



NHS Internal Audit Standards

April 2011

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Foreword

Internal Audit is a cornerstone of good governance. Boards need timely and relevant assurance and look to a professional internal audit service to support that objective. The issue of new NHS Internal Audit Standards by the Department of Health ensures that all those responsible for establishing, delivering and reviewing internal audit across the NHS continue to do so within a consistent framework that:

- reflects global best practice;
- is aligned with the standards revision undertaken by central government; and
- supports the principle that Audit Committees and Boards need to have confidence in the professional internal audit practice that provides key organisational assurance.

The new Standards will take effect from 1 April 2011. They apply to all NHS organisations and replace the existing Standards issued in 2002. The new Standards are principles based with additional interpretation to reflect the NHS environment and governance structures. A primary audience will be the providers of internal audit services. But there is an important role for Accountable/Accounting Officers and Audit Committees to assure themselves that their internal audit service meets the Standards and that any necessary improvement plans are agreed and delivered.

I would like to thank the Internal Audit Practitioners Group (IAPG) for preparing these Standards and the expert Reference Group members that undertook an oversight role on behalf of the Department. The IAPG will be providing additional guidance to support internal auditors and Audit Committees in taking forward a number of the challenges framed by the Standards

The nature and quality of assurance reporting will be strengthened through the implementation of these Standards and I commend them to you.

David Flory

Deputy NHS Chief Executive

1 Introduction

- 1.1 One of the key elements of good governance, as is recognised by the Standing Orders and Standing Financial Instructions, is an independent and objective internal audit service working to the NHS Internal Audit Standards. The NHS Internal Audit Standards comprise the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing* (International Standards) issued by the global professional body, The Institute of Internal Auditors, supplemented by additional requirements for the National Health Service.
- 1.2 This document is addressed to Accountable Officers, Accounting Officers, Board and Audit Committee members, Directors of Finance, Heads of Internal Audit¹, internal auditors, external auditors and other stakeholders.
- 1.3 The Department of Health has adopted the *HM Treasury: Government Internal Audit Standards* as the basis for the NHS Internal Audit Standards and in doing so, has adopted the *International Standards* without amendment, with additional requirements for the NHS included in text boxes. These additions address the accountability structures and associated assurance and consulting requirements of the NHS.
- 1.4 The Standing Orders and Standing Financial Instructions set out the principle that the Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control; and that the board should be advised independently by an Audit Committee chaired by an independent non-executive member and an internal audit service operating in accordance with the NHS Internal Audit Standards. In applying these standards, it is necessary to understand the role of the Accountable or Accounting Officer, the Board and the Audit Committee and their accountability relationships. The Audit Committee Handbook gives further guidance on the reporting relationship between the internal audit service and the Audit Committee and Accountable or Accounting Officer. The term 'Board' therefore needs to be interpreted in the context of the governance arrangements and this is covered in the Glossary definition.
- 1.5 The purpose of the NHS Internal Audit Standards is to:
- define the nature of internal auditing within the NHS;
 - set basic principles for carrying out internal audit in the NHS;
 - establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - establish the basis for the evaluation of internal audit performance and to drive improvement planning.

¹ The term 'Chief Audit Executive' is used throughout the Institute of Internal Auditors International Standards. Within the NHS, the title of 'Head of Internal Audit' or 'Chief Internal Auditor' applies. This is recognised within the Glossary.

1 Introduction

1.6 The NHS Internal Audit Standards framework applies to all NHS internal audit service providers, whether in-house or outsourced, and comprises:

- **Endorsement** – The NHS Internal Audit Standards have been through consultation with all key stakeholders, including oversight by an expert Reference Group. The Internal Audit Practitioners Group (IAPG) project managed the production of these Standards on behalf of the Department of Health and the IAPG will maintain the Standards into the future.
- **Definition** - All internal audit assurance and consultancy work should fall within the scope of the *Definition of Internal Auditing* (see section 2). The provision of assurance services is the primary role for internal audit in the NHS. This role requires the internal auditor to provide an independent opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature, and are generally performed at the specific request of the organisation. The nature and scope of the consulting engagement should aim to improve governance, risk management and control and should contribute to the opinion. When performing consulting services the internal auditor should maintain objectivity and not take on management responsibility.
- **Code of Ethics** - The *Code of Ethics* promotes an ethical, professional culture (see section 3). It does not supersede or replace the Codes of Conduct and Accountability for NHS Boards and the Code of Conduct for NHS Managers Directions.
- **Standards** - The Standards are principles-focused, mandatory requirements consisting of:

Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance, which are internationally applicable at organisational and individual levels.

