The IIA's new draft Global Internal Audit Standards™ update the International Standards for the Professional Practice of Internal Auditing and for the first time highlight the public sector's unique characteristics, such as its purpose and governance structure, which distinguish it from the private sector and affect how the internal audit function does its work.

The new draft Standards include the definition of public sector as well as 19 public sector references in the Considerations for Implementation sections to assist internal auditors in the public sector in performing assurance and advisory services.

The Introduction notes that the Standards may be used in conjunction with requirements issued by other authoritative bodies. However, conformance with the Standards is still expected.

The Glossary defines public sector as “governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver public programs, goods, or services.”

The Glossary also includes a definition of board as the “highest-level body charged with governance” and describes how the term may translate to governance structures in the public sector, such as a “group of elected officials or political appointees.”

Domain I Purpose of Internal Auditing
Includes the Purpose Statement: “Internal auditing enhances the organization’s success by providing the board and management with objective assurance and advice.” The statement acknowledges that internal auditing enhances the organization’s ability to serve the public interest, the collective well-being of the community of people, and entities that the auditors serve. This responsibility is an important characteristic of an internal auditor, especially in the public sector where the purpose of the organization is to provide services to the public.

Domain II Ethics and Professionalism
Standards 1.1 Honesty and Courage, 2.2 Safeguarding Objectivity, and 5.2 Protection of Information address specifics for the public sector, including:

- A new emphasis on courage and the addition of a component that explicitly mentions protecting the public interest. This emphasis was added because of the political environment in which public sector internal auditors operate.
- Implementation considerations on how public sector internal auditors should address potential impairments related to advisory engagements considering jurisdictional requirements.
- Specifics for the public sector to maintain knowledge and awareness of jurisdictional requirements around public records and safeguarding information.

Domain III Governing the Internal Audit Function
Standards 6.1 Internal Audit Mandate and 6.2 Board Support address how public sector nuances should be handled, such as:

- Transparency and accountability requirements of operating within the public sector.
- The internal audit mandate — authority, role, and responsibilities — for a public sector entity may be included within law.
Domain III Governing the Internal Audit Function, Continued

- The chief audit executive (CAE) may be an elected position that may affect traditional reporting relationships.
- The potential limitations of the board’s or audit committee’s authority over the internal audit function’s budget and the need to express support for adequate internal audit resources to the governing body with authority for the budget.
- The need to be in compliance with jurisdictional laws and regulations around communications with board and audit committee members.

Standard 7.1 Organizational Independence notes that:

- Boards or audit committees in the public sector may not have authority to make staffing decisions, but they should provide feedback to the governing bodies who hold that authority, in accordance with jurisdictional requirements.

Standards 8.2 Resources, 8.3 Quality, and 8.4 External Quality Assessment address resource and quality assurance concerns specific to the public sector:

- Quality assurance reviewers in the public sector should also consider compliance and performance factors specific to any jurisdictional requirements for internal auditors.
- External quality assurance reviewers in the public sector should have appropriate competencies in public sector.

Domain IV Managing the Internal Audit Function

Standards 9.3 Internal Audit Charter, 10.1 Financial Resource Management, 10.2 Human Resource Management, 11.1 Building Relationships and Communicating with Stakeholders, 11.3 Communicating Results, 11.5 Communicating the Acceptance of Risks, and 12.1 Internal Quality Assessment address concerns in this domain specific to the public sector:

- The need for the public sector internal auditor to be aware of and to establish the internal audit function’s compliance with any jurisdictional laws and regulations.
- The responsibility for public sector internal auditors without full budgetary control to review and advocate for appropriate resources to accomplish the internal audit purpose.
- The CAE, even without authority over remuneration decisions, must ensure controls are in place to ensure internal auditors have and maintain appropriate competencies.
- Considerations for public sector internal auditors to receive input from the public into planned internal audit work.
- Knowledge and understanding of jurisdictional requirements regarding communicating engagement results and the acceptance of risk.
- The CAE when communicating unacceptable levels of risk may be required by regulation to notify the funding authority or body as well as the board.
- The system of internal assessment must include ongoing monitoring of conformance with applicable regulations.

Domain V Performing Internal Audit Services

Standards 14.4 Recommendations and Action Plans, 14.6 Documenting Engagements, and 15.2 Confirming the Implementation of Action Plans include:

- Considerations reminding public sector auditors to be aware of jurisdictional requirements around reporting and the release of workpapers.
- The requirement in some jurisdictions that internal auditors may be required to produce a public report on the implementation status of recommendations.