (as well as the NHS). It is therefore not possible at this time to include reference to any possible role for the audit committee in appointing external auditors.
93	One respondent felt that as this is a standard audit committee definition, it is not necessarily required.	The IASAB decided upon including an audit committee definition for the public sector and it made sense to use a generally accepted definition for this. Therefore the IASAB agreed to retain the definition as it is.

Issue raised in response to question 6 or 7		Response by IASAB
94	One respondent suggested using the wording within the HMT Audit Committee Handbook as follows: "The Audit Committee should support the Board and Accounting Officer by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances".	<p>This extract is taken from the role of the audit committee section in that document. It is primarily a central government publication and if the wording were to be used, it would require adaptation for the public sector.</p> <p>The secretariat believes that the current audit committee public sector definition is satisfactory.</p>
Governance Statement		
95	One respondent suggested changing the wording slightly to "The mechanism by which an organisation publicly reports annually how its governance arrangements have operated during the year" because this is more than just what those arrangements are.	The content of the governance statement is set out elsewhere and the public sector definition is the most concise wording to explain what the governance statement does.
96	<p>One respondent suggested the addition of a NHS Wales / central government definition:</p> <p>"NHS and Central Government definition: Annual Governance Statement</p> <p>In line with HM Treasury requirements, an Annual Governance Statement now replaces the statement on internal control in the annual accounts and annual report. The governance statement records the stewardship of the organisation to supplement the accounts, reflecting an assessment of the adequacy and effectiveness of the organisations governance, risk management and control procedures".</p>	<p>The discussion of whether sectoral additions will be included in the PSIAS will take place under question 2.</p> <p>IASAB: See R3 of question 2.</p>

Issue raised in response to question 6 or 7		Response by IASAB
97	One respondent suggested referring to 'corporate governance' instead of just 'governance' to make the distinction between corporate governance and other forms e.g. clinical governance.	The secretariat believes that the term 'governance' is understood by all sectors and it is clear in the context of the PSIAS what is meant (i.e. not 'clinical governance').
International Professional Practices Framework		
98	One respondent did not feel it is clear enough within the PSIAS themselves as to which elements are mandatory and which are endorsed and strongly recommended. It was therefore suggested that the words 'must' and 'should' should be emboldened throughout the document.	it is clear that the entirety of the PSIAS (i.e. the Code of Ethics, Definition of Internal Auditing and the Standards themselves) not only form the mandatory elements of the IPPF but that they have been adopted by the RIASS as mandatory. The distinction between public sector requirements and interpretations also appears to be obvious, especially with the use of the words 'must' and 'should'.
Overall Opinion		
99	One respondent wished for it to be mandated in the PSIAS that the overall opinion be included in the annual governance statement.	The PSIAS require the annual overall opinion to be delivered in a way that can be used by the organisation in its governance statement. As the production of the governance statement is the responsibility of the organisation, the PSIAS therefore cannot mandate that the organisation utilises the opinion in this way.
100	One respondent felt that the public sector definition would be better included in 2450.	The public sector definition for Overall Opinion should be moved to the public sector requirement at 2450.