Interpretations, which clarify terms or concepts within the Statements.

The Standards employ terms that have been given specific meanings that are included in the Glossary. Specifically, the Standards use the word 'must' to specify an unconditional requirement and the word 'should' where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

It is necessary to consider the Statements and their Interpretations as well as the specific meanings from the Glossary to understand and apply the Standards correctly.

The structure of the Standards includes Attribute, Performance and Implementation Standards.

1 Introduction

The Attribute Standards address the attributes of organisations and individuals performing internal audit services. The Performance Standards describe the nature of internal audit services and provide quality criteria against which the performance of these services can be measured. The Attribute and Performance Standards apply to all internal audit services. The Implementation Standards expand upon the Attribute and Performance Standards, providing the requirements applicable to assurance (A) or consulting (C) activities.

Assurance services - Involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, an operation, a function, a process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter the process owner, (2) the person or group making the assessment the internal auditor and (3) the person or group using the assessment the user.

Consulting services - Are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice the internal auditor and (2) the person or group seeking and receiving the advice the engagement client. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

- **Guidance** – More detailed advice on implementing elements of the NHS Internal Audit Standards will be provided in supporting Good Practice Guides issued by the Internal Audit Practitioners Group (IAPG) and endorsed by the Department of Health.

2 Definition

- 2.1 Internal auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹”.

¹ The Definition of Internal Auditing Copyright © 2009 by The Institute of Internal Auditors, Inc., 247 Maitland Avenue, Altamonte Springs, Florida 32710-4201 U.S.A. Reproduced with permission.

3 Code of Ethics

3.1 The purpose of the *Code of Ethics* is to promote an ethical culture in the profession of internal auditing.

3.2 A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance. The *Code of Ethics* extends beyond the definition of internal auditing to include two essential components:

- **Principles** - that are relevant to the profession and practice of internal auditing;
- **Rules of Conduct** - that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

3.3 The *Code of Ethics* provides guidance to internal auditors serving others. 'Internal auditors' refers to those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

3.4 This *Code of Ethics* applies to both individuals and entities that provide internal auditing services. Breaches of the *Code of Ethics* should be identified by Heads of Internal Audit and referred to their Audit Committee¹. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable.

Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal auditors:

- Shall perform their work with honesty, diligence and responsibility;
- Shall observe the law and make disclosures expected by the law and the profession;
- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation; and

¹ For members of The Institute of Internal Auditors, breaches of the *Code of Ethics* will be evaluated and administered according to The Institute's Disciplinary Procedures

3 Code of Ethics

- Shall respect and contribute to the legitimate and ethical objectives of the organisation.

Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct

Internal auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Shall not accept anything that may impair or be presumed to impair their professional judgement.; and
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

Confidentiality

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties; and
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

Competency

Principle

3 Code of Ethics

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience;
- Shall perform internal auditing services in accordance with the NHS Internal Audit Standards, incorporating the *International Standards for the Professional Practice of Internal Auditing*; and
- Shall continually improve their proficiency and the effectiveness and quality of their services.

Attribute Standards

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 Auditing*, 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.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

NHS Requirement

The main purpose of internal audit activity within the NHS is to provide the Accountable or Accounting Officer, in an economical, efficient and timely manner, with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Head of Internal Audit's opinions are a key element of the framework of assurance that the Accountable or Accounting Officer needs to inform the completion of the annual Statement on Internal Control (SIC).

