The Institute of Internal Auditors

INTERNAL AUDITING IN GOVERNMENT AND THE PUBLIC SECTOR

AN IIA GLOBAL PUBLIC POLICY POSITION PAPER



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OVERVIEW

Executive Summary

Governments around the world face growing demands to deliver services effectively, safeguard public resources, manage increasingly complex risks, and maintain the confidence of citizens. At the same time, public sector organizations are operating in an environment characterized by rapid technological change, cybersecurity threats, artificial intelligence (AI), fiscal constraints, geopolitical instability, climate-related challenges, and heightened public expectations regarding transparency and accountability.

Against this backdrop, strong public sector internal audit functions[1] have never been more important. Internal auditing serves a unique and indispensable role within government and the broader public sector. By providing independent, objective assurance and advice regarding governance, risk management, and internal controls, internal auditors help public sector leaders achieve organizational objectives, strengthen accountability, improve performance, and protect the public interest. Yet the effectiveness of public sector internal auditing is not guaranteed. In many jurisdictions, internal audit functions lack adequate independence, authority, resources, professional recognition, or governing body support. In others, outdated legal frameworks, insufficient investment in professional development, weak implementation of audit recommendations, or inappropriate political influence can undermine the value that internal auditors provide.

Recognizing these challenges, The Institute of Internal Auditors (The IIA) has developed this **Public Sector Global Public Policy Position Paper (PS GP4)** to assist public policymakers, public sector leaders, and The IIA's federation of national institutes in establishing and maintaining effective internal audit functions throughout the public sector. This paper builds upon and complements The IIA's Global Public Policy Position Paper (GP4), which outlines The IIA's recommended legal and regulatory framework for the profession globally. While GP4 focuses broadly on the entire internal audit profession, this paper specifically addresses the unique policy, governance, and operational considerations associated with internal auditing in government and the public sector.

The recommendations contained herein are intended to be globally relevant while recognizing that public sector structures, political and policy environments, and governance models vary significantly across jurisdictions. Accordingly, this paper focuses primarily on principles and broad conceptual goals rather than prescribing a single organizational model for every country.

As the foundation of this paper, The IIA believes:

1. Internal auditing strengthens public trust and government effectiveness.
2. Independent internal audit functions are essential to good governance.

1. Terminology may vary across jurisdictions. For example, in some countries, internal audit functions are called internal audit units.

3. Public sector internal auditing should align with globally recognized standards and frameworks.
4. Public sector internal audit functions must continuously evolve to address emerging risks and technologies.
5. Effective internal auditing serves the public interest by promoting accountability, transparency, integrity, and responsible stewardship of public resources.

ESSENTIAL RECOMMENDATIONS

To strengthen internal auditing across government and the public sector, The IIA recommends that policymakers:

- Define internal auditing in public policy and establish robust, independent, and properly resourced internal audit functions across government
- Ensure proper governance, reporting lines, organizational positioning, and governing body oversight
- Adopt and support the application by public sector internal auditors of The IIA's International Professional Practices Framework® (IPPF), including the Global Internal Audit Standards™ (GIAS) and its ethics requirements
- Strengthen risk management, internal controls, anti-corruption mechanisms, and performance auditing across government
- Ensure that public sector internal auditors possess the competencies, professional qualifications, credentials, and ethical foundations necessary to perform their responsibilities effectively
- Promote the use of best-in-class technology, including data analytics, cybersecurity auditing, and artificial intelligence (AI) auditing capabilities
- Improve coordination among internal auditors and other accountability and oversight stakeholders (e.g., supreme audit institutions, inspectors general, anti-corruption agencies, and legislatures)

OTHER VALUABLE & EMERGING PRACTICES

The IIA further encourages policymakers to consider:

- Expanding continuous auditing and real-time assurance capabilities
- Strengthening protections for public sector internal auditors
- Enhancing whistleblower, ombudsman, and ethics reporting frameworks
- Incorporating sustainability, climate governance, and critical infrastructure resilience auditing where appropriate
- Investing in internal audit workforce modernization and talent development initiatives

PUBLIC POLICIES TO AVOID

Finally, The IIA also believes governments should avoid policies that unnecessarily restrict, weaken, or impede the success of the profession and its self-regulatory model, including:

- Inappropriate monopolies on the practice of internal auditing
- Government registries of internal auditors that extend beyond the public sector
- Government-issued licenses for internal auditors
- Duplicative government-issued credentials that compete with internationally recognized certifications
- Government qualifying examinations that extend beyond public sector employment requirements

LOOKING FORWARD

Strong public sector internal auditing benefits governments, public institutions, taxpayers, and citizens alike. Furthermore, it helps improve decision-making, strengthens internal controls, deters fraud and corruption, improves program effectiveness, and increases public confidence in government institutions. As governments continue to confront increasingly complex challenges, policymakers should view internal auditing not as a compliance exercise, but as an integral and strategic governance function that contributes directly to organizational effectiveness and public trust.

Guiding Policy Principles[2]

The recommendations contained in this paper are grounded in **five guiding policy principles**.

FIVE GUIDING POLICY PRINCIPLES



PUBLIC TRUST



INDEPENDENCE



GLOBAL STANDARDS



EMERGING RISKS



PUBLIC INTEREST

First, public sector internal auditing strengthens public trust and government effectiveness. Public confidence in government institutions has, unfortunately, been on the wane in recent years. In 2025, the Organisation for Economic Co-operation and Development (OECD) found that, across its global survey, 44% of people reported low or no trust in their national governments.[3] Citizens have a right to expect governments to use public funds efficiently, to comply with applicable laws and regulations, to manage existing and emerging risks effectively, and to deliver services in a manner that achieves intended outcomes. Internal auditing advances all these objectives. In addition, strong internal audit functions can help strengthen decision-making, improve program performance, and help governments better achieve policy objectives. By evaluating both compliance and organizational effectiveness, internal auditors can advance better outcomes for citizens and ensure stronger public institutions. Fundamentally, internal auditing should be seen as an essential and strategic tool to enhance public trust and promote the success of governments.

Second, independent internal audit functions are essential to good governance. Every organization, including government and public sector organizations, should have a strong governance framework that includes a clear allocation of responsibilities among a governing body, management and staff, and an internal audit function. As explained in The IIA's Three Lines Model, the three work together to facilitate strong governance and risk management while advancing the organization's objectives. The governing body provides oversight, direction, accountability, and stewardship for the organization. The management team and their staff are tasked with executing, administering, and achieving results under the direction of the governing body. The internal audit function serves to provide objective assurance and strategic advice, enhancing the organization's overall value and success. If any of the three are missing or are poorly designed, the organization is far less likely to achieve its goals.

2. Readers are also encouraged to review the Guiding Principles of GP4, referenced and linked earlier in this paper.
3. https://www.oecd.org/en/publications/government-at-a-glance-2025_0efd0bcd-en/full-report/levels-of-trust-in-public-institutions_62a3b94e.html

Third, public sector internal auditing should align with a common, globally recognized practice framework that includes professional standards. Such an approach promotes consistency, quality, professionalism, and public confidence. It also reduces the ongoing and duplicative costs and challenges for governments of maintaining comprehensive, up-to-date guidance and best practices for their countries' internal auditors. The IIA's International Professional Practices Framework (IPPF), including the Global Internal Audit Standards (GIAS), is the current global standard, providing the professional framework for the practice of internal auditing. It is developed and maintained with the guidance of the IPPF Oversight Council, a committee of The IIA representing a diverse set of global non-governmental organizations (NGOs) and international professional associations committed to ensuring due process, quality, and the development of standards and guidance in the public interest.[4] Governments are best served by adopting the IPPF, including the GIAS, for internal auditors in their country, while also allowing the use of other complementary, specialty frameworks and standards (e.g., cybersecurity, public financial management) so long as they are aligned with the IPPF, including the GIAS.

Fourth, public sector internal audit functions must continuously evolve to address emerging risks. The risk landscape confronting governments is changing rapidly. Public sector organizations increasingly face new challenges associated with geopolitical instability; cybersecurity threats; AI; cloud computing; data privacy and data governance; digital transformation; quantum computing; critical infrastructure resilience; climate-related risks; supply chain disruptions; and public health emergencies. To be responsive to these developments, internal audit functions must possess the authority, competencies, resources, and technological capabilities necessary to assess these risks and provide meaningful assurance and advice. Governments should invest, on an ongoing basis, in modernizing internal auditing capabilities, including data analytics, cybersecurity and AI auditing, and evolving risk assessment methodologies.

Fifth, effective public sector internal auditing serves the public interest. Unlike many private sector organizations, public institutions exist to advance societal objectives, provide public services, safeguard public resources, and uphold the rule of law. Internal auditing contributes to these objectives by promoting accountability, transparency, ethical conduct, and effective governance. Importantly, internal auditing does not serve political or partisan interests nor institutional self-interest. Rather, internal auditing serves citizens by helping governments achieve their objectives effectively, efficiently, ethically, and responsibly.

