

Consultation draft

Application Note

Global Internal Audit Standards in the UK Public Sector
Applicable from 1 April 2025

Issued by the Relevant Internal Audit Standard Setters

October 2024

Purpose

This document provides a framework for the practice of internal audit in the UK public sector when taken together with the Global Internal Audit Standards (GIAS) issued by the Institute for Internal Auditors (IIA).

It sets out interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector.

Scope

The requirements herein apply to all internal audit service providers, whether in-house, shared services or outsourced which are operating within or providing internal audit services to the UK public sector.

All internal audit assurance and advisory services fall within the scope of this document.

Effective date

The requirements of this Application Note and associated requirements of the Global Internal Audit Standards apply to work on internal audit engagements conducted on or after 1 April 2025.

Authority for setting standards

The authority for setting standards for internal audit in the United Kingdom public sector rests with the Relevant Internal Audit Standard Setters (RIASS). These are HM Treasury in respect of central government; the Scottish Government, the Department of Finance Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health and Social Care in respect of the health sector in England; and the Chartered Institute of Public Finance and Accountancy in respect of local government across the United Kingdom. To support the development process, the UK public sector Internal Audit Standards Advisory Board was created. This includes representation from each of the RIASS, audit committees, internal audit practitioners and the Chartered IIA. The role of the IASAB is to develop material to support UK public sector internal audit, to consult on that material, and based on that consultation to advise the RIASS on the standards to be used.

Application of standards in the UK public sector

Together the RIASS determine the standards and requirements applicable to the practice of internal auditing in the UK public sector as a whole. The RIASS have determined that the Global Internal Audit Standards (GIAS) issued by the Institute for Internal Auditors (IIA) are a suitable basis for the practice of internal auditing in the UK public sector, subject to interpretations and requirements set out in this note.

The GIAS include a section on *Applying the Global Internal Audit Standards in the Public Sector*, and recognise that differences in governance structures, regulations and funding in the public sector may sometimes demand different approaches to maintain appropriate quality, efficiency and effectiveness in delivering internal audit. While the appendix is welcome, it encompasses a broader scope of public sector circumstances internationally than those which are relevant to the UK. At the same time, it is not an exhaustive guide to public sector context either internationally or in relation to the UK.

This application note therefore provides UK public sector-specific context, interpretations of GIAS requirements in the specific circumstances expected to apply across the UK public sector and some additional requirements which the RIASS consider essential for the practice of internal audit in the UK public sector.

Each RIASS may provide guidance or set specific requirements applicable to the part of the public sector over which they have authority. Sub-sector specific material is not presented in this note.

Conformance

Auditors working in the UK public sector must follow the requirements of the GIAS subject to the interpretations and additional requirements set out in this Application Note. When expressing conformance with standards, auditors must be clear that they are conforming to the GIAS subject to the Application Note, and must refer to this as conformance with *Global Internal Audit Standards in the UK Public Sector*.

Auditors must confirm adherence to the Application Note alongside all other reports on conformance with the Global Internal Audit Standards such as Standard 12.1 on internal quality assessment. Auditors must also note any non-conformance with this Application Note alongside any other non-conformance reporting such as that described in Standard 4.1.

External Quality Assessors working in the UK public sector under Standard 8.4 must also consider conformance with this Application Note as part of reporting their results.

General context for the UK public sector

Ethics and standards in public life: The GIAS generally and GIAS 1.2 specifically describe the importance of internal auditors encouraging and promoting an ethics-based culture alongside personal adherence to the ethical expectations of their organisation. This need for ethical behaviour is especially relevant in the UK public sector where those delivering public services are both servants of the public and stewards of public resources. The government has set out Seven Principles of Public Life (also known as the ‘Nolan Principles’) that apply to all public servants (including contractors working in the public service).

The Seven Principles of Public Life

- **Selflessness:** Holders of public office should act solely in terms of the public interest.
- **Integrity:** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family or their friends. They must declare and resolve any interests and relationships.
- **Objectivity:** Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability:** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **Openness:** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- **Honesty:** Holders of public office should be truthful.
- **Leadership:** Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

Internal auditors working in the UK public sector must apply these alongside all other relevant ethical frameworks.

Handling information: The GIAS set out the duty on internal auditors to be faithful custodians of the information they gather, sharing only in limited, defined and controlled ways. GIAS 5.2 describes the need for awareness of responsibilities in protecting information and demonstrating respect for the confidentiality, privacy and ownership of information. Auditors working in the UK public sector must be aware of their organisation’s policies and procedures for routine publication of certain information under freedom of information legislation. These do not normally encompass information on operational matters such as internal audit. Publication may be required if internal audit reports are referenced or discussed at public meetings, which happens more frequently in some parts of the UK public sector than others. Auditors must also be aware that their work may be subject to freedom of information requests; where they receive such requests auditors must consider each request on its merits against the requirements of the legislation.

Value for money: GIAS 9.1 describes the need for a chief audit executive to understand the organisation’s governance, risk management and control processes to develop an effective strategy and plan. Alongside the listed requirements in the standard, auditors in the UK public sector must be aware of the importance of securing value for money and the definitions which define that term in their part of the UK public sector.

