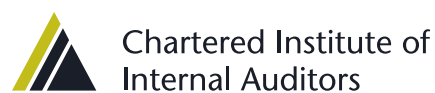


Issued by the Relevant Internal Audit Standard Setters:



In collaboration with:



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| Section 4 | Def nition of I nternal Auditing |
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| | Attribute Standards |

Proficiency and due professional care

18

Performance Standards

Glossary

SECTION 1

This document is therefore addressed to accounting officers, accountable officers, board and audit such as chief financial officers and chief executives.

Framework overview

- Definition of Internal Auditing
- *Code of Ethics*
-

The overarching principle borne in mind when all potential public sector interpretations and/or specific

-
-
- governance (taking into account, for example, any funding mechanisms, specific legislation etc).

-
-
-
-

Purpose of the PSIAS

- define the nature of internal auditing within the UK public sector
-
-
-

Scope

All internal audit assurance and consulting services fall within the scope of the Definition of Internal

Consulting services are advisory in nature and are generally performed at the specific request of the

Code of Ethics

Public Life.

Seven Principles of

Standards apply to specific types of engagements and are classified accordingly:

-
-

Standards employ terms that have been given specific meanings that are included in the Glossary.

Key governance elements

officer, chief financial officer, chief executive, the audit committee and other key officers or relevant and groups are defined for each internal audit service within its charter.

SECTION 2

| CIPFA | | | UK England and Wales only The Office of the Police constabularies, fire authorities, fire and Scotland only |
|----------------------|-----|---------|---|
| HM Treasury | UK* | | |
| Department of Health | | England | |

| Scottish Government | Scotland Office and Procurator | Scotland | |
|---|--|-----------------|--|
| Welsh Government | Wales | Wales | |
| Northern Ireland Executive: Department of Finance (NI) | | | |

Definition of Internal Auditing

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- -
 - Is objective and free from undue influence (independent).
 -
 -
 -
 -
 -
 -
 -

SECTION 6

Public sector requirement

Code of Ethics

Code of Ethics

Code of Ethics extends beyond the definition of internal auditing to include two

Components

Code of Ethics
to Institute members and those who provide internal auditing services within the definition of

Applicability and Enforcement

Code of Ethics
Code of Ethics

Public sector interpretation

Code of Ethics

1 Integrity

Principle

Rules of Conduct

2 Objectivity

Principle

influenced by their own interests or by others in forming judgements.

Rules of Conduct

conflict with the interests of the organisation.

3 Confidentiality

Principle

Rules of Conduct

4 Competency

Principle

Rules of Conduct

4.3 Shall continually improve their proficiency and effectiveness and quality of their services.

Public sector requirement

Seven Principles of Public Life

1000 Purpose, Authority, and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an *Mission of Internal Audit*

Internal Auditing *Code of Ethics,* *Standards* *Core Principles for the Professional Practice of*
Definition of Internal Auditing

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority

of engagements; and defines the scope of internal audit activities. Final approval of the internal audit

Public sector requirement

- define the terms 'board' and 'senior management' for the purposes of internal audit activity
-
- define the role of internal audit in any fraud-related work, and
-

1000.A1

The nature of assurance services provided to the organisation must be defined in the internal audit

assurances must also be defined in the internal audit charter.

1000.C1

The nature of consulting services must be defined in the internal audit charter.

1010 Recognising Mandatory Guidance in the Internal Audit Charter

| | | | |
|-----------|-----------|---|------|
| of Ethics | Standards | Core Principles for the Professional Practice of Internal Auditing Definition of Internal Auditing | Code |
|-----------|-----------|---|------|

1100 Independence and Objectivity

Interpretation:

1110 Organisational Independence

activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually,

Interpretation:

-
-
-
-
-
-
-

| |
|---------------------------|
| Public sector requirement |
|---------------------------|

Public sector interpretation

the CAE's remuneration specifically. The underlying principle is that the independence of the inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by

1110.A1

1111 Direct Interaction with the Board

1112 Chief Audit Executive Roles Beyond Internal Auditing

Interpretation:

Public sector interpretation

Code of Ethics

1120 Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity and the profession. A conflict of interest could impair an individual's ability to

1130 Impairment to Independence or Objectivity

Interpretation:

personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties

1130.A1

Internal auditors must refrain from assessing specific operations for which they were previously

1130.A2

1130.A3

1130.C1

1130.C2

Public sector requirement

Approval must be sought from the board for any significant additional consulting services not already

1200 Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 Proficiency*Interpretation:*

Proficiency is a collective term that refers to the knowledge, skills, and other competencies required of

Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations

Public sector requirement

The chief audit executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be

1210.A1**1210.A2**

Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it

1210.A3

Internal auditors must have sufficient knowledge of key information technology risks and controls and

1210.C1

1220 Due Professional Care

1220.A1

■

■ Relative complexity, materiality or significance of matters to which assurance procedures are applied

■

■ Probability of significant errors, fraud, or non-compliance, and

■ Cost of assurance in relation to potential benefits.

1220.A2

1220.A3

Internal auditors must be alert to the significant risks that might affect objectives, operations or not guarantee that all significant risks will be identified.

1220.C1

1311 Internal Assessments

-
- Periodic self-assessments or assessments by other persons within the organisation with sufficient

Interpretation:

Code of Ethics Standards.

Code of Ethics Standards.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the

1312 External Assessments

External assessments must be conducted at least once every five years by a qualified, independent

-
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

Ethics Standards

Code of

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice

team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived conflict to reduce perceived or potential conflicts of interest.