Key Definitions, Important Stakeholder Relationships, & Major Challenges for Internal Auditors in the Public Sector

To understand the policy recommendations contained in this paper, it is important to create a common understanding of what The IIA means when it refers to the "public sector" as well as how "internal auditing" is defined as a profession. Additionally, policymakers should understand the relationship of internal auditors to other key stakeholders and consider the specific challenges currently facing public sector internal auditors.

DEFINING THE "PUBLIC SECTOR"

For purposes of this paper, the term "public sector" refers to all governmental and publicly controlled entities that are responsible for managing public resources, are entrusted with public responsibilities and the delivery of services that directly affect citizens, and, more broadly, exist to serve the public interest rather than generate profits for private owners.

4. Current organizations represented on the IPPF Oversight Council include the Global Network of Director Institutes (GNDI), the International Federation of Accountants (IFAC), the International Foundation for Ethics and Audit (IFEA), the International Monetary Fund (IMF), the International Organization of Supreme Audit Institutions (INTOSAI), the Organisation for Economic Co-operation and Development (OECD), and the World Bank.

Depending upon the jurisdiction, examples of public sector organizations include:

- National governments and their departments, ministries, and agencies
- Provincial, state, regional, or territorial governments
- Municipal and local governments
- Legislative, regulatory, and judicial bodies
- Government-owned enterprises and government corporations
- Public pension funds and sovereign wealth funds
- Public universities and educational institutions
- Public hospitals and healthcare organizations
- Public utilities and other publicly owned critical infrastructure organizations and companies
- Law enforcement, military, and emergency services
- Any other entities that are wholly or substantially owned, controlled, or funded by government

DEFINING "INTERNAL AUDITING"

The IIA's Global Internal Audit Standards define internal auditing as:

> *An independent, objective assurance and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.*
>
> — Global Internal Audit Standards, Glossary

Internal auditing is sometimes misunderstood as a compliance function or financial review activity. While compliance and financial assurance may be important components of internal audit work, the profession's role is substantially broader.

Modern internal audit functions evaluate, among other areas:

- Governance processes
- Risk management practices
- Internal control systems
- Operational effectiveness
- Technology governance
- Cybersecurity controls
- Fraud risks
- Program performance
- Organizational culture and ethics
- Strategic initiatives and transformation efforts

Effective internal auditing provides decision-makers with independent insights that support better governance and organizational performance.

IMPORTANT STAKEHOLDER RELATIONSHIPS

While internal auditing is a critical component of the public sector accountability ecosystem, it is only one of several assurance, oversight, and accountability mechanisms. External oversight bodies play a complementary but distinct role. Supreme audit institutions (SAIs), auditors general, courts of audit, and some comptrollers general, among other entities in this ecosystem, typically operate independently of the entities they examine and are accountable to legislatures, citizens (i.e., via elections), or other constitutional authorities rather than management. These bodies provide external assurance regarding the stewardship of public resources, compliance with laws and regulations, financial reporting, and, in many jurisdictions, the effectiveness and efficiency of government programs. Their work helps promote transparency and public accountability across government.

While internal auditors and external oversight bodies may examine similar subject matter, their mandates differ. Internal auditors are embedded within an organization and provide continuous, risk-based assurance and advisory services throughout the year. External oversight bodies generally conduct periodic reviews and audits from outside the organization. Effective coordination between internal audit functions and external oversight bodies can reduce duplication, improve audit coverage, and enhance the overall effectiveness of public sector accountability arrangements.

Independent public accounting firms may also form part of the public sector assurance landscape. In some jurisdictions, governments, public authorities, state-owned enterprises, pension funds, or sovereign wealth funds contract with external accounting firms to perform financial statement audits or other specialized assurance services. These firms provide an additional layer of independent assurance but do not replace either the role of internal audit or the responsibilities of public sector oversight institutions.

Together, internal auditors, external public sector oversight bodies, and contracted assurance providers form a system of mutually reinforcing accountability. Internal audit serves as the organization's first source of independent assurance from within, while external auditors provide independent scrutiny from outside the organization. When these functions operate effectively and coordinate appropriately, they support better outcomes for all citizens.

MAJOR CHALLENGES FACING PUBLIC SECTOR INTERNAL AUDITING

Public sector internal audit functions currently face several significant challenges. Policymakers should acknowledge and discuss ways to mitigate these factors as they build out their public sector internal auditing legal and regulatory frameworks.

SIX CHALLENGES FACING PUBLIC SECTOR INTERNAL AUDIT


Independence


Resources


Governance


Professional Capacity


Implementation

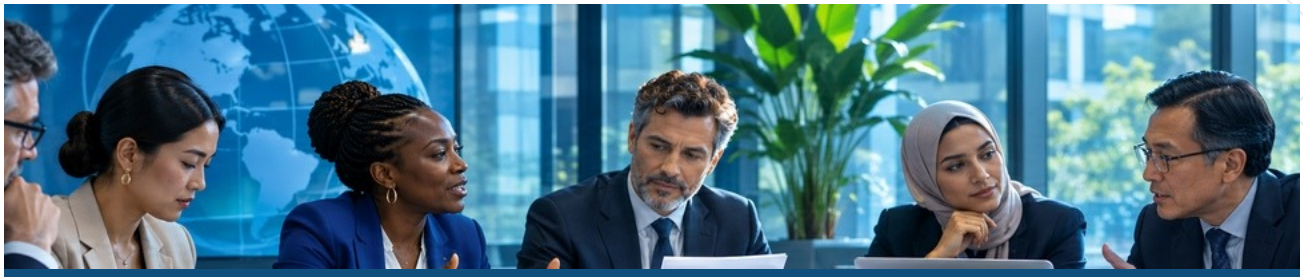

Coordination

Among the most prominent challenges are:

- **Insufficient Independence:** Internal auditors may face actual or perceived pressure from political leaders, management, or other stakeholders.

- **Resource Constraints:** Many internal audit functions lack sufficient staffing, technology, training, or funding.
- **Weak Governance Structures:** Some organizations lack appropriate oversight mechanisms, including audit committees or equivalent governing bodies.
- **Limited Professional Capacity:** Shortages of competent, qualified internal auditors remain a challenge in many jurisdictions.
- **Inadequate Implementation of Audit Recommendations:** Even high-quality audit work may have limited impact if recommendations are not implemented.
- **Fragmentation and Duplication:** Poor coordination among accountability institutions can lead to inefficiencies and confusion regarding roles and responsibilities.

These challenges can diminish the effectiveness of internal audit functions and markedly reduce their ability to contribute to successful public sector governance.



RECOMMENDATIONS ON ESSENTIAL PUBLIC POLICIES

*The policies outlined in this section are considered by The IIA to be **foundational provisions** that the organization believes should be addressed in every country's public sector legal and regulatory framework.*

Define Internal Auditing in Public Policy & Establish Robust, Independent, & Properly Resourced Internal Audit Functions Across Government

Critical to the success of any public sector legal and regulatory framework are clear definitions of key concepts. While, inevitably, there will be a need to define multiple professional concepts and terms within laws, regulations, and/or policy directives, The IIA encourages national institutes to ensure their governments adopt, in particular, definitions of both "internal auditing" and the "internal audit function." Lack of clear definitions for those core terms can harm the ability of the profession to operate successfully.

DEFINING INTERNAL AUDITING IN PUBLIC POLICY

Policymakers may wish to use the definition, as outlined in The IIA's Standards (appearing earlier in this document), or they may seek to modify the definition based on various political and/or policy considerations. What is most important is that the definition is accurate, comprehensive, and universally applied across the public sector.

ESTABLISHING INTERNAL AUDIT FUNCTIONS THROUGHOUT THE PUBLIC SECTOR

The IIA recommends that governments establish internal audit functions across all of government as an essential element of good governance, taking into account proportionality based on size, mandate, scalability, and risk profiles. Additionally, policymakers should consider requiring internal audit functions in public sector organizations where risks, complexity, expenditures, or public responsibilities warrant independent assurance activities and such a function would serve the public interest.

As with the definition of internal auditing, policymakers should ensure that there is a common understanding of what constitutes a successful public sector internal audit function. Failure to define its key components may result in underperforming internal audit functions that fail to meet their mandates.

The IIA defines the term "internal audit function" as:

> *A professional individual or group responsible for providing an organization with assurance and advisory services.*
>
> — Global Internal Audit Standards, Glossary

In further defining a successful internal audit function, The IIA believes any legal definition should ideally also include the following minimum criteria:



1. **Independence from management**, with the internal audit function reporting directly and accountable to either an entity's audit committee or the governing body;
2. **A written internal audit charter** agreed upon by both the governing body and the Chief Audit Executive (CAE) or equivalent leader of the internal audit function;
3. Adherence to **globally accepted internal audit standards**;
4. **Competent, qualified staff**, as demonstrated through such means as holding **appropriate certifications or other credentials**, such as the Certified Internal Auditor® (CIA®) credential and/or specialty credentials related to expertise in areas or topics subject to an internal audit;
5. The ability to perform activities in an **objective and unbiased manner**; and
6. A periodic **external quality assessment** (i.e., an audit of the internal audit function), such as The IIA's External Quality Assessment (EQA) or Self-Assessment with Independent Validation (SAIV) or an equivalent high-quality alternative, at least once every five years.

