



Public Sector Internal Audit Standards (PSIAS)

From 1 April 2013, internal audit services in **local government**, **central government** and **health** sectors are required to be delivered in accordance with the new Public Sector Internal Audit Standards (PSIAS).

The PSIAS comprise the existing Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) together with additional public sector requirements, interpretations and definitions. The PSIAS replaced the following standards:

Local Government - CIPFA Code of Practice for Internal Audit in Local Government
Central Government - HM Treasury Government Internal Audit Standards (GIAS)
Health – Department of Health NHS Internal Audit Standards

The Audit Committee requested an initial review against compliance with the new PSIAS that were effective 1 April 2013.

The following paper has been prepared that maps current arrangements against the PSIAS requirements and is an initial indication of anticipated compliance against these requirements. This does not constitute a formal assessment of compliance.

This assessment is not intended to be a comprehensive internal assessment or form the basis of any internal quality review but an initial review to assess anticipated overall compliance with the new PSIAS that were effective 1 April 2013.

Ref	Standard	Compliance	Evidence	Additional Comments
Code of Ethics	Public sector requirement Internal audits in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.		Covered by PwC Code of Conduct and other policies	
Code of Ethics	Public sector requirement Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk		Implicit in Code of Conduct.	Reference included in PwC planning activities
1000 Purpose, Authority and Responsibility	The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Audit, the Code of Ethics and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.		IA Charter	
	Public sector requirement The internal audit charter must also: 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 a in any fraud-related work; and Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.		IA Charter	
1000.A1	The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.		IA Charter	
1000.C1	The nature of consulting services must be defined in the internal audit charter.		IA Charter	
1010 Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	The mandatory nature of the Definition of Internal Audit, the Code of Ethics and the Standards must be recognised in the internal audit charter.		IA Charter	
1100 Independence and Objectivity	The internal audit activity must be independent and internal auditors must be objective in performing their work.		Independence is confirmed for all staff who are assigned to work on the engagement	
1110 Organisational Independence	The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity. Public sector requirement The chief audit executive must report functionally to the board. The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.		Annual Report Update Reports (if applicable)	
1110.A1	The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.		Annual Plan Reviews - Terms of Reference	
1111 Direct Interaction with the Board	The chief audit executive must communicate and interact directly with the board.		Annual Plan Annual Report	
1120 Individual Objectivity	Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.		Implicit in all Assignment Reports and Overall Annual Plan and Report	Independence confirmed from individuals on engagement
1130 Impairment to Independence or Objectivity	If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.		Annual Plan	Risk Assessment
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.		N/A - PwC external firm and are independent function	Previous employment is considered in annual planning activities
1130.A2	Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.		N/A - PwC external firm and are independent function	
1130.C2	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. Public sector requirement: Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.		N/A - Any independence issues would be reported, resolved and approved prior to accepting engagement.	Any Value Enhancement work is included in Annual Plan
1200 Proficiency and Due Professional Care	Engagement must be performed with proficiency and due professional care.		Confirmed. Engagement Terms of Reference and Reports.	
1210 Proficiency	Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities Public sector requirement: The chief audit executive must hold a professional qualification (CMAA, CCAB or equivalent) and be suitably experienced.		Confirmed implicit in Engagement Terms of Reference and Reports. Confirmed.	Assessed at planning and each review
1210.A1	The chief audit executive 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.		Confirmed implicit in Engagement Terms of Reference and Reports.	
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.		Confirmed implicit in Engagement Terms of Reference and Reports.	