The Internal Audit Charter must also cover the arrangements for the appointment of the Head of Internal Audit and internal audit staff, and identify the nature of professionalism, skills and experience required.

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.

1000.C1 – The nature of consulting services must be defined in the internal audit charter.

NHS Requirement

The nature and scope of the consulting review should aim to improve governance, risk management and control and the evidence gathered should contribute to the Head of Internal Audit's opinion. When performing consulting services, the internal auditor must maintain objectivity and not take on management responsibility.

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 Auditing*, the *Code of Ethics* and the *Standards* must be recognised in the internal audit charter. The chief audit executive should discuss the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* with senior management and the board.

1100 – Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

Interpretation:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organisational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional and organisational levels.

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.

Interpretation:

Organisational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- *Approving the internal audit charter,*
- *Approving the risk based internal audit plan,*
- *Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters,*

4 Standards

- *Approving decisions regarding the appointment and removal of the chief audit executive, and*
- *Making appropriate enquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.*

NHS Requirement

Internal audit is primarily a service to, and should report directly to, the Accountable or Accounting Officer. To discharge this responsibility effectively, the Head of Internal Audit must have free and unfettered access to the Accountable/Accounting Officer.

1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.

1111 – Direct Interaction with the Board

The chief audit executive must communicate and interact directly with the board.

NHS Requirement

The Head of Internal Audit must also establish effective communication with, and have free and unfettered access to, the chair of the Audit Committee.

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 perform his or her duties and responsibilities objectively.

NHS Requirement

Conflicts of interest may arise where an auditor provides services other than internal audit to the organisation. Steps must be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in performing the audit role.

All internal auditors working within the NHS must complete an annual declaration of interest identifying possible conflicts of interest and the actions taken to mitigate them. This process, and its outcomes, should be

communicated to the Audit Committee annually.

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.

Interpretation:

Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity should be disclosed is dependent upon the expectations of the internal audit activity and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

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.

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.

1130.C1 – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

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.

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

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.

Interpretation:

Knowledge, skills and other competencies is a collective term that refers to the professional proficiency required of the internal auditor to effectively carry out their professional responsibilities. 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.

NHS Requirement

The Head of Internal Audit must hold a full professional¹ qualification.

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.

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.

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.

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.

¹ CMIIA, CCAB or equivalent professional membership.

1220 - Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

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.

1220.A2 – In exercising due professional care, internal auditors must consider the use of technology-based audit and other data analysis techniques.

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.

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.

1230 – Continuing Professional Development

Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.

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.

Interpretation:

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 identifies opportunities for improvement.

1310 – Requirements of the Quality Assurance and Improvement Programme

The quality assurance and improvement programme must include both internal and external assessments.

1311 – Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic reviews performed through self-assessment or by other persons within the organisation with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.

Periodic reviews are assessments conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework².

1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation. The chief audit executive must discuss with the board:

- The need for more frequent external assessments; and

² For the NHS, this relates to the NHS Internal Audit Standards Framework (please refer to paragraph 1.6 of the Introduction).

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

Interpretation:

A qualified reviewer or review team consists of individuals who are competent in the professional practice of internal auditing and the external assessment process. The evaluation of the competency of the reviewer and review team is a judgment that considers the professional internal audit experience and professional credentials of the individuals selected to perform the review. The evaluation of qualifications also considers the size and complexity of the organisations that the reviewers have been associated with in relation to the organisation for which the internal audit activity is being assessed, as well as the need for particular sector, industry or technical knowledge.

An independent reviewer or review team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.

NHS Requirement

The Head of Internal Audit should make provision for the results of external quality reviews to be reported to the Accountable/Accounting Officer and Audit Committee. Any consequent improvement plans should be agreed with, and reported to, the Accountable/Accounting Officer.

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.

Interpretation:

The form, content and frequency of communicating the results of the quality assurance and improvement programme is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive, as contained in the internal audit charter. To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the reviewer's or review team's assessment with respect to the degree of conformance.

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

The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement programme support this statement.