Failure to meet any of the six criteria above should be cause for serious concern and could put the internal audit function at risk of failing to function effectively on behalf of the entity.[5]

As appropriate to their political and policy environment, national institutes may want to consider working with policymakers to add other criteria to the definition of internal audit function, so long as such additions align with The IIA's IPPF (including the Standards), the organization's Three Lines Model, and professional best practices.

5. As part of their consideration of the definition of an "internal audit function," national institutes are also encouraged to consider whether they wish to take an explicit position on the permissibility of co-sourcing or outsourcing a public sector internal audit function. While relying on external resources to support an internal audit function may seem counterintuitive, The IIA does not oppose such flexible arrangements if all the above criteria of a successful internal audit function are met and there are no conflicts of interest. (For example, an internal audit function could not be outsourced or co-sourced with an accounting firm that is currently providing external audit services to the entity.) Regardless, it is important to note that ultimate supervision, oversight, and responsibility for internal audit activities cannot be outsourced.

Regardless, the structure adopted for an internal audit function may vary according to organizational size, complexity, and available resources. Smaller entities may share internal audit resources through centralized arrangements, while larger organizations may require dedicated internal audit functions.[6]

Other questions for policymakers to consider regarding public sector internal audit functions include:

- Is the Chief Audit Executive protected from the risk of inappropriate removal, retaliation, or reassignment of responsibilities?
- Does the internal audit function have sufficiently unrestricted access to information (risks, controls, performance, ethics, whistleblowing, procurement, technological, investigation referral, audit follow-up), personnel, systems, records, funding, and escalation mechanisms to perform its duties effectively?
- Does the Chief Audit Executive have the ability to communicate directly and without interference to the governing body?
- Does the internal audit function have the financial resources (including budgetary autonomy), personnel, training resources, technology resources, access to legal counsel, legal protections, and administrative support to perform its duties successfully?

Whether through law, regulation, or government directive, policymakers are encouraged to formalize safeguards and solutions to the questions posed above, taking into account the methods most appropriate for their particular political and policy environments.

DISCIPLINE & OVERSIGHT (D&O) OF PUBLIC SECTOR AUDITORS

While not specifically embedded into the structure and best practices of public sector internal audit functions, public trust requires that internal auditors be held accountable for maintaining professional competence and ethical conduct. Governments should establish appropriate mechanisms for addressing professional misconduct, incompetence, ethical violations, or other concerns involving public sector internal auditors.

Such mechanisms may exist within government human resources systems, ethics offices, professional accountability frameworks, or other oversight arrangements. In addition, The IIA and its federation of national institutes maintain D&O programs that contribute to maintaining public confidence in their members. One option for policymakers to complement D&O oversight and help ensure the competence and ethical conduct of government internal auditors would be to require all public sector internal auditors to become members of the country's national institute, with government-funded membership where appropriate. The national institute's D&O program would add a robust layer of professional oversight and expertise to adjudicate matters related to D&O cases against public sector internal auditors that governments may not have built into their own existing human resources departments. Consequently, any D&O actions against public sector internal auditors, adjudicated by the national institute, could then be reported to the government through a formalized information-sharing arrangement or memorandum of understanding.

6. It is worth noting that, in several jurisdictions, the public sector internal audit function does not "belong" to the audited entity. Internal auditors may be part of a corps belonging to a central governing body—such as an inspectorate general, a comptroller general, or an equivalent authority—and may be posted to entities while reporting functionally to that central body rather than to the head of the audited entity. This model has a long tradition in the public administrations of Europe and Latin America.

   Compared with the model in which each entity establishes and resources its own internal audit function, the centralized model may offer certain material advantages: 1) the auditor does not depend on audited management for appointment, tenure, remuneration, or career progression, which structurally reduces the risks of local capture, retaliation, and politicization; and 2) the system also allows methodologies to be harmonized, common quality programs to be sustained, and coverage to be extended to entities whose size would not justify a dedicated function.

Ensure Proper Governance, Reporting Lines, Organizational Positioning, & Governing Body Oversight

The effectiveness of a public sector internal audit function depends not only on its structuring, but also on how it is governed, positioned, and supported within the organization. Governments should establish governance structures that promote independence, accountability, transparency, and effective oversight of internal audit activities. Internal audit functions should be positioned in a manner that enables internal auditors to communicate concerns freely, report significant findings appropriately, and contribute meaningfully to organizational governance. While governance models vary across jurisdictions, subject to differing constitutional, legal, and administrative frameworks, all public sector internal audit functions should be subject to oversight by an appropriate governing body capable of supporting the internal audit function while preserving its independence and objectivity.

ESTABLISH APPROPRIATE GOVERNING BODY OVERSIGHT

Internal audit functions cannot successfully operate in isolation. An appropriate governing body should provide oversight of the internal audit function and help ensure that internal audit activities remain aligned with organizational objectives, stakeholder expectations, and professional standards.

The governing body should generally be responsible for:

- Approving the internal audit charter
- Reviewing and approving the risk-based audit plan
- Receiving significant audit findings
- Monitoring management's implementation of audit recommendations
- Supporting internal audit independence
- Participating in the appointment and evaluation of the Chief Audit Executive
- Ensuring that adequate resources are provided to the internal audit function
- Monitoring the quality and effectiveness of internal audit activities

The precise structure of the governing body within the public sector may vary depending upon the legal and administrative dynamics of the jurisdiction. The core principles are more important than the actual structure.

In addition to defining clear responsibilities for the governing body, policymakers are encouraged to ensure that there are clear, meaningful, and enforceable accountability mechanisms when governing bodies fail to achieve their assigned duties.

AUDIT COMMITTEES AS A STRONGLY ENCOURAGED BEST PRACTICE

When thinking about an appropriate governing body, The IIA strongly encourages governments and public sector organizations to establish audit committees wherever practical. Audit committees have become an increasingly important governance mechanism in both the public and private sectors because they bring together a group of dedicated experts who can provide focused oversight of governance, risk management, internal controls, financial reporting, ethics, compliance, and internal auditing.

The IIA recognizes that audit committee structures may differ across jurisdictions. However, where audit committees are established, governments should seek to ensure that members collectively possess broad and diverse expertise relevant to their responsibilities. Increasingly, governments should consider expertise related to cybersecurity, IT, AI, data governance, and public sector performance management.

ALTERNATIVE GOVERNANCE STRUCTURES

The IIA understands that audit committees do not exist in every public sector organization and may not be feasible, practical, or appropriate in every jurisdiction. Accordingly, governments should ensure that alternative governance arrangements provide comparable, acceptable expertise, oversight, and accountability as well as independence from management for the internal audit function. Depending upon the circumstances, alternative governing bodies may include:

- Governing or supervisory boards
- Parliamentary or legislative committees
- Independent commissions
- Ministers acting in a formal governance capacity
- Public sector oversight councils
- Other legally authorized governing authorities

Regardless of structure, alternative governing bodies should be capable of:

- Receiving independent, direct communications from internal auditors
- Reviewing significant findings
- Monitoring management's response to recommendations
- Holding management accountable for corrective action
- Evaluating and ensuring the independence of the internal audit function

POLITICAL INTERFERENCE & POLITICIZATION

Key to all these governing body models, including audit committees, is their ability to insulate themselves from political or partisan interference. Ideally, they should be seen as qualified and apolitical; a change in government should not mean that all representatives on government governing bodies are dismissed and replaced with members of a different party or political affiliation. Minimum qualifications for service on a governing body should also be clearly defined to reduce the risk of appointments based solely on political considerations.

Internal audit functions should be seen as nonpartisan and apolitical, and governing bodies should not seek to alter, suppress, or redirect the scope of an internal audit function's activities based on which party is in power. **Governing bodies should make appointments to lead internal audit functions solely based on merit and clearly enumerated qualifications, rather than political considerations or party affiliation; civil service protections should also be considered for public sector internal auditors to insulate against political turnover or inappropriate cronyism or nepotism.**

Furthermore, governing bodies should not seek to discourage internal auditors from addressing sensitive issues involving public expenditures, program performance, procurement, ethics, corruption, or governance failures, simply because it may reflect poorly on the current government or a particular political party. Requests by governing bodies for internal audit functions to suppress, reclassify, postpone, or exclude certain information or activities can create the appearance of political interference.

With these concerns in mind, policymakers are encouraged to consider legal protections to insulate governing bodies and their audit committees from partisanship and to protect against politicization of the governing body and the internal audit function.

ENSURE APPROPRIATE REPORTING RELATIONSHIPS

Reporting relationships significantly influence the effectiveness and independence of internal audit functions. Governments should establish reporting structures that allow internal auditors to communicate concerns freely while maintaining appropriate administrative coordination with management. The IIA generally supports reporting structures that provide functional reporting to a governing body or equivalent oversight authority and administrative reporting to a senior executive responsible for organizational administration. Functional reporting may include approval of audit plans, approval of the internal audit charter, review of significant findings, appointment, evaluation, and dismissal of the Chief Audit Executive, and oversight of audit performance. Administrative reporting may include budget administration, human resource matters, payroll, office management, and day-to-day operational support. Separating functional and administrative reporting helps strengthen independence while preserving organizational efficiency.

