

cw audit services

audit and assurance services

Compliance with Public Sector Internal Audit Standards



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1. Introduction

In December 2012, HM treasury issued a new set of Public Sector Internal Audit Standards (PSIAS), effective from 1st April 2013, which are based on the Institute of Internal Audit (IIA) International Standards. The PSIAS apply to all UK Public Sector bodies. In summary, the PSIAS provide detailed guidance as follows:

- Compliance with the Internal Audit Code of Ethics as published by the IIA
- Compliance with four Attribute Standards
- Compliance with seven Performance Standards

We are committed to providing the very highest quality audit and assurance services to all our clients and regard the achievement of relevant, published Code of Ethics and Internal Audit Standards as being essential to the provision of a quality product that is valued and sought after by our clients. This paper therefore summarises our approach to achieving the ethics and standards contained in the PSIAS.

2. Code of Ethics

The Internal Audit Code of Ethics encapsulated within PSIAS requires internal audit functions to act with integrity, objectivity, confidentiality and competency at all times. The following table summarises the key processes we have in place to achieve these ethics.

Ethic	Key requirements	How we meet key requirements
Integrity	Perform work with honesty, diligence and responsibility. Observe the law and professional standards. Act in accordance with organisation's objectives.	<ul style="list-style-type: none"> • All work completed in accordance with applicable laws including legal and professional disclosure requirements. • Strategic planning process aligned with organisation's objectives.
Objectivity	Provide independent, unbiased assessment of systems, controls and processes. Disclose all material facts.	<ul style="list-style-type: none"> • Staff complete declarations of interest annually and for each assignment undertaken. • File and report review to ensure all material facts are disclosed in audit reports.
Confidentiality	Prudent use and protection of information in accordance with law.	<ul style="list-style-type: none"> • Information gathered, processed, shared and stored in accordance with host organisation's Information Governance Policy, which ensures compliance with relevant legal requirements.
Competency	Possess necessary skills and experience. Comply with international auditing standards.	<ul style="list-style-type: none"> • Assignments delivered in accordance with agreed skills and qualifications mix to ensure suitability of audit team. • Standard audit files and reports that comply with PSIAS requirements.

3. Attribute Standards

The four Attribute Standards included in the PSIAS address the characteristics of organisations and parties performing internal audit activities. A summary of each of these standards, including their key requirements and brief explanations on how we meet these standards, is included in the following tables.

3.1 Purpose, Authority & Responsibility

<i>Key requirements</i>	<i>How we meet key requirements</i>
Clear definition of the purpose, authority and responsibility of the internal audit activity.	<ul style="list-style-type: none"> IA Charter discussed and agreed with Monitoring and Audit Committee on an annual basis as an appendix to the strategic plan.

3.2 Independence and Objectivity

<i>Key requirements</i>	<i>How we meet key requirements</i>
Clear, uninhibited reporting at board level or equivalent.	<ul style="list-style-type: none"> Appropriate reporting lines agreed through the IA Charter, including organisational independence of IA. Monitoring and Audit Committee approves IA Charter, risk based plan, annual report and opinion. Unrestricted access to documents, systems, client management and staff agreed through IA Charter. Annual and engagement level declarations of interest completed.
Impartial, unbiased reporting without any conflicts of interest.	

3.3 Proficiency & Due Professional Care

<i>Key requirements</i>	<i>How we meet key requirements</i>
Possession at individual and organisation level of the knowledge, skills and other competencies needed to perform responsibilities.	<ul style="list-style-type: none"> • Knowledge, skills and competency requirements identified through the Knowledge and Skills Framework (KSF) as required nationally in the NHS. • Annual appraisal process to identify and fill training needs. • Consortium Director, Head of Internal Audit, Assistant Directors and Audit Managers must be professionally qualified (CIMA, CCCAB or IIA). • All staff required to maintain a CPD log. • Assessment of staff skills required for each assignment. • Expert advice and assistance sourced through long standing working arrangements with specialist providers, as well as through membership of NHS Audit England.

3.4 Quality Assurance & Improvement Programme

<i>Key requirements</i>	<i>How we meet key requirements</i>
Clearly defined quality assurance and improvement programme. Internal and external assessment of adherence to quality assurance programme.	<ul style="list-style-type: none"> • Comprehensive Internal Audit Quality Manual that regulates the delivery of all audit assignments in accordance with PSIAS. • Ongoing, evidenced reviews of every audit assignment facilitated through use of Teammate Software. • Internal reviews of quality compliance by Consortium Director and Head of Internal Audit. • Annual review of selected assignments by external audit. • External assessment of quality and improvement programme once every five years in accordance with PSIAS requirements.

