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# Internal Audit Priorities

## January 2013

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## Introduction

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We outline below a number of areas which will be occupying the minds of internal audit practitioners including ourselves over the coming months. The objective remains the same though, ensuring internal audit remains an effective assurance provider whilst also providing value for money. Whilst the areas below stem from changes across the financial services and public sectors HEFCE expects Universities' internal audit to operate to professional best practice, and it is likely these changes will be considered in the revised Financial Memorandum.

## National Audit Office: Effectiveness of Internal Audit in Central Government

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To look forward to 2013 we first have to look back. In June 2012 the National Audit Office (NAO) produced a critical report of the state of internal audit within central government, whilst not directly relevant to the HE sector the report does provide a useful summary of some of the issues the internal audit profession need to tackle over the coming months; and will certainly be considered by ourselves when developing our service provision further. Key points raised in the NAO report included:

- An effective internal audit function will assist organisations to achieve efficiencies and better use of resources.
- Internal audit needs to be positioned so it is directly reporting to the Accountable Officer / Chief Executive to ensure clear and honest information can be reported without influence from other senior staff (in HE this is an explicit requirement of the current Financial Memorandum).
- A clear expectation needs to be set of what an effective internal audit should deliver. From the NAO's perspective internal audit should be, "integral to the management of an organisation, assuring the management information used to run it and acting as the 'eyes and ears' of senior staff and the board."
- The need to get the balance right between auditing the high level risks faced by an organisation and auditing core information and other systems. We believe the use of Assurance Frameworks will achieve this and provide a clear rationale to Audit Committee and senior executives on the balance between strategic risk and cyclical systems audits..
- A need to develop internal auditors' specialist skills and knowledge to provide the necessary insight organisations and audit committees require.
- More and better sharing of good audit practice across sectors.

- Whether senior executives are clear on what an effective internal audit looks like and do they communicate this?
- A need for internal audit functions to have clear operational standards
- Internal audit performance metrics should be agreed with the Audit Committee and Accountable Officer / Chief Executive and reported against

## **The Role of Internal Audit in the Financial Crisis**

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At the end of January 2013 the Chartered Institute for Internal Auditors (CIIA) will be consulting on recommendations resulting from their review of the role of internal audit in the financial crisis. The expected relationship between the head of internal audit, the Board, its sub-committees and executives will feature heavily; with organisations expected to position and resource internal audit to ensure it can effectively influence organisational decision making.

## **Public Sector Internal Audit Standards**

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The Government Internal Audit Standards (GIAS) which HEFCE expect internal auditors to comply with will be replaced from the 1<sup>st</sup> April 2013 with the Public Sector Internal Audit Standards (PSIAS). The standards outline how auditors should apply the IIA's International Professional Practices Framework within the public sector.

## **Financial Reporting Council's UK Corporate Governance Update**

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Longer term the Financial Reporting Council's (FRC) UK Corporate Governance Code is likely to be updated in 2014 and the CIIA will be looking to have the Code specify more clearly the role and position of internal audit.

## **Further Updates**

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As the profession considers the ways in which internal audit can build on its current performance we will keep you informed throughout the year on how Uniac are addressing the priorities identified above.