ORGANIZATIONAL POSITIONING

Internal audit functions should be positioned at a sufficiently high level within government or a public sector organization to fulfill their responsibilities effectively. Internal auditors cannot provide meaningful assurance if they lack access to senior decision-makers or if they are positioned within operational units that they may later be required to audit. Governments should avoid organizational arrangements that:

- Create conflicts of interest
- Restrict access to information
- Undermine objectivity
- Subject internal auditors to inappropriate operational responsibilities

The Chief Audit Executive should have direct and regular access to both senior leadership and the governing body. Organizational positioning should reinforce the internal audit function's role as an independent source of assurance and insight.

PREVENT MANAGEMENT CAPTURE & BLURRING OF THE LINES

One of the greatest risks facing public sector internal audit functions is inappropriate influence by management. Management capture occurs when internal audit functions become overly dependent upon management, unwilling to challenge decisions, or reluctant to communicate significant concerns.

Governments are additionally encouraged to ensure that governing bodies are neither unduly influenced by management nor dominated by management representatives. Governments should establish safeguards designed to reduce these risks as well as risks related to blurred lines between the roles and responsibilities of internal auditors versus management.

MONITORING IMPLEMENTATION OF AUDIT RECOMMENDATIONS

Internal audit functions create value only when significant findings lead to meaningful action. Governing bodies should establish mechanisms for monitoring management's implementation of internal audit recommendations. Such mechanisms may include periodic status reporting, follow-up audits, recommendation tracking systems, and escalation procedures for overdue corrective actions. The governing body should hold management accountable for addressing significant risks and control deficiencies identified through internal audit activities. These mechanisms could also be shared with other government entities, such as legislative bodies or other entities in the public sector accountability ecosystem, as a way to further enhance accountability and responsiveness.

Adopt the International Professional Practices Framework, including the Global Internal Audit Standards & Its Ethics Requirements, for the Public Sector

Governments should, in a manner appropriate to their specific jurisdiction, formally recognize and support the use of internationally recognized professional standards and frameworks for internal auditing throughout the public sector. These frameworks and standards promote consistency, professionalism, quality, accountability, and public confidence in internal audit activities.

As explained earlier in this paper, the International Professional Practices Framework, including the Global Internal Audit Standards, provides the primary professional framework for the practice of internal auditing. The IIA believes it should serve as the official foundational framework for all public sector internal audit activities.

While governments will likely adopt additional frameworks, standards, or guidance to address specific public sector needs or government compliance requirements, such frameworks should complement—not replace—the IPPF and should remain aligned and consistent with the principles embodied in the IPPF and the GIAS.

WHY A SINGLE PRIMARY FRAMEWORK & A SET OF STANDARDS MATTER

A professional framework that includes standards and ethics requirements establishes a common understanding of what internal auditing is, how it should be performed, and what stakeholders should reasonably expect from internal audit functions. Without professional standards and ethics, internal audit activities may vary significantly among organizations or across countries, resulting in inconsistent quality, unclear expectations, diminished credibility, and reduced public confidence.

Governments routinely endorse standards for financial reporting, public procurement, accounting, engineering, medicine, and numerous other professions. Internal auditing should be no different.

THE INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK

The International Professional Practices Framework serves as the global framework for the internal audit profession. The IPPF provides a comprehensive structure that includes:

- The Global Internal Audit Standards
- Topical requirements
- Global guidance
- Supplemental resources and implementation support

Together, these elements provide governments and public sector organizations with a coherent framework for establishing and maintaining effective internal audit functions. Government recognition of the entire IPPF can help promote consistency across ministries, agencies, state-owned enterprises, municipalities, and other public sector entities. The IIA encourages policymakers to recognize the IPPF as the primary professional framework for public sector internal auditing.

THE GLOBAL INTERNAL AUDIT STANDARDS

The Global Internal Audit Standards, as part of the IPPF, establish globally recognized principles and requirements for the professional practice of internal auditing.

The Standards address key areas including:

- The purpose of internal auditing
- Ethics and professionalism
- Independence and objectivity
- Governance of the internal audit function
- Managing the internal audit function
- Performing internal audit services
- Quality assurance and improvement
- Organizational fraud risks

The Standards also provide governments with a tested and internationally recognized mechanism for evaluating the effectiveness of internal audit functions. Adoption of the Standards can also facilitate benchmarking and quality assessments across jurisdictions.

EVERGREEN ADOPTION MECHANISMS

Professional standards evolve over time to reflect changing risks, technologies, and governance practices. Governments should seek to avoid rigid adoption/recognition processes that may quickly become outdated when frameworks and standards are updated. The IIA has a set of best practice recommendations and model language on how to adopt the IPPF, including the Standards, and is happy to work with policymakers and their national institutes to formulate adoption language for their particular jurisdiction.

Strengthen Risk Management, Internal Controls, Anti-Corruption Mechanisms, Performance Auditing, & Crisis/Organizational Resilience

While robust internal audit functions are an essential component to the success of governments and public sector organizations, there are several other factors policymakers should consider to ensure they are adequately meeting comprehensive governance, risk, and compliance (GRC) needs. Collectively, when structured and supported properly, they contribute synergistically to support the achievement of public sector objectives and strengthen public confidence in government.

While such matters may seem initially beyond the scope of this paper on public sector internal auditing, policymakers should not consider public sector internal auditing policy in a vacuum. These management or second-line[7] responsibilities need careful debate and consideration as part of a holistic approach to good government.

EFFECTIVE ENTERPRISE RISK MANAGEMENT

Governments increasingly recognize the importance of enterprise-wide approaches to risk management. Enterprise Risk Management (ERM) helps organizations identify, assess, prioritize, and manage risks in a coordinated and strategic manner. By integrating risk considerations into planning and decision-making processes, ERM enables policymakers and public administrators to evaluate potential opportunities and threats more systematically, improving resource allocation and organizational resilience. A mature ERM framework also provides decision-makers with timely information about control effectiveness and organizational vulnerabilities, enabling more informed oversight and demonstrating due diligence to citizens, legislators, and other stakeholders.

ERM programs also are essential for organizational resilience and continuity of operations. Governments must continue delivering critical services during crises such as natural disasters, pandemics, cyberattacks, economic disruptions, or security incidents. By proactively identifying risks and developing mitigation and contingency strategies, ERM helps governments and public sector organizations anticipate such disruptions, respond more effectively when they occur, and recover more quickly, thereby preserving public confidence and supporting the long-term achievement of public policy objectives.

As part of any assessment of public sector internal audit laws and regulations, policymakers should concurrently assess the government's approach to ERM to ensure that it is robust, well supported, and employs the latest technologies and best practices.

WELL-DESIGNED INTERNAL CONTROL SYSTEMS

As a core component of an effective ERM system, a government's internal controls represent one of the most important mechanisms available for protecting public resources and supporting organizational objectives. Weak controls can contribute to fraud, waste, abuse, financial losses, operational failures, compliance violations, and reputational damage.

Without a well-designed system of internal controls, internal auditors will be unable to provide assurance that the government is operating effectively. Policymakers should give careful consideration to the processes for establishing internal control systems, the skills and competencies of those responsible for the design, and the resources that support internal control systems. They should also examine the independent assessment of the architecture and operations of the internal control system. (Internal auditors can serve an important advisory role in the development and improvement of those systems, as long as they do not assume any management responsibility over those systems.)

Government stakeholders are poorly served, even if public sector internal audit functions are well designed and supported, if internal control system designs are not adequately supported. Thus, good internal control design and support by management should be a government priority.

7. See the Three Lines Model Statement of Position for additional information.

ANTI-FRAUD & ANTI-CORRUPTION EFFORTS

The IIA believes that governments should adopt a comprehensive anti-fraud and anti-corruption framework that focuses not only on detecting misconduct after it occurs, but also on preventing it, identifying it early, and responding effectively when it is discovered. Fraud and corruption risks exist in virtually every area of government activity, including procurement; contracting; licensing; grants, subsidies, and aid administration; public benefits; taxation; customs; infrastructure projects; and regulatory enforcement. An effective framework should therefore be integrated into the government's broader governance, risk management, and internal control systems.

The foundation of any anti-fraud and anti-corruption program is strong leadership and an ethical culture. Governing bodies, ministers, agency heads, and senior officials should clearly communicate that fraud, bribery, embezzlement, conflicts of interest, and abuse of authority will not be tolerated. "Tone at the top" matters, but so do the actions and choices of government leaders.

Governments should establish codes of conduct, conflict-of-interest requirements, financial disclosure mechanisms where appropriate, ethics training programs, and disciplinary processes that are applied consistently regardless of position or rank. Employees must believe that ethical behavior is expected and that misconduct will be addressed.

Governments should also conduct periodic fraud and corruption risk assessments. Not all risks are equal, and resources should be focused on areas of greatest vulnerability. Particular attention should be given to procurement, public contracting, cash handling, grants, public asset management, IT systems, and emergency spending programs, which historically have presented elevated fraud risks.

