

# IIA Standards and Guidance Tool

## *Guide to Customizing the Model Internal Audit Charter for Public Sector Use*



## Introduction

The Global Internal Audit Standards™ require the chief audit executive to develop an internal audit charter, defined as “a formal document that includes the internal audit function’s mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications.” According to Standard 6.2 Internal Audit Charter, the charter must also include the Purpose of Internal Auditing and the internal audit function’s commitment to adhering to the Global Internal Audit Standards.

This nonmandatory tool is intended to be customized to reflect the operating environment of each internal audit function and the organization it serves, since those can vary greatly. While chief audit executives in public sector organizations may choose to use the general model internal audit charter available from The IIA, this version has been modified to contain elements unique to the public sector environment. Additionally, both model charters may be used as references to create a completely unique version, since neither model is required.

Stakeholder expectations may influence individual internal audit charters. The model excludes specific jurisdictional or industry-focused legal and regulatory requirements. Standard 6.2’s considerations for implementation state that if a jurisdiction’s laws and/or regulations (including local ordinances or even organizational policies) comprehensively cover the requirements for a charter, the public sector entity may not need to develop a separate charter.

Public sector chief audit executives should customize the model charter to fit the specifications of the internal audit function agreed upon with the board or appropriate governing body. Bracketed **blue text** should be replaced with details that accurately reflect the user’s organization and situation. **Green text** indicates content that is specific to the public sector, differentiating it from the general model charter.

Other details may be customized as well, such as titles to refer to specific positions. For example, some public sector organizations may use different terminology or titles to refer to the chief audit executive (such as “head of internal audit”), board (such as “governing body” or “audit committee”), or chief executive officer (such as “director” or “organizational head”). An internal audit function may refer to itself as an internal audit department or activity and may report to an audit committee or other subgroup of the board of directors or governing body.

The Global Internal Audit Standards glossary definition of “board” is “the highest-level body charged with governance, such as: a board of directors, an audit committee, a board of governors or trustees, a group of elected officials or political appointees, or another body that



has authority over the relevant governance functions. In an organization that has more than one governing body, ‘board’ refers to the body/bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities. If none of the above exist, ‘board’ should be read as referring to the group or person that acts as the organization’s highest-level governing body. Examples include the head of the organization and senior management.” This definition accommodates the public sector context by recognizing that other roles or titles may be responsible for governance. For the purposes of this tool, the term “governing body” is used and may be customized.

Additionally, the chief audit executive should collaborate with the governing body and senior management to determine their preferred frequency for specified activities and replace the word “periodically” wherever a specific frequency has been identified. The Global Internal Audit Standards define the word “periodically” as “at regularly occurring intervals, depending on the needs of the organization, including the internal audit function.” For example, Standard 6.2 Internal Audit Charter states that “a leading practice is to review the charter periodically,” leaving the chief audit executive and the organization the flexibility to determine the review frequency that best suits their needs.

To prepare the charter, the chief audit executive must discuss with the governing body and senior management any current or proposed roles and responsibilities that have the potential to impair the internal audit function’s independence, either in fact or appearance. When the chief audit executive has or is expected to have one or more roles and/or responsibilities beyond internal auditing, the customized charter must document the responsibilities, nature of work, and established safeguards. Such safeguards and documentation are intended to limit impairments to the independence of the internal audit function and the objectivity of the internal auditors.

To safeguard independence and objectivity, the Global Internal Audit Standards state the following:

- If the internal audit function is to provide assurance services where it had previously performed advisory services, the chief audit executive must confirm that the nature of the advisory services does not impair objectivity and must assign resources such that individual objectivity is managed.
- Temporary nonaudit responsibilities of the chief audit executive or assurance engagements over which the chief audit executive has responsibility will require an independent third party to provide assurance during the assignment period and for the subsequent 12 months upon completion of the work if such assurance activities are required regarding that area. The chief audit executive must also establish a plan to transition temporary responsibilities to management.
- If internal auditors are to provide advisory services relating to activities for which they had previous responsibilities, they must disclose potential impairments to the party requesting the services before accepting the engagement.

The charter must also describe any expected divergence from the Global Internal Audit Standards and how that divergence will be handled. For example, as stated in Standard 4.1, if the Standards are used in conjunction with requirements issued by other authoritative bodies,



internal audit communications must also cite the use of the other requirements, as appropriate. If laws or regulations prohibit internal auditors or the internal audit function from conforming with any part of the Global Internal Audit Standards, conformance with all other parts of the Standards is required and appropriate disclosures must be made.

Please refer to the Global Internal Audit Standards for related information, particularly the following individual standards:

- Standard 2.1 Individual Objectivity
- Standard 2.2 Safeguarding Objectivity
- Standard 2.3 Disclosing Impairments to Objectivity
- Standard 4.1 Conformance with the Global Internal Audit Standards
- Standard 5.2 Protection of Information
- Standard 6.1 Internal Audit Mandate
- Standard 6.2 Internal Audit Charter
- Standard 6.3 Board and Senior Management Support
- Standard 7.1 Organizational Independence
- Standard 8.1 Board Interaction
- Standard 8.3 Quality
- Standard 8.4 External Quality Assessment
- Standard 9.4 Internal Audit Plan
- Standard 9.5 Coordination and Reliance
- Standard 12.1 Internal Quality Assessment

### About The Institute of Internal Auditors

The Institute of Internal Auditors (IIA) is an international professional association that serves more than 245,000 global members and has awarded more than 195,000 Certified Internal Auditor (CIA) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance.

For more information, visit [theiia.org](http://theiia.org).

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