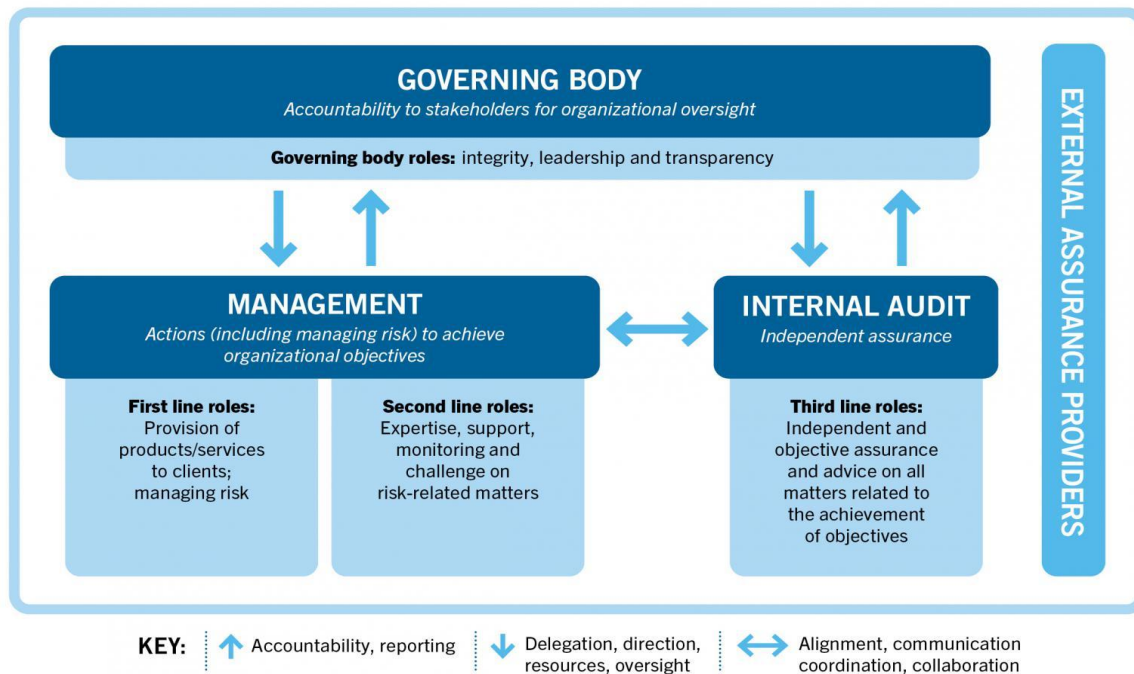


# Who Provides Assurance?

Assurance comes from multiple places both within and outside of an organisation – internal audit is not the only provider.

## The IIA's Three Lines Model (2020)





# International Professional Practices Framework<sup>®</sup> (IPPF)



# Global Internal Audit Standards

## Five Domains, 15 Principles

### I. Purpose of Internal Auditing

### II. Ethics and Professionalism

1. Demonstrate Integrity 2. Maintain Objectivity 3. Demonstrate Competency 4. Exercise Due Professional Care 5. Maintain Confidentiality

### III. Governing the Internal Audit Function

- 6. Authorized by the Board
- 7. Positioned Independently
- 8. Overseen by the Board

### IV. Managing the Internal Audit Function

- 9. Plans Strategically
- 10. Manages Resources
- 11. Communicates Effectively
- 12. Enhances Quality

### V. Performing Internal Audit Services

- 13. Plan Engagements Effectively
- 14. Conduct Engagement Work
- 15. Communicate Engagement Conclusions and Monitor Action Plans

# Domain I – Purpose of Internal Auditing

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organisation's:

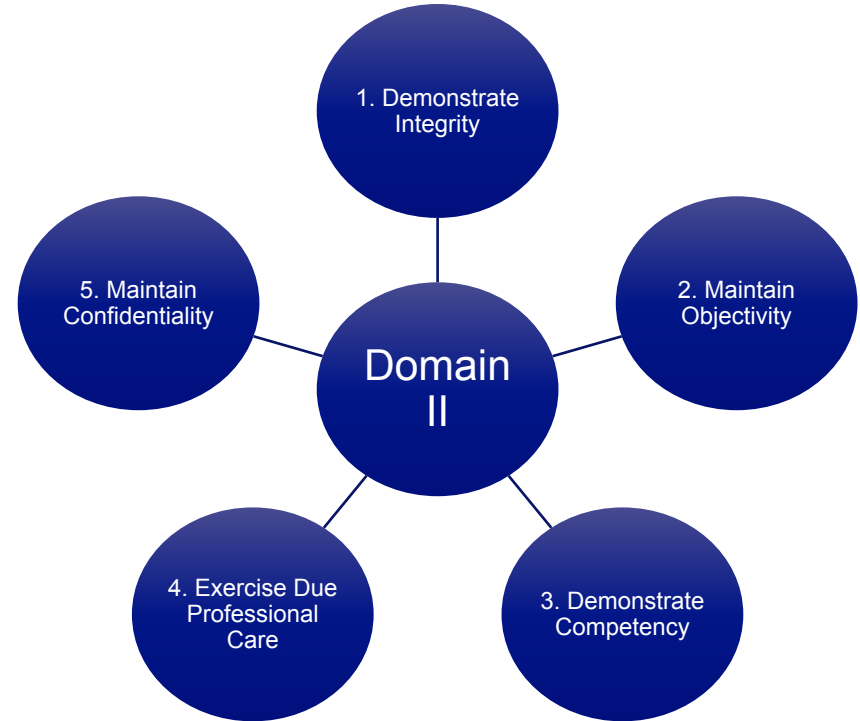
- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

# Domain II – Ethics and Professionalism

*The principles and standards in the Ethics and Professionalism domain of the Global Internal Audit Standards replace The IIA's former Code of Ethics and outline the behavioral expectations for professional internal auditors; including chief audit executives, other individuals, and any entities that provide internal audit services. Conformance with these principles and standards instills trust in the profession of internal auditing, creates an ethical culture within the internal audit function, and provides the basis for reliance on internal auditors' work and judgment.*

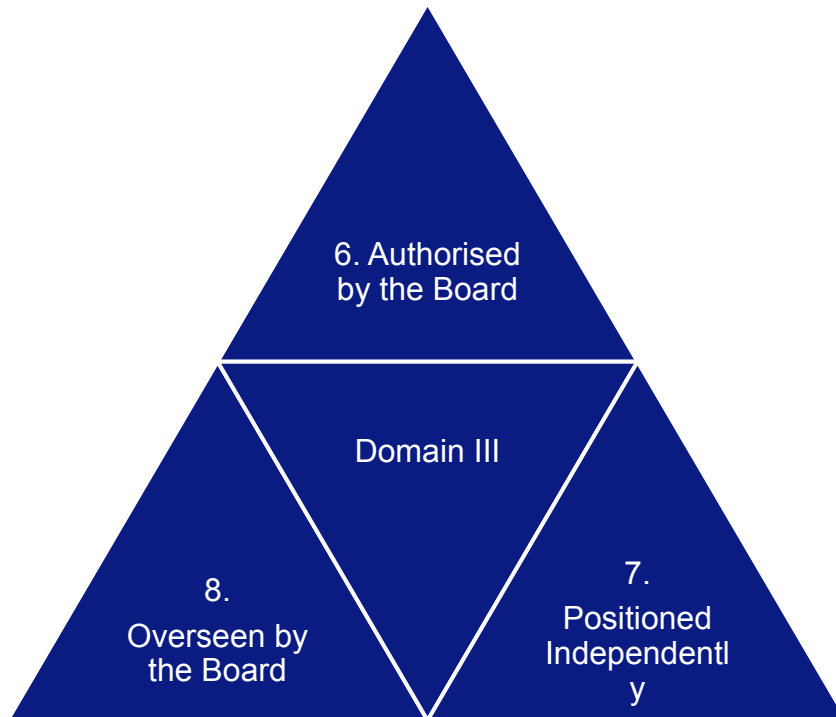


# Domain III Governing the Internal Audit Function

*The CAE must discuss this domain with the board and senior management.*

*The discussions are needed to inform the board and senior management about the importance of the essential conditions and to gain alignment among their respective responsibilities.*

*If either the board or senior management disagrees with one or more of these essential conditions, the CAE must emphasize – with examples – how absence of the condition(s) may affect the internal audit function's ability to fulfil its purpose or conform with specific standards.*



# Principle 6 – Authorised by the Board

The Audit Charter fulfills several requirements under the standards - it is updated annually and is reviewed and approved by the Audit Committee. The Charter sets out -

1. The appropriate authority, role, and responsibilities of the internal audit function;
2. Internal audit's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.
3. GIAS introduces a requirement for the Charter to include a mandate under which IA operates, which is based on the FPR4 and the Accounts and Audit Regulations 2015.