Finally, governments should ensure that multiple oversight and assurance functions work together to support integrity. Management is responsible for preventing and managing fraud risks, while compliance, ethics, legal, inspector general, anti-corruption, and similar functions provide oversight and specialized expertise. Internal audit should independently assess whether anti-fraud and anti-corruption controls are adequately designed and operating effectively. Together, these mechanisms create a system of prevention, detection, response, and accountability that helps safeguard public resources and maintain public trust in government institutions.

THE IMPORTANCE OF PERFORMANCE AUDITING

Performance auditing is one of the most important tools available to governments for improving the effectiveness, efficiency, and economy of public programs and services. The IIA recommends that governments embed performance auditing within the fundamental activities of their assurance, oversight, and accountability ecosystem.

While financial audits focus on whether public funds are accounted for properly and compliance audits focus on adherence to laws and regulations, performance audits examine whether government programs are achieving their intended objectives and outcomes and delivering value to citizens. In an environment of limited public resources and increasing public expectations, performance auditing helps policymakers and public administrators understand whether government activities are producing meaningful results.

Performance auditing supports better decision-making by providing objective, evidence-based assessments of government operations. Through the examination of programs, policies, and processes, performance auditors identify opportunities to improve service delivery, reduce waste, enhance program outcomes, and make more effective use of public resources. Their recommendations can help governments achieve greater impact without necessarily increasing spending.

Performance auditing also strengthens accountability and transparency. Citizens, legislatures, and governing bodies increasingly expect governments to demonstrate not only that funds were spent legally, but also that those expenditures generated measurable public benefits. Performance audits provide independent assurance regarding

whether programs are operating as intended and whether public resources are being used effectively to achieve policy objectives. This helps build public confidence in government institutions and promotes informed oversight by elected officials and other stakeholders.

For these reasons, mature public sector governance systems increasingly view performance auditing as an essential, strategic tool for continuous improvement.

CRISIS PREPAREDNESS & ORGANIZATIONAL RESILIENCE

Crisis preparedness and organizational resilience are essential responsibilities of modern governments because the continuity of government operations and public services directly affects public safety, economic stability, national security, and public confidence. Governments must be prepared to respond to a wide range of disruptive events, including natural disasters, pandemics, cyberattacks, infrastructure failures, terrorism, armed conflict, civil unrest, and economic crises. As these threats become more frequent, interconnected, and complex, governments cannot rely solely on reactive responses. They must proactively develop the capacity to anticipate, withstand, adapt to, and recover from disruptions while continuing to fulfill their public mandates.

Effective crisis preparedness enables governments to respond rapidly and decisively when emergencies occur. Through risk assessments, contingency planning, emergency management frameworks, business continuity plans, succession planning, and crisis communication protocols, governments can reduce confusion, accelerate decision-making, and improve coordination among agencies and stakeholders. Preparedness efforts help ensure that critical functions such as healthcare, public safety, transportation, utilities, financial management, and emergency response remain operational during periods of significant disruption.

Organizational resilience extends beyond emergency response by focusing on the long-term ability of institutions to continue achieving their objectives despite adverse events. A resilient government possesses strong governance structures, adaptable leadership, reliable information systems, diversified resources, and robust internal controls that enable it to maintain operations under changing conditions. Resilience also requires the ability to learn from past crises, incorporate lessons learned, and continuously strengthen capabilities to address future challenges. In this way, resilience is not merely about recovery; it is about adaptation and continuous improvement.

From a governance and risk management perspective, crisis preparedness and organizational resilience should be integrated into enterprise risk management, strategic planning, internal control systems, and oversight activities. Governing bodies and senior officials should ensure that resilience objectives are clearly defined, regularly tested, and supported by adequate resources. Internal auditors can contribute by providing independent assurance regarding the effectiveness of preparedness plans, continuity arrangements, crisis governance structures, and resilience capabilities. Collectively, these efforts help ensure that governments can continue serving citizens, safeguarding public resources, and achieving public policy objectives even in times of significant disruption and uncertainty.

Ensure the Public Sector Has Qualified, Competent, & Professional Internal Auditors

Effective public sector internal auditing depends upon the competence, integrity, professionalism, and judgment of the individuals who perform internal audit work. As the responsibilities of internal auditors continue to expand, so too must expectations regarding professional qualifications and competency. Accordingly, governments should support policies that promote professional excellence, continuing education, ethical conduct, and internationally recognized qualifications for public sector internal auditors.

The IIA believes that investment in professional competency and certification is one of the most effective ways governments can strengthen public sector governance and accountability.

ESTABLISH APPROPRIATE COMPETENCY EXPECTATIONS

Public sector internal auditors should possess the knowledge, skills, education, and professional judgment necessary to fulfill their responsibilities effectively. Competency requirements will vary depending upon the role, organization, and risk environment. However, governments should seek to ensure that internal auditors collectively possess expertise in areas such as:

- Governance and organizational oversight
- Risk management
- Internal controls
- Financial management
- Auditing methodologies
- Fraud risk management
- IT and cybersecurity
- Data analytics
- AI governance
- Public sector administration
- Organizational culture
- Performance auditing

Governments should avoid overly narrow competency models that focus exclusively on accounting or compliance skills. Modern public sector internal auditing increasingly requires multidisciplinary expertise.

SUPPORT CONTINUING PROFESSIONAL EDUCATION

Professional competency is not static. The risk environment confronting governments continues to evolve rapidly, requiring internal auditors to continuously update their knowledge and skills. Governments should encourage public sector internal auditors to participate in continuing professional education (CPE) programs that address both foundational auditing competencies and emerging topics. In that regard, governments may wish to establish minimum annual CPE requirements for public sector internal auditors, particularly those occupying senior audit leadership positions.

SUPPORT INTERNATIONALLY RECOGNIZED PROFESSIONAL CERTIFICATIONS

Professional certifications provide an important mechanism for demonstrating competency and commitment to professional standards. The IIA encourages governments to recognize and support internationally recognized internal audit certifications as part of a larger competency framework that includes experience, education, sector knowledge, and other qualifications.

Certified Internal Auditor (CIA)

The Certified Internal Auditor designation is The IIA's flagship professional certification and is globally recognized as the premier certification for internal auditors.

The CIA demonstrates proficiency in:

- Governance
- Risk management
- Internal controls
- Internal audit practices
- Professional ethics

The IIA encourages governments to recognize the CIA as an important professional qualification for public sector internal auditors. Governments may wish to consider requiring or strongly preferring CIA certification for senior internal audit leadership positions, particularly Chief Audit Executives.

Internal Audit Practitioner (IAP)

The Internal Audit Practitioner designation provides an entry-level credential for individuals beginning their internal audit careers. The IAP can help governments develop internal audit talent pipelines while introducing new professionals to internationally recognized internal audit principles and practices.

Specialty Credentials & Certificates

As risks continue to evolve, governments may also find value in supporting specialized professional credentials and certificates related to areas such as:

- IT and cybersecurity auditing
- AI governance
- Data analytics
- Fraud examination
- Risk management

Such credentials should generally be viewed as supplements to, rather than substitutes for, core internal audit credentials.

Promote the Use of Best-in-Class Technology, Data Analytics, Cybersecurity, & Artificial Intelligence Auditing Capabilities

Governments should ensure that public sector internal audit functions possess the technological capabilities and resources necessary to evaluate increasingly complex organizational risks.[8] Digital transformation has fundamentally changed how governments operate, deliver services, manage information, interact with citizens, and achieve public policy objectives. While these developments have created significant opportunities for improved efficiency and innovation, they have also introduced new risks that can affect public trust, organizational resilience, service delivery, privacy, and national security.

8. While governments are focused on adopting the latest, most promising technologies, they must also have a plan to address the use of legacy or offline IT systems with a long-term goal of safely updating, integrating, or retiring these systems.

SUPPORT TECHNOLOGY-ENABLED INTERNAL AUDITING

Whenever possible, governments should encourage internal audit functions to leverage the latest available technology in performing audit activities. Technology-enabled auditing can improve audit coverage, audit efficiency, risk identification, data analysis, continuous auditing, detection of anomalies and irregularities, and follow-up and recommendation tracking. The use of modern audit technologies can also help internal auditors provide more timely and relevant insights to decision-makers. Governments should prioritize ensuring that internal audit functions have access to appropriate technological tools and resources (including artificial intelligence) necessary to perform their responsibilities effectively, in proportion to each function's mandate, the maturity of its programs and systems, and its risks, capabilities, and resources.

PROMOTE DATA ANALYTICS

Governments generate and manage enormous volumes of data. The use of data analytics can significantly enhance the ability of internal auditors to identify trends, detect anomalies, assess risks, and evaluate organizational performance. Governments should support the development of internal audit capabilities related to:

- Data extraction and analysis
- Visualization tools
- Predictive analytics
- Continuous monitoring
- Fraud detection
- Risk identification

The IIA believes that data analytics should increasingly become a core component of modern public sector internal auditing. Organizations that effectively utilize data analytics will be more successful in the long run.