Interpretation:

The internal audit activity conforms with the International Standards when it achieves the outcomes described in the Definition of Internal Auditing, Code of Ethics and International Standards.

The results of the quality assurance and improvement programme include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

NHS Requirement

The Head of Internal Audit may state that the internal audit activity conforms with the NHS Internal Audit Standards only if the results of the quality assurance and improvement programme support this statement.

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 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.

NHS Requirement

Minor deviations from the standards should be reported to the Audit Committee. More significant deviations need to be declared to the Audit Committee and should be considered for inclusion in the Statement on Internal Control.

Performance Standards

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.

Interpretation:

The internal audit activity is effectively managed when:

- *The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;*
- *The internal audit activity conforms with the Definition of Internal Auditing and the Standard; and*
- *The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards.*

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.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive 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 chief audit executive uses his/her own judgment of risks after consultation with senior management and the board.

NHS Requirement

The Head of Internal Audit must develop and maintain an Internal Audit strategy designed to meet the main purpose of the internal audit activity and its service provision needs. This strategy must advocate a systematic and prioritised review, outlining the resources and skills required to meet the assurance needs of the Accountable/Accounting Officer¹, Board and Audit Committee. The strategy must take into account the relative risk maturity of the organisation, taking due regard of the Board Assurance Framework.

The Head of Internal Audit must establish risk based plans for periodic planning purposes.

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.

¹ Where the Head of Internal Audit must also report to another Accountable Officer or to a third party, the strategy should set-out how this requirement is to be met, including the timing of any such reports.

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.

2010.C1 – The chief audit executive should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value and improve the organisation’s operations. Accepted engagements must be included in the 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.

NHS Requirement

The Head of Internal Audit must agree the strategy and periodic plans with the Accountable/Accounting Officer and Audit Committee.

2030 – Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and deployed effectively to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are deployed effectively when they are used in a way that optimises the achievement of the approved plan.

NHS Requirement

Where the Head of Internal Audit believes that the level of agreed resources will prevent the Accountable/Accounting Officer being provided with an opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control, the consequences must be brought to the attention of the Audit Committee.

2040 – Policies and Procedures

The chief audit executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 – Co-ordination

The chief audit executive should share information and co-ordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

NHS Requirement

The Head of Internal Audit must include in the internal audit strategy the approach to using other sources of internal and external assurance. Periodic plans should include any work associated with placing reliance upon such work.

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.

Interpretation:

The frequency and content of reporting are determined in discussion with senior management and the board and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board.

2070 – External Service Provider and Organisational Responsibility for Internal Audit

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.

Interpretation:

This responsibility is demonstrated through the quality assurance and improvement programme which assesses conformance with the Definition of Internal Auditing, the Code of Ethics, and the International Standards.

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.

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.

2110.A1 – The internal audit activity must evaluate the design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes and activities.

2110.A2 – The internal audit activity must assess whether the information technology governance of the organisation sustains and supports the organisation’s strategies and objectives.

2110.C1 – Consulting engagement objectives must be consistent with the overall values and goals of the organisation.

2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor’s assessment that:

- *Organisational objectives support and align with the organisation’s mission;*
- *Significant risks are identified and assessed;*
- *Appropriate risk responses are selected that align risks with the organisation’s risk appetite;*

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- *Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.*

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.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1 – The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:

- 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.

2120.A2 – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

NHS Requirement

The Head of Internal Audit must liaise on a regular basis with the nominated Local Counter Fraud Specialist (LCFS) for the organisation to identify any potential risk of fraud and ensure that any potential or actual frauds identified through internal audit activity are referred to the LCFS for investigation.

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.

2120.C2 – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.

2120.C3 – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

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.

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:

- 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.

2130.C1 – Internal auditors must incorporate knowledge of controls gained from consulting engagements into the evaluation of the organisation's control processes.

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.

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 risk management and control processes compared to a relevant control framework or model; and
- The opportunities for making significant improvements to the activity's risk management and control processes.

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.

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.

2210 – Engagement Objectives

Objectives must be established for each engagement.

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.