Auditors must also be aware of the importance of value for money, alongside other key considerations, when determining appropriate evaluation criteria under GIAS 13.4.

The role of regulators: GIAS 9.5 sets out a duty for chief audit executives to co-ordinate with other assurance providers. In the UK public sector, there are various relevant outside assurance providers whose authority flows from separate legal or regulatory sources beyond the control or influence of the chief audit executive. The chief audit executive may not have any ability to access the work or conclusions of those assurance providers or gain insight into the scope and timing of their work. Under these circumstances the chief audit executive must consider whether it is possible or practical to co-ordinate. Where they do not co-ordinate, they must set out to the board the barriers to being able to achieve effective co-ordination.

UK public sector-specific interpretations and requirements

Resources: the GIAS section on *Applying the Global Internal Audit Standards in the Public Sector* notes that funding processes for internal audit functions vary, that some governance and organisational structures do not give boards authority over budget and that such conditions prevent the chief audit executive from being able to seek or obtain additional funding due to other funding priorities within the organisation. Chief audit executives may also be constrained in the way in which they use financial resources and manage human and technological resources.

The circumstances outlined above are relevant to most UK public sector internal audit functions and their associated audit committees, and interpretation is required to provide an appropriate basis for conformance, as follows:

- The chief audit executive may have no ability to develop resource management approaches distinct from their organisation and tailored to the needs of the internal audit function. The chief audit executive's ability to develop a strategy to obtain sufficient resources and address shortfalls may also be constrained by their organisation's legal or regulatory obligations. In such circumstances to fulfil GIAS 8.2 the chief audit executive must develop a resource strategy which suggests practical approaches for consideration by the board. To supplement this the chief audit executive must set out in the Charter what alternative approaches apply to the internal audit service.
- The chief audit executive will also not be expected to follow the requirements of GIAS 10.1 to 10.3 if they cannot develop distinct resource management approaches that achieve the objectives of those standards. Instead, a chief audit executive must set out in the Charter what alternative approaches apply to the internal audit service, and then seek to manage financial, human and IT resources within those constraints.
- Where appropriate, the chief audit executive must inform the board of the impact of insufficient resources and any options available to mitigate that impact.

The chief audit executive must also inform the board of any resource management arrangements at the organisation that may put at risk the ability of the internal audit service to fulfil its mandate.

Overall conclusions: GIAS 11.3 references the possibility that a chief audit executive may be required to make a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control. In the UK public sector, a chief audit executive must prepare such an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control. The requirement for an overall conclusion must also inform planning carried out under GIAS 9.4. The requirement for an annual conclusion does not imply that planning needs to follow an annual cycle, but where planning is carried out in other timeframes it must still be clear to senior management and the board that this supports an annual conclusion.

Chief audit executive qualifications: GIAS 7.2 sets out expectations relevant to the global practice of internal audit. The RIASS seek to maintain an expectation that chief audit executives in the public sector hold appropriate professional qualifications alongside relevant experience. Therefore, in considering whether a chief audit executive is suitably qualified, an organisation must be looking for:

- a CMIIA or CCAB qualification
- suitable internal audit experience, and

- experience relevant to the activity of the organisation and the sector within which it operates.

In certain circumstances, organisations may face challenges in recruiting or otherwise obtaining the services of an individual with all these characteristics. In these circumstances the Charter must set out the alternative arrangements for obtaining appropriate internal audit professional and organisationally relevant expertise for a specified interim period until the chief audit executive can claim them for themselves.

Selecting independent assessors: GIAS 8.4 sets out a requirement that when selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor designation. The RIASS have determined that this requirement is **replaced** by a requirement that at least one person have the characteristics outlined for chief audit executive qualification. The RIASS consider that such a person would normally have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector. The chief audit executive must consider these matters as part of the selection process.

Determining the essential conditions in relation to governance

GIAS Domain III 'Governing the Internal Audit Function' explains that appropriate governance arrangements with boards and senior management are essential to fulfil the Purpose of Internal Audit. The individual standards within Domain III include baseline 'essential conditions' which need to be satisfied in order to achieve conformance. The GIAS allows that in some cases it may be appropriate to determine alternatives to the essential conditions that achieve the same results.

The GIAS section *Applying the Global Internal Audit Standards in the Public Sector* includes non-exhaustive material explaining that public sector governance and organisational structures may require internal audit functions to adjust the application of some standards. This is the case in many UK public sector bodies and in these cases it will be necessary to determine alternatives to the Domain III essential conditions. These must be agreed with the board/audit committee and, if permanent, must be explained in the Audit Charter.

The barriers to achievement of the baseline essential conditions vary in extent and effect across different parts of the UK public sector. The RIASS for individual sectors¹ may choose to issue specific material for their sector, which internal auditors and quality assessors in the relevant sector must comply with. For this reason no material on alternative conditions is provided in this Application Note.

¹ CIPFA as RIASS for local government has issued the *Code of Practice for the Governance of Internal Audit in UK Local Government* that among other things includes conditions, which, when applied in the local government internal audit context, will achieve the objectives of the GIAS conditions.