STRENGTHEN CYBERSECURITY & CLOUD COMPUTING AUDITING CAPABILITIES

Cybersecurity represents one of the most significant risks confronting governments today. Cyber incidents may, among other areas, affect critical infrastructure, public services, citizen data, national security, financial systems, and government operations.

As cyber threats continue to evolve, governments should ensure that internal audit functions possess the expertise necessary to evaluate cybersecurity governance, controls, and risk management practices. Areas of particular audit attention include cybersecurity governance, identity and access management, incident response planning, data protection, data sovereignty, digitization of government services, business continuity and disaster recovery, and cybersecurity awareness programs. Internal auditors do not serve directly as cybersecurity operators. However, they should be capable of independently assessing whether cybersecurity risks are being appropriately managed.

The IIA believes it is also important to pay special attention to cloud computing and other third-party arrangements. Governments increasingly rely upon cloud service providers, software vendors, managed service providers, and other third parties to support critical operations. These arrangements create significant benefits while also introducing new risks. Consequently, governments should ensure that internal audit functions possess sufficient authority and expertise to evaluate third parties and their risk management practices as well as cloud governance arrangements. As reliance upon external service providers continues to grow, effective oversight of these relationships becomes increasingly important.

EVALUATE ARTIFICIAL INTELLIGENCE GOVERNANCE & PERFORMANCE

Artificial intelligence is increasingly being adopted across government and the public sector, with applications including improved service delivery, fraud detection, automated benefits administration, and public safety monitoring. While the deployment of AI offers substantial opportunities, it also introduces risks involving transparency, accuracy and reliability (e.g., hallucinations), privacy, and security. Governments should ensure that internal audit functions are capable of evaluating AI governance frameworks and providing assurance and advisory services regarding the responsible, safe, and ethical use of AI technologies.

Without question, AI governance will become an increasingly important area of internal audit focus in the coming years, and now is the time to start preparing internal auditors for their new responsibilities.

Furthermore, it is not sufficient to examine just the governance of AI. Internal auditing of AI should also cover performance of AI as well (e.g., Does the system work? What errors are in the system? What does the use of AI cost?).

RECOGNIZE THE LIMITATIONS & RISKS OF TECHNOLOGY

Technology can significantly enhance internal audit activities, but it is not a substitute for professional judgment. Governments should avoid assuming that technology alone can solve governance, risk management, or control challenges. Technology itself introduces risks, including algorithmic bias, data quality issues, cyber vulnerabilities, model failures, privacy concerns, and overreliance on automated processes.

Internal auditors should maintain an appropriate balance between technology-enabled analysis and professional skepticism. The IIA believes that technology should augment, rather than replace, human judgment.

The pace of technological change is unlikely to slow. Emerging developments involving AI, quantum computing, automation, advanced analytics, digital identity systems, and other innovations will continue to reshape the public sector. Governments should seek to establish and support internal audit functions that are sufficiently agile, adaptable, and forward-looking to evaluate these evolving risks and opportunities.

Improve Coordination & Communication Among Internal Auditors & External Stakeholders

Effective public sector governance depends upon the coordinated efforts of numerous institutions that collectively promote accountability, transparency, integrity, and responsible stewardship of public resources. Internal audit functions do not operate in isolation. Rather, they form an integral part of a broader public sector accountability ecosystem that may include supreme audit institutions, auditors general, inspectors general, ombudsmen, legislatures, procurement integrity units, anti-corruption and anti-fraud agencies and commissions, public accounts committees, regulators, ethics bodies, external auditors, and other oversight entities. Each institution plays an important and distinct role in promoting good governance.

Governments should establish frameworks that encourage appropriate, clearly defined coordination and information sharing among these institutions while preserving the independence, objectivity, and distinct statutory responsibilities of each participant.

It is important to note that these institutions often differ significantly in mandate, authority, scope, reporting relationships, independence requirements, and stakeholder expectations. The IIA encourages policymakers to recognize these distinctions and avoid policies that create unnecessary overlap, unnecessary duplication, fragmentation, or confusion regarding responsibilities. Strong accountability systems require clarity regarding who does what.[9]

PROMOTE APPROPRIATE COORDINATION WITH SUPREME AUDIT INSTITUTIONS

In many jurisdictions, SAIs serve as the primary external audit authority for government. Although mandates vary, SAIs frequently examine financial reporting, compliance, performance, accountability, and public expenditures. Internal audit functions and SAIs often review similar subject matter and share common objectives. Governments should encourage appropriate coordination between these functions to reduce duplication, improve efficiency, enhance audit coverage, share relevant information, and improve risk identification. At the same time, coordination should not compromise the independence of either party. Governments should ensure that internal auditors remain accountable to their organizations while SAIs retain their independent external oversight role.

STRENGTHEN RELATIONSHIPS WITH INSPECTORS GENERAL & SIMILAR OVERSIGHT BODIES

Many governments utilize inspectors general, comptrollers general, anti-corruption offices, or similar institutions to investigate misconduct and promote accountability. These entities often focus on fraud, corruption, abuse of authority, waste, misconduct, and program integrity. Internal audit functions may identify issues that warrant referral to such bodies. Governments should establish clear protocols governing information sharing, referral processes, coordination mechanisms, protection of confidentiality, and preservation of independence. Effective coordination can strengthen accountability while ensuring that each institution operates within its appropriate mandate.

ENCOURAGE CONSTRUCTIVE RELATIONSHIPS WITH LEGISLATURES

Legislatures play a critical role in overseeing government operations and ensuring accountability to citizens. Internal audit functions may provide valuable information that helps policymakers understand risks, governance challenges, and organizational performance. At the same time, governments should carefully balance legislative oversight with the need to preserve internal audit independence and organizational effectiveness. The IIA encourages policymakers to establish mechanisms that allow legislatures to receive meaningful information regarding internal audit activities without politicizing the internal audit function. Internal auditors should remain independent professional advisors rather than political actors.

AVOID DUPLICATION & OVERSIGHT FATIGUE

Excessive duplication among accountability institutions can create unnecessary costs and administrative burdens. Organizations may become subject to repeated reviews covering substantially similar topics while receiving inconsistent recommendations from multiple oversight bodies. Governments should seek to minimize unnecessary duplication by encouraging:

- Risk-based coordination
- Shared planning where appropriate
- Reliance on existing work

9. One option to provide better clarity among these institutions regarding their different roles and responsibilities would be to sign a memorandum of understanding (MOU) or to co-publish a cross-functional mapping of the roles and responsibilities of all institutions within the greater public sector accountability ecosystem.

- Communication among oversight bodies
- Clear delineation of responsibilities

Reducing duplication can improve efficiency while allowing oversight institutions to focus on areas of greatest risk and greatest public importance.

PUBLIC ACCOUNTABILITY, TRANSPARENCY, & APPROPRIATE PUBLIC REPORTING

Public sector internal audit functions ultimately serve the public interest (by supporting organizational governance, risk management, and stewardship). Accordingly, governments should consider how internal audit activities contribute to public accountability and transparency. Since the public generally has no visibility into internal audit's value, public reporting on internal auditing activities could strengthen confidence in government institutions and in internal auditing itself. However, policymakers must balance public transparency, including media scrutiny, against legitimate concerns involving privacy, auditee candor, national security, law enforcement, confidential business information, personnel matters, individual findings, and ongoing investigations. Furthermore, any public reporting should not be interpreted as positioning internal audit functions as a direct public accountability mechanism in the way that an auditor general or a supreme audit institution functions. The IIA encourages governments to develop thoughtful and balanced approaches to public reporting that promote accountability while protecting legitimate confidentiality interests.

Governments should consider whether public sector internal audit functions should periodically disclose information regarding audit plans, completed audit activities, significant findings, recommendation implementation rates, and internal audit performance metrics. However, internal audit reports often contain sensitive information that may not be suitable for public disclosure. Governments should avoid disclosure practices that compromise security, reveal confidential information, discourage candid internal communications, or interfere with ongoing investigations. The objective should be meaningful transparency rather than indiscriminate disclosure.



RECOMMENDATIONS ON OTHER VALUABLE & EMERGING PRACTICES

The relevance of the recommendations in this section of the paper may vary depending on the country and its unique political and cultural factors. Policymakers are encouraged to work closely with their national institutes to review and debate each recommendation and then select those that are both ***politically feasible and likely to resonate*** *as valuable potential components of their country's public sector legal and regulatory framework.*

Explore Continuous Auditing & Real-Time Assurance

Governments should explore opportunities to enhance traditional audit approaches with continuous auditing and real-time assurance capabilities where appropriate. Historically, internal audit activities have relied heavily upon periodic reviews conducted months or even years after the events being examined. While such approaches remain valuable, advances in technology increasingly allow organizations to monitor risks and controls on a more continuous basis.

Continuous auditing techniques may enable organizations to detect issues more quickly, improve risk monitoring, strengthen fraud detection, enhance oversight of high-risk activities, and improve responsiveness to emerging risks. Examples may include continuous monitoring of procurement activities, automated review of financial transactions, real-time exception reporting, continuous cybersecurity monitoring, and ongoing review of high-risk programs.

