



Government  
Internal Audit  
Agency

# GOVERNMENT INTERNAL AUDIT AGENCY

## CORPORATE PLAN 2016-17





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Any enquiries regarding this publication should be sent to us at:  
Government Internal Audit Agency  
1 Horse Guards Road  
London  
SW1A 2HQ

## **CONTENTS**

FOREWORD	4
CHAPTER 1: CONTEXT	6
CHAPTER 2: BUSINESS PLAN ACTIVITY FOR 2016-17	9
CHAPTER 3: DELIVERING FOR OUR CUSTOMERS	13
CHAPTER 4: INVESTING IN THE AGENCY	18
CHAPTER 5: QUALITY INTERNAL AUDIT POLICY ADVICE	23
CHAPTER 6: THE AGENCY DEVELOPMENT PROGRAMME	24
ANNEX A: LIST OF CUSTOMERS	26
ANNEX B: KEY STRATEGIC RISKS	28
ANNEX C: ORGANISATIONAL STRUCTURE	29
ANNEX D: FINANCIAL SUMMARY	30

## FOREWORD



It is a pleasure to be introducing the Government Internal Audit Agency's second Corporate Plan. We have made great strides in our first year by consolidating our working practices to the benefit of both our customers and people; establishing the Agency's corporate systems; and the successfully executing the development programme, including the groundwork for further movements of staff into the Agency during the 2016-17 financial year.

Across government, we have achieved early success through the implementation of the Framework Agreement for procuring audit services from the private sector, and will continue our drive to supporting and delivering better audit services provision.

We ended our first year by doubling our staff numbers to more than 400 people, when teams from the Department of Work and Pensions and the Home Office joined us on 1 April.

Looking forward, my aims for the second year see us building on the foundation of the first. This will include an increased focus on the needs of our customers, alongside our continued ambition of being more than the sum of our parts. Bringing together the internal audit teams in central government within the Agency will realise the opportunity to deliver consistent high standards and quality of audit services, and provide an assurance service that better serves government as a whole.

My ambition is the development of a leading edge audit methodology, building on the known three lines of defence approach for effective governance, risk management and control. This will ensure a cost effective holistic approach to wider assurance. We will work towards achieving this by continuing to rationalise the audit processes across government, adopting best practice where we find it, together with the embedding of more rigorous quality assurance procedures. With our audit coverage of central government now greater than fifty percent, our approach to assuring generic risks to the delivery of government objectives will change.

We will seek economies by using expert audit teams across multiple organisations and develop our capability in key specialist areas such as IT audit and Project and Programme Management. We will add value through the provision of early warning of risks we encounter that might impact other parts of government. We will also highlight best practice where we find it and where it has the potential to be more broadly applied to the wider benefit of government. Moreover, the nature of our partnering with the private sector will continue to evolve so that we can continue to bring the right expertise and experience to bear, but at a lower price.

This is an exciting time to be working in internal audit in central government and I am delighted to be leading the Agency into its second year as Chief Executive.

**Jon Whitfield**  
**Chief Executive and Head of Government Internal Audit Profession**  
**May 2016**



The Government Internal Audit Agency has rightly spent its first year establishing itself and setting a path for ongoing expansion to deliver the government's Financial Management Review. As such, in the last 12 months, the Agency has successfully brought together a number of departmental audit functions into the new entity. Including the recent addition of DWP and Home

Office, the Agency has reached the significant milestone of being responsible for 50% of central government internal audit. This gives us the critical mass that allows us to invest in the training and development for our people and build new specialist expertise either wholly within the Agency or in partnership with others.

The Board is therefore focused on ensuring the Agency delivers on its vision, which means we need to be greater than the sum of our parts. This forms the bedrock of this plan, which documents the Board's priorities for the Agency, and in particular our first two business objectives, as follows:

- developing a leading edge audit methodology, which builds on the back of the traditional three lines of defence model to deliver a cost effective holistic approach to assurance;
- ensuring quality in everything we do – planning, execution and reporting to stakeholders;
- building enhanced audit capability in a number of specialist areas, starting with ICT, which increases the amount of work we do ourselves and acts as an effective interface with external specialists where required;
- developing links with other specialist areas of government (such as project review teams, shared services, actuarial, procurement) to join up assurance work in a cost-effective manner;
- investing in our people through learning & development, recruiting and training the next generation of internal auditors, and starting to address the historical diversity issues we have inherited; and
- responding to increasing financial constraints across government by increasing our responsiveness, resilience and relevance; and by delivering further progress towards our ambitious target to be 15% more cost effective over our first three years of operation.

Overall, the Agency's second year has the potential to make a real difference to how customers, our people and stakeholders view the Agency and the benefits we deliver. I am delighted, along with my Board colleagues, to help in driving our vision as we become the single audit provider for central government.

**Mike Ashley**  
**Chairman, Government Internal Audit Agency**  
**May 2016**

## CHAPTER 1: CONTEXT

### Purpose

The Government Internal Audit Agency ('GIAA' or 'the Agency') is the UK government's internal audit service, providing internal audit and assurance services across a wide range of central government customers. We strive to help accounting officers and management in our customers to understand and manage their risks and to ensure exemplary standards of governance.

### Vision

Our vision is to be a flexible and responsive internal audit service, which has a reputation among top management within government as:

- making a real difference;
- providing excellent value for money;
- being a great place to work.

We achieve this by:

- delivering improved assurance outcomes for our customers;
- delivering value for money for our customers and the taxpayer; and
- encouraging our staff to develop as individuals to fulfil their potential.



Figure 1: Our vision is underpinned by our values, which are fundamental to what we do

### Looking Back

We have made strong progress since launching the Agency on 1 April 2015 in the implementation of the December 2013 'Financial Management Review of Government'. This recommended:

- a) consolidate internal audit shared services over the medium term providing a single, integrated internal audit service, which will be an independent Agency of the Treasury;
- b) strengthen the role of the Head of Profession for internal audit to become 'the head of government internal audit'; and
- c) provide an internal audit service to government departments and to government as a whole

At launch, the Agency brought together six internal audit teams that previously formed the Cross Departmental Internal Audit Service with the aim of:

- becoming the specialist provider of internal audit services to central government;
- bringing together individual audit functions in a way that allows more effective operation and development of people capability; and
- delivering a more responsive, flexible and resilient service to Accounting Officers that is of a consistently high quality, supports effective relationships, provides deep insights and positively influences behaviours and improvements.

Four more audit teams (Companies House, Crown Commercial Service, Driver & Vehicle Licensing Agency, and Skills Funding Agency) joined the Agency on 1 November 2015, so that by the end of 2015/16, we provided services to eight departments and 48 other bodies associated with these departments. Following our November expansion, we had a complement of 171 assurance staff working flexibly across our customers and in various locations across the country. Most of the client facing staff are qualified internal auditors and/or accountants, with around 80 staff based in London. A further 27 people support the Agency in corporate, professional practice and project roles, giving the Agency a total complement of 198 people by March 2016.

GIAA also provides assurance services to the European Commission, providing both the UK Government and the European Commission with advice and assurance on the implementation of the various programmes such as the European Regional Development Fund (ERDF).

Implementation of a new contractor framework and a reduction in our average customer fees represents the start of our commitment to improve the cost effectiveness of our service by 15% by the end of the Agency's first three years of operation. Further narrative on this is included in Chapter 3.

## Looking Forward

1 April 2016 was the first anniversary of the establishment of the Agency, and signified the start of the next phase of development for the Agency. Over the next two years, we will expand to include the majority of central government internal audit teams, encompassing approximately 600 people.

We will make further investments in our people and processes to deliver further benefits to our customers – for example, by providing assurance over cross-cutting risks and sharing good practice. We expect our work to be more relevant to key decisions of our customers, and for our customers to regard us as key partners in the delivery of their businesses.

