

Government Internal Audit Agency Framework Agreement

March 2018



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Chapter 1

Purpose of the Government Internal Audit Agency

- 1.1 The Government Internal Audit Agency (herewith referred to as GIAA) was established as an Executive Agency of HM Treasury on 1st April 2015, following the publication of the Financial Management Review¹ by HM Treasury in December 2013.
- 1.2 The purpose of GIAA is to be an independent and objective organisation that provides Accounting Officers with assurance and advisory services. These services are aimed at helping Accounting Officers to manage public money effectively by developing better governance, risk management and internal controls.
- 1.3 GIAA's vision is to be a flexible and responsive internal audit service, with a reputation among top management within government as making a real difference; providing excellent value for money; and being a great place to work.
- 1.4 HM Treasury is responsible for internal audit across government, and it delegates this function to GIAA. GIAA supports HM Treasury's wider objectives around spending control, efficient and effective delivery of public services, fiscal deficit control, and economic growth.
- 1.5 GIAA also provides assurance on common risks identified across government and offers a clear framework for the escalation of key departmental risks to the centre of government.
- 1.6 Each year, HM Treasury and GIAA's Chief Executive Officer will agree a set of targets covering the priority elements of GIAA's tasks for the year ahead, which are published in GIAA's annual corporate plan.
- 1.7 This Framework Agreement has been drawn up by HM Treasury in conjunction with GIAA. This document does not convey any legal powers or responsibilities.
- 1.8 The document is available to members of the public on GIAA's website².

¹ <https://www.gov.uk/government/publications/review-of-financial-management-in-government>

² <https://www.gov.uk/giaa>

Chapter 2

Governance and accountability

Treasury Group Accounting Officer

- 2.1 The Principal Accounting Officer (PAO) of the Treasury has designated the Chief Executive as GIAA's Accounting Officer.
- 2.2 The PAO is accountable to Parliament for the issue of any supply funding to GIAA. The PAO is also responsible for advising the responsible minister:
- on an appropriate framework of objectives and targets for GIAA in the light of the Treasury's wider strategic aims and priorities;
 - on an appropriate budget for GIAA considering the Treasury's overall public expenditure priorities;
 - how well GIAA is achieving its strategic objectives and whether it is delivering value for money; and
 - on any risks to GIAA's delivery of its responsibilities, or any changes which are likely to impact on the attainability of its targets, and determining the steps needed to deal with such changes.
- 2.3 The PAO is also responsible for ensuring arrangements are in place to:
- monitor GIAA's activities;
 - address serious problems in GIAA, making such interventions as are judged necessary;
 - periodically carry out an assessment of the risks both to the Treasury and GIAA's objectives and activities;
 - inform GIAA of relevant government policy in a timely manner; and
 - bring concerns about the activities of GIAA to the Oversight Board and, as appropriate, to the Treasury Board, requiring explanations and assurances that appropriate action has been taken.
- 2.4 The GIAA sponsor team in the Treasury is the primary contact for GIAA. They are the main source of advice to the responsible minister on the discharge of his or her responsibilities in respect of GIAA. They also support the PAO on his or her responsibilities toward GIAA.
- 2.5 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 GIAA, and for replying in most cases.

- 2.6 GIAA delivers an internal audit service to HM Treasury. Nothing in this Framework Document is intended to cut across the independence of the services that GIAA 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.

GIAA Chief Executive

- 2.7 Day-to-day management of GIAA is delegated to the Chief Executive who is appointed by the Treasury. The Chief Executive is accountable to the relevant minister and the Principal Accounting Officer for GIAA's performance and specifically for:
- safeguarding the public funds for which he or she has charge;
 - ensuring propriety, regularity, value for money and feasibility in the handling of those public funds;
 - the day-to-day operations and management of GIAA;
 - ensuring that GIAA is run based on the standards, in terms of governance, decision-making and financial management, that are set out in Box 3.1 of *Managing Public Money*.

