

Where the Standards refer to the Board this represents the Finance and Audit Committee.

Footnotes have been provided below where the draft Application Note provides additional interpretations and requirements, although this is subject to change following consultation.

As noted above, both the Standards and the Application Note acknowledge that public sector governance and organisational structures may require internal audit functions to adjust the application of Domain III of the Standards. The Application Note allows the RIASS for individual sectors to choose to issue specific material for their sector, which internal auditors must comply with. CIPFA, as the RIASS for local government, have issued a Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) that, among other things, includes conditions, which, when applied in the local government internal audit context, will achieve the requirements of Domain III of the Standards. Again, this is subject to change following consultation.

Standard	Chief Audit Executive	Senior Management	Board
Standard 6.1 Internal Audit Mandate	<ul style="list-style-type: none"> <li>• The chief audit executive must provide the board and senior management with the information necessary to establish the internal audit mandate. In those jurisdictions and industries where the internal audit function's mandate is prescribed wholly or partially in laws or regulations, the internal audit charter must include the legal requirements of the mandate.</li> <li>• To help the board and senior management determine the scope and types of internal audit services, the chief audit executive must coordinate with other internal and external assurance providers to gain an understanding of each other's roles and responsibilities.</li> <li>• The chief audit executive must document or reference the mandate in the internal audit charter, which is approved by the board.</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in discussions with the board and chief audit executive and provide input on expectations for the internal audit function that the board should consider when establishing the internal audit mandate.</li> <li>• Support the internal audit mandate throughout the organisation and promote the authority granted to the internal audit function.</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss with the chief audit executive and senior management the appropriate authority, role, and responsibilities of the internal audit function.</li> <li>• Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.</li> </ul>

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	<ul style="list-style-type: none"> <li>• Periodically, the chief audit executive must assess whether changes in circumstances justify a discussion with the board and senior management about the internal audit mandate. If so, the chief audit executive must discuss the internal audit mandate with the board and senior management to assess whether the authority, role, and responsibilities continue to enable the internal audit function to achieve its strategy and accomplish its objectives.</li> </ul>		
Standard 6.2 Internal Audit Charter	<ul style="list-style-type: none"> <li>• The chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:               <ul style="list-style-type: none"> <li>- Purpose of Internal Auditing.</li> <li>- Commitment to adhering to the Global Internal Audit Standards.</li> <li>- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function.</li> <li>- Organisational position and reporting relationships.</li> </ul> </li> <li>• The chief audit executive must discuss the proposed charter with the board and senior management to confirm that it accurately reflects their understanding and expectations of the internal audit function.</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate with the board and chief audit executive about management's expectations that should be considered for inclusion in the internal audit charter.</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function.</li> <li>• Approve the internal audit charter.</li> <li>• Review the internal audit charter with the chief audit executive to consider changes affecting the organisation, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organisation.</li> </ul>
Standard 6.3 Board and	<ul style="list-style-type: none"> <li>• The chief audit executive must provide the board and senior management with the</li> </ul>	<ul style="list-style-type: none"> <li>• Support recognition of the internal audit function throughout the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Champion the internal audit function to enable it to fulfil the Purpose of Internal</li> </ul>

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Senior Management Support	<p>information needed to support and promote recognition of the internal audit function throughout the organisation.</p> <ul style="list-style-type: none"> <li>• The chief audit executive must coordinate the internal audit function's board communications with senior management to support the board's ability to fulfil its requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Work with the board and management throughout the organisation to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.</li> </ul>	<p>Auditing and pursue its strategy and objectives.</p> <ul style="list-style-type: none"> <li>• Work with senior management to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.</li> <li>• Support the chief audit executive through regular, direct communications.</li> <li>• Demonstrate support by: <ul style="list-style-type: none"> <li>- Specifying that the chief audit executive reports to a level within the organisation that allows the internal audit function to fulfil the internal audit mandate.</li> <li>- Approving the internal audit charter, internal audit plan, budget, and resource plan.</li> <li>- Making appropriate inquiries of senior management and the chief audit executive to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.</li> <li>- Meeting periodically with the chief audit executive in sessions without senior management present.</li> </ul> </li> </ul>
Standard 7.1 Organisational Independence	<ul style="list-style-type: none"> <li>• The chief audit executive must confirm to the board the organisational independence of the internal audit function at least annually. This includes communicating</li> </ul>	<ul style="list-style-type: none"> <li>• Position the internal audit function at a level within the organisation that enables it to perform its services and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a direct reporting relationship with the chief audit executive and the internal</li> </ul>