The audit functions for the Home Office and the Department for Work and Pensions joined the Agency on 1 April 2016, resulting in an expansion of our headcount to 357 people delivering assurance activity (403 people including the corporate centre), as well as increasing our geographic presence from 33 to 63 different locations. With around 700 auditors in total across government, this expansion was a major milestone for the Agency as it signified over half of internal auditors in government have become part of the GIAA, and in excess of half of central government customers receive their service from us. Subsequent to this, we are working towards:

- an October 2016 migration for the Ministry of Justice (59 people), Research Councils UK (15 people), and the Student Loans Company (7 people);
- further migrations in April 2017 including the Department for Environment, Food, and Rural Affairs (Defra) Network (40 people across four organisations); and
- finalising the plans for HM Revenue & Customs to migrate in 2017, and concluding discussions with the remaining central government departments regarding their future plans.

## Our Operating Environment

GIAA operates in an ever-changing environment that has a number of implications for how GIAA is structured and delivers services to our customers:

- **Civil Service Reform:** The government's reform agenda continues to drive forward with the consolidation of corporate services across departments into shared service or similar arrangements. GIAA provides assurance to the Cabinet Office (as policy owner), the providers (ie the professions/shared services) and customers over the services being delivered. We are

also delivering our part of this agenda for the internal audit profession over the next two years, sharing our knowledge and experience as other professions implement their own reforms.

- **Spending Review:** the impact of the wider economy on public spending continues to drive customer budgets for assurance activity. The 2015 Spending Review, which requires unprotected Whitehall departments to deliver a cumulative real rate of reductions over the spending review period of 19%, has emphasised the importance of the Agency delivering a cost effective service to our customers, while also supporting them in providing timely and insightful assurance as they deliver their Spending Review and Single Departmental Plan commitments (which may increase inherent risk levels).
- **Accountability & Risk:** The accountability landscape continues to change in response to emerging governance and risk management issues, particularly as government delivery models become more complex (for example as referenced in the recent NAO report *Accountability To Parliament for Taxpayers' Money*<sup>1</sup>). GIAA and internal audit are integral to supporting accounting officers in ensuring adequate levels of control exist around governance, risk management and processes within individual customer and departmental group boundaries, and across government.

## Governance

We are an executive agency of Her Majesty's Treasury (HM Treasury). We continue to be sponsored by the Director General Public Spending & Finance in HM Treasury, and are accountable to the Economic Secretary to the Treasury.

From April 2016, we reset our governance structures to reflect the needs of the expanded agency:

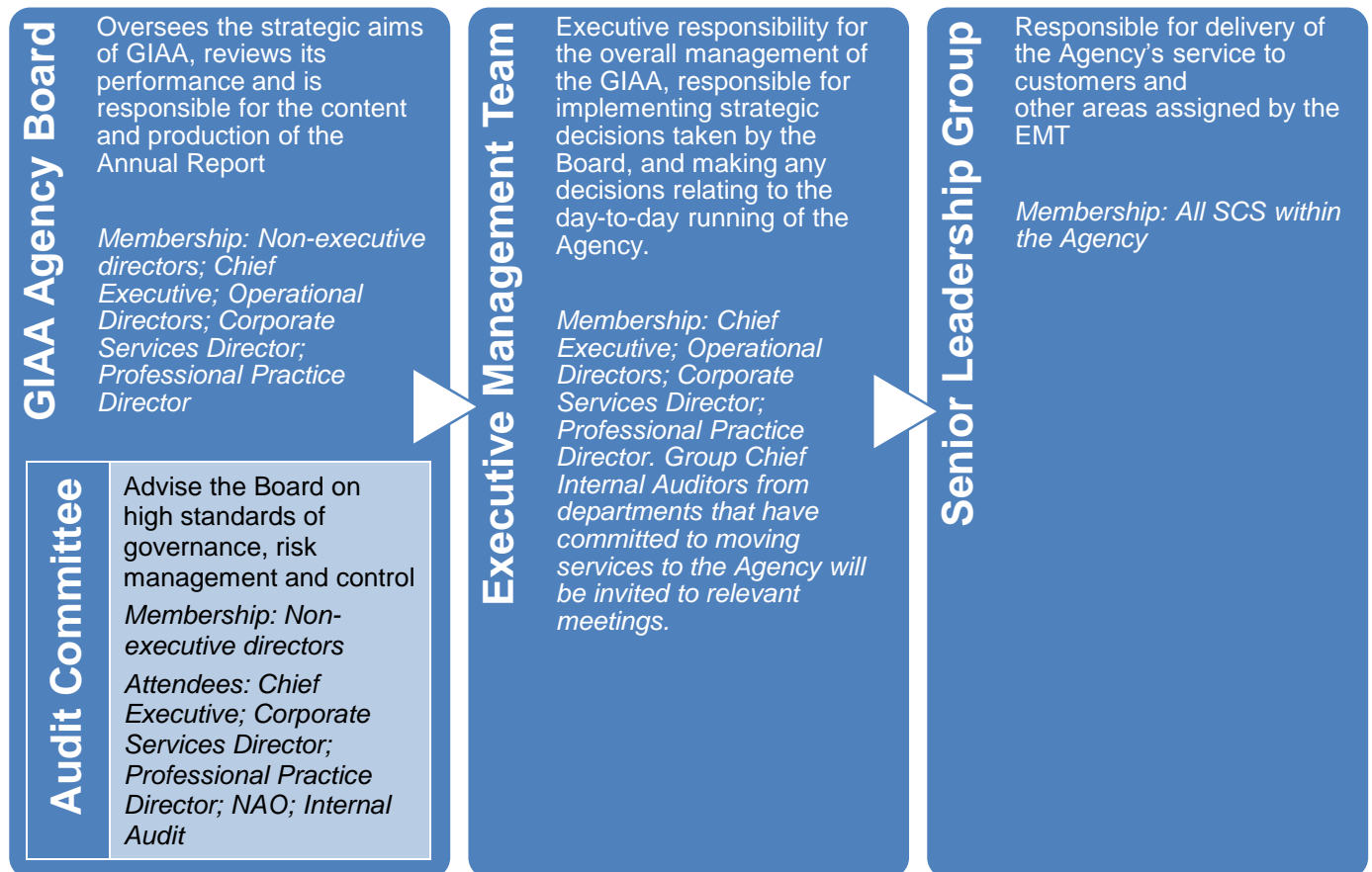


Figure 2: GIAA Corporate Governance Structure from April 2016

<sup>1</sup> <https://www.nao.org.uk/report/accountability-to-parliament-for-taxpayers-money/>



## CHAPTER 2: BUSINESS PLAN ACTIVITY FOR 2016-17

To deliver our goals for 2016/17, we have set ourselves the following objectives:

### **Business Objective 1: Deliver for our customers an enhanced internal audit service that supports the delivery of their objectives and services (Chapter 3)**

We will achieve this by:

- delivering consistent, high quality assurance and advisory services in compliance with the Public Sector Internal Audit Standards, ensuring our methodology is based on best practice and is consistently applied;
- continually challenging ourselves to work more efficiently so that we can deliver the same or more assurance activity for the same or less cost to our customers – in particular, we will continue to implement our plans to improve the cost effectiveness of our service by 15% by the end of the Agency's first three years of operation;
- developing our cross-government assurance activity to share best practice and give early warning of emerging risk themes – in particular, by working with the other government professions to develop integrated audit strategies that seek to target assurance activity from a cross-government risk perspective;
- establishing the Professional Practice function to integrate our methodology, training and quality assurance;
- attracting, developing and retaining the range of skills and expertise needed to deliver a consistent, quality service to our customers, including further developing our specialisms to grow our in-house capability to provide a more responsive and cost-effective service to our customers; and
- utilising the best mix of private sector providers to support us in our delivery, ensuring cost effective providers for the customer audit programme.