Responsibilities for accounting to Parliament

- 2.8 As GIAA's Accounting Officer, the Chief Executive's accountabilities to Parliament 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 Treasury;
 - 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 GIAA are established and made widely known within GIAA;
 - acting in accordance with the terms of this document, *Managing Public Money*, and other instructions and guidance issued from time to time by the Treasury and the Cabinet Office;
 - giving evidence, normally with the PAO, when summoned before the PAC on GIAA's stewardship of public funds.

Responsibilities to HM Treasury

- 2.9 The Chief Executive is responsible to the Treasury for, in particular:
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the Treasury;

- ensuring that the Treasury is notified promptly if over or under spends are likely and that corrective action is taken;
- ensuring that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Treasury in a timely fashion.

Annual Report and Accounts

- 2.10 GIAA must publish an annual report of its activities together with its audited accounts after the end of each financial year. GIAA shall provide its finalised (audited) accounts to the Treasury by the date advised by Treasury Group Finance.
- 2.11 To support the consolidation of group financial information for reporting, GIAA is required to complete the Treasury Group Finance Consolidation Pack (C-Pack) throughout the year in accordance with the Treasury's reporting timetable.
- 2.12 The annual report must:
- comply with the Treasury's Financial Reporting Manual (FReM); and
 - outline main activities and performance during the previous financial year and set out in summary form forward plans.
- 2.13 Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts.
- 2.14 A draft of the report should be submitted to the Treasury two weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Treasury, as well as the FReM.
- 2.15 The report and accounts shall be laid in Parliament and made available on GIAA's website, in accordance with the guidance in the FReM.

Internal audit of GIAA

- 2.16 GIAA shall:
- establish and maintain arrangements for internal audit in accordance with the Treasury's Public Sector Internal Audit Standards (PSIAS);
 - forward the audit strategy, periodic audit plans and annual audit report, including GIAA's Head of Internal Audit opinion on risk management, control and governance as soon as possible to the Treasury;
 - set up an audit committee of the Executive Board in accordance with the HMT/Cabinet Office *Corporate governance in central departments: Code of good practice*¹ and the *Audit and Risk Assurance Committee Handbook*; and

¹ Web link: <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

- keep records of, and prepare and forward to the Treasury an annual report on fraud and theft suffered by GIAA and notify the Treasury of any unusual or major incidents as soon as possible.

2.17 The internal audit service has a right of access to all documents, including where a service is contracted out.

External audit

2.18 The Comptroller & Auditor General:

- will consult the Treasury and GIAA on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from GIAA;
- will share with the Treasury information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the department's responsibilities in relation to financial systems within GIAA;
- will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

2.19 GIAA will pass the audited accounts to the Treasury who will lay the accounts together with the C&AG's report before Parliament.

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

2.21 In addition, GIAA 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.

Right of access

2.22 The Treasury has the right of access to all GIAA records and personnel for providing assurance to the Treasury's Principal Accounting Officer on the exercise of his or her responsibilities in relation to GIAA. This includes records relevant to the Treasury's sponsoring function and operational investigations, but not information relating to the discharge of GIAA's responsibilities to provide assurance and advisory services.

Arrangements for reviewing GIAA

2.23 The Treasury will ensure that GIAA's performance and delivery on its core objectives and responsibilities are reviewed at least once every 5 years

alongside the need for its function, its form of delivery, its efficiency, its governance and its relationship with the department, in line with Cabinet Office guidance.

- 2.24 GIAA has been set up as a permanent body. If GIAA is wound up, the Treasury shall put in place arrangements to ensure that the process is orderly. To this end, the Treasury shall:
- ensure that procedures are in place in GIAA 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;
 - 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. If another arms-length body takes on the role, responsibilities, assets and liabilities, the succeeding GIAA AO should sign the closing accounts. If the department inherits the role, responsibilities, assets and liabilities, the sponsor department's AO should sign.
- 2.25 GIAA shall provide the Treasury with full details of all agreements where GIAA or its successors have a right to share in the financial gains of developers. It should also pass to the department details of any other forms of claw-back due to GIAA.

