



HM Treasury

GOVERNMENT INTERNAL AUDIT AGENCY

Executive Agency Framework Document

Government Internal Audit Agency

Executive Agency Framework Document

This framework document has been drawn up by HM Treasury in consultation with the Government Internal Audit Agency (subsequently referred to as 'GIAA' or the 'Agency'). This document sets out the broad framework within which GIAA will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by HM Treasury and GIAA. Copies of the document have been placed in the Libraries of both Houses of Parliament and made available to members of the public on GIAA's website¹.

Status, Aim and Objectives of the Government Internal Audit Agency

1. The Government Internal Audit Agency was established as an Executive Agency of the Treasury on 1 April 2015, following the publication of the Financial Management Review² by HM Treasury in December 2013.
2. The purpose of internal auditing in government is as an independent, objective assurance and consulting activity for Accounting Officers that is designed to support the delivery of objectives and which makes a recognised contribution to the provision of better public services.
3. GIAA's vision is to be the primary, trusted and expert provider of consistent, high quality audit and assurance services across government that are valued by its customers and recognised as a catalyst for improvement.
4. GIAA's strategy for delivering this vision is to champion quality and continuous improvement by drawing upon the combined strength of all Internal Auditors in Government. The Agency's Corporate Plan provides further information on the delivery strategy.

¹ Web link: <https://www.gov.uk/government/organisations/government-internal-audit-agency>

² Web link: <https://www.gov.uk/government/publications/review-of-financial-management-in-government>

5. GIAA carries out its function using a comprehensive quality assurance framework and within the Public Sector Internal Audit Standards. GIAA is also responsible, on behalf of HM Treasury, for Internal Audit policy and the profession across Government.
6. In addition to providing individual departmental audit and assurance services, GIAA also provides assurance on common risks identified across Government and offers a clear framework for escalation of key departmental risks to the centre of Government.
7. At the discretion of the Accounting Officer and Audit Committee, the Agency performs other second line of defence roles and activities within government consistent with its core function of providing independent assurance.
8. The GIAA supports HM Treasury's wider objectives around spending control and efficient and effective delivery of public services, fiscal deficit control and economic growth. HM Treasury retains responsibility for internal audit policy across government, but delegates this function the Agency.
9. Each year the Treasury and the Chief Executive Officer (CEO) will agree a set of targets covering the priority elements of the GIAA's task for the year ahead, which are published in successive annual Corporate Plans. The currently applicable series of objectives is published on the GIAA website: www.gov.uk/government/organisations/government-internal-audit-agency

Accountability and Relationships with Ministers and the Treasury

10. Treasury Ministers determine the policy and financial framework within which the GIAA operates. Treasury Ministers delegate to the Chief Executive strategic decisions and the day-to-day management of the Agency.
11. Treasury Ministers will exercise these responsibilities by
 - agreeing the framework document and any revisions to it;
 - approving the annual GIAA Corporate Plan including its objectives;
 - setting key performance targets;
 - monitoring the performance of the GIAA through regular reporting; and
 - presenting to Parliament its annual report and accounts.

12. The Treasury will supply the Agency with

- Visible, senior, endorsement for the role and work of the Agency across government;
- Its requirements with regards developing and managing the internal audit policy functions;
- Strategic direction on reform of the government internal audit profession and the development of the Agency; and
- Access to back-office corporate functions and services where it provides value for money for the exchequer as a whole.

Sponsorship relationship between the Agency and HM Treasury

13. The Permanent Secretary of the Treasury assigns to the role of HMT Director General for Public Spending the responsibility to act as a sponsor for the Agency. The role of the Sponsor is to:

- advise Ministers on the strategic direction of the Agency in the context of wider departmental or cross-governmental objectives;
- agree a framework for strategic performance management;
- advise Ministers on their response to strategic performance information;
- advise the Chief Executive on steering the Agency's activities to ensure that they most effectively support the delivery of departmental objectives; and
- ensure that the Agency has the delegations and authorities necessary for effective delivery and continuous improvement.

14. The Treasury has a sponsor team for GIAA (Public Spending Group), led by the Deputy Head of Government Finance who will be the senior responsible office for oversight of the GIAA. The sponsor team is the primary source of advice to the HMT Director General for Public Spending on the discharge of his or her responsibilities in respect of the Agency, and is the primary point of contact for the Agency in dealing with the Treasury.

15. The Agency shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against its corporate and business plans.

The GIAA shall report financial and non-financial performance, and the achievement of key objectives, to the Treasury, as sufficient to meet HM Treasury reporting requirements. The GIAA will also provide regular financial monitoring information to HM Treasury Finance.