### **Business Objective 2: Invest in the Agency to develop further our people, methodology, systems and corporate functions (Chapter 4)**

In addition to maintaining core corporate systems and processes, we will specifically invest in the Agency by:

- developing a leading edge audit methodology, which builds on the back of the traditional three lines of defence model to deliver a cost effective holistic approach to assurance;
- further investing in learning and development for our people, and developing new professional training and apprenticeship schemes;
- establishing the Professional Practice function to integrate our methodology, specialist audit services, training and quality assurance;
- implementing our diversity plan to help deliver an Agency that is more representative of our customers, the wider civil service and society;
- completing our People and Pay projects to design common career and role descriptions, and (subject to funding) putting in place a plan to harmonise employment terms and conditions;
- as part of our commitment to improve the cost effectiveness of our service by 15% by the end of the Agency's first three years of operation:
  - ensuring that the corporate centre remains proportionate and cost effective, only expanding as necessary to support the enlarged Agency

- reviewing the HM Treasury Service Level Agreement to ensure continued value for money and appropriate levels of service
- undertaking a project to design and procure a new audit management system, ready for launch by the start of the 2017/18 year.

### **Business Objective 3: Deliver high quality and timely internal audit policy advice to HM Treasury and the wider internal audit profession across central government (Chapter 5)**

We will achieve this by:

- leading the development of policy for the internal audit profession in central government, set minimum standards for the profession, and promulgating these across central government audit functions;
- maintaining the Public Sector Internal Audit Standards (PSIAS) through our involvement with the Internal Audit Standards Advisory Board and other public sector standard setters, including responding to changes to the Global Institute of Internal Auditors' International Professional Practices Framework;
- providing 'current awareness' initiatives through the events that we organise for audit and risk committee chairs/members, heads of internal audit and audit practitioners; and
- supporting the Head of Profession by engaging with the Chartered Institute of Internal Auditors, CCAB and other relevant professional bodies, HM Treasury, Cabinet Office, National Audit Office and others on internal audit policy matters.

### **Business Objective 4: Deliver the Agency Development Programme to plan and budget and report on benefits realisation (Chapter 6)**

We will achieve this by:

- implementing our revised organisation and governance structures by the end of June 2016;
- completing the move of three additional departmental internal audit teams and of at least two partner organisations to the Agency by April 2017;
- developing our methodology and audit management systems over the course of the year to provide a common platform for consistent delivery;
- finalising and implementing our People and Pay Strategies; and
- establishing the Professional Practice function to integrate our methodology, specialist audit services, training and quality assurance.

### **Measuring Our Performance**

We have built on our existing performance measures set in 2015 to define a broader set of measure for 2016/17, with our key focus remaining the delivery of high quality internal audit services:

Top level objective	Sub-Objective	Metric
<p><b>Business Objective 1:</b> To deliver for our customers an enhanced internal audit service that supports the delivery of their objectives and services (Chapter 3)</p>	<p>Add value to customers and government as a whole</p>	<ul style="list-style-type: none"> <li>• Develop functional cross-government assurance strategies by September 2016</li> <li>• Publish at six or more assurance insight bulletin for Accounting Officers</li> <li>• Annual Accounting Officer and Audit Committee Chair satisfaction score (% of Accounting Officers rating GIAA as 7 or above, out of 10 – with 10 equalling “extremely satisfied”)</li> </ul>
	<p>Deliver a quality internal audit service to achieve improved assurance outcomes and realise the expected benefits of one Agency</p>	<ul style="list-style-type: none"> <li>• Assignment feedback (% of assignments being rated 7 or above, out of 10 – with 10 equalling “extremely satisfied” based on the wider cross-government metric scale)</li> <li>• 100% of audits subject to internal quality review are found to “generally conform” to the Public Sector Internal Audit Standards</li> <li>• NAO review of GIAA confirms quality standards have been met, and increases the reliance NAO places on our work</li> <li>• As part of our annual service to customers, deliver an average of 90% of the agreed audit programmes in the financial year to which they relate (with the remainder completed by the end of the following June)</li> </ul>
	<p>Deliver a cost-effective service to our customers</p>	<ul style="list-style-type: none"> <li>• Continue to improve the cost effectiveness of our service by 15% by the end of the Agency’s first three years of operation. This will be achieved through a combination of economy and efficiency measures i.e. by reducing our costs and raising our productivity (note: clients that transfer their staff to the Agency after 1 April 2015 may be subject to a different target)</li> <li>• Recovery of our operating costs from our customers, resulting in the Agency breaking even across its customer-facing activity</li> <li>• Increase the proportion of time our assurance staff spend on customer-facing activities by three percentage points</li> <li>• Reduce our use of the private sector for core controls work by at least 10%, and reduce the average unit cost across all private sector work on a like-for-like basis</li> </ul>

Top level objective	Sub-Objective	Metric
<p><b>Business Objective 2:</b> Invest in the Agency to develop further our people, methodology, systems and corporate functions to enable the Agency (Chapter 4)</p>	<p>Attract, develop and retain the range of skills and expertise needed to deliver a consistent, quality service to our customers</p>	<ul style="list-style-type: none"> <li>• Implement the new people strategy by 30 June 2016 to attract new talent, with capacity created through workforce management and general staff turnover</li> <li>• Improve overall staff engagement index by at least five percentage points (from 55%) in the 2016 Civil Service People Survey</li> <li>• Deliver initiatives to promote diversity, with an aspiration that by 31 March 2017: <ul style="list-style-type: none"> <li>○ At least 25% of SCS and 45% of SCS/G6 are female</li> <li>○ At least 10% of SCS/G6 and 15% of all staff identify as non-white</li> <li>○ At least 35% of staff are aged below 40</li> </ul> </li> </ul>
	<p>Invest in the skills of our existing people, and in the next generation of auditors</p>	<ul style="list-style-type: none"> <li>• Protect and refocus L&amp;D budgets in face of budgetary pressures to invest in professional learning and development</li> <li>• Establish and recruit into new specialisms, starting with ICT</li> <li>• Establish new schemes to integrate our existing professional training, and introduce apprenticeships</li> </ul>
	<p>Invest in professional development</p>	<ul style="list-style-type: none"> <li>• Launch Professional Practice Directorate in April 2016 to integrate our methodology, learning and quality assurance arrangements</li> <li>• Procure and implement common audit management software by March 2017</li> </ul>
<p><b>Business Objective 3:</b> Deliver high quality and timely internal audit policy advice to HM Treasury and the wider internal audit profession across central government (Chapter 5)</p>	<p>Provide an internal audit policy service which creates a pace for changing the shape of the profession across government</p>	<ul style="list-style-type: none"> <li>• A sample of stakeholders across HM Treasury (as owner of IA Policy), Chief Internal Auditors from outside GIAA, and the professional institutes rate GIAA as 7 or above, out of 10 (with 10 equalling “extremely satisfied”) with the quality of the internal audit policy work delivered</li> </ul>
<p><b>Business Objective 4:</b> Deliver the Agency Development Programme to plan and budget and report on benefits realisation (Chapter 6)</p>	<p>The Agency continues to increase its coverage of delivery across more of Government</p>	<ul style="list-style-type: none"> <li>• Secure at least two thirds of government internal audit operating under the Agency</li> <li>• Agency delivers expansion within agreed funding from HM Treasury: <ul style="list-style-type: none"> <li>○ Tranche 4 delivered by October 2016</li> <li>○ Tranche 5 on course to deliver by April 2017 (subject to the HM Treasury Oracle upgrade project timetable)</li> </ul> </li> </ul>

Table 1: Agency Key Performance Metrics 2016/17

## CHAPTER 3: DELIVERING FOR OUR CUSTOMERS

### Our Customers and Services

Our services fall broadly into the following categories:

- General Audit Engagements – providing independent assurance across a wide range of core activities and processes for UK government and on behalf of the European Commission – examples include risk management and financial controls;
- Specialist Audit Engagements – audit engagements drawing on specialist skills and knowledge beyond typical core controls – examples include programme/project management, information technology, modelling and investigation services;
- Counter Fraud and Investigation Services – an independent, responsive and professional investigations service, investigating allegations of fraud and serious misconduct by staff, suppliers, contractors and grant recipients; and
- Advisory Engagements – independent and objective consulting services to help line management improve an organisation's governance, risk management and control.