2210.A2 – Internal auditors must consider the probability of significant errors, fraud, non compliance and other exposures when developing the engagement objectives.

2210.A3 – Adequate criteria are needed to evaluate controls. Internal auditors must ascertain the extent to which management 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 to develop appropriate evaluation criteria.

2210.C1 – Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.

2210.C2 – Consulting engagement objectives must be consistent with the organisation's values, strategies and objectives.

2220 – Engagement Scope

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

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.

2220.A2 – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

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.

2220.C2 – During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

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.

2240 – Engagement Work Programme

Internal auditors must develop and document work programmes that achieve the engagement objectives.

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.

2240.C1 – Work programmes for consulting engagements may vary in form and content, depending upon the nature of the engagement.

2300 – Performing the Engagement

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.

2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.

2320 – Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

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.

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.

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.

2340 – Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff is developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 – Communicating Results

Internal auditors must communicate the engagement results.

2410 – Criteria for Communicating

Communications must include the engagement's objectives and scope, as well as applicable conclusions, recommendations and action plans.

2410.A1 – Final communication of engagement results must, where appropriate, contain the internal auditors' overall 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.

Interpretation:

Opinions at the engagement level may be ratings, conclusions or other descriptions of the results. Such 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 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3 – When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.

2410.C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances.

Clear communications are easily 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 detail, redundancy and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements, where

needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, 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 communicate corrected information to all parties who received the original communication.

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

Internal auditors may report that their engagements are “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*” only if the results of the quality assurance and improvement programme support the statement.

2431 – Engagement Disclosure of Non-conformance

When non-conformance with the Definition of Internal Auditing, the Code of Ethics or the *Standards* impacts a specific engagement, communication of the engagement results must disclose the:

- Principle or rule of conduct of 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.

2440 – Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

Interpretation:

The chief audit executive or designee reviews and approves the final engagement communication before issuance and decides to whom and how it will be disseminated.

2440.A1 – The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

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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.

2440.C1 – The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

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.

2450 - Overall Opinions

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.

Interpretation:

The communication will identify:

- *The scope including the time period to which the opinion pertains.*
- *Scope limitations.*
- *Consideration of all related projects including the reliance on other assurance providers.*
- *The risk or control framework or other criteria used as a basis for the overall opinion.*
- *The overall opinion, judgment or conclusion reached.*
- *The reasons for an unfavourable overall opinion must be stated*

NHS Requirement

The Head of Internal Audit must provide to the Accountable/Accounting Officer an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, timed to support the Statement on Internal Control.

The Head of Internal Audit must agree arrangements for interim reporting to the Accountable/Accounting Officer and Audit Committee in the course of the year and produce an annual report that incorporates his/her opinion.

2500 – Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

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.

2500.C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 – Resolution of Senior Management’s Acceptance of Risks

When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive must report the matter to the board for resolution.

Accountable Officer / Accounting Officer

This is the person appointed to be accountable for the operations of an organisation and the preparation of its accounts. The role and responsibilities are defined within the Accountable or Accounting Officer Memorandum. This designation is usually attributable to the Chief Executive of the NHS organisation. For example, Foundation Trust Chief Executives are designated as Accounting Officer and commissioning organisations' Chief Executives are designated Accountable Officers.

Add Value

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

Adequate Control

Present if management has planned and organised (designed) in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.

Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

Board

A board is an organisation's governing body, such as a board of directors, supervisory board, head of an agency or legislative body to whom internal auditors report, board of governors or trustees of a non-profit organisation or any other designated body of the organisation, including the audit committee to whom the chief audit executive may functionally report.

NHS Requirement and Interpretation

All NHS bodies are required to establish an Audit Committee which operates as a formal non executive Committee of the Board. It is responsible for reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical) that supports the achievement of the organisation's objectives.

Board Assurance Framework

This is the primary tool used by Boards to ensure that they are properly informed on the risks of not meeting their objectives or delivering appropriate outcomes and that they have adequate assurances on the design and operation of the systems in place to mitigate those risks.

