

Self-Assessment against the requirements of the new Public Sector Internal Audit Standards

Ref	Requirement	Current position	Actions required
1000.A1	<p>The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurance services are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.</p> <p>The charter must include:</p> <p>Internal audit activity's purpose, authority and responsibility.</p> <p>Position of IA within the authority</p> <p>Authorisation of access to records, personnel and physical properties</p> <p>Definition of the scope of internal audit activities</p> <p>Definition of the terms 'board' and senior management for the purposes of IA activity</p> <p>Arrangements for appropriate resourcing</p> <p>Definition of the role of IA within any fraud related work; and</p> <p>Arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities</p>		
1000.C1	The nature of consulting services must be defined in the audit charter.		
1010	<u>Recognition of the Definition of Internal Auditing, the Code</u>		

	<p><u>of Ethics and the Standards in the Internal Audit Charter</u></p> <p>The chief internal auditor should discuss the mandatory nature of the definition of internal auditing, the Code of Ethics and the Standards with senior management and the board.</p>		
1100	<p><u>Independence and Objectivity</u></p> <p>The chief internal auditor has unrestricted access to senior management and the board.</p> <p>Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others. Threats to objectivity must be managed at the individual auditor, functional and operational levels.</p>		
1110	<p><u>Organisational Independence</u></p> <p>The chief internal auditor must confirm to the board, at least annually, the organisational independence of the internal audit activity.</p> <p>The chief internal auditor must have free and unfettered access to the chief executive and the chair of the audit committee</p> <p>The chief internal auditor should report functionally to the board, examples of functional reporting to the board involve the board:</p> <ul style="list-style-type: none"> Approving the internal audit charter Approving the risk based audit plan Approving the internal audit budget and resource plan Receiving communications from the chief internal auditor on the internal audit activity's performance relative to its plan 		

	<p>and other matters</p> <p>Approving decisions regarding the appointment and removal of the chief internal auditor</p> <p>Approving the remuneration of the chief internal auditor¹; and</p> <p>Making appropriate enquiries of management and the chief internal auditor to determine whether there are inappropriate scope or resource limitations</p>		
1110.A1	The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.		
1111	<p><u>Direct Interaction with the Board</u></p> <p>The Chief Internal Auditor must communicate and interact directly with the board.</p>		
1120	<p><u>Individual Objectivity</u></p> <p>Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.</p>		
1130	<p><u>Impairment to Independence or Objectivity</u></p> <p>If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed</p>		

¹ Governance requirements in the UK Public Sector would not generally involve the board approving the chief internal auditor's remuneration specifically. The underlying principle is that the independence of the CIA is safeguarded by ensuring his or her remuneration is not inappropriately influenced by those subject to audit. In the UK public sector, this can be achieved by ensuring that the chief executive (or equivalent) countersigns, contributes feedback to or reviews the performance appraisal of the CIA and that feedback is also sought from the chair of the audit committee.

	to appropriate parties.		
1130.A1	Internal Auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.		
1130.A2	Assurance engagements for functions over which the chief internal auditor has responsibility must be overseen by a party outside the internal audit activity.		
1130.C1	Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.		
1130.C2	<p>If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.</p> <p>Public sector requirement – Approval must be sought from the board for any significant additional consulting activities not already included in the audit plan, prior to accepting the engagement.</p>		
1200	Engagements must be performed with proficiency and due professional care.		
1210	Public Sector Requirement – the Chief Internal Auditor must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.		
1210.A1	The chief internal auditor must obtain competent advice and assistance if the internal auditors lack the knowledge, skills		

	or other competencies needed to perform all or part of the engagement.		
1210.A2	Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.		
1210.A3	Internal Auditors must have sufficient knowledge of key information technology risks and controls and available technology based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.		
1210.C1	The chief internal auditor must decline the consulting engagement or obtain competent advice and assistance of the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of the engagement.		
1220	<u>Due Professional Care</u> – Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.		
1220.A1	Internal auditors must exercise due professional care by considering the; <ul style="list-style-type: none"> • Extent of work needed to achieve the engagement's objectives • Relative complexity, materiality or significance of matters to which assurance procedures are applied 		