The IIA recognizes that implementation costs and technical requirements may make continuous auditing impractical for some organizations. Nevertheless, governments should consider how evolving technologies may enhance assurance activities over time.

Enhance Protections for Public Sector Auditors

While most internal auditors can do their jobs successfully, free from interference, undue pressure, or coercion, it is a disturbing reality that some internal auditors around the world operate in organizational cultures where they face reprisals, bullying, harassment, potential termination of employment, and, in some cases, even threats, violence, or murder for trying to perform their duties fully and properly. Indeed, many of these cases have been documented worldwide.

Every internal auditor should feel safe at work. Harassment and threats against internal auditors in the performance of their duties should be illegal.

Career-specific protections in law are not without precedent. Indeed, in some jurisdictions, there are additional or specific penalties for threatening, harassing, or harming police officers, judges, flight attendants, parking enforcement officers, and individuals in other industries or professions vulnerable to such attacks. If such a law is to be enacted, it should include appropriate penalties, including fees and/or jail time, for individuals who would harm internal auditors in the performance of their duties.

As part of their deliberations, The IIA encourages policymakers to consider whether such protections should apply just to public sector internal auditors or all internal auditors across the country.

Strengthen Whistleblower, Ombudsman, & Ethics Reporting Frameworks

Whistleblowing is generally understood to mean one or more individuals going outside of normal reporting channels within an organization to report inappropriate (and often illegal) behavior. Whistleblower programs, when properly structured, are an important means for governments to detect fraud, corruption, embezzlement, waste, violations of law or policy, unethical behavior, and other problematic or even toxic activities harmful to the success of the government and the greater public sector. (Whistleblowing programs should be confidential, with the option for anonymity, and provide robust safeguards to protect whistleblowers from retaliation.)

Internal whistleblowing can be an invaluable warning system for internal auditors in the performance of their duties, while external whistleblowing can serve as a critical prompt for investigations by regulators, law enforcement, journalists, and lawmakers.

An ombudsman[10] is a government official who acts on behalf of citizens to investigate and attempt to resolve complaints of improper government activities.

Broadly speaking, government ethics reporting frameworks are designed to ensure the disclosure of information on government activities that is complete, transparent, and accurate to advance the public interest and promote greater public trust in government.

The IIA supports the establishment of whistleblower, ombudsman, and ethics reporting frameworks and programs as a component of public policies when they may advance and protect taxpayer resources, investors' and consumers' interests, accurate financial reporting, and public health and safety. Furthermore, these programs should be properly aligned with the work of public sector internal auditors and have defined lines of communication (e.g., the ability of a whistleblowing agency or ombudsman to share fraud tips with internal audit functions).

The IIA encourages national institutes, in collaboration with their public policymakers, to develop relationships with the broader group of stakeholders advocating on behalf of these policies and programs to determine what sorts of relevant policies would be most effective and appropriate in their country and then to advocate for their enactment.

10. While "ombudsman," originating from Swedish, is not inherently a gendered word, the terms "ombudswoman" and "ombudsperson" are also used.

Advance Sustainability, Climate Governance, & Critical Infrastructure Resilience Auditing

In a world of increasingly volatile climate-related events, The IIA believes that governments should evaluate how sustainability, climate-related risks, and critical infrastructure resilience are relevant to their risk environments and public policy objectives. These issues are increasingly affecting many governments and public sector organizations through their impact on infrastructure, public health, disaster preparedness, supply chains, energy systems, water systems, transportation networks, and long-term fiscal planning.

The IIA recognizes that perspectives regarding sustainability and climate-related issues can vary significantly among jurisdictions. Accordingly, governments should determine for themselves the extent to which such matters represent material risks requiring planning, oversight, and assurance. Where such risks are significant, internal audit functions may provide valuable assurance regarding risk governance, resilience planning, preparedness activities, infrastructure protection, and reporting and accountability mechanisms.

Develop & Fund Internal Auditor Talent Pipeline & Workforce Modernization Strategies

Governments often serve an important role in influencing and supporting the talent pipeline for various professions. More specifically, governments may develop career or workforce development programs that assist students and professionals, both in and out of government, in advancing their career goals and obtaining additional education, scholarships, job training, internships, apprenticeships, or specialized experience.

The IIA supports the concept of government programs that promote and provide such training, development, and apprenticeships to individuals in the internal audit profession. Furthermore, it supports efforts to fund academic programs and build curricula in colleges and universities that teach internal auditing and related subjects to students.

National institutes are encouraged to work with their policymakers to promote the pipeline for internal auditors in their country and assess ways to incentivize prospective internal auditors to join the public sector. Policymakers may wish to model a talent pipeline program for public sector internal auditors based on other successful programs in their country or effective practices in such programs in other countries around the world.

To enhance professional competency, policymakers should also consider ways to encourage public sector internal auditors to obtain appropriate professional credentials such as the CIA and IAP and to take ongoing professional education and training programs to ensure they have the proper competencies required for their roles. Government programs that pay for or, at least, subsidize the cost of government employees' exam fees, study materials, professional association or professional body membership fees, and/or CPE are one option to advance this goal.



RECOMMENDATIONS ON PUBLIC POLICIES TO AVOID

The recommendations presented throughout this paper identify policies that governments can adopt to strengthen public sector internal auditing. Equally important, however, are ***policies that governments should approach with caution or avoid altogether****. Certain public policy approaches can weaken the profession, create unnecessary barriers, duplicate existing mechanisms, increase costs, or reduce flexibility without producing corresponding public benefits. The recommendations that follow are intended to help policymakers avoid negative unintended consequences while preserving the independence, professionalism, effectiveness, and self-regulatory nature of internal auditing.*

FOUR POLICY APPROACHES TO AVOID OR LIMIT

- Unnecessary monopolies
- Public-sector-only registries
- Duplicative credentials
- Broad qualifying examinations

Avoid or Repeal Inappropriate Monopolies on the Practice of Internal Auditing

Governments should avoid creating legal monopolies that restrict the practice of internal auditing to members of a particular profession or occupational group. Internal auditing is a distinct profession with its own body of knowledge, professional standards, ethical requirements, methodologies, and competencies. Although many internal auditors possess accounting backgrounds, **internal auditing is not a subset of accountancy**. Modern internal audit functions increasingly require expertise in areas such as IT, cybersecurity, AI, data analytics, risk management, public administration, critical infrastructure, and organizational operations. Governments that limit internal audit positions exclusively to accountants or other narrowly defined professional categories inadvertently reduce access to critical expertise and weaken the effectiveness of internal audit functions. Where restrictive monopolies currently exist, governments should repeal such restrictions.

Limit Any Government Registries of Internal Auditors to the Public Sector & Avoid Government-Issued Licenses for Internal Auditors

The IIA recognizes that governments may wish to maintain registries of government and public sector employees for administrative purposes. Such registries can be useful for workforce planning, credential tracking, CPE monitoring, and professional development tracking. Where governments choose to establish such registries, however, The IIA believes that they should be limited to only government and public sector employees rather than extending such registries to private sector internal auditors. Registries of private sector internal auditors are unnecessary and are contrary to the profession's self-regulatory model.

In situations where a government has established or intends to establish a registry for government and public sector internal auditors, it may wish to explore outsourcing partnerships with national institutes where appropriate and mutually beneficial. In some jurisdictions, national institutes may possess existing infrastructure capable of supporting credential verification, CPE tracking, professional accountability activities, and workforce development initiatives. Such partnerships may reduce costs and promote consistency while leveraging existing professional expertise. However, any delegated responsibilities should be accompanied by appropriate government funding and oversight arrangements.

In addition to its opposition to private sector registries, The IIA also opposes the issuance of government-issued licenses for the practice of internal auditing. Government licenses for a profession are typically required when policymakers determine that the public needs extra protection from significant risks that could arise if members of a profession were incompetent, negligent, or unethical.

Internal auditing is broadly accepted as a self-regulatory profession around the world because, in most jurisdictions, the practice of internal auditing does not present the same direct and immediate risks to public health, safety, or welfare that traditionally justify government licensure. Unlike physicians, engineers, pilots, or attorneys, internal auditors do not exercise legal authority over citizens, prescribe medical treatments, design public infrastructure, or provide services where a single professional error could directly result in physical harm or loss of fundamental rights.

Instead of a government licensing scheme, the internal audit profession is primarily governed through its private sector professional standards, certification programs, codes of ethics, quality assurance requirements, and professional discipline and oversight administered by organizations such as The IIA. Furthermore, as noted earlier, although the work of internal auditors often serves the public interest, internal auditors' mandate is to provide assurance and advisory services to management and governing bodies rather than to provide services directly to the public.

Avoid Creating Expensive & Duplicative Government-Issued Credentials That Compete with Existing International Credentials

Governments should avoid creating new internal audit certifications, designations, or credentialing systems that duplicate existing internationally recognized credentials. The profession already benefits from globally recognized certifications that are widely respected by employers, governments, educational institutions, and professional organizations.