From April 2016, we will deliver the internal audit service to 10 government departments and 59 organisations associated with these departments (a full list is shown in Annex A). We know and understand what is important to our customers and will retain what they value most, with the principles agreed with our senior customers as we developed the Agency (see boxed text) continuing to hold true.

Having now completed our initial year of establishing the Agency, our customers will benefit from a number of changes to our service offering during 2016/17, improving our service to them and delivering improved assurance outcomes. These changes are summarised below.

### Methodology

We have already overhauled our programme planning processes to take a consistent approach to audit planning across all our customers, and to ensure all plans align with cross-government risks. Customers have already acknowledged the value in this new approach, which we will build on during 2016/17 to develop further our methodology to drive greater consistency across our work, resulting in greater impact for our customers.

We will further develop our existing audit methodology to make it leading edge, building on the back of the traditional three lines of defence model to deliver a cost effective holistic approach to assurance. The methodology will be embedded in our new audit management software when implemented in 2017, which will bring greater efficiency to our operations and greater rigour to the quality of our work.

#### Our customer-focused principles:

- Heads of Internal Audit report the results of their work and opinions to the relevant Accounting Officers. Their line management reporting line (including performance appraisal) is to the GIAA Chief Executive.
- Accounting Officers have final say over who acts as their HIA.
- Internal Auditors knowledge of their customers' business, culture and the maintenance of relationships is recognised as of paramount importance to maintaining a high quality Internal Audit Service.
- Internal Audit reports to the Accounting Officer and audit reports are not released to third parties without their authority.
- Accounting Officers, advised by their Audit & Risk Assurance Committees and HIA, determine the volume of Internal Audit activity undertaken and to where it is directed.
- IA utilises support from the private sector as appropriate for access to skills and resource flexibility.

We will publish at six or more Accounting Officers bulletins, designed to alert customers to cross-government risks or to spread good practices. These were first introduced in 2015/16, and have been well received by Accounting Officers and audit committees.

## **Cross-government working**

We will become greater than the sum of our parts by delivering broader and deeper assurance coverage to both individual customers and government as a whole. We will achieve this by developing, by September 2016, a strategy for audit engagement with each of the following key cross government functions:

- Commercial
- Digital
- Finance
- HR
- Major Programmes (including working with the IPA)
- Transformation (including Shared Services)

Through this, we will:

- align our assurance activity with cross-government risks, undertaking audit work that follows risk across organisational boundaries in a way that we could not previously do when part of our predecessor departments;
- drive forward cross-government assurance activity through the facilitating of assurance frameworks and the sharing of assurance outcomes (for example, building on our work with the Next Generation Shared Service Programme where we negotiated the sharing of internal audit reports across all governmental customers); and
- develop and deploy assurance tools across government, such as automated analytical tools that can examine large datasets and target assurance activity accordingly.

The results of our assurance work will be shared across government (where appropriate and agreed) so that all interested customers benefit from the results of our work – in particular, with individual Accounting Officers who are increasingly commissioning services from shared service arrangements across government.

## **Developing our Specialisms**

We are growing our in-house specialisms during 2016/17, starting with Information & Communications Technology, investigations and counter-fraud, and European audit specialisms.

This will bring greater capability and capacity to GIAA, allowing us to reduce our dependency on the private sector, which will benefit customers from both service level and value for money perspectives (the charge to our customers for a GIAA specialist is typically between a third and a half less than using an equivalent resource from the private sector).

### **ICT Assurance Case Study**

Recognising government's dependence on ICT and how critical the use of digital technology is to the future delivery of public services, GIAA has made developing assurance capability in this specialist area a priority.

Alongside the development of new methodologies, tools and processes, effort has been focused on defining a capability framework that more clearly delineates the skills and experience that are needed internally versus that which should be bought in.

This work has shown that it is not practical or desirable to build an internal team with all of the requisite skills and experience needed to provide meaningful assurance in this area. However, it has also highlighted the criticality of having an internal team of IT audit specialists that are:

- perceived as authoritative, operating at a level that facilitates a cross-government understanding of ICT, cyber security, and information management risk that helps identify where additional assurance is needed;
- relied upon to consistently bring the right capabilities to bear, to flex capacity to meet changing needs, essentially through being astute and informed buyers;
- act as an interface for management, contextualising what can be complex findings such that there is understanding and recognition of the need to take action; and
- build and leverage relationships with other experts across government such as the Government Digital Service and the Communications-Electronics Security Group (CESG).

Further work has been done to define responsibilities at a detailed level and then estimate resource needs at each grade. The most significant change as a result is the establishment of a number of new Senior ICT Internal Audit Manager positions, for which we are attracting suitable candidates with the support of a professional recruitment agency. The aim is have the successful individuals in post and effective by the middle of Quarter 2.

## Delivering Quality

We will continue to deliver high quality assurance and advisory services, in compliance with the Public Sector Internal Audit Standards, and overseen by the ethical requirements of our relevant professional bodies. Quality remains paramount for our service offering to Accounting Officers and Audit Committees, and we regularly undertake quality assessments to assure that we meet the standards expected of us by the internal audit profession and our customers.

Our new Professional Practice Directorate will enhance our focus on quality by providing a central team responsible for all aspects of our methodology and its development, training and quality assurance.

We launched the common audit manual for government in 2015/16, and will continue to develop this during 2016/17, bringing greater consistency and rigour to our service. This has been enhanced for the 2016/17 planning round by implementation of a consistent approach across GIAA to the development of audit programme plans. These have been prepared in the context of cross-government risks including the ongoing austerity agenda and its impact on our customers. In the development of the plans, alternate assurance activities have been identified and adjustments made to minimise the duplication of assurance activity, in particular that undertaken by the Infrastructure and Projects Authority and other mechanisms.

Our customers' opinion of our service is vitally important to us and we will seek their views on our performance through our Customer Satisfaction Questionnaire after every engagement. In addition, we undertake an annual senior stakeholder survey to gauge the extent to which senior stakeholders feel that their investment in audit has generated tangible business benefits and control improvements. These help us to continually improve our service in line with our customer needs. The results of this feedback are published in our Annual Report.

In late 2015, we commissioned the Chartered Institute of Internal Auditors to conduct an External Quality Assessment. This placed GIAA well into the second quartile of audit services in both the private and public sector, concluding that the Agency 'Generally Conforms' to the Public Sector Internal Audit Standards. The IIA made a number of recommendations to further enhance our service that we are currently implementing, the most significant of which are:

- the introduction of a new approach to audit planning for the 2016/17 year, which introduces greater rigour to our assessment of risk and assurance priorities, from both a customer and cross-government perspective;
- placing greater reliance, where appropriate, on other assurance providers – this will be a focus of the assurance strategies we are developing with the professions across government; and
- greater emphasis on the quality of audit evidence through improvements to our audit methodology and increased emphasis on hot and cold quality reviews, which will be led by the new Professional Practice Directorate.

We will undertake a further External Quality Assessment at a time to be agreed, but no later 2020 to re-evaluate the Agency as we continue to develop and strive to progress to the next level. We have also invited the National Audit Office to undertake a quality review of our audit work. The approach to this work will be piloted during 2016 with a view to implementation during 2017.

### **Our Service Model**

As an executive agency, our fees are set in accordance with *Managing Public Money* to recover the full costs of service provision from the customers that we serve. This has brought new commercial rigours to our work and our relationships with our customers.

For the majority of our work, we have agreed a fixed fee for a managed annual service, which gives both the Agency and our customers greater certainty over the size and cost of the annual audit programme. We supplement the managed service arrangements with individually costed activities, based on standard rate cards we have developed for the service.