	<ul style="list-style-type: none"> • Adequacy and effectiveness of governance, risk management and control processes • Probability of significant errors, fraud or non-compliance; and • Cost of assurance in relation to potential benefits 		
1220.A2	In exercising due professional care auditors must consider the use of technology-based audit and other data analysis techniques.		
1220.A3	Internal auditors must be alert to the significant risks that might affect objectives, operations or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.		
1220.C1	<p>Internal auditors must exercise due professional care during a consultancy engagement by considering the;</p> <ul style="list-style-type: none"> • Needs and expectations of clients, including the nature, timing and communication of engagement results • Relative complexity and extent of work need to achieve the engagement's objectives; and • Cost of the consulting engagement in relation to potential benefits 		
1230	Continuing Professional Development – Internal auditors must enhance their knowledge, skills and other competencies through CPD.		
1300	<p><u>Quality Assurance and Improvement Programme</u></p> <p>The chief internal auditor must develop and maintain a quality assurance and improvement programme that covers</p>		

	<p>all aspects of the internal audit activity.</p> <p>The QA programme should enable an evaluation to be made of the internal audit activity's conformance with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> and an evaluation of whether internal auditors apply the <i>Code of Ethics</i>.</p> <p>The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.</p>		
1310	<p><u>Requirements of the Quality Assurance and Improvement Programme</u></p> <p>The quality assurance and improvement programme must include both internal and external assessments.</p>		
1311	<p>Internal assessments must include:</p> <p>On-going monitoring of the performance of the internal audit activity; and</p> <p>Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.</p>		
1312	<p>External assessments</p> <p>External assessments must be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief internal auditor must discuss with the board:</p> <ul style="list-style-type: none"> • The form of external assessments; and • The qualifications and independence of the external assessor or assessment team, including any 		

	<p>potential conflict of interest</p> <p>External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.</p> <p>The chief internal auditor must agree the scope of external assessments with an appropriate sponsor, eg the Accounting / Accountable officer or the chair of the audit committee as well as with the external assessor or assessment team.</p>		
1320	<p><u>Reporting on the Quality Assurance and Improvement Programme</u></p> <p>The chief internal auditor must communicate the results of the quality assurance and improvement programme to senior management and the board.</p> <p>Public sector requirement – the results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.</p>		
1321	<p><u>Use of ‘Conforms with the International Standards for the Professional Practice of Internal Auditing’.</u></p> <p>The chief internal auditor may state that the internal audit activity confirms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement programme support this statement.</p> <p>Interpretation: The internal audit activity conforms with the Standards when it achieves the outcomes described in the definition of Internal Auditing, Code of Ethics and Standards.</p>		
1322	<p><u>Disclosure of Non-conformance</u></p> <p>When non-conformance with the definition of Internal</p>		

	<p>Auditing, the Code of Ethics or the Standards impacts on the overall scope or operation of the internal audit activity, the chief internal auditor must disclose the non-conformance and the impact to senior management and the board.</p> <p>Public sector requirement – Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.</p>		
2000	<p><u>Managing the Internal Audit Activity</u></p> <p>The chief internal auditor must establish an annual risk based audit plan. The plan should take account of the risk management framework, including risk appetite levels set by management for the different activities or parts of the organisation. If the risk management framework is not well established, then the head of internal audit must use their own judgement of risks after consideration of input from senior management and the board. The chief internal auditor must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations, programs, systems and controls.</p>		
2010.A	<p>The internal audit activity's plan of engagements must be based on a documented risk assessment undertaken at least annually. The input of senior management and the board must be considered in this process.</p>		
2010.A2	<p>The chief internal auditor must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other considerations.</p>		