4. Performance Standards

The seven Performance Standards included in the PSIAS describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated. A summary of each of these standards, including their key requirements and brief explanations on how we meet these standards, is included in the following tables.

4.1 Managing the Audit Activity

<i>Key requirements</i>	<i>How we meet key requirements</i>
<p>Risk-based plan based on documented annual risk assessment.</p> <p>Communicate audit plan and resource requirements to senior management and members for review and approval and report on performance against delivering audit plan.</p> <p>Deploy sufficient and appropriate audit resources to achieve the approved plan.</p> <p>Share information and coordinate activities with other internal and external providers of assurance.</p>	<ul style="list-style-type: none"> • Annual risk assessment processes that focuses on key strategic risks identified through existing governance and risk management process and input from key directors and senior managers. • Strategic Audit plan based on risk assessment process and assessment of other sources of assurance approved through Monitoring and Audit Committee. • Resources planned to meet audit plan requirements. • Regular progress reports to senior management and Monitoring and Audit Committee to demonstrate delivery of audit plan. • Documented agreements with external audit to demonstrate how Managed Audit approach is achieved.

4.2 Nature of Work

Key requirements	How we meet key requirements
<p>Evaluate and contribute to the improvement of governance, risk management and control processes.</p> <p>Evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.</p>	<ul style="list-style-type: none">• Assessment of risk management and governance processes included as part of risk assessment processes.• IT risk assessments to direct specialist IT audit assignments.• Specific reviews of risk management and governance processes.• Individual engagements include review of controls specifically designed to prevent and detect fraud.• Use of fraud specialists in applicable cases.

4.3 Engagement Planning

Key requirements	How we meet key requirements
<p>Documented plan for each engagement including the engagement's objectives, scope, timing and resource allocations.</p> <p>Consideration of key risks as part of engagement planning process.</p> <p>Consideration of resources required to deliver engagement.</p>	<ul style="list-style-type: none">• Formal letter agreed for each audit engagement that includes, objectives, scope, timing and resourcing.• Engagement letter includes identification of key risks and demonstrates how audit coverage will address these risks.• Standard requirement to match and document staffing requirements to specific needs of the engagement.

4.4 Performing the Engagement

<i>Key requirements</i>	<i>How we meet key requirements</i>
Identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives and support conclusions reached. Supervision of engagement delivery to ensure objectives are achieved, quality is assured and staff developed. Controlled access to engagement records.	<ul style="list-style-type: none">• Extensive guidance given in Internal Audit Quality Manual on the standard of information and evidence required to achieve engagement objectives and support conclusions reached.• Audit software requires each control evaluation, test and finding to be reviewed and signed off by member of IA management team.• All engagement records held on software that is subject to automatic back-up, appropriate encryption, username and password control.

4.5 Communicating Results

<i>Key requirements</i>	<i>How we meet key requirements</i>
Communicate accurately the results of engagements with all relevant information included. Provide clear audit opinion.	<ul style="list-style-type: none">• Exit meeting with key managers for every engagement prior to the issue of the draft report to discuss and agree findings.• Standard audit report template includes objectives and scope, conclusions, recommendations and action plans.• Overall opinions for each engagement and an annual opinion in a format that enables senior management to produce a balanced Annual Governance Statement.

4.6 Monitoring Progress

<i>Key requirements</i>	<i>How we meet key requirements</i>
<p>Establish and maintain a system to monitor the implementation of results communicated to management.</p> <p>Follow-up process to monitor and ensure that management actions have been effectively implemented.</p>	<ul style="list-style-type: none">• On-line recommendation tracking service provided that enables recommendation owners to update recommendations as they are implemented.• Dedicated time to undertake follow-up audits included in audit plan and follow up of previous findings included as part of scope for all assignments that are undertaken annually (e.g. financial systems).

4.7 Communicating the Acceptance of Risks

<i>Key requirements</i>	<i>How we meet key requirements</i>
<p>Communicate to senior management and members if necessary when management have accepted a level of risk that may be unacceptable to the organisation.</p>	<ul style="list-style-type: none">• Unresolved recommendations where Chief Auditor believes that unacceptable levels of risk remain are reported through the Monitoring and Audit Committee.

5. Conclusion

CW Audit has undertaken an extensive review of its policies, processes and procedures following release and adoption of the PSIAS from April 2013. We are committed to the delivery of audit and consultancy services in accordance with these standards and will therefore continue to monitor compliance against them as part of our routine approach to each audit engagement.