
Chartered Institute of Internal Auditors: Effective Internal Audit in the Financial Services Sector – Mutual One Limited’s Assessment

Introduction:

In July 2013 the Committee on Internal Audit Guidance for Financial Services published via the Chartered Institute of Internal Auditors (“the Institute”), its recommendations for internal auditing in the sector. The guidance emphasises that a more influential internal audit function can play a more significant role in supporting Non-Executive and Executive Management of Financial Services firms to better manage risks.

The Committee made 31 recommendations in total covering the areas of:

- The Role and Mandate of Internal Audit
- Scope and priorities of Internal Audit
- Reporting Results
- Interaction with Risk Management, Compliance and Finance
- Independence and authority of Internal Audit
- Resources
- Quality Assessment
- Relationships with Regulators
- Wider Considerations (Next Steps for the CIIA)

While the recommendations of the Committee are addressed to the Institute, a number of the recommendations can only be implemented by Boards, Audit Committees and internal auditors. While the recommendations are not mandatory, Mutual One agrees with the Institute’s statement that organisations should embrace the ‘spirit and principles’ of the guidance. Through our on-going communication with the PRA and FCA, we are aware they are supportive of the guidance.

Mutual One’s Self-Assessment

Mutual One has undertaken a gap analysis against the Committee’s recommendations. We are pleased to confirm that we are broadly in line with the recommendations. However, we recognise there are a number of areas where we can further enhance our approach and services; actions to address these areas, mapped to specific recommendations of the Committee, are set out at Appendix 1.

Mutual One will provide the **Name of Committee** with an update in Quarter 1 2014 as to how each of the actions have progressed.

Actions / Considerations for **Name of Committee**

It is important that the **Name of Committee** documents its own assessment of how **Client Name** meets the guidance, including the Committee’s reasoning where the guidance is not fully adopted. This will provide a ‘defendable position’ should this be questioned at a future time by an external party such as the PRA or FCA.

We particularly draw attention to the recommendations set out at Appendix 2, which are those that are solely influenced by the **Name of Committee**. We recognise that these recommendations are mainly aimed at internally sourced internal audit functions. However, each should be considered by the Committee as to whether, and how, they apply in the context of an outsourced internal audit service.