A particular challenge to our service model is the efficient execution of agreed audit programmes, with minimal impact from late notice changes/cancellations by customers. We will report to Accounting Officers/Audit Committees where customer behaviour impacts our effectiveness and efficiency, preventing us from delivering savings.

### **Improving our Cost Effectiveness by 15%**

We are committed to delivering a cost effective service to our customers, who are able to benefit from initiatives to reduce the cost of our service. We have defined this in our key performance measure first set out in our 2015/16 Corporate Plan of improving the cost effectiveness of the Agency by 15% by the end of the first three years of operation.

We have made good progress against this target during 2015/16 through a combination of economy and efficiency measures (i.e. by reducing costs and raising productivity), including:

- the new pan-government framework for internal audit services has replaced what was commonly a single provider for each department with a panel of firms, delivering a wider range of skills and rate cards than previously available. As a result, just by reallocating work between firms on the framework, we believe there is potential for up to a 40% reduction in the cost of such work; and
- reducing our average day rates for in-house resources between 1.3% and 1.5% in 2016/17, and absorbing the planned 1% civil service pay budget increase, changes to employer national insurance, and other inflationary pressures.



The precise benefit that individual customers will achieve will vary depending on the scope and delivery model for their existing services, with larger customers expected to derive greatest benefit as we deliver more innovative assurance services and substitute private sector for in-house specialisms. The boxed text gives an example of how we delivered a 15% reduction to one customer for 2016/17.

We achieved a 15% reduction in the average day rate one medium-sized customer will incur for its 2016/17 programme. This was delivered through a combination of:

- the reduction in GIAA day rates
- transferring delivery of core controls work from the previous private sector provider to more cost-effective GIAA resources
- transferring the specialist audit work to an alternative private sector provider
- requiring the new private sector provider to deliver the service without passing on additional travel expenses

The growing scale of the Agency in 2016/17 gives us the ability to make further progress in increasing the cost effectiveness of the Agency's in-house resources over the course of the next year by:

- achieving a three percentage point increase in average utilisation, which is a measure of productivity for our people, with each percentage point increase generating additional capacity equivalent to recruiting four additional people at an approximate payroll cost of £200,000;
- procure and implement common audit management software by March 2017, which will lead to greater automation and more efficient workflow of our audit work from the start of the 2017/18 year;
- leverage ICT and continuous audit tools to interrogate big datasets to provide greater coverage and focus to our audit work;
- providing effective back-office services through HM Treasury and other partners, ensuring that any growth in corporate and professional support services are absolutely needed to support an expanded agency and benefit from the economies of scale; and
- examining options to consolidate and relocate office accommodation for those staff who do not need to be located alongside our customers, and exploiting opportunities from the wider government accommodation strategy to consolidate our assurance professionals as they arise.

## How we use the Private Sector

In September 2015, we established an Internal Audit Framework that utilises our collective buying power to secure access to multiple high quality private sector resources, through a single framework, in a manner that provides value for money for the Agency and our customers. In particular, these arrangements enable us to leverage our good working partnerships with the private sector to give us the flexibility to meet peaks in demand and to deploy more specialist skills when needed to work alongside our own people. We recognise that specialist audit services will always need to be bought in and that this continuing private sector involvement will be a long-term feature of our service.

There are now seven private sector firms (Deloitte, Grant Thornton, KPMG, Mazars, Moore Stephens, PwC and RSM) across three lots for core internal audit services, forensic work and regulatory work. Prior to this, departments had individual agreements with firms.

The framework has been let for an initial three year period during which we expect to realise economies of scale as we grow our skills in-house. The framework is also available across central government to organisations outside the Agency, and we have already seen an uptake in the use of it by external parties demonstrating the value for money in procuring a single contract for internal audit services across central government.

## CHAPTER 4: INVESTING IN THE AGENCY

### Our People

Internal Audit is a people business and we need to provide a meaningful and rewarding career proposition for all our employees. We must help them access opportunity and develop new skills, enhancing their career prospects within the profession and outside. We also want to attract aspirant staff to careers in the Agency, and/or to working in the Agency as a stepping-stone to wider civil service careers. Taken together, and through a renewed talent management strategy taking into account all grades, we aim to bring new blood into the profession and develop the future leaders of the audit profession in government.

Establishment of the Agency facilitates the centralisation of recruitment and promotion within the profession to support the attraction and retention of talented staff. It also allows the operation of a single performance management system for our staff to increase consistency. Most of our staff are professionally qualified internal auditors or accountants, and we will continue recruiting into these generalist audit roles, whilst also developing audit specialisms. We will continue to support staff to undertake professional qualifications alongside other forms of learning and development.

We have introduced a structured 'fast stream' training scheme to recruit and develop the next generation of government internal auditors. We will also be looking to provide placements for the generalist 'fast stream' to develop our corporate services function and to increase awareness of the profession and the Agency's work. In the next year, the Agency will have reached the size to fall under the BIS Enterprise Bill legislation, which will require us to set a target for recruiting apprentices. These additional routes of recruitment will support us in attracting and developing a diverse workforce.

We will further supplement the above by growing our programme of loans and secondments of staff into and out of the Agency. This provides opportunities for staff development and knowledge transfer, whilst also increasing awareness and recognition of the Agency.

Bringing all those in the audit profession together, into a single employer, allows us to review and develop capability in a consistent way. We are also able to monitor performance and talent across the profession to understand the full picture and provide a variety of development and opportunities to staff as required. We can ensure expectations are aligned to drive up performance across the profession. We have developed a talent scheme for grades SEO and below within the Agency, which ensure the full talent pipeline is supported and managed to allow for succession planning of business critical posts at all levels.

We are able to provide an enhanced career proposition to staff by setting clear career pathways and opportunities for progression due to the increased number and variety of customers' staff can be deployed to work on. Offering recruitment opportunities to those across the Civil Service allow us to attract talent from across the profession prior to them transferring to the Agency.

### Enhancing our specialisms

Over the course of the next year, we will consolidate our subject matter specialist auditors into integrated teams, who will benefit from a dedicated investment in their training, methodology and tools. In turn, this will allow them to deliver a better service to our customers and join up our work in key risk areas across government. This investment in our in-house specialisms will also allow us to reduce further our reliance on the private sector, and reduce our cost of service.

## Learning & Development / Trainees

In February 2016, we launched our new Learning & Development (L&D) Strategy with the aim of providing better learning and development opportunities for our staff, linked to the assurance priorities of customers. The Agency is committed to the civil service principles of, as a minimum, '5 days a year', and has centralised and protected our L&D budget for 2016/17. The Agency also encourages staff to make use of its volunteering policy as part of their learning and development.

During 2016/17, we will launch a formal trainee programme and an apprenticeship scheme to attract and train aspirant people to be the next generation of auditors, helping to ensure that we have the capability and capacity to meet our customers' assurance needs. Over time, this will give us greater in-house resilience and reduce our reliance on the private sector, resulting in further savings.

We are also bringing together the learning and development leads from across government (both within and outside the Agency) to set out consistency in expectations and support and to utilise the benefits of larger scale deals with suppliers. We are increasing the links with the Government Finance profession, for example through the new joint 'fast stream' scheme to allow greater fluidity and exchange opportunities.

## Equality and Diversity

We are committed to ensuring equality and valuing diversity and inclusion within our workforce, and embed these in our day to day working practices in a manner that reinforces the GIAA values. Organisations work better when they are diverse and respecting and valuing differences will help to ensure that our practices and services reflect the needs and experiences of the people we serve. To be the best we can be, we must draw our leaders from the widest possible talent pool, both within the Civil Service and externally, and remove barriers faced by under-represented groups.