16. The Agency will fall inside the Treasury Group accounting boundary for statutory reporting purposes and will need to submit financial data in the form of a consolidation pack in line with the Treasury's timetable for interim and final accounts. As part of the statutory reporting cycle, the Agency Accounting Officer will provide a statement of assurance to the Principal Accounting Officer that the income and expenditure included in the accounts is regular and that all balances and transactions in the financial statements conform to the authorities that govern them.
17. The Agency will be required to report operational risks to HM Treasury on a quarterly basis. Risks associated with GIAA may be escalated to Operational Risk Group (ORG), in accordance with HM Treasury's risk management processes. As an executive agency GIAA may also be called to provide evidence to the Audit Committee. Both Audit Committee and ORG can escalate to EMB if required.
18. Officials in the HM Treasury sponsor team will ensure there are arrangements in place to liaise as necessary with GIAA officials, to review the GIAA's financial and non-financial performance against plans, and GIAA expenditure against its budgets.

Accountability to Parliament

19. Treasury Ministers remain accountable to Parliament for the work of the Agency. Treasury Ministers are responsible for all matters concerning the policy framework within which GIAA operates, for determining its strategic aims and for setting its annual performance target.
20. The Permanent Secretary (and Principal Accounting Officer) has designated the Chief Executive as Agency Accounting Officer. As Accounting Officer, the Chief Executive is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the GIAA.

In addition, he or she should ensure that the GIAA as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of Managing Public Money.

21. Specifically, the Chief Executive's accountabilities include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the Agency are established and made widely known within the Agency;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the department, the Treasury and the Cabinet Office; and
- giving evidence, normally with the Principal Accounting Officer, when summoned before the PAC on the GIAA's stewardship of public funds.

22. The Comptroller and Auditor General (C&AG) may carry out examinations into the economy, efficiency and effectiveness with which the GIAA has used its resources in discharging its functions. For the purpose of these examinations, the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983.

23. In addition, the GIA shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

Accountability to HM Treasury Permanent Secretary

24. The Treasury Permanent Secretary is the Principal Accounting Officer for the HM Treasury Group. S/he is the principal adviser to Treasury Ministers and is responsible for ensuring a high standard of financial management throughout the Treasury. S/he also advises Treasury Ministers on Treasury policy towards GIAA, including the Framework Document, the setting of appropriate financial and non-financial targets, resource levels, accountability, propriety and regularity. S/he must be satisfied that the Agency has adequate financial systems and procedures in place to promote the efficient and economical conduct of its business, and to safeguard financial propriety and regularity. The Chief Executive is responsible to the Principal Accounting Officer for the financial management of the Agency.
25. The GIAA is subject to the jurisdiction of the Parliamentary Commissioner for Administration. The Principal Accounting Officer remains the Principal Officer for this purpose, but delegates to the Chief Executive responsibility for the preparation of replies on any matter concerning the operation of the Agency, and for replying in the majority of cases.
26. The Agency delivers an internal audit service to HM Treasury. Nothing in this Framework Document is intended to cut across the independence of the services the Agency provides to HM Treasury or the ability of the designated Head of Internal Audit for HM Treasury to discharge their role in accordance with Public Sector Internal Audit Standards.

Relationships with other Departmental Accounting Officers

27. The GIAA provides services to client Accounting Officers across government, and is accountable to them via individual Memoranda of Understanding (MoU), which it has in place for each of the clients that it provides services to, including arrangements for charging clients for these services.

28. The Agency has a set of client-led principles which provides the framework in which the GIAA works with/provides services to departmental Accounting Officers:

- I. Heads of Internal Audit (HIAs) report the results of their work and opinions to the relevant Accounting Officers. Their line management reporting line (including performance appraisal) is to the head of the shared service.
- II. Accounting Officers and Audit Committee Chairs have input to performance appraisal of their HIA.
- III. Accounting Officers have final say over who acts as their HIA.
- IV. Internal Auditors knowledge of their clients' business, culture and the maintenance of relationships are recognised as of paramount importance to maintaining a high quality Internal Audit Service.
- V. Internal Audit reports to the Accounting Officer and audit reports are not released to third parties without their authority.
- VI. 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.
- VII. IA utilises support from the private sector as appropriate for access to skills & resource flexibility.

29. The Agency is charged with working across government in response to government-wide/cross-organisational risks. As sponsor, the Treasury acknowledges that the Agency operates within a framework where it reports to individual Accounting Officers, and any such cross-cutting assurance activity can only be conducted with the consent of those Accounting Officers.

Quality Management

30. The Agency is required to put in place a quality management process to ensure that its work meets the standards required by Public Sector Internal Audit Standards (PSIAS), by relevant professional institutions, and by other public sector good practice. Details of this process will be shared with the Treasury sponsor team. In accordance with PSIAS, the Agency shall ensure its service is subject an External Quality Assessment performed by an independent body at least once every five years.