Public sector requirement

eg the accounting/accountable officer or chair of the audit committee as well as with the external

1320 Reporting on the Quality Assurance and Improvement Programme

-
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
-
-

Interpretation:

Code of Ethics Standards

Public sector requirement

1321 Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”

Practice of Internal Auditing International Standards for the Professional

Interpretation:

Code of Ethics Standards

internal assessments. Internal audit activities in existence for at least five years will also have the results

1322 Disclosure of Non-conformance

Code of Ethics Standards

Public sector requirement

Performance Standards

2000 Managing the Internal Audit Activity

Interpretation:

-
- Standards.
- Code of Ethics Standards.
-

2010 Planning

Interpretation:

Public sector requirement

2010.A1

2010.A2

2010.C1

2020 Communication and Approval

including significant interim changes, to senior management and the board for review and approval. The

2030 Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and

Interpretation:

Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively

Public sector requirement

2040 Policies and Procedures

Interpretation:

2050 Coordination and Reliance

Interpretation:

2060 Reporting to Senior Management and the Board

Code of Ethics *Standards.* Reporting must also include significant risk and

Interpretation:

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-
- Code of Ethics Standards, and action plans to address any significant
-

Standards

2070 External Service Provider and Organisational Responsibility for Internal Auditing

Interpretation:

Code of Ethics Standards.

2100 Nature of Work

2110 Governance

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-
-
-
-
-

2110.A1

2110.A2

2120 Risk Management

Interpretation:

-
- significant risks are identified and assessed
-
-

2120.A1

-
- reliability and integrity of financial and operational information
- effectiveness and efficiency of operations and programmes
-
-

2120.A2

2120.C1

objectives and be alert to the existence of other significant risks.

2120.C2

2120.C3

2130 Control

effectiveness and efficiency and by promoting continuous improvement.

2130.A1

■

- reliability and integrity of financial and operational information
- effectiveness and efficiency of operations and programmes

■

■

2130.C1

2200 Engagement Planning

2201 Planning Considerations

■

- The significant risks to the activity's objectives, resources and operations and the means by which the

■

- The opportunities for making significant improvements to the activity's governance, risk management

2201.A1

2201.C1

scope, respective responsibilities and other client expectations. For significant engagements, this

2210 Engagement Objectives

2210.A1

review. Engagement objectives must reflect the results of this assessment.

2210.A2

Internal auditors must consider the probability of significant errors, fraud, non-compliance and other

2210.A3

Interpretation:

-
-
-

Public sector interpretation

2210.C1

2210.C2

2220 Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

2220.A1

2220.A2

If significant consulting opportunities arise during an assurance engagement, a specific written

2220.C1

is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the

2220.C2

objectives and be alert to significant control issues.

2230 Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives

Interpretation:

engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with

2240 Engagement Work Programme

2240.A1

2240.C1

2300 Performing the Engagement

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the

2310 Identifying Information

Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the

Interpretation:

Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach

2320 Analysis and Evaluation

2330 Documenting Information

Internal auditors must document sufficient, reliable, relevant and useful information to support the

2330.A1

2330.A2

2330.C1

2340 Engagement Supervision

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and

2400 Communicating Results

2410 Criteria for Communicating

2410.A1

stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

2410.A2

2410.A3

2410.C1

2420 Quality of Communications

Interpretation:

understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous

is essential to the target audience and include all significant and relevant information and observations depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must

2430 Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”

Professional Practice of Internal Auditing *International Standards for the*

2431 Engagement Disclosure of Non-conformance

Code of Ethics *Standards* impacts a specific engagement,

| | | |
|---|-----------------------|--------------------|
| ■ | <i>Code of Ethics</i> | <i>Standard(s)</i> |
| ■ | | |
| ■ | | |

2440 Disseminating Results

Interpretation:

The chief audit executive is responsible for reviewing and approving the final engagement communication

2440.A1

The chief audit executive is responsible for communicating the final results to parties who can ensure that

2440.A2

-
-
-

2440.C1

The chief audit executive is responsible for communicating the final results of consulting engagements

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

2450 Overall Opinions

opinion must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

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-
-
-
-
-

Public sector requirement

2500 Monitoring Progress

2500.A1

2500.C1

2600 Communicating the Acceptance of Risks

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting

Add Value

objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk

Adequate Control

and objectives will be achieved efficiently and economically.

Public sector definition: Assurance Framework

Assurance Services

governance, risk management and control processes for the organisation. Examples may include financial,

Public sector definition: Audit Committee

framework, the internal control environment and the integrity of financial reporting.

Board

Standards

Standards

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the chief audit executive may vary across organisations.

Code of Ethics

Code of Ethics

Code of Ethics

Code of Ethics

Compliance

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest

Consulting Services

Control

the performance of sufficient actions to provide reasonable assurance that objectives and goals will

Control Environment

-
-
-
-
-
-

Control Processes

Core Principles for the Professional Practice of Internal Auditing

Engagement

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-activities designed to accomplish a specific set of related objectives.

Engagement Objectives

Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Opinion

Engagement Work Programme

External Service Provider

A person or firm outside of the organisation that has special knowledge, skill and experience in a

Fraud

Governance

Public sector definition: Governance Statement

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of

Independence

Information Technology Controls

Information Technology Governance

Internal Audit Activity

International Professional Practices Framework

Public sector interpretation

Public sector interpretation: International Standards for the Professional Practice of Internal Auditing

Must

Standards

Objectivity

Overall Opinion

number of individual engagements and other activities for a specific time interval.

Risk

Risk Appetite

Risk Management

Should

Standards

Signif cance

judgment assists internal auditors when evaluating the significance of matters within the context of the

Standard

Technology-based Audit Techniques