The annual review of the Charter will also need to consider -

- changes affecting the organisation, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization; and
- any other topics that the Audit Committee or senior management consider are necessary to enable an effective internal audit function.

# Principle 6 – Authorised by the Board

Ways in which the Standards expect the Committee to support Internal Audit

- Champion the internal audit function to enable it to fulfill the Purpose of Internal Auditing (as set out in the Charter) and pursue its strategy and objectives.
- Support the chief audit executive through regular, direct communications.
- Support should be demonstrated by:
  - Being satisfied that the chief audit executive reports to a level within the Council that allows the internal audit function to fulfill the internal audit mandate, and allowing for direct contact between the CAE and the Audit Committee.
  - Approving the internal audit plan and budget, and be satisfied that there are sufficient resource to deliver the plan.
  - Making appropriate inquiries of senior management and the chief audit executive to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.
  - Meeting periodically with the chief audit executive in sessions without senior management present (including opportunities to discuss significant and sensitive matters).



# Principle 6 – Authorised by the Board

## Committee support for IA (cont)

- Have a role in the appointment, removal, performance evaluation and remuneration of the chief audit executive (note that the standards apply across all workforce sectors with the result that some are less readily applicable to Local Government; there are a variety of ways in which this standard can be met).
- Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the chief audit executive that are beyond the scope of internal auditing. The Committee should be satisfied that they are satisfied with the mitigations in place where this situation arises.
- Any divergence from the standards will be fully documented.

# Principle 7 – Positioned Independently

- The Audit Committee should be satisfied that the chief audit executive is positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management. This positioning should provide the organisational authority and status to bring matters directly to senior management and escalate matters to the board when necessary.
- Appropriate positioning and reporting lines will ensure that IA is free from interference when determining its scope, performing audit engagements and communicating results. Arrangements are set out in the Audit Charter (which the Committee approves) and the Financial Procedure Rules.

# Principle 7 – Positioned Independently

The Audit Committee should undertake to do the following to further support IA independence -

- Communicate views on the Council's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.
- Set expectations with the chief audit executive for:
  - The frequency with which the board wants to receive communications from the chief audit executive.
  - The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board's risk tolerance, and the process for doing this.
- Gain an understanding of the effectiveness of the Council's governance, risk management, and control processes based on the results of internal audit engagements and discussions with senior management.
- Discuss with the chief audit executive disagreements with senior management or other stakeholders and provide support as necessary to enable the chief audit executive to perform the responsibilities outlined in the internal audit mandate.

# Principle 8 – Overseen by the Board

The Audit Committee should assess the effectiveness and efficiency of the internal audit function. Such an assessment includes:

- Review and approve the internal audit function's performance objectives, including its conformance with the Standards, laws, and regulations; ability to meet the internal audit mandate; and progress toward completion of the internal audit plan.
- Determining the extent to which the internal audit function's performance objectives are being met.

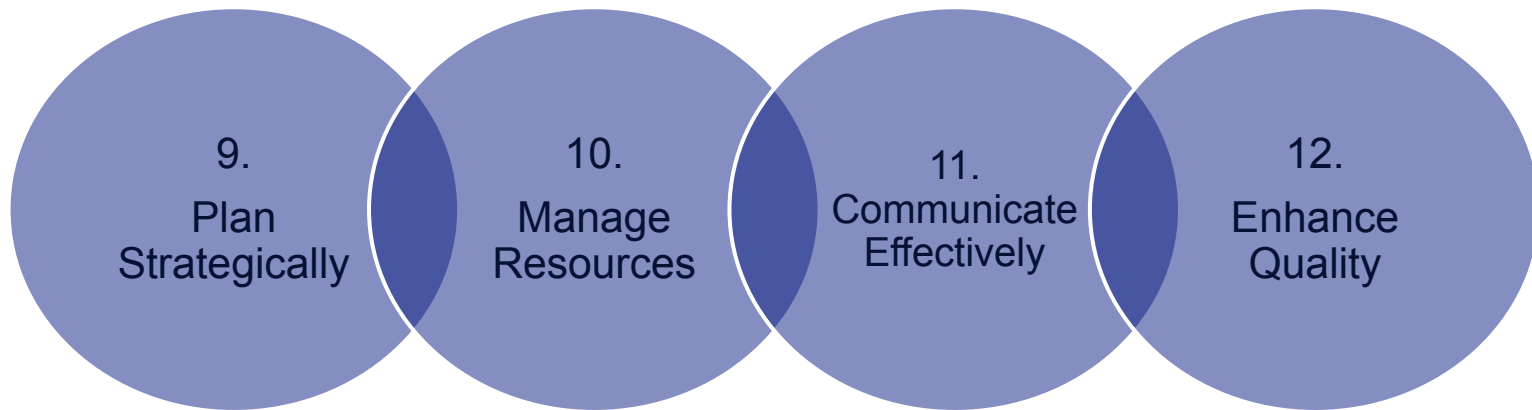
# Principle 8 – Overseen by the Committee