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	<p>incidents where independence may have been impaired and the actions or safeguards employed to address the impairment.</p> <ul style="list-style-type: none"> <li>• The chief audit executive must document in the internal audit charter the reporting relationships and organisational positioning of the internal audit function, as determined by the board.</li> <li>• The chief audit executive must discuss with the board and senior management any current or proposed roles and responsibilities that have the potential to impair the internal audit function's independence, either in fact or appearance. The chief audit executive must advise the board and senior management of the types of safeguards to manage actual, potential, or perceived impairments.</li> <li>• When the chief audit executive has one or more ongoing roles beyond internal auditing, the responsibilities, nature of work, and established safeguards must be documented in the internal audit charter. If those areas of responsibility are subject to internal auditing, alternative processes to obtain assurance must be established, such as contracting with an objective, competent external assurance provider that reports independently to the board.</li> <li>• When the chief audit executive's non audit responsibilities are temporary, assurance for those areas must be provided by an independent third party during the</li> </ul>	<p>without interference, as directed by the board.</p> <ul style="list-style-type: none"> <li>• Recognize the chief audit executive's direct reporting relationship with the board.</li> <li>• Engage with the board and the chief audit executive to understand any potential impairments to the internal audit function's independence caused by non-audit roles or other circumstances and support the implementation of appropriate safeguards to manage such impairments.</li> <li>• Provide input to the board on the appointment and removal of the chief audit executive.</li> <li>• Solicit input from the board on the performance evaluation and remuneration of the chief audit executive.</li> </ul>	<p>audit function to enable the internal audit function to fulfil its mandate.</p> <ul style="list-style-type: none"> <li>• Authorize the appointment and removal of the chief audit executive.</li> <li>• Provide input to senior management to support the performance evaluation and remuneration of the chief audit executive.</li> <li>• Provide the chief audit executive with opportunities to discuss significant and sensitive matters with the board, including meetings without senior management present.</li> <li>• Require that the chief audit executive be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the board when necessary.</li> <li>• Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the chief audit executive that are beyond the scope of internal auditing.</li> <li>• Engage with senior management and the chief audit executive to establish appropriate safeguards if chief audit executive roles and responsibilities impair</li> </ul>

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	<p>temporary assignment and for the subsequent 12 months. Also, the chief audit executive must establish a plan to transition those responsibilities to management.</p> <ul style="list-style-type: none"> <li>• If the governing structure does not support organisational independence, the chief audit executive must document the characteristics of the governing structure limiting independence and any safeguards that may be employed to achieve this principle.</li> </ul>		<p>or appear to impair the internal audit function's independence.</p> <ul style="list-style-type: none"> <li>• Engage with senior management to ensure that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.</li> </ul>
<p>Standard 7.2 Chief Audit Executive Qualifications [1]</p>	<ul style="list-style-type: none"> <li>• The chief audit executive must help the board understand the qualifications and competencies of a chief audit executive that are necessary to manage the internal audit function. The chief audit executive facilitates this understanding by providing information and examples of common and leading qualifications and competencies.</li> <li>• The chief audit executive must maintain and enhance the qualifications and competencies necessary to fulfil the roles and responsibilities expected by the board.</li> </ul>	<ul style="list-style-type: none"> <li>• Engage with the board to determine the chief audit executive's qualifications, experience, and competencies.</li> <li>• Enable the appointment, development, and remuneration of the chief audit executive through the organisation's human resources processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the requirements necessary for the chief audit executive to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function.</li> <li>• Approve the chief audit executive's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.</li> <li>• Engage with senior management to appoint a chief audit executive with the qualifications and competencies necessary to manage the internal audit function effectively and ensure the quality performance of internal audit services.</li> </ul>
<p>Standard 8.1 Board Interaction</p>	<ul style="list-style-type: none"> <li>• The chief audit executive must provide the board with the information needed to conduct its oversight responsibilities. This information may be specifically requested by the board or may be, in the judgment of the chief audit executive, valuable for the</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate senior management's perspective on the organisation's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate with the chief audit executive to understand how the internal audit function is fulfilling its mandate.</li> <li>• Communicate the board's perspective on the organisation's strategies, objectives,</li> </ul>