In line with all Civil Service departments and agencies, we monitor our workforce in terms of gender, ethnic origin, age, disability, religion or belief, sexual orientation and working patterns. The Agency recognises the current make-up of its people, particularly at senior levels, does not fully reflect our customers, the wider civil service or society as a whole. The Agency is committed to beginning to address this during 2016/17 and, as a starting point, has set an aspiration for improvement in the numbers of four under-represented groups to help us to track progress and start momentum:

Characteristic	31 March 2016 Actual <sup>2</sup>	31 March 2017 Aspiration	Civil Service overall average	External Comparator <sup>3</sup>
Female staff				
• Female SCS	0%	25%	38%	Not available
• Female SCS/G6	36%	45%	Not available	Not available
• Female staff total	43%	50%	54%	44-46%

<sup>2</sup> Data drawn for GIAA HR system which has a diversity self-declaration rate of around 70% by employees

<sup>3</sup> External comparators derived from data provided by two professional audit/accountancy services organisations

Characteristic	31 March 2016 Actual <sup>2</sup>	31 March 2017 Aspiration	Civil Service overall average	External Comparator <sup>3</sup>
Black & Minority ethnic staff				
• BAME SCS	0%	10%	7%	Not available
• BAME SCS/G6	0%	10%	Not available	Not available
• BAME staff total	10%	15%	11%	18-20%
Declared disability / long term health condition				
• Disabled SCS	0%	10%	5%	
• Disabled SCS/G6	0%	10%	Not available	Not available
• Disabled staff total	5%	9%	9%	
Age profile				
• Staff aged below 40	29%	35%	31%	67-75%

Table 2: Agency Diversity Profile and Targets

During 2016/17 and beyond, we will also work to implement current areas of recognised best practice including: improvement in the completeness of our data; addressing any significant differences in perception and engagement of some diverse groups; creating a truly inclusive environment; integrate diversity into our workforce planning and other developments; and, implementing NAO recommendations on a shift to a “pull” emphasis led by the Agency to complement the traditional “push” focus led by the Cabinet Office. We have appointed an SCS member of the Senior Management Team to act as Diversity Champion for the Agency.

We fully support the government’s wider agenda with regards to equality, diversity and inclusion. The government’s Talent Action Plan was published in March 2015, setting out measures to remove barriers to preventing talented individuals succeeding in the Civil Service, regardless of their characteristics or circumstances. The subsequent “Removing Barriers” programme, led by the Cabinet Office, supports departments and agencies to embed diversity and inclusion fully into their people processes with a focus on leadership, talent and capability.

The Agency is committed to implementation of the programme – as part of this, we have adopted a new Equality and Diversity Plan and approach that seeks to give our people the skills, opportunities and ability to aspire to gain senior roles within the Agency in the future. As an example of our work to promote this, we are supporting six of our people (at HEO/SEO grade) who, in March 2016, gained places on the Positive Action Pathway scheme, which aims to support staff in under-represented groups with the potential to progress to at least the next grade.

The Agency will develop its professional recruitment and training schemes during 2016/17 to invest in the next generation of auditors, which is expected to start to deliver a rebalance in our age and other diversity profiles. We will also identify talent across all grades, and provide support (for example, through the Future Leaders Scheme) to help those with potential to reach the senior tiers of the Agency.

## Resource Management

Our headcount as at 1 April 2015 was set at 156.5<sup>4</sup> full time equivalents (FTE), of which 135 FTE staff physically transferred into the Agency from our predecessor departments<sup>5</sup>. By the end of 2016/17, our headcount was set at 194.4 FTE (198 people), as set out in diagram below, with the increase representing the expansion in November 2015 to on-board Companies House, Crown Commercial Service, DVLA and the Skills Funding Agency into the Agency.

The expansion of the Agency will continue throughout 2016/17, with further transfers of people from central government departments/organisations as part of the creation and expansion of the Agency, and a small increase in the corporate centre to support the expanding Agency. As such, we have set our headcount at 387.5 FTE (403 people) from 1 April 2016 when DWP and Home Office migrate, increasing to 464.8 FTE (482 people) in October 2016 following a further expansion, and expected to finish at 467.8 FTE (484 people) by the end of the year.

Recruiting and retaining the best people remains a challenge for the Agency, and we expect to launch a new People Strategy by June 2016.

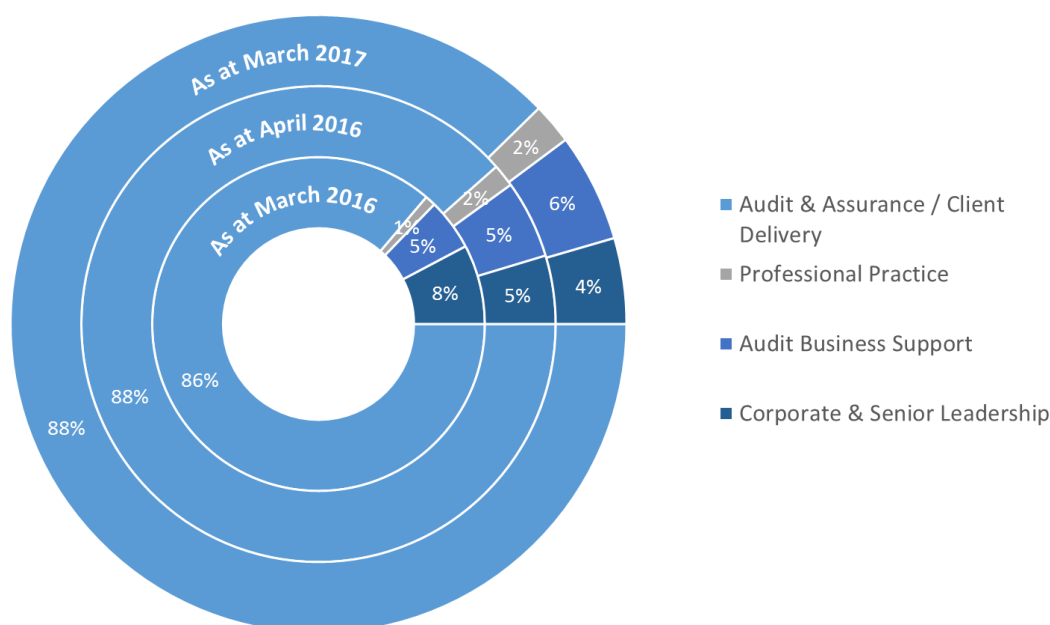


Figure 3: Agency staff profile 2015/16 to 2016/17

## Professional Practice

We are establishing our Professional Practice Directorate (PPD) from April 2016, which will focus on driving quality across the organisation through having responsibility for all aspects of our methodology and its development, training and quality assurance. By centralising these functions in one team, we will ensure there is an appropriate cycle of setting standards, training people in these, checking delivery against those standards, and identifying any lessons to be fed back into the methodology and training. The PPD will also identify 'hot topics' and issue communications to share anonymised lessons learned and to alert customers to emerging risks.

<sup>4</sup> Our Corporate Plan for 2015/16 stated our headcount would be 160.6 FTEs, however, this was revised downwards to 156.5 FTE after publication of the plan.

<sup>5</sup> GIAA started with a number of vacancies on its date of launch

## **A New Audit Management System**

As an agency formed from our predecessor departments, GIAA has inherited a number of different tools and processes for recording and managing our audit assignments. During 2016/17, we will undertake a project to consolidate these into a single approach through the design and procurement of a new audit management system. This will be built on the common audit methodology launched in 2015/16 and, when it goes live in early 2017, will enable greater consistency and quality in our work, while allowing more flexibility and efficiency in our working practices.

## CHAPTER 5: QUALITY INTERNAL AUDIT POLICY ADVICE

Responsibility for internal audit policy in government rests with HM Treasury, and we maintain a small team to deliver this role on their behalf, which the Treasury funds. The policy team is responsible for the following:

- supporting the Head of Profession – providing leadership to the profession in government and beyond;
- setting and maintaining professional internal audit standards for central government, delivered through the Public Sector Internal Audit Standards;
- liaison with the relevant accounting and internal audit professional bodies;
- European engagement on relevant EU auditing matters; and
- engagement with other interested stakeholders such as overseas delegations, the National Audit Office etc.