2010.C1	The chief internal auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.		
2020	<p><u>Communication and Approval</u></p> <p>The chief internal auditor must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief internal auditor must also communicate the impact of resource limitations.</p>		
2030	<p><u>Resource Management</u></p> <p>The chief internal auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved audit plan.</p> <p>Public Sector requirement – the risk based plan must explain how internal audit's resource requirements have been assessed.</p> <p>Where the chief internal auditor believes that the level of agreed resources will impact adversely on the provision of the annual audit opinion, the consequences must be brought to the attention of the board.</p>		
2040	<p><u>Policies and Procedures</u></p> <p>The chief internal auditor must establish policies and procedures to guide the internal audit activities.</p>		
2050	<u>Co-ordination</u>		

	<p>The chief internal auditor should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.</p> <p><u>Public sector requirement</u></p> <p>The chief internal auditor must include in the risk based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.</p>		
2060	<p><u>Reporting to senior management and the Board</u></p> <p>The chief internal auditor must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.</p>		
2070	<p><u>External Service Provider and Organisational Responsibility for Internal Auditing</u></p> <p>When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.</p> <p>This will be demonstrated through the quality assurance and improvement programme which assures conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.</p>		
2100	<p><u>Nature of Work</u></p> <p>The internal audit activity must evaluate and contribute to</p>		

	the improvement of governance, risk management and control processes using a systematic and disciplined approach.		
2110	<p>Governance</p> <p>The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</p> <ul style="list-style-type: none"> • Promoting appropriate ethics and values within the organisation; • Ensuring effective organisational performance management and accountability; • Communicating risk and control information to appropriate areas of the organisation; and • Coordinating the activities of and communicating management information among the board, external and internal auditors and management 		
2110.A1	The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.		
2110.A2	The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.		
2120	<p><u>Risk Management</u></p> <p>The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</p>		
2120.A1	The internal audit activity must evaluate risk exposures		

	<p>relating to the organisation's governance, operations and information systems regarding the;</p> <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives • Reliability and integrity of financial and operational information • Effectiveness and efficiency of operations and programmes • Safeguarding of assets; and • Compliance with laws, regulations, policies, procedures and contracts 		
2120.A2	The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.		
2120.C1	During consultation engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.		
2120.C2	Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.		
2120.C3	When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming and management responsibility by actually managing risk.		
2130	<p>Control</p> <p>The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous</p>		

	improvement.		
2130.A1	<p>The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives • Reliability and integrity of financial and operational information • Effectiveness and efficiency of operations and programmes • Safeguarding of assets • Compliance with laws, regulations, policies, procedures and contracts. 		
2130.C1	Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.		
2200	<p><u>Engagement Planning</u></p> <p>Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.</p>		
2201	<p><u>Planning Considerations</u></p> <p>In planning the engagement, internal auditors must consider:</p> <ul style="list-style-type: none"> • The objectives of the activity being reviewed and the means by which the activity controls its performance • The significant risks to the activity, its objectives, resources and operations and the means y which the 		

	<p>potential impact of risk is kept to an acceptable level</p> <ul style="list-style-type: none"> • The opportunities for making significant improvements to the activity's governance, risk management and control processes. 		
2201.A1	When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.		
2201.C1	Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities and other client expectations. For significant engagements, this understanding must be documented.		
2210	<p><u>Engagement Objectives</u></p> <p>Objectives must be established for each engagement</p>		
2210.A1	Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of the assessment.		
2210.A2	Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.		
2210.A3	Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether		

	objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and / or the board to develop appropriate evaluation criteria.		
2210.C1	Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.		
2210.C2	Consulting engagement objectives must be consistent with the organisation's values, strategies and objectives.		
2220	<u>Engagement Scope</u> The established scope must be sufficient to satisfy the objectives of the engagement.		
2220.A1	The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under control of third parties.		
2220.A2	Is significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.		
2220.C1	In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the		

	client to determine whether to continue with the engagement.		
2220.C2	During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.		
2230	<p><u>Engagement Resource Allocation</u></p> <p>Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.</p>		
2240	<p><u>Engagement work programme</u></p> <p>Internal auditors must develop and document work programmes that achieve the engagement objectives.</p>		
2240.A1	Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.		
2240.C1	Work programmes for consulting engagements may vary in form and content depending upon the nature of the engagement.		
2300	<p><u>Performing the Engagement</u></p> <p>Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.</p>		

