

Consultation on Internal Audit Standards in the UK Public Sector

October 2024

Background to standard setting in the UK public sector

The authority for determining standards applicable to internal audit in the UK public sector rests with the Relevant Internal Audit Standard Setters (RIASS), who 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 devolved administrations
- the Department of Health and Social Care in respect of the health sector in England
- the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

In 2012 the RIASS agreed that rather than having different sets of standards for different sub-sectors of the UK public sector, there should be a common set of standards. It was agreed that this should be based on standards developed by the Institute of Internal Auditors (IIA) and other mandatory material in the IIA's International Professional Practice Framework. In addition to the IIA material these would include additional requirements and interpretations to support application in the UK public sector.

To support the development process, the UK public sector Internal Audit Standards Advisory Board was created. This included 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.

In line with the above, UK Public Sector Internal Audit Standards (PSIAS) were developed, consulted upon and issued in 2013. Further revisions of the PSIAS encompassing additional IIA mandatory requirements were issued after consultations in 2016 and 2017.

What is being consulted upon

This consultation sets out proposals for new material to replace the current UK PSIAS issued in 2017. The proposals are framed in terms of the IIA's new Global Internal Audit Standards (GIAS).

The GIAS, together with additional Topical Requirements and non-mandatory Global Guidance will be the basis of the IIA's International Professional Practice Framework going forward.

The current UK PSIAS are framed in terms of the mandatory elements of the previous International Professional Practice Framework.

The current UK PSIAS will remain in force for internal audit work supporting the annual opinion for the year ending 31 March 2025. Thereafter, internal auditors will apply the GIAS, subject to the interpretations and requirements of *Application Note: Global Internal Audit Standards in the UK public sector*. This differs from the applicability of the Global Internal Audit Standards outside the UK public sector, where the standards become effective from 9 January 2025.

Impact on UK public sector internal audit

The IASAB has considered the content of the GIAS and has determined that it is applicable to the internal audit of UK public sector bodies, subject to a small number of additional requirements and interpretations, including one case where a GIAS requirement is replaced by a UK public sector requirement.

The structure of the new GIAS standards document is very different to the material which it replaces. While differently articulated and better explained, most of the GIAS requirements have the same practical effect as the standards in the previous International Professional Practice Framework. Some requirements have been added to the GIAS which eliminate the need for additional UK public sector requirements.

There is helpful guidance in the GIAS, in the section on Applying the Global Internal Audit Standards in the Public Sector, but this necessarily encompasses a broader scope of public sector circumstances internationally than those which are relevant to the United Kingdom. At the same time it is not exhaustive.

The IASAB did consider whether the GIAS could be applied directly without additional UK public sector material but decided that some interpretations and additional requirements are needed.

In order to support the consistent implementation of the GIAS in the UK public sector, the IASAB has developed *Application Note: Global Internal Audit Standards in the UK public sector*. This applies the unamended text of the GIAS together with interpretations of GIAS requirements in the specific circumstances which are expected to apply across the UK public sector, and also some additional requirements which are essential for the practice of internal audit in the UK public sector but are not set out in the GIAS. These mainly have the effect of preserving those interpretations and additional requirements in the current UK PSIAS which are not already encompassed in the main text of the GIAS. They include specific mention of requirements for annual opinions and governance statements, and a presumption that chief audit executives will be both professionally qualified and have appropriate public sector skills and knowledge. The new GIAS requirement in relation to the qualifications to be considered when selecting independent assessors is replaced by a requirement for at least one assessor to have the characteristics required of a chief audit executive in the UK public sector.

The IASAB has changed its approach to the presentation of its mandatory requirements. This is partly because the GIAS are presented very differently to the standards they replace, and also having regard to the improvements in the GIAS which reduce the need for UK public sector specific material. The currently applicable PSIAS provide scene setting material and then include UK public sector interpretations and requirements as 'overlaid' additions to the IIA document. In contrast to this, IASAB is now consulting on a short application note explaining how the GIAS standards must be applied in the UK public sector context.

The IASAB proposals thus far encompass the Global Internal Audit Standards, but not the Topical Requirements, which at this stage have not been issued by the IIA. The IASAB material also does not encompass the IIA's non-mandatory Global Guidance. The IASAB and RIASS have determined that these will not automatically be applicable in the UK public sector context. The IASAB will periodically review Topical Requirements issued by the IIA and consider whether they might be recommended or required to be applied within the UK public sector.

The IASAB does not anticipate any significant problems in implementing the new standards and does not anticipate a requirement for transitional guidance beyond its clear statement that the existing PSIAS will continue to apply to internal audit work carried out until 31 March 2025. However, the IASAB would appreciate feedback from stakeholders with an interest in UK public sector internal audit to test this assumption.

The RIASS for individual sectors may choose to issue specific material for their sector. CIPFA, as RIASS for local government, has decided to issue a code of practice in relation to

governance in a local government internal audit setting which will support consistent implementation and will help stakeholders who are not internal auditors. There is a separate consultation on CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government.

Consultation questions

The IASAB would appreciate information on the following matters:

- Whether the proposed public sector requirements and interpretations are appropriate.
- Whether there are any other amendments to the existing public sector additions that should be made.
- Whether, in your view, any transitional arrangements would assist with practical implementation. (If so, please provide examples.)

Please respond on the following [Microsoft Form](#).

Review of current PSIAS in preparing the Application Note

The table below considers the main interpretations and requirements in the current PSIAS issued in 2017, noting cases where the new GIAS requirements are equivalent to or encompass the PSIAS requirement, and where there is still a need for UK public sector interpretations or requirements and these have been included in the Application Note. The table does not review the introductory material in the 2017 PSIAS but the public sector-specific material has been taken into the Application Note, while IIA material on ethics and principles has been taken into the GIAS.