The internal audit policy team will report to the Professional Practice Director once appointed, which will deliver the following benefits:

- a demonstrable commitment to professional leadership and to developing our professional practices and methodology, to delivering quality work, and to supporting staff in their work and career development;
- a stronger voice in government and with the professional institutes, resulting in better alignment of cross-government professional policy and GIAA methodology;
- a more rigorous emphasis on quality assurance, which will increase client confidence in our work; and
- greater training, support and guidance to staff, supporting our desire to be a ‘great place to work’.

## CHAPTER 6: THE AGENCY DEVELOPMENT PROGRAMME

### Overview

The Agency Development Programme manages the migration of audit functions into the Agency. It is also responsible for developing the tools and working practices of the Agency to enable it to meet its objectives and fulfil its potential as a single audit practice for government, and then handing these off to teams for implementation within the Agency and within functions outside the Agency.

During 2015/16, the programme initiated the following workstreams, each led by an SCS champion:

- Governance and Organisational Design
- Finance, Commercial and Management Information
- Technical Audit
- ICT
- People
- Pay
- Communications

The Programme has been delivered to plan during 2015/16, and the Finance and ICT workstreams have concluded their work by handing over to business as usual. The remaining workstreams continue into 2016/17. We will review the programme prior to April 2017 to make sure the remainder of the work is organised in the most efficient way.

### Programme Benefits Plan

Our benefits plan was drawn up based on the outcomes identified through a series of staff conferences during autumn 2015. The three key benefits delivery areas are identified as:

- enhanced services for customers – we will provide an enhanced service to Accounting Officers - responsive and resilient, with faster access to a wide variety of expertise and fresh expertise on a regular basis;
- wider mix of skills and experience for resourcing and advice – we will utilise the wider skills set of its people, and will harness the skills and knowledge of other professional groups in the provision of our assurance; and
- people career opportunities, including wider development – we will provide meaningful and rewarding careers for all staff, with opportunities available to develop new skills and experiences and increased variety of work.

### Expansion of the Agency

The Programme will migrate teams into the Agency to the following timetable:

- April 2016                      DWP and Home Office
- October 2016                 MoJ and Research Councils UK
- April 2017                      Defra network

HMRC are engaged with the programme but have still to set a target transfer date.



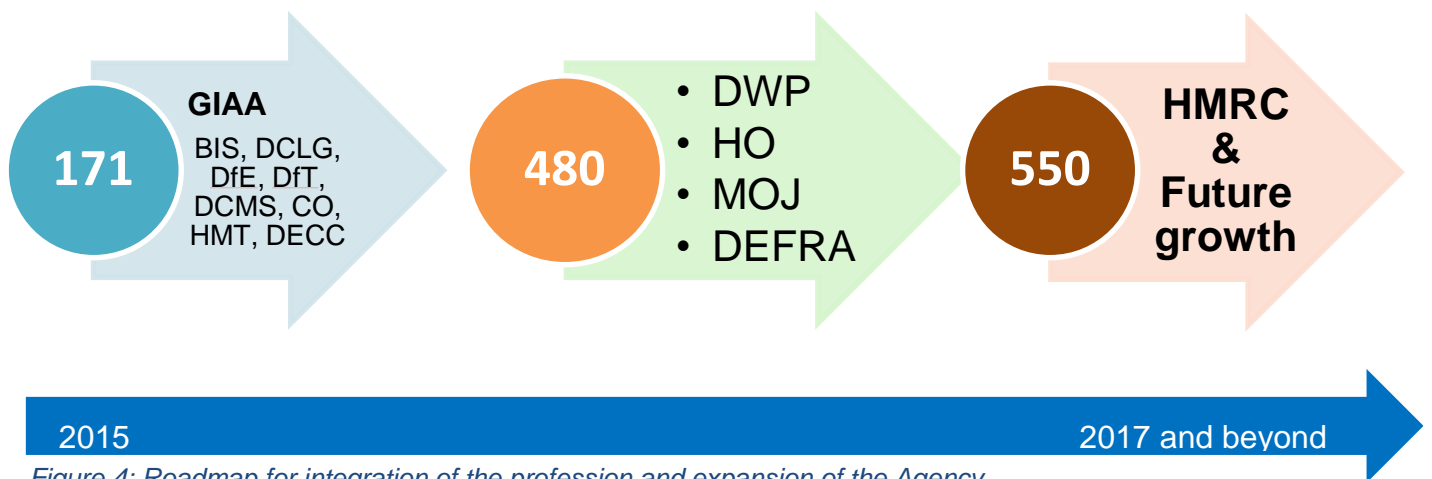


Figure 4: Roadmap for integration of the profession and expansion of the Agency

Discussions with the remaining departments (Ministry of Defence, Department for International Development, Foreign & Commonwealth Office, and the Department of Health) will conclude during 2016/17 to set their plans with regards to migrating to the Agency. A small number of bodies are not expected to join the agency as they are out of scope (e.g. devolved administrations) or for reasons of independence (e.g. House of Commons/House of Lords).

## ANNEX A: LIST OF CUSTOMERS

### GIAA Customers from 1 April 2016

Departmental Customer	Associated Arm's Length Body Customers
Cabinet Office	Cabinet Office: Efficiency & Reform Group
	Cabinet Office: Next Generation Shared Services Programme
	Civil Service Commission
	Civil Service Pension Board
	Crown Commercial Service
	Infrastructure and Projects Authority
Department for Business Innovation and Skills	Advisory, Conciliation and Arbitration Service
	British Business Bank
	Charity Commission
	Companies House
	Competition Service
	Engineering and Construction Industries Training Board
	Insolvency Service
	Intellectual Property Office
	National Measurement Office
	Single Source Regulation Office
	UK Shared Business Services
	UK Trade and Investment
Department for Communities and Local Government	Ebbsfleet Development Corporation
	European Regional Development Fund (European Commission (for Structural Funds))
	Local Government Ombudsman
	Planning Inspectorate
	QE2 Conference Centre
	The Housing Ombudsman
Department for Culture, Media and Sport	The Royal Parks
Department of Energy and Climate Change	Committee on Climate Change
	Oil and Gas Authority
	The Coal Authority
Department for Education	Education Funding Agency
	National College for Teaching & Leadership
	Skills Funding Agency
	Standards and Testing Agency

Departmental Customer	Associated Arm's Length Body Customers
Department for Transport	British Transport Police Authority
	Commission for Irish Lights
	Driver & Vehicle Licensing Agency
	Driver & Vehicle Standards Agency
	High Speed 2 Ltd
	Maritime & Coastguard Agency
	Northern Lighthouse Board
	Transport Focus
	Trinity House Lighthouse Service
	Vehicle Certification Agency
Department for Work & Pensions	European Social Fund
	Health & Safety Executive
	Office for the Nuclear Regulator
	Pensions Ombudsman Service
Home Office	Disclosure and Barring Services
	Gangmasters Licensing Authority
	Independent Policy Complaints Commission
	National Crime Agency
	Security Industry Authority
	The College of Policing
	The Office of the Immigration Services Commissioner
HM Treasury	Office for Budget Responsibility
	Royal Mint Trading Fund
	UK Financial Investment Ltd
	UK Government Investments
Non-Ministerial Departments/Other	Competition & Markets Authority
	Government Actuary's Department
	Government Legal Department
	NS&I

Table 3: GIAA Customers from 1 April 2016

This list is available on our website, and is updated as and when further departments and arm's length bodies commit to taking a service from GIAA.