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

Chief audit executive is a senior position within the organisation responsible for internal audit activities. Normally, this would be the internal audit director. In the case where internal audit activities are obtained from external service providers, the chief audit executive is the person responsible for overseeing the service contract and the overall quality assurance of these activities, reporting to senior management and the board regarding internal audit activities and follow-up of engagement results. The term also includes titles such as general auditor, head of internal audit, chief internal auditor and inspector general.

NHS Interpretation

The term 'Head of Internal Audit' is commonly used within the NHS. The Head of Internal Audit is the senior person responsible for providing the Opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and must meet the objectivity, qualification and reporting requirements of these Standards.

The Head of Internal Audit may be an in-house employee, an employee of a related organisation or an external contractor employed to fulfil the specific role. The organisation will need independently and periodically to review performance and quality of the internal audit service.

Code of Ethics

The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of the board and management regarding the significance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes

The policies, procedures and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

5 Glossary

Engagement

A specific internal audit assignment, task or review activity, such as an internal audit, control self-assessment review, fraud examination or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives

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

Engagement Work Programme

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider

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

Fraud

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

NHS Interpretation

Whilst governance is broadly defined as the arrangements in place to direct and control an organisation, within the NHS there are a number of governance streams that form part of overall governance arrangements, including Clinical Governance and Information Governance, as well as financial and organisational governance arrangements. It is expected that Internal Auditors in the NHS will provide assurance on all governance streams. In these Standards it is the Audit Committee that generally fulfils the position of the Board.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties and resource limitations (funding).

Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Information Technology Controls

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures, such as applications, information, infrastructure and people.

Information Technology Governance

Consists of the leadership, organisational structures and processes that ensure that the enterprise's information technology sustains and supports the organisation's strategies and objectives.

Internal Audit Activity

A department, division, team of consultants or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

International Professional Practices Framework

The conceptual framework that organises the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories – (1) mandatory and (2) endorsed and strongly recommended.

Local Counter Fraud Specialist (LCFS)

Established under Secretary of State Directions on Counter Fraud, each NHS organisation must nominate a designated LCFS responsible for developing an anti fraud culture within the organisation with the specific aims of deterring, preventing, detecting and investigating fraud.

The Directions also clarify the arrangements for the NHS organisation to provide the Counter Fraud & Security Management Service (CFSMS) with access to premises, staff, files and other data when required to do so, and ensure that the LCFS reports all potential fraud issues to CFSMS.

Must

The *Standards* use the word "must" to specify an unconditional requirement.

5 Glossary

Objectivity

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires internal auditors not to subordinate their judgement on audit matters to others.

Residual Risk

The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite

The level of risk that an organisation is willing to accept.

Risk Management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

Should

The *Standards* use the word "should" where conformance is expected unless, when applying professional judgement, circumstances justify deviation.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.

Statement on Internal Control

Accountable/Accounting Officers are required to sign a statement setting out their processes for reviewing governance, risk management and control arrangements. This statement is published as part of the financial accounts for their organisation.

Technology-based Audit Techniques

Any automated audit tool, such as generalised audit software, test data generators, computerised audit programmes, specialised audit utilities and computer-assisted audit techniques (CAATs).

The Internal Audit Practitioners Group (IAPG) prepared these Standards and the expert Reference Group undertook an oversight role. The members of the Reference Group were:

Dr Sarah Blackburn	Chair of the Reference Group President, Institute of Internal Auditors
Steve Barnes	Lead Audit Policy Advisor, HM Treasury
Brian Collins	Senior Technical Manager, Audit Practice, Audit Commission
Jason Dorsett	Portfolio Director, Monitor
Janet Perry	NHS Financial Controller, Department of Health
Edward Vitalis	Non-executive director and Audit Committee Chairman, NHS Salford
John Yarnold	Chairman, HfMA Corporate Governance and Audit Committee Director of Finance and Performance, NHS Gloucestershire
Tim Crowley	Secretary of the Reference Group Chairman, Internal Audit Practitioners Group Director, MIAA