

Frequently asked questions

Briefing from the Internal Audit Standards Advisory Board

August 2013

In reviewing the summary of issues raised as part of the consultation exercise for the UK Public Sector Internal Audit Standards, a small number of queries were raised more than once by respondents.

The following areas were therefore identified for the list of FAQs:

Which Standards applied until March 2013 in each sector?

Do the non-mandatory elements of the IIA's International Professional Practices Framework also apply in the public sector?

When does the first 'Conform or Explain' statement have to be published?

Quality Assurance & Improvement Programme (QAIP): Can the external assessment be carried out on a rolling programme?

What should the internal audit charter contain?

What should the risk-based plan contain?

What should the annual report contain?

Answers to frequently asked questions

Which Standards applied until March 2013 in each sector?

The Public Sector Internal Audit Standards (PSIAS) are now the mandatory internal audit standards in the UK local government, central government and for those health bodies who currently follow the NHS Internal Audit Standards.

The PSIAS replace the CIPFA Code of Practice for Internal Audit in Local Government in the UK, the Government Internal Audit Standards (GIAS) and the aforementioned NHS Internal Audit Standards.

The PSIAS come into force on 1 April 2013. After this point, the previous sectoral Standards will cease to apply.

For a full list of the bodies to which the PSIAS apply, refer to the Applicability section in the PSIAS.

Do the non-mandatory elements of the IIA's International Professional Practices Framework also apply in the public sector?

The non-mandatory elements of the IIA's IPPF apply to IIA members working in the UK public sector, as before. However, they do not currently apply to non-IIA members.

When does the first 'Conform or Explain' statement have to be published?

As the PSIAS are coming into force from 1 April 2013, the first 'conform or explain' statement must be included in the annual report for the financial year 2013/14. Practically, this will be in the summer/autumn of 2014.

It may be that CAEs will wish to look forward to that first statement in any reporting they will have to issue in the summer/autumn 2013 and include a snapshot of conformance at that time, together with an action plan to ensure conformance at the end of the 2013/14 financial year.

Quality Assurance & Improvement Programme (QAIP): Can the external assessment be carried out on a rolling programme?

The RIASS have agreed, on advice from the IASAB, that external assessments cannot be carried out on a rolling basis. This is to allow for the results of the external assessment to be as up-to-date as possible: if sections of the EA were carried out over a five year period, for example, then the QAIP report would be up to five years out of date in parts.

The IASAB is currently drafting further guidance on PSIAS 1300-1322 and this will be published for free on its website as soon as possible.

What should the internal audit charter contain?

The internal audit charter must:

- defines the internal audit activity's purpose, authority and responsibility as well as the responsibility of the chief audit executive
- establish the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board
- authorise access to records, personnel and physical properties relevant to the performance of engagements
- define the scope of internal audit activities
- define the terms 'board' and 'senior management' for the purposes of internal audit activity
- cover the arrangements for appropriate resourcing
- define the role of internal audit in any fraud-related work, and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

What should the risk-based plan contain?

The risk-based plan determines the priorities of the internal audit activity, consistent with the organisation's goals.

The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework and incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter as well as how it links to the organisational objectives and priorities.

The risk-based plan must also:

- explain how internal audit's resource requirements have been assessed, and
- include the approach to using other sources of assurance and any work required to place reliance upon those other sources.

What should the annual report contain?

The annual report must incorporate:

- the opinion
- a summary of the work that supports the opinion
- a statement on conformance with the Public Sector Internal Audit Standards
- the results of the quality assurance and improvement programme, and
- progress against any improvement plans.