31. Where a client Accounting Officer has an issue with the services carried out by Agency, this should first be discussed (in accordance with the agreed MOU) with the Chief Executive in the first instance. If the matter cannot be resolved, the client Accounting Officer may escalate the issue to the Agency's sponsor in HM Treasury. Complaints from the public will be raised with the Agency's Chief Operating Officer and escalated to the Chief Executive as required.

Chief Executive

32. Day to day management of the Agency is delegated to the Chief Executive who is appointed by the Treasury. The Chief Executive is accountable to the Economic Secretary of the Treasury and Principal Accounting Officer, for the GIAA's performance, and specifically for:

- managing GIAA's resources efficiently and effectively;
- achieving GIAA's agreed performance targets;
- preparing GIAA's Corporate Plan;
- reporting on and accounting for the GIAA's performance; and
- acting as Accounting Officer for the Agency, including signing the Annual Report and Accounts.

33. The Chief Executive is further responsible for ensuring that the Agency observes any general guidance issued by HM Treasury or Cabinet Office, and for putting into effect any recommendations accepted by Government of the Public Accounts Committee (PAC), other Parliamentary Select Committees or other Parliamentary authority. Both the Principal and Agency Accounting Officers are liable to be summoned to appear before the PAC at hearings when matters concerning GIAA are being discussed.

34. The Chief Executive is responsible for ensuring that effective procedures for handling complaints about the Agency are established and publicised. This includes replying to complaints personally if they cannot be resolved satisfactorily at a local level. Complaints from the public will be raised with the Agency's Chief Operating Officer and escalated to the Chief Executive as required

Management of the Agency

35. GIAA is managed internally by the Chief Executive who, together with senior Group Heads of Internal Audit and the Chief Operating Officer, are responsible for the management and delivery of the Agency's objectives.
36. The Chief Executive has established an Agency Board, chaired by a non-executive Director from outside GIAA, to act as an advisory body to ensure that the executive members of the GIAA are supported and constructively challenged in their role. The HMT Sponsor Official will also be in attendance on this Board.
37. The Agency also has a Strategy Board, which is a collective executive function responsible for setting the direction of the Agency, taking a long term view about what the Agency is trying to achieve and what it needs to do to get there.

Financial Arrangements

38. GIAA is subject to net running cost control from April 2015. The Chief Executive of the Agency otherwise has full financial authority within:
- the budget allocated subject to the annual Corporate Plan approved by Treasury Ministers; and
 - the annual delegation letter from the Principal Accounting Officer.
39. The Agency is required to operate in full compliance with the guidance in HM Treasury's *Managing Public Money*. As part of this, the Agency must ensure that it charges clients on a full cost recovery basis in accordance with Chapter 6 of HM Treasury's "*Managing Public Money*" and its annexes for each internal audit service it provides.
40. The Agency will invoice client departments quarterly in arrears. The Treasury will provide the Agency with sufficient working capital to allow it to operate prior to the receipt of client income.
41. Where work is not related to chargeable client activity or additional funding needs arise, these are met through Parliamentary Vote funding agreed with HM Treasury as part the spending review or business planning process.

Parliamentary supply funding will be appropriate for expenditure related to non-client activity such as the internal audit policy function delivered on behalf of HM Treasury and establishing/transformation the Agency.

42. It is a core objective of the Agency that the Chief Executive manages the Agency's chargeable client activity to minimise the risk that the Agency requires additional parliamentary supply funding.

43. The Agency will follow the principles, rules, guidance and advice in *Managing Public Money*, referring any difficulties or potential bids for exceptions to the sponsor team in the Treasury, in the first instance.

Delegated authorities

44. The GIAA's delegated authority limits are set out in the Agency's delegated authority letter by the sponsor team. The Agency shall obtain the Treasury's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the Agency's annual budget as approved by the department;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the department;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in *Managing Public Money*.

Annual Corporate Plan

45. GIAA will prepare a Corporate Plan prior to each financial year. This will contain the forward-looking aims, objectives and targets for the Agency across all its business activities and will be published. The Corporate Plan must include two elements:

- *strategic element*, which shall develop a strategic framework over the following three years, identifying how the Agency intends to meet its aim and objectives against a changing background; and
- *business plan element*, which shall focus on the activities, priorities and tasks in the coming year and how resources will be allocated accordingly to meet the GIAA aim, objectives and targets. The plan will also set out any new initiatives that the GIAA proposes to take.

46. The HM Treasury sponsor will assist the Agency in its corporate planning process by updating the strategic policy context for the Agency's work, and providing information about likely developments or other changes that could impact on the Agency.

47. HM Treasury will approve the Agency's draft Corporate Plan. To allow for consultation, by mid-February each year, the Agency shall submit to HM Treasury a draft of the business plan covering the year ahead. HM Treasury will provide the GIAA with any comments on the draft plan within four weeks of receipt.