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.		Confirmed implicit in Engagement Terms of Reference and Reports.	Use of IT specialists where appropriate.
1210.C1	The chief audit executive must decline the consulting engagement or 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.		Confirmed implicit in Engagement Terms of Reference and Reports.	
1220 Due Professional Care	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.		Confirmed implicit in Engagement Terms of Reference and Reports.	
1220.A1	Internal auditors must exercise due professional care by considering the: Extent of work needed to achieve the engagement's objectives; Relative complexity, materiality or significance of matters to which assurance procedures are applied; 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.		Confirmed implicit in Engagement Terms of Reference and Reports.	
1220.A2	In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.		Confirmed implicit in Engagement Terms of Reference and Reports.	Use of IT specialists where appropriate.
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.		Implicit in Engagement Terms of Reference, Internal Methodology and Reporting	
1220.C1	Internal auditors must exercise due professional care during a consulting engagement by considering the: Needs and expectations of clients, including the nature, timing and communication of engagement results; Relative complexity and extent of work needed to achieve the engagement's objectives; and Cost of the consulting engagement in relation to potential benefits.		Implicit in Engagement Terms of Reference, Internal Methodology and Reporting	
1230 Continuing Professional Development	Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.		Internal CPD Training Programme	
1300 Quality Assurance and Improvement Programme	The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.		Implicit in Internal Methodology	
1310 Requirements of the Quality Assurance and Improvement Programme	The quality assurance and improvement programme must include both internal and external assessments.		Internal Quality Assurance Arrangements External Audit review of key reports and working papers. No external assessments currently planned.	The organisation should start to plan when in the cycle of 5 years an external assessment is desired.
1311 Internal Assessments	Internal assessments must include: Ongoing monitoring of the performance of the internal audit activity; and Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.		Internal Quality Assurance Arrangements External Audit review of key reports and working papers.	
1312 External Assessments	External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board: The form of external assessments; The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. Public sector requirement: The chief audit executive must agree the scope of external assessments with an appropriate sponsor, e.g. the Accounting/Accountable Officer or chair of the audit committee as well as with the external assessor or assessment team.		No external assessments currently planned.	The organisation should start to plan when in the cycle of 5 years an external assessment is desired.
1320 Reporting on the Quality Assurance and Improvement Programme	The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board.		Annual Report	
1322 Disclosure of Non-conformance	When non-conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards impacts the overall scope of operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board. 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.		Annual Report (if required) Periodic Update (if required)	
2000 Managing the Internal Audit Activity	The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.		Annual Plan Engagement Reports Annual Report	

2010 Planning	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. Public sector requirement The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must 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 and how it links to the organisational objectives and priorities.		Annual Plan	
2010.A1	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.		Annual Plan	
2010.A2	The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.		Annual Plan	
2020 Communication and Approval	The chief audit executive 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 audit executive must also communicate the impact of resource limitations.		Annual Plan	
2030 Resource management	The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Public sector requirement The risk-based plan must explain how internal audit's resource requirements have been assessed. Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.		Annual Plan	
2040 Policies and Procedures	The chief audit executive must establish policies and procedures to guide the internal audit activity.		Internal Audit Methodology	
2050 Coordination	Public sector requirement The chief audit executive 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.		Annual Plan	
2060 Reporting to Senior Management and the Board	The chief audit executive 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.		Annual Plan Update Reports Annual Report	
2070 External Service Provider and Organisational Responsibility for Internal Auditing	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.		Annual Plan	
2100 Nature of Work	The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.		Annual Plan	
2110 Governance	The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives: 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 information among the board, external and internal auditors and management.		Annual Plan	
2110.A1	The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.		Annual Plan	
2110.A2	The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.		Annual Plan	
2120 Risk Management	The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes. The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.		Annual Plan and Risk Assessment	
2120.A1	The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the: 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.		Annual Plan and Risk Assessment	
2120.A2	The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.		Annual Plan and Risk Assessment	
2120.C1	During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.		Annual Plan and Risk Assessment	
2120.C2	Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.		Annual Plan and Risk Assessment	
2120.C3	When assisting management in establishing or improving risk management processes, internal auditor must refrain from assuming any management responsibility by actually managing risks.		Annual Plan and Risk Assessment	
2130 Control	The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.		Annual Plan and Value Protection Reviews	