The Audit Committee also has an important role in the periodic external assessment of the Internal Audit function, and monitoring the progress toward implementing action plans to continuously improve the service.

- Work with the Chief Audit Executive to determine the scope and frequency of the external quality assessment which is required every 5 years, and ensure that this is undertaken by an independent and qualified assessor (or alternatively consider the rationale for undertaking a self assessment with independent validation, and approve whichever approach is to be taken).
- Require receipt of the full results of the external assessment;
- Review and approve any action plan to address recommendations resulting from the external assessment, and the timeline for delivering these.

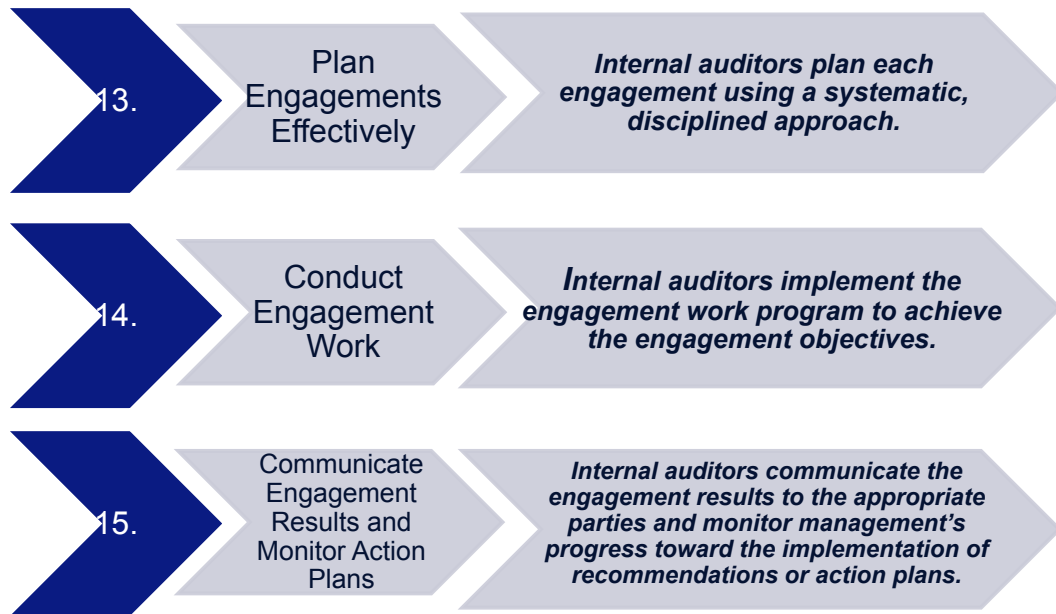
# Domain IV – Managing the Internal Audit Function

*The internal audit function is managed in accordance with the internal audit charter and Global Internal Audit Standards. This responsibility includes strategic planning and obtaining and deploying resources, (reported to the Committee as part of the Internal Audit Plan process) building relationships, communicating with stakeholders (including all Committee reporting), and ensuring and enhancing the performance of the function (in particular, maintaining a quality assurance and improvement plan that is closely informed by the standards).*



# Domain V – Performing Internal Audit Services

*Performing internal audit services requires internal auditors to effectively plan engagements, conduct the engagement work to develop findings and conclusions, collaborate with management to identify recommendations and/or action plans that address the findings, and communicate with management and the employees responsible for the activity under review throughout the engagement and after it closes.*



# Public Sector Application Note

- Domain II – Ethics and Professionalism

- The Nolan Principles
- Confidentiality of information vs need to publish/share

- Domain III – Governing Internal Audit

- External Quality Assessment organisation qualifications

- Domain IV – Managing the Internal Audit Function

- Covers value for money auditing
- Regulators in relation to coordination and reliance
- Resourcing internal audit
- Overall conclusions/opinions and annual reporting