## ANNEX B: KEY STRATEGIC RISKS

Strategic Risk	Mitigation
A failure to set a robust charging model with realistic performance assumptions could result in GIAA reporting a financial deficit, damaging relationships with HM Treasury and our customers, and potentially resulting in qualified accounts by the NAO	<ul style="list-style-type: none"> <li>• Agreement of financial strategy by GIAA Agency Board, with robust in-year budget monitoring</li> <li>• Robust internal financial controls and active management of all costs</li> <li>• Clearly understood charging model</li> </ul>
The loss of a major customer or other reductions in demand for our services that would expose GIAA to financial risk	<ul style="list-style-type: none"> <li>• Regular monitoring of customer and audit services</li> <li>• Clear customers MoU's establishing service levels</li> <li>• Strong forward planning with customers</li> <li>• Use flexibility inherent in Agency to redeploy staff and/or flex use of contractors</li> </ul>
Damage to GIAA reputation as a result of a loss of confidential or sensitive information/data	<ul style="list-style-type: none"> <li>• Documented procedures in place, reinforced through staff awareness messages, and mandatory e-learning courses for all staff</li> <li>• Compliance with Cabinet Office guidelines</li> </ul>
Damage to GIAA reputation as a result of serious failings in a customer that calls into question coverage or quality of GIAA work	<ul style="list-style-type: none"> <li>• Mandatory professional auditing standards</li> <li>• Commitment to professional training</li> <li>• Enhanced quality assurance processes</li> </ul>
Insufficient professional leadership (including policies, guidance, training and quality assurance), impacting the culture of the Agency and/or reducing the quality of audits carried out	<ul style="list-style-type: none"> <li>• Recruitment of staff with range of skills and experience</li> <li>• Communications and engagement with staff</li> <li>• Establishment of Professional Practice Directorate in April 2016 to build on existing good practice</li> </ul>
An inability to recruit/retain sufficient high calibre staff resulting in a lack of capability to deliver audit work for customers	<ul style="list-style-type: none"> <li>• People Strategy to be launched by June 2016</li> <li>• Annual workforce planning</li> <li>• Capability plan and career development strategy</li> <li>• Targeted recruitment and temporary promotion, and use of short term private sector resource</li> </ul>
Capacity/capability of senior leadership to deliver the level of organisation change, including addressing historical diversity demographics at the most senior level	<ul style="list-style-type: none"> <li>• Planning, prioritisation and identification of dependencies</li> <li>• Communications and engagement with staff</li> <li>• Realising the benefits envisaged by the FMR 2013 and expansion of the Agency</li> <li>• Promoting opportunities across the Agency workforce to aspire to senior roles and address the historic diversity demographic</li> </ul>
Unforeseen events (e.g. industrial action, pandemic outbreak) that would have an adverse impact on our ability to deliver the service our customers	<ul style="list-style-type: none"> <li>• Business continuity plan and arrangements in place</li> <li>• IT kit to enable staff to work from different locations</li> <li>• Work with HMT on disaster recovery solution</li> </ul>

Table 4: Key Strategic Risks

## ANNEX C: ORGANISATIONAL STRUCTURE

The expansion of the Agency in April 2016 has generated a new structure for the senior team, which will increase the resilience of our service and be scalable for future changes.

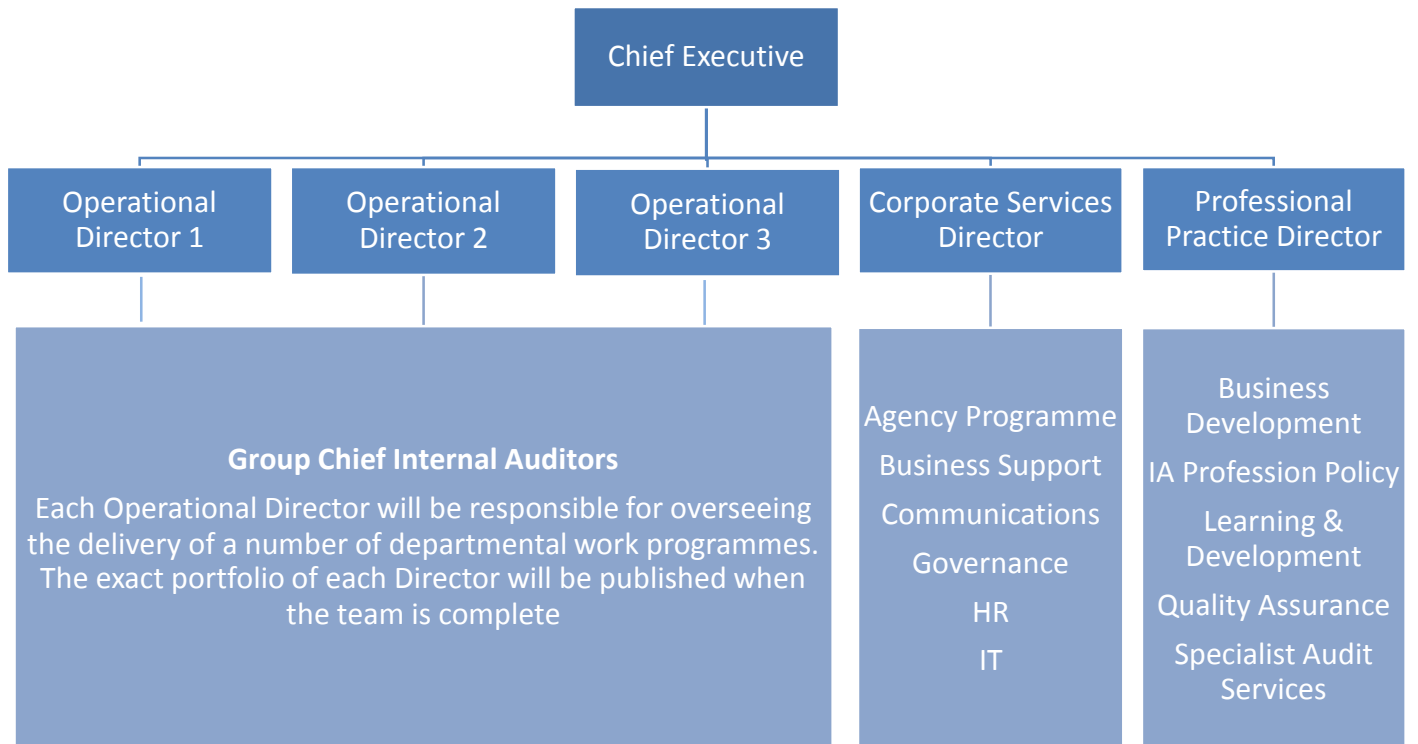


Figure 5: Executive Team and their portfolios

## ANNEX D: FINANCIAL SUMMARY

### 2016/17 Budget

	Corporate Plan 2016/17 £000	Corporate Plan 2015/16 £000
<b>Revenue</b>		
Customer Fees	(26,491)	(11,957)
<b>Total Revenue</b>	<b>(26,491)</b>	<b>(11,957)</b>
<b>Expenditure</b>		
Staff Costs	21,114	9,179
Other Administration Costs	7,317	4,128
<b>Total Expenditure</b>	<b>28,431</b>	<b>13,307</b>
<b>Net Expenditure</b>	<b>1,940</b>	<b>1,350</b>

Table 5: GIAA Budget 2016/17

Net expenditure represents the element of GIAA expenditure funded through Parliamentary supply.

### 2016/17 Budget: Segmental Analysis

Segment	Audit & Assurance Services £000	Internal Audit Policy £000	Agency Programme £000	Total £000
Revenue	(26,491)	-	-	(26,491)
Expenditure	26,491	292	1,648	28,431
<b>Net Expenditure</b>	<b>-</b>	<b>292</b>	<b>1,648</b>	<b>1,940</b>

Table 6: GIAA Budget Segmental Analysis 2016/17

#### Notes:

- *this analysis is not intended to comply with the requirements of IFRS 8 Operating Segments*
- *'Audit & Assurance Services' are funded by charges levied on our customers*
- *'Internal Audit Policy' and 'Agency Programme' are funded by Parliamentary Supply via HM Treasury*
- *HM Treasury separately accounts for additional capital expenditure to support the migrations of DWP, Home Office and MOJ*