2130.A1	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: 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.		Annual Plan and Value Protection Reviews	
2130.C1	Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.		Annual Plan and Value Protection Reviews	
2200 Engagement planning	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2201 Planning Considerations	In planning the engagement, internal auditors must consider: 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 by which the potential impact of risk is kept to an acceptable level; The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model; and The opportunities for making significant improvements to the activity's governance, risk management and control processes.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
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.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
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.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2210 Engagement objectives	Objectives must be established for each engagement.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
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 this assessment.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2210.A2	Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
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.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2210.C1	Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2210.C2	Consulting engagement objectives must be consistent with the organisation's values, strategies and objectives.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2220 Engagement Scope	The established scope must be sufficient to satisfy the objectives of the engagement.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2220.A1	The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under the control of third parties.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
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.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2230 Engagement Resource Allocation	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.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2240 Engagement Work Programme	Internal auditors must develop and document work programmes that achieve the engagement objectives.		Internal Audit Methodology	
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.		Internal Audit Methodology	

2300 Performing the Engagement	Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.		Internal Audit Methodology	
2310 Identifying Information	Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.		Internal Audit Methodology	
2320 Analysis and Evaluation	Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.		Internal Audit Methodology	
2330 Documenting Information	Internal auditors must document relevant information to support the conclusions and engagement results.		Internal Audit Methodology	
2330.A1	The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties as appropriate.		Internal Audit Methodology PwC Risk Management policies	
2330.A2	The chief audit executive 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.		Internal Audit Methodology PwC client document retention policies	
2330.C1	The chief audit executive 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.		Internal Audit Methodology PwC client document retention policies	
2340 Engagement Supervision	Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff is developed.		Internal Audit Methodology	
2400 Communicating Results	Internal auditors must communicate the results of engagements.		Engagement Reports - Management and Audit Committee where appropriate	
2410 Criteria for Communicating	Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.		Engagement Reports - Management and Audit Committee where appropriate	
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.		Engagement Reports - Management and Audit Committee where appropriate	
2410.A3	When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.		Engagement Reports - Management and Audit Committee where appropriate	
2420 Quality of Communications	Communications must be accurate, objective, clear, concise, constructive, complete and timely.		Annual Plan Update Reports Engagement Reports Annual Report	
2421 Errors and Omissions	If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.		Annual Plan (if required) Update Reports (if required) Engagement Reports (if required) Annual Report (if required)	
2431 Engagement Disclosure of Non-conformance	When non-conformance with the Definition of Internal Audit, the Code of Ethics, or the Standards impacts a specific engagement, communication of the results must disclose the: Principle or rule of conduct in the Code of Ethics or Standard(s) with which full conformance was not achieved; Reason(s) for non-conformance; and Impact of non-conformance on the engagement and the communicated engagement results.		N/A Engagement Reports (if required) Annual Report (if required)	
2440 Disseminating Results	The chief audit executive must communicate results to the appropriate parties.		Engagement Reports Annual Report	
2440.A2	If not otherwise mandated by legal, statutory or regulatory requirements, prior to releasing results to parties outside the organisation the chief audit executive must: Assess the potential risk to the organisation; Consult with senior management and/or legal counsel as appropriate; and Control dissemination by restricting the use of the results.		Individual Engagement Reports Risk Management policies	
2440.C2	During consulting 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.		Individual Engagement Reports (if required)	

2450 Overall Opinions	<p>When 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. Public sector requirement The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. 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> <p>The opinion; A summary of the work that supports the opinion; and A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.</p>		Annual Report	
2500 Monitoring Progress	The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.		Implicit in Methodology	
2500.A1	The chief audit executive 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.		Annual Plan includes Follow Up Individual Engagement Reports	
2500.C1	The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.		Individual Engagement Reports	
2600 Communicating the Acceptance of Risks	When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.		Annual Plan (if required) Annual Report (if required)	