Creating new government-sponsored credentials requires substantial investments in exam development, psychometric validation, exam security, technology systems, content maintenance, CPE administration, exam preparation materials, and disciplinary and oversight mechanisms. Such activities require extensive ongoing resources and expertise. Governments can achieve superior outcomes by recognizing and promoting existing credentials such as the CIA, the IAP, and other relevant specialty credentials and certificates, rather than launching and maintaining entirely new credentialing systems.

LANGUAGE & ACCESSIBILITY CONSIDERATIONS

The IIA recognizes that some governments operate in languages for which The IIA's certification examinations and preparation materials are not currently available. In such situations, The IIA welcomes opportunities to engage with governments, national institutes, and relevant NGOs interested in exploring the feasibility of expanding language access for its certifications.

Restrict Any Government Qualifying Examinations to Public Sector Employment Requirements

Governments may, in some circumstances, wish to establish qualifying examinations for individuals seeking employment within public sector internal audit functions. Such examinations can help governments evaluate competency, knowledge, and skills. The IIA recognizes that governments have legitimate interests in ensuring that prospective employees possess knowledge relevant to public sector service.

However, governments should distinguish between public sector employment qualifications and regulation of the entire profession itself.

LIMIT EXAMINATION REQUIREMENTS TO PUBLIC SECTOR EMPLOYEES

Where qualifying examinations are used, they should be limited to internal auditors seeking public sector employment. The IIA strongly discourages extending such requirements to internal auditors operating in the private sector. Private sector employers are generally well positioned to assess the qualifications and competencies of prospective employees without government involvement. Extending qualifying examinations to the broader profession creates unnecessary barriers to practice, increases costs, reduces workforce mobility, and undermines the profession's self-regulatory model.

RECOGNIZE COMPETENCY THROUGH EXISTING CREDENTIALS

If a government has a public sector qualifying exam for the practice of internal auditing or it is considering implementing one, it should also consider exemptions for individuals who have already demonstrated their competency. For example, individuals holding the CIA or IAP have already demonstrated substantial professional knowledge and relevant skills. Requiring such individuals to complete duplicative government exams would provide limited additional value while creating unnecessary bureaucratic burdens and costs. The IIA encourages policymakers to recognize existing professional credentials wherever possible.



IMPLEMENTATION & ADOPTION

The recommendations contained in this paper are intended to assist governments in strengthening governance, accountability, risk management, and public trust through effective internal auditing. The IIA recognizes, however, that implementation approaches will vary significantly among jurisdictions. Governments differ in constitutional structures, administrative systems, resource availability, governance maturity, workforce capacity, and political priorities. As a result, there is no single implementation model that is appropriate for every government. The IIA encourages policymakers to view the recommendations contained in this paper as a framework for continuous improvement rather than a rigid set of requirements. In some situations, legislative and/or regulatory updates should prioritize certain essential recommendations in this paper first with the expectation that other recommendations can be revisited at a later date. Meaningful progress can often be achieved through incremental reforms that build upon existing strengths while addressing identified gaps. The most successful reforms are typically those that are sustained over time and supported by a broad coalition of stakeholders.

A PRACTICAL FOUR-STEP ADVOCACY ROADMAP

1 ANALYZE
Legal and policy landscape

▶

2 PREPARE
Advocacy strategy and resource needs

▶

3 IDENTIFY
Legislative and other government champions

▶

4 MAINTAIN
A long-term perspective

Adapt sequence and methods to each jurisdiction's legal and political context.

STEP 1. ANALYZE THE LEGAL & REGULATORY ENVIRONMENT & DETERMINE THE POLITICAL FEASIBILITY OF INTRODUCING NEW OR UPDATED LAWS

Policymakers and national institutes are encouraged to work together to assess the state of current public sector internal audit public policies. This may involve a comprehensive review of all the policy recommendations in this paper or it could involve identifying a handful of known areas for improvement to get started. Once the policy goals have been identified, it would also be valuable to analyze the political landscape to determine the feasibility of accomplishing the identified goals. Some simple policy initiatives may be achievable within a few months to a year, while more complex, ambitious initiatives should be looked at through a multi-year strategy.

STEP 2. PREPARE AN ADVOCACY ENGAGEMENT STRATEGY & IDENTIFY RESOURCE NEEDS

The IIA recommends developing a strategy outlining how a national institute plans to work with stakeholders to achieve its specific public sector internal auditing policy goals. The strategy should be vetted with and endorsed by the national institute's executive management and governing body to ensure a common vision for the project to

achieve meaningful progress while managing implementation challenges. The strategy should also include an analysis of potential coalition partners and allies in government as well as potential opposition and how that opposition might be mitigated.

As with any organizational initiative, advocacy programs require a budget and people (staff and/or volunteers) to ensure their success. National institutes should estimate all known costs and put them into an advocacy program budget. They should also assign responsibilities/accountabilities to specific individuals or organizational committees to increase the likelihood of a successful campaign.

STEP 3. IDENTIFY LEGISLATIVE & OTHER GOVERNMENT CHAMPIONS

To be successful in advancing their policy goals, national institutes will need to determine which policymakers will champion their proposals and help to get them enacted. Strong relationships are the key to success in politics, and national institutes are encouraged, as part of their advocacy strategy, to identify and invest in getting to know and supporting their champions and allies in their governments.

STEP 4. MAINTAIN A LONG-TERM PERSPECTIVE ON ADVOCACY

It is important to keep in mind that advocacy is a long-term project in which policy goals can sometimes take many years to accomplish. Progress is usually incremental rather than sweeping. It is exceedingly rare to achieve 100% of what any organization wants. In addition, laws and regulations often need periodic updating to respond to changes in technology, the economy, the culture, and the business environment. National institutes, therefore, are encouraged to think of their advocacy strategies as an integrated, ongoing, ever-evolving part of their larger organizational strategy.

Regardless of the scope and ambition of a national institute's advocacy program or its available resources, The IIA is committed to serving as a collaborative partner and strategic resource, advancing its One IIA vision around the world.

National institutes are encouraged to contact The IIA's Global Advocacy Team (advocacy@theiia.org) to discuss strategy development; access educational materials, policy research, and model language; and receive other forms of support for their public sector policy engagement.

Together, The IIA and national institutes can build a legal and regulatory framework that will ensure a vibrant and successful internal audit profession across governments and public sector organizations around the world.



CONCLUSION

There is no single model for effective public sector internal auditing. However, governments that establish strong legal foundations, promote international professional standards, invest in competency, support independence, strengthen governance, and embrace continuous improvement will be better positioned to manage risks, improve performance, strengthen accountability, and maintain public trust.

The recommendations contained in this paper are intended to provide a practical roadmap for achieving these objectives.

The IIA encourages policymakers to adapt these recommendations to their own circumstances while remaining committed to the principles of accountability, transparency, integrity, and stewardship that underpin effective public sector governance. Strong internal auditing is not an end in itself. Rather, it is a means of helping governments better serve their citizens and advance the public interest.



APPENDIX

Stakeholder Engagement & Future Revisions

The IIA sought to obtain broad stakeholder support and input for this paper. As an organization with more than 265,000 members around the world, The IIA acknowledges that it needs to solicit diverse and sometimes conflicting views about the proper legal, regulatory, and policy framework for the internal audit profession. While The IIA cannot completely satisfy all stakeholders and their specific comments, the organization aimed to harmonize the various stakeholders' positions globally to produce a position paper that offers the broadest, most representative expression of the internal audit profession's views regarding a public sector legal and regulatory framework.

In that spirit, a draft of this paper was put out for a 12-week stakeholder comment period from July through September 2026. In particular, The IIA's 121 national institutes and international chapters[11], as well as the organization's 144 chapters in Canada, the United States, and the Caribbean, were invited to propose edits, make suggestions, offer criticisms, and ask questions. In addition, The IIA held interactive sessions with the leaders of national institutes at The IIA Global Assembly meeting in June 2026 in Singapore. National institutes were also invited to virtual interactive roundtables by region and language (English, French, and Spanish) during the comment period.

The IIA also made a concerted effort to engage global non-governmental organizations (NGOs) and government thought leaders as part of this stakeholder review process.

All these stakeholders' feedback was carefully considered and discussed, leading to a final version that was presented to The IIA's Global Board of Directors in October 2026 for final approval.

The organization, however, intends for this paper to serve as an evergreen document. As the world, technology, public policy, and public sector internal auditing continue to evolve, so will this document. The IIA plans to revisit this paper for proposed updates, leveraging stakeholder input and feedback, at least once every five years. Through this process, The IIA seeks to ensure that this paper articulates an ever-relevant, comprehensive, and forward-looking framework, underpinned by the broad support of policymakers, The IIA's national institutes, and its members.

11. As of the issuance of this paper.

About PS GP4

The Public Sector Global Public Policy Position Paper (PS GP4) sets out The IIA's recommended policy framework for strengthening internal auditing in government and the public sector. It provides policymakers, public sector leaders, and national institutes with practical guidance to support strong governance, independence, accountability, and adoption of globally recognized professional standards.

About The IIA

The IIA is an international professional association that serves more than 265,000 members around the world and has awarded more than 200,000 Certified Internal Auditor (CIA) certifications worldwide. Established in 1941, The IIA is recognized globally as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit www.theiia.org.

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