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	<p>board to exercise its oversight responsibilities.</p> <ul style="list-style-type: none"> <li>• The chief audit executive must report to the board and senior management:               <ul style="list-style-type: none"> <li>- The internal audit plan and budget and subsequent significant revisions to them.</li> <li>- Changes potentially affecting the mandate or charter.</li> <li>- Potential impairments to independence.</li> <li>- Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results.</li> <li>- Results from the quality assurance and improvement program.</li> </ul> </li> <li>• There may be instances when the chief audit executive disagrees with senior management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities. In such cases, the chief audit executive must provide the board with the facts and circumstances to allow the board to consider whether, in its oversight role, it should intervene with senior management or other stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Assist the board in understanding the effectiveness of the organisation's governance, risk management, and control processes.</li> <li>• Work with the board and the chief audit executive on the process for escalating matters of importance to the board</li> </ul>	<p>and risks to assist the chief audit executive with determining internal audit priorities.</p> <ul style="list-style-type: none"> <li>• Set expectations with the chief audit executive for:               <ul style="list-style-type: none"> <li>- The frequency with which the board wants to receive communications from the chief audit executive.</li> <li>- The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board's risk tolerance</li> <li>- The process for escalating matters of importance to the board.</li> </ul> </li> <li>• Gain an understanding of the effectiveness of the organisation's governance, risk management, and control processes based on the results of internal audit engagements and discussions with senior management.</li> <li>• Discuss with the chief audit executive disagreements with senior management or other stakeholders and provide support as necessary to enable the chief audit executive to perform the responsibilities outlined in the internal audit mandate.</li> </ul>
Standard 8.2 Resources <sup>[2]</sup>	<ul style="list-style-type: none"> <li>• The chief audit executive must evaluate whether internal audit resources are sufficient to fulfil the internal audit mandate</li> </ul>	<ul style="list-style-type: none"> <li>• Engage with the board to provide the internal audit function with sufficient resources to fulfil the internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate with senior management to provide the internal audit function with sufficient resources to fulfil the internal</li> </ul>

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	<p>and achieve the internal audit plan. If not, the chief audit executive must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how any resource shortfalls will be addressed.</p>	<p>mandate and achieve the internal audit plan.</p> <ul style="list-style-type: none"> <li>• Engage with the board and the chief audit executive on any issues of insufficient resources and how to remedy the situation.</li> </ul>	<p>audit mandate and achieve the internal audit plan.</p> <ul style="list-style-type: none"> <li>• Discuss with the chief audit executive, at least annually, the sufficiency, both in numbers and capabilities, of internal audit resources to fulfil the internal audit mandate and achieve the internal audit plan.</li> <li>• Consider the impact of insufficient resources on the internal audit mandate and plan.</li> <li>• Engage with senior management and the chief audit executive on remedying the situation if the resources are determined to be insufficient</li> </ul>
Standard 8.3 Quality	<ul style="list-style-type: none"> <li>• The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments: <ul style="list-style-type: none"> <li>- External assessments.</li> <li>- Internal assessments.</li> </ul> </li> <li>• At least annually, the chief audit executive must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include: •</li> </ul>	<ul style="list-style-type: none"> <li>• Provide input on the internal audit function's performance objectives.</li> <li>• Participate with the board in an annual assessment of the chief audit executive and internal audit function.</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss with the chief audit executive the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function.</li> <li>• Approve the internal audit function's performance objectives at least annually.</li> <li>• Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes: <ul style="list-style-type: none"> <li>- Reviewing the internal audit function's performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal audit mandate; and progress towards completion of the internal audit plan.</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>- The internal audit function's conformance with the Standards and achievement of performance objectives.</li> <li>- If applicable, compliance with laws and/or regulations relevant to internal auditing.</li> <li>- If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.</li> </ul>		<ul style="list-style-type: none"> <li>- Considering the results of the internal audit function's quality assurance and improvement program.</li> <li>- Determining the extent to which the internal audit function's performance objectives are being met.</li> </ul>
Standard 8.4 External Quality Assessment <sup>[3]</sup>	<ul style="list-style-type: none"> <li>• The chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation.</li> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate with the board and the chief audit executive to determine the scope and frequency of the external quality assessment.</li> <li>• Review the results of the external quality assessment, collaborate with the chief audit executive and board to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss with the chief audit executive the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team.</li> <li>• Collaborate with senior management and the chief audit executive to determine the scope and frequency of the external quality assessment.</li> <li>• Consider the responsibilities and regulatory requirements of the internal audit function and the chief audit executive, as described in the internal audit charter, when defining the scope of the external quality assessment.</li> <li>• Review and approve the chief audit executive's plan for the performance of an external quality assessment. Such approval should cover, at a minimum: <ul style="list-style-type: none"> <li>- The scope and frequency of assessments.</li> </ul> </li> </ul>



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			<ul style="list-style-type: none"> <li>- The competencies and independence of the external assessor or assessment team.</li> <li>- The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.</li> <li>• Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.</li> <li>• Review and approve the chief audit executive's action plans to address identified deficiencies and opportunities for improvement, if applicable.</li> <li>• Approve a timeline for completion of the action plans and monitor the chief audit executive's progress.</li> </ul>

Application Note: Global Internal Audit Standards in the UK Public Sector additional interpretations and requirements (subject to change following consultation)

<sup>[1]</sup> Standard 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.

<sup>[2]</sup> 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 Standard 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.

<sup>[3]</sup> Standard 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.