

**Changes To the 'Public Sector Internal Audit
Standards' – April 2017**



The Public Sector Internal Audit Standards (PSIAS) were updated in April 2017. The latest version of the document can be accessed on The Chartered Institute of Public Finance & Accountancy's website via the following link (<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>).

The PSIAS were reviewed to ensure they remained compliant with the amended version of the Institute of Internal Auditors' International Standards that came into effect in January 2017. A consultation process was undertaken from this time to ensure there were no issues with compatibility in incorporating the new Standards.

The changes made are summarised in the table below.

Changes To PSIAS

KEY: **red text** – text added
 grey text – text removed

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15 S1010	Update – wording changed	<p>The mandatory nature of the Definition of Internal Auditing and CoE must be recognised in the Internal Audit Charter.</p> <p><u>OLD</u></p> <p>The CAE should discuss the Definition of Internal Auditing, the CoE, and the Standards with Senior Management and the Board.</p> <p><u>NEW</u></p> <p>The CAE should discuss the Mission of Internal Audit and the mandatory elements of the IPPF with Senior Management and the Board.</p>
17 S1110. A1	Addition	<p>The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.</p>
17 1112	Addition – new section added	<p>CAE Roles Beyond Internal Auditing</p> <p>Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.</p> <p>Interpretation:</p> <p>The chief audit executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organisational independence of the internal audit activity or the individual objectivity of the internal auditor.</p>

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		<p>Safeguards are those oversight activities, often undertaken by the board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.</p> <p>Public sector interpretation:</p> <p>When asked to undertake any additional roles/responsibilities outside of internal auditing, the chief audit executive must highlight to the board any potential or perceived impairment to independence and objectivity having regard to the principles contained within the Code of Ethics as well as any relevant requirements set out by other professional bodies to which the CAE may belong.</p> <p>The board must approve and periodically review any safeguards put in place to limit impairments to independence and objectivity (see also Standard 1000 Purpose, Authority and Responsibility).</p>
18 1130.A 3	Addition – new section added	The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.
19 1210	Update – text added	Proficiency is a collective term that refers to the knowledge, skills, and other competencies required of internal auditors to effectively carry out their professional responsibilities. It encompasses consideration of current activities, trends and emerging issues, to enable relevant advice and recommendations. 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 offered by The Institute of Internal Auditors and other appropriate professional organisations.
20 1300	Update – wording changed	<p>Interpretation:</p> <p>A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and</p>

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		identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement programme.
21 1311	Update	Periodic assessments are conducted to evaluate conformance with the Definition of Internal Auditing , the <i>Code of Ethics</i> and the <i>Standards</i> .
21 1312	Update – text added	External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.
21 1312	Update – text added	An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs. The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.
22 1320	Addition	Disclosure should include: The scope and frequency of both the internal and external assessments. The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest. Conclusions of assessors. Corrective action plans.
22 1321	Update – wording changed	<u>NEW</u> Indicating that the internal audit activity conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> is appropriate only if supported by the results of the quality assurance and improvement programme. <u>OLD</u> The CAE may state that the internal audit activity conforms with the ISPPIA only if the results if the QAIP support this statement.
22	Update –	When non-conformance with the Definition of Internal Auditing , <i>Code of Ethics</i> or the <i>Standards</i> impacts the overall

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1322	wording changed	<p>scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.</p> <p>Public sector requirement:</p> <p><u>NEW</u></p> <p>Such non-conformances must be highlighted by the chief audit executive to be considered for inclusion in the governance statement.</p> <p><u>OLD</u></p> <p>Instances of non-conformance must be reported to the Board. More significant deviations must be considered for inclusion in the governance statement.</p>
23 2000	Update – wording changed	<p><i>Interpretation:</i></p> <p>The internal audit activity is effectively managed when:</p> <p><u>NEW</u></p> <ul style="list-style-type: none"> • It achieves the purpose and responsibility included in the internal audit charter. • It conforms with the <i>Standards</i>. • Its individual members conform with the <i>Code of Ethics</i> and the <i>Standards</i>. • It considers trends and emerging issues that could impact the organisation. <p>The internal audit activity adds value to the organisation and its stakeholders when it considers strategies, objectives and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.</p> <p><u>OLD</u></p> <ul style="list-style-type: none"> • The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit

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		<p>charter.</p> <ul style="list-style-type: none"> • The internal audit activity conforms with the Definition of Internal Auditing and the Standards. • The individuals who are a part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards. <p>The internal audit activity adds value to the organisation (and its stakeholders) when it considers strategies, when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.</p>
23 2010	Update – wording changed	<p><u>NEW</u></p> <p>To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation’s strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation’s business, risks, operations, programmes, systems, and controls.</p> <p><u>OLD</u></p> <p>The CAE is responsible for developing a risk based plan. The CAE takes into account the organisation’s risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the CAE uses his own judgement of risks after consideration of input from senior management and the Board. The CAE must review and adjust the plan, as necessary, in response to changes in the organisations business, risks, operations, programs, systems, and controls.</p>
24 2050	Addition	<p>Interpretation:</p> <p>In coordinating activities, the chief audit executive may rely on the work of other assurance and consulting service providers. A consistent process for the basis of reliance should be established, and the chief audit executive should consider the competency, objectivity and due professional care of the assurance and consulting service providers. The chief audit executive should also have a clear understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services. Where reliance is placed on the work of others, the chief audit executive is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.</p>

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25 2060	Addition	<p>The chief audit executive's reporting and communication to senior management and the board must include information about:</p> <ul style="list-style-type: none"> • The audit charter. • Independence of the internal audit activity. • The audit plan and progress against the plan. • Resource requirements. • Results of audit activities. • Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues. • Management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organisation. <p>These and other chief audit executive communication requirements are referenced throughout the Standards.</p>
25 2110	Update	<p><u>NEW</u></p> <p>The internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> • making strategic and operational decisions • overseeing risk management and control • 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 other assurance providers and management. <p><u>OLD</u></p>

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		<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 • Coordinating the activities of and communicating information among the Board, external and internal auditors, and management.
27 2200	Update – text added	Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations. The plan must consider the organisation’s strategies, objectives and risks relevant to the engagement.
28 2210.A3	Addition	<p>Interpretation:</p> <p>Types of criteria may include:</p> <p>Internal (eg policies and procedures of the organisation).</p> <p>External (eg laws and regulations imposed by statutory bodies).</p> <p>Leading practices (eg industry and professional guidance).</p>
29 2230	Addition	<p>Interpretation:</p> <p>Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care.</p>
30 2410	Update – change of wording	Communications must include the engagement’s objectives, scope and results as well as applicable conclusions, recommendations, and action plans.
32 2450	Update – change	<p><u>NEW</u></p> <p>The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the</p>

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	of wording	<p>results of the quality assurance and improvement programme.</p> <p><u>OLD</u></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 PSIAS and the results of the QAIP.
34	Update – text added	<p>The highest level governing body (eg a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation’s activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the <i>Standards</i> refers to a group or person charged with governance of the organisation. Furthermore, “board” in the <i>Standards</i> may refer to a committee or another body to which the governing body has delegated certain functions (eg an audit committee).</p>