Relationships with other departmental Accounting Officers

- 2.26 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 its clients, including arrangements for charging clients for these services.
- 2.27 GIAA has a set of client-led principles which provide the framework in which GIAA works with/provides services to client 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 relevant Senior Civil Servant in GIAA.
 - II. Accounting Officers and Audit Committee Chairs have input to the 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 are not released to third parties without the authority of the relevant Accounting Officer(s).

- VI. Accounting Officers, advised by their Audit and Risk Assurance Committees and HIA, determine the volume of internal audit activity undertaken and to where it is directed.
- VII. Wherever possible, the role of HIA should be fulfilled by a civil servant to ensure the highest standards of independence and objectivity, and avoid real or perceived conflicts of interest.
- VIII. GIAA utilises support from the private sector, as appropriate, for access to skills and resource flexibility.

2.28 GIAA is charged with working across government in response to government-wide and cross-organisational risks. As sponsor, HM Treasury acknowledges that GIAA 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

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

2.30 Where a client Accounting Officer has an issue with the services carried out by GIAA, this should 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 GIAA's sponsor in HM Treasury.

Board appointments

2.31 GIAA is not regulated by the Office for the Commissioner of Public Appointments (OCPA), and appointments of non-executive members to the GIAA Board do not require ministerial approval. However, appointments should be made in accordance with the spirit of the Cabinet Office *Governance Code on Public Appointments*².

2.32 The appointments process must be approved by the HMT sponsor in advance of starting a recruitment campaign. The HMT sponsor should be involved in the recruitment and approve the final appointment. The HMT sponsor team will ensure that the responsible minister is given visibility of the process and final appointment.

2.33 Executive appointments to the Board will be agreed by the Chief Executive and the HMT sponsor.

² Web link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578498/governance_code_on_public_appointments_16_12_2016.pdf

- 2.34 The effectiveness of the GIAA Board, its sub-committees and its non-executive members will be reviewed annually in accordance with the HMT/Cabinet Office *Corporate governance in central departments: Code of good practice*³ and supporting guidance, as far as it applies to an executive agency.

³ Web link: <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

Chapter 3

Management and Financial responsibilities

Managing Public Money and other government-wide corporate guidance and instructions

- 3.1 Unless agreed by the Treasury, GIAA shall follow the principles, rules, guidance and advice in *Managing Public Money*, referring any difficulties or potential bids for exceptions to the GIAA sponsor team in the Treasury in the first instance. A list of guidance and instructions with which GIAA should comply is in Appendix 1.
- 3.2 GIAA is subject to the terms of the Public Records Act 1958, the Freedom of Information Act 2000 and the Data Protection Act 1998, and will manage compliance in accordance with the law and relevant guidance.

Corporate and business plans

- 3.3 GIAA will prepare a corporate and business plan to cover three years ahead, and this will be updated annually. GIAA shall agree with the Treasury the issues to be addressed in the plan and the timetable for its preparation, and shall submit a draft of the plan to the Treasury at least a month in advance of publication. The plan shall reflect GIAA's objectives, remit, and responsibilities as set out in this Framework Document.
- 3.4 The first year of the corporate plan, amplified as necessary, shall form the business plan. The business plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the Treasury. Subject to any commercial considerations, the corporate and business plans should be published by GIAA on its website and separately be made available to staff.
- 3.5 The following key matters should be included in the plans:
 - key objectives and associated key performance (financial and non-financial) targets for the forward years, and the strategy for achieving those objectives;
 - a review of performance in the preceding financial year, together with comparable outturns for the previous 2-5 years (as appropriate), and an estimate of performance in the current year;
 - alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast.

GIAA's budget

- 3.6 The Treasury will issue GIAA with an annual budget. The Treasury will consider the competing priorities across the department when deciding the funding available to GIAA for the forthcoming year.
- 3.7 Each year, the Treasury will send to GIAA by 31st March:
- a formal statement confirming the annual budgetary provision allocated by the department (including any agreed revisions to the multi-year budget); and
 - a statement of any planned change in policies affecting GIAA.
- 3.8 The approved annual business plan will take account both of approved funding provision and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year. These elements form part of the approved business plan for the year in question.
- 3.9 Once the budget has been approved by the Treasury, GIAA shall have authority to incur expenditure approved in the budget without further reference to the Treasury, on the following conditions:
- GIAA shall comply with the delegations set by the Treasury. These delegations shall not be altered without the prior agreement of the Treasury;
 - GIAA shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
 - inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
 - GIAA shall provide the Treasury with such information about its operations, performance or expenditure as the Treasury may reasonably require.
- 3.10 GIAA should not set up or acquire any subsidiary companies, or enter any joint ventures.