Current PSIAS reference	Current PSIAS text	IASAB approach for 2025
Code of Ethics	Public sector requirement Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.	Included within GIAS Domain II and therefore no addition required.
Code of Ethics	Public sector interpretation The 'Institute' here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.	Included within GIAS Domain II and therefore no addition required.
Code of Ethics	Public sector requirement Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk	Included in the proposed <i>Application Note: Global Internal Audit Standards in the UK Public Sector</i> .
1000 Purpose, Authority and Responsibility	Public sector requirement The internal audit charter must also: <ul style="list-style-type: none"> • define the terms 'board' and 'senior management' for the purposes of internal audit activity • cover the arrangements for appropriate resourcing • define the role of internal audit in any fraud-related work, and • describe safeguards to limit impairment of independence or objectivity if internal audit or the chief audit executive undertakes non-audit activities. 	Included within GIAS Standards 6.2 and 7.1 and therefore no addition required.

1110 Organisational Independence	Public sector requirement The chief audit executive must report functionally to the board. The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.	Included within GIAS Standards 6.3, 7.1 and 8.1 and therefore no addition required.
1110 Organisational Independence	Public sector interpretation Governance requirements in the UK public sector would not generally involve the board approving the CAE's remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the chair of the audit committee.	Included within the GIAS general appendix Applying the Global Internal Audit Standards in the Public Sector and therefore no addition required.
1112 Chief Audit Executive Roles Beyond Internal Auditing	Public sector interpretation When asked to undertake any additional roles/responsibilities outside of internal auditing, the chief audit executive must highlight to the board any potential or perceived impairment to independence and objectivity having regard to the principles contained within the Code of Ethics as well as any relevant requirements set out by other professional bodies to which the CAE may belong. The board must approve and periodically review any safeguards put in place to limit impairments to independence and objectivity (see also Standard 1000 Purpose, Authority and Responsibility).	Included within GIAS Standard 7.1 and therefore no addition required.
1130 Impairment to Independence or Objectivity	Public sector requirement Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.	Included within GIAS Standard 6.2 and therefore no addition required.
1210 Proficiency	Public sector requirement The chief audit executive must hold a professional qualification (CMAA, CCAB or equivalent) and be suitably experienced.	Included in the proposed <i>Application Note: Global Internal Audit Standards in the UK Public Sector</i> .

1312 External Assessments	Public sector requirement The chief audit executive must agree the scope of external assessments with an appropriate sponsor, eg the accounting/accountable officer or chair of the audit committee as well as with the external assessor or assessment team.	Included within GIAS Standard 8.2 and therefore no addition required.
1320 Reporting on the QAIP	Public sector requirement The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.	Included within GIAS Standard 8.3 and therefore no addition required.
1322 Disclosure of Non-conformance	Public sector requirement Such non-conformances must be highlighted by the chief audit executive to be considered for inclusion in the governance statement.	Included within GIAS Standard 12.1 and therefore no addition required.
2010 Planning	Public sector requirement The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.	Included within GIAS Standard 9.4 with interpretation included in the proposed <i>Application Note: Global Internal Audit Standards in the UK Public Sector</i> .
2030 Resource Management	Public sector requirement The risk-based plan must explain how internal audit's resource requirements have been assessed. Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.	Included within GIAS Standard 9.4 and therefore no addition required.
2210.A3 Engagement Objectives	Public sector interpretation In the public sector, criteria are likely to include value for money.	Included in the proposed <i>Application Note: Global Internal Audit Standards in the UK Public Sector</i> .
2450 Overall Opinions	Public sector requirement The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and	Included within GIAS Standard 11.3 with interpretation included in the proposed <i>Application Note: Global Internal Audit</i>

	<p>effectiveness of the organisation's framework of governance, risk management and control.</p> <p>The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme</p>	<i>Standards in the UK Public Sector.</i>
Glossary	<p>Public sector definition: Assurance Framework</p> <p>This is the primary tool used by a board to ensure that it is properly informed on the risks of not meeting its objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of the systems in place to mitigate those risks.</p>	<p>The glossary definition in the 2017 UK PSIAS does not set out what is required of an assurance framework. Definitions and guidance on assurance frameworks are provided for central government and local government on the gov.uk and cipfa.org websites.</p>
Glossary	<p>Public sector definition: Audit Committee</p> <p>The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.</p>	<p>Included within GIAS Glossary and therefore no addition required.</p>
Glossary	<p>Public sector definition: Governance Statement</p> <p>The mechanism by which an organisation publicly reports on its governance arrangements each year.</p>	<p>The glossary definition in the 2017 UK PSIAS does not set out what is required in a governance statement, the specifics of which are set out in sector specific requirements. Having regard to this the proposed <i>Application Note: Global Internal Audit Standards in the UK Public Sector</i> references the requirement for a governance statement, in the expectation that internal auditors will determine the requirements for their sector.</p>
Glossary	<p>Public sector interpretation IPPF</p> <p>Only the Mission and the mandatory elements apply for the purposes of the Public Sector Internal Audit Standards.</p>	<p>The IASAB proposals thus far encompass the Global Internal Audit Standards, but not the Topical Requirements, which at this stage have not been issued.</p>

		<p>The IASAB material also does not encompass the IIA's non-mandatory Global Guidance. The IASAB and RIASS have yet to determine their position on whether these will be applicable in the UK public sector context, or for example, be advisory material which internal audit functions might be required to consider.</p>
Glossary	<p>Public sector interpretation: International Standards for the Professional Practice of Internal Auditing</p> <p>The Public Sector Internal Audit Standards take the place of the International Standards where applicable.</p>	<p>Included in the proposed <i>Application Note: Global Internal Audit Standards in the UK Public Sector</i>.</p>