48. In line with the open and transparent government agenda, the Agency will follow the requirements for publishing data.

Annual Report and Accounts

49. The Agency will prepare and publish each year its Annual Report and Accounts.

50. The Annual Report will review the operations of GIAA across all its business activities over the past year and will provide details of the extent to which GIAA has achieved its key performance targets. The Chief Executive will make him/herself available to discuss these directly with the relevant Parliamentary Committees.

51. The accounts of the Agency are subject to audit by the Comptroller & Auditor General.

Internal Audit & Risk Management

52. The Agency is required to maintain an internal audit function consistent with Public Sector Internal Audit Standards (PSIAS). Where the Agency uses its own services to deliver this function, the Chief Executive shall put in place appropriate safeguards to ensure independence of the Head of Internal Audit. This will be independent from all audit services to clients of the Agency and will report directly to the Chief Executive. In accordance with PSIAS, the Agency shall ensure its internal audit service is subject an External Quality Assessment performed by an independent body at least once every five years.
53. The Chief Executive is responsible for developing a risk management plan for the agency, which will be made available to the sponsor department.

Human Resources

54. The Chief Executive is responsible for the structure and staffing of the Agency. The Agency is responsible for complying with any HMT or government wide spending and recruitment controls.
55. The Agency will adopt policies in line with Civil Service Employee Policy (CSEP) and HM Treasury, and adapt them where necessary to reflect the Agency's business and workforce. These should be consistent with the Civil Service Management Code.
56. Senior Civil Service (SCS) remuneration is subject to the recommendations of the Senior Salaries Review Board. SCS staff may be subject to additional governance as specified by HM Treasury and/or Cabinet Office. HM Treasury will ensure the Agency is aware of any such requirements or restrictions.
57. Within the arrangements approved by the Treasury, the Agency will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of its staff at all levels is satisfactorily appraised and the Agency performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Agency's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place; and
- a code of conduct for staff is in place based on the Civil Service Management Code: www.gov.uk/government/publications/civil-servants-terms-and-conditions.

58. The Agency will follow any requirements for disclosure of pay and pay-related information.

59. All staff will be subject to the requirements usually placed on civil servants in respect of acceptance of outside appointments and use of official information.

60. In carrying out its functions, the Agency will comply with all requirements relating to the public sector equality duty, including publishing its equality objective and information to demonstrate its compliance.

Corporate Functions

61. Unless alternative arrangements are specifically referenced in this Framework Document, HM Treasury expects the Agency to align its corporate policies with HM Treasury and (where appropriate and value for money for the exchequer as a whole) to share corporate services (including alignment with the wider government strategy on shared back-office services). Any exceptions shall be agreed between the Agency and HM Treasury.
62. To facilitate the timely negotiation of annual audit programmes and fees with clients, the Treasury shall provide budgets to the Agency for the coming financial year by the start of the preceding January.
63. The Agency Accounting Officer shall retain authority over all Agency expenditure, including any amounts allocated to projects or capital purchases undertaken by HM Treasury on behalf of the Agency.

Recruitment and Remuneration for the Chief Executive

64. The Chief Executive's pay will be determined in line with the pay structures that are in place for SCS staff and will be annually reviewed by the HM Treasury's Permanent Secretary.

Review Arrangements

65. This framework document and its operation will be reviewed on an annual basis (as necessary) by the sponsor team and agency. Arrangements to review the Agency itself will be put in place, in line with wider Government guidance.
66. Any amendments to the framework document required before the next review will be approved by the Senior Sponsor officer.
67. The GIAA will be reviewed every 3 years. The date of the next review will be in 2018.

68. The Treasury shall put in place arrangements to ensure the orderly winding up of the Agency. In particular, it will ensure that the assets and liabilities of the GIAA are passed to any successor organisation and accounted for properly (in the event that there is no successor organisation, the assets and liabilities should revert to the Treasury). To this end, the Treasury shall:

- ensure that procedures are in place in the Agency to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of the GIAA's assets and liabilities;
- ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that, for non-Crown bodies funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament, together with his report on the accounts;
- arrange for the most appropriate person to sign the closing accounts. In the event that another ALB takes on the role, responsibilities, assets and liabilities, the succeeding ALB AO should sign the closing accounts. In the event that the Treasury inherits the role, responsibilities, assets and liabilities, the Treasury's Principal Accounting Officer should sign.

69. The GIAA shall provide the Treasury with full details of all agreements where the Agency or its successors have a right to share in the financial gains of developers. It should also pass to the Treasury details of any other forms of claw-back due to the GIAA.

Publication

70. Copies of this framework document and any subsequent amendments will be placed in the libraries of the Houses of Parliament and can be obtained from the Agency via its website: www.gov.uk/government/organisations/government-internal-audit-agency