2310	<u>Identifying Information</u> Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.		
2320	<u>Analysis and evaluation</u> Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.		
2330	<u>Documenting Information</u> Internal auditors must document relevant information to support the conclusions and engagement results		
2330.A1	The chief internal auditor must control access to engagement records. The chief internal auditor must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties as appropriate.		
2330.A2	The chief internal auditor must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.		
2330.C1	The chief internal auditor must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or		

	other requirements.		
2340	<p><u>Engagement supervision</u></p> <p>Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.</p>		
2400	<p><u>Communicating results</u></p> <p>Internal auditors must communicate the results of engagements.</p>		
2410	<p><u>Criteria for communicating</u></p> <p>Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.</p>		
2410.A1	Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.		
2410.A2	Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.		
2410.A3	When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.		
2410.C1	Communication of the progress and results of consulting engagements will vary in form and content depending on		

	the nature of the engagement and the needs of the client.		
2420	<p><u>Quality of Communications</u></p> <p>Communications must be accurate, objective, clear, concise, constructive, complete and timely</p>		
2421	<p><u>Errors and Omissions</u></p> <p>If a final communication contains a significant error or omission, the chief internal auditor must communicate corrected information to all parties who received the original communication.</p>		
2430	<p>Use of 'conducted in accordance with the International Standards for the Professional Practice of Internal Auditing'.</p> <p>Internal auditors may report that their engagements are '<i>Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing</i>', only if the results of the quality assurance and improvement programme support the statement.</p>		
2431	<p>Engagement disclosure of non-conformance</p> <p>When non-conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards impacts a specific engagement, communication of the results must disclose the;</p> <ul style="list-style-type: none"> • Principle or rule of conduct of the Code of Ethics or Standard with which full conformance was not achieved • Reason for non-conformance • Impact of non-conformance on the engagement and the communicated engagement results. 		

2440	<p><u>Disseminating results</u></p> <p>The chief internal auditor must communicate results to the appropriate parties.</p> <p>Interpretation: the chief internal auditor is responsible for reviewing and approving the final engagement communication and deciding to whom and how it will be disseminated. When the chief internal auditor delegates these duties, he or she retains overall responsibility.</p>		
2440.A1	The chief internal auditor is responsible for disseminating the final results to parties who can ensure the results are given due consideration.		
2440.A2	<p>If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation, the chief internal auditor must;</p> <ul style="list-style-type: none"> • Assess the potential risk to the organisation • Consult with senior management and / or legal counsel as appropriate • Control dissemination by restricting the use of the results 		
2440.C1	The chief internal auditor is responsible for communicating the results of consulting engagements to clients.		
2440.C2	<p>During consultation engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.</p>		

2450	<p>Overall opinions</p> <p>Where an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</p> <p>Interpretation:</p> <p>The communication will identify:</p> <ul style="list-style-type: none"> • The scope including the time period to which the opinion pertains • Scope limitations • Consideration of all related projects, including the reliance on other assurance providers • The risk or control framework or other criteria used as a basis for the overall opinion; and • The overall opinion, judgement or conclusion reached. <p>The reasons for an unfavourable opinion must be stated</p> <p><u>Public sector requirement</u></p> <p>The chief internal auditor must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</p> <p>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p> <p>The annual report must incorporate:</p> <ul style="list-style-type: none"> • The opinion • A summary of the work that supports the opinion • A statement on conformance with the Public Sector 		
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	Internal Audit Standards and the results of the quality assurance and improvement programme.		
2500	<p><u>Monitoring Progress</u></p> <p>The chief internal auditor must establish and maintain a system to monitor the disposition of results communicated to management</p>		
2500.A1	The chief internal auditor must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.		
2500.C1	The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed with the client.		
2600	<p>Communicating the acceptance of risks</p> <p>When the chief internal auditor concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief internal auditor must discuss the matter with senior management. If the chief internal auditor determines that the matter has not been resolved, the chief internal auditor must communicate the matter to the board.</p> <p><u>Interpretation</u></p> <p>The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief internal auditor to resolve the risk.</p>		