

# Application Note Global Internal Audit Standards in the UK Public Sector

January 2025



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The Application Note 'Global Internal Audit Standards in the UK Public Sector' is being adopted by the Relevant Internal Audit Standard Setters (RIASS) from 1 April 2025. It follows a period of consultation, and on the advice of the UK Public Sector Internal Audit Standards Advisory Board (IASAB), the Application Note should be applied in conjunction with the Global Internal Audit Standards published by the Institute of Internal Auditors. It includes key requirements and interpretations that are crucial for implementing the Standards within the practice of internal audit in the UK public sector.

## Overview of the Standards

The RIASS have determined the Global Internal Audit Standards are 'a suitable basis for the practice of internal auditing', subject to interpretations and requirements. Whilst the section on 'Applying the Global Internal Audit Standards in the Public sector' is welcome, the Application Note provides UK public sector specific context and additional requirements.

Internal auditors must adhere to the requirements of the Global Internal Audit Standards and the International Professional Practices Framework. Throughout 2024, internal audit providers have been transitioning to the Standards, which became effective on 9 January 2025. The current Public Sector Internal Audit Standards have been in place since 2017. From 1 April 2025, auditors in the public sector must adhere to the Application Note, in addition to the requirements of the Global Internal Audit Standards.

The IASAB will periodically review the Application Note. This includes consideration of any Topical Requirements that are relevant to the public sector.

We have published several client briefings on the Global Internal Audit Standards and the requirements.

- Overview of the Global Internal Audit Standards.
- Quality Assurance and Improvement Programme.
- Key Stakeholder Requirements in Domain III.
- Assessing Readiness and Action Plans.

Please get in touch with your usual RSM contact to request a copy.

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## Key interpretations and requirements

The Application Note includes several requirements and interpretations in the context of the UK public sector, summarised as follows.

- Alongside the requirements in the Global Internal Audit Standards in Domain II: Ethics and Professionalism, internal auditors must apply the Seven Principles of Public Life (the 'Nolan Principles').
- Auditors in the UK public sector need to understand when they are required to share or publish information. They should be familiar with their organisation's policies and procedures for publishing certain information, as well as any statutory obligations to do so.
- In meeting the requirements of Standard 9.1 Understanding Governance, Risk Management and Control Processes and Standard 13.4 Evaluation Criteria, auditors must recognise the importance of value for money.
- With the legal and regulatory structures across the public sector, where the chief audit executive is unable to co-ordinate with other assurance providers, the barriers must be set out to the board.
- Where a board does not have authority over budgets, this can hinder the chief audit executive's ability to seek additional funding due to other organisational priorities. To comply with Standard 8.2 Resources, the chief audit executive should develop a resource strategy that proposes practical solutions for the board's consideration.
- Where the chief audit executive is unable to develop a strategy to obtain sufficient resource to address shortfalls, there is no expectation to comply with Standards 10.1 to 10.3, Principle 10 Manage Resources. The chief audit executive must inform the board of the effect of insufficient resources and highlight any options to mitigate the impact. If internal audit's ability to fulfil its mandate is at risk, the board must also be informed.
- The chief audit executive must provide an overall conclusion on governance, risk management and control annually, with the conclusion informing internal audit planning in alignment with Standard 9.4.
- The results of internal quality assessments are to be reported annually and include any action plans to address non-conformance.
- The chief audit executive is to be qualified, holding a professional qualification such as CMIIA, CCAB or other equivalent qualification that includes training on the practice of internal audit. They should also have suitable experience.
- At least one individual within the external quality assessment (EQA) team should hold the skills and qualifications as that required of the chief audit executive. An EQA assessor is expected to understand the Global Internal Audit Standards in line with an individual with the Certified Internal Auditor designation, including how the standards are applied to the UK public sector.

Domain III Governing the Internal Audit Function sets out important 'essential conditions' for the board and senior management. When implemented they enable the internal audit function to be effective and fulfil its purpose. Given the unique governance and organisational structures in the public sector, internal audit functions may need to adapt some standards to achieve the same outcomes. These alternatives must be approved by the board or audit committee and, if permanent, must be explained in the Charter.

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## Our internal audit services

In transitioning to the Global Internal Audit Standards, during 2024 we have updated our manuals, reports, charter and mandate, and trained our people. This ensured our preparedness and conformance with the new standards.

As a leading provider of internal audit services to the public sector we have carefully considered the requirements of the Application Note Global Internal Audit Standards in the UK Public Sector. With the Public Sector Internal Audit Standards being replaced, our charter and reports will be updated, applicable from 1 April 2025.

Having reviewed the interpretations and requirements, our internal audit services align with the intent of the Global Internal Audit Standards in the UK Public Sector.

Our last EQA concluded that RSM 'generally conforms to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'. The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model. Our next EQA is due to take place in 2026 and will reflect the requirements of the Global Internal Audit Standards in the UK Public Sector.

### Further information

Access the Application Note Global Internal Audit Standards in the UK Public Sector at: <https://www.iasab.org/standards>

Access the Global Internal Audit Standards at: <https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/>

Should you have any questions regarding the Global Internal Audit Standards in the UK Public Sector, what it might mean for you, or our adherence to the Standards, please get in touch via your usual RSM contact.

## **FURTHER INFORMATION**

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