Financial and management reporting

- 3.11 GIAA 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 the budgets and targets set out in the corporate and business plans. GIAA shall inform the Treasury of any changes that make achievement of objectives more or less difficult.
- 3.12 GIAA shall provide the GIAA sponsor team and other relevant Treasury teams (as appropriate) with financial and non-financial information monthly, including spending against budgets and above thresholds, headcount, and delivery against the corporate and business plan. The Treasury will accept

information prepared for GIAA's internal purposes. As a minimum, GIAA shall provide information that will enable the Treasury satisfactorily to monitor:

- GIAA's cash management;
- its draw-down of supply funding;
- forecast outturn by resource headings;
- other data required for the Online System for Central Accounting and Reporting (OSCAR).

3.13 The sponsor team will put in place appropriate arrangements to assess the annual financial and management performance of GIAA against the objectives set out in the corporate and business plan.

Risk management

3.14 GIAA shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the Treasury guidance, *Management of Risk: Principles and Concepts*.

3.15 It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guidance on tackling fraud. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract.

Structure and staffing

3.16 The Chief Executive is responsible for the structure and the staffing of GIAA. GIAA is responsible for complying with any HM Treasury spending and recruitment control(s).

3.17 GIAA will adopt policies in line with HM Treasury and adapt them where necessary to reflect GIAA's business and workforce. These should be consistent with the *Civil Service Management Code*.

3.18 Senior Civil Servants' (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 that GIAA is aware of any such requirements or restrictions.

3.19 Within the arrangements approved by the Treasury, GIAA will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities towards 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 GIAA performance measurement systems are reviewed from time to time;
- its staff are required to acquire the appropriate professional, management and other expertise necessary to achieve GIAA'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 all staff is in place.

3.20 GIAA will follow any requirements for disclosure of pay and pay-related information.

3.21 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.

3.22 In carrying out its functions, GIAA will comply with all requirements relating to the Public Sector Equality Duty, including publishing its equality objective and information to demonstrate its compliance.

Annex A

GIAA Compliance

A.1 GIAA shall comply with the following general guidance documents and instructions:

- this document
- Appropriate adaptations of sections of Corporate Governance in Central Government Departments: Code of Good Practice
<https://www.gov.uk/government/publications/corporate-governance-code-forcentral-government-departments>
- Code of Conduct for Board Members of Public Bodies
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/411434/code-of-conduct_tcm6-38901__1_.pdf
- Managing Public Money
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-jan15.pdf
- Public Sector Internal Audit Standards
<https://www.gov.uk/government/publications/public-sector-internal-auditstandards>
- Management of Risk: Principles and Concepts
<https://www.gov.uk/government/publications/orange-book>
- HM Treasury Guidance on Tackling Fraud
http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf
- Government Financial Reporting Manual (FReM)
<https://www.gov.uk/government/publications/government-financial-reportingmanual>
- Fees and Charges Guide, Chapter 6 of Managing Public Money
- Departmental Banking: A Manual for Government Departments, Annex 5.6 of Managing Public Money
- Relevant Dear Accounting Officer letters
<https://www.gov.uk/government/collections/dao-letters>
- Regularity, Propriety and Value for Money
http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm

- The Parliamentary and Health Service Ombudsman's Principles of Good Administration
<http://www.ombudsman.org.uk/improving-publicservice/ombudsmansprinciples>
- Consolidation Officer Memorandum, and relevant DCO letters
- relevant Freedom of Information Act guidance and instructions (Ministry of Justice)
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts
- recommendations made by the Public Accounts Committee, or by another Parliamentary authority, that have been accepted by the government and relevant to GIAA.