The Czech Approach
to the Implementation of GIAS in the Public Administration

Ministry of Finance of the Czech Republic

Central Harmonization Unit

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Structure of the Presentation: Meeting Domestic Needs amid International Standard Changes

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Current Situation: Where we are now

- **The Act on Financial Management and Control was approved by Parliament in 2025.**
- The legislation is currently in a **„vacatio legis“** period and will enter into force on 1 January 2027.
- We have one year to adapt methodologies and guidance to the new regulatory framework.
- We also deliver a wide range of **lectures and training sessions** and work in close cooperation with the Czech Institute of Internal Auditors (CIIA).
- A new government was appointed in December 2025. Although the parties in the government changed completely, the political position on reforms to the public financial management and control framework has remained stable, and there is **broad political consensus on this topic**.
- **Political support** for the changes within the ministries will be essential.
- The CHU issues a large number of **opinion letters on practical issues** related to implementation, including IT, HR, and other perspectives.

Background and Context: How we got there (1/2)

• Analysis of the current financial control system	01-06/2022
• Proposal of key changes and core principles in the new Act	07-09/2022
• Public consultations and expert discussions	10/2022-01/2023
• Preparation of the substantive intent of the Act and the RIA	06/2023
• Submission of the draft substantive intent to the Government	12/2023
• Approval of the substantive intent by the Government	02/2024
• Submission of the draft Act to the interdepartmental comment procedure	04/2024
• Submission of the draft Act to the government	09/2024
• Legislative process	01-12/2025
• Entry into validity	07/2026
• **Entry into force**	**1 January 2027**

Current status

Background and Context: How we got there (2/2)

- The adoption of Act No. 320/2001 Coll. (Financial Control Act) followed extensive legislative debate, which reflected demands for a coherent framework for public financial control and internal audit. The law was adopted in 2001 and **entered into force on 1 January 2002.**
- Act 320/2001 established foundational rules for **financial control and internal audit**, based on COSO, defining responsibilities for both managerial (control) mechanisms and functionally independent internal audit units in public bodies.
- The law provided a legal basis for aligning the Czech financial control system with internationally recognized principles and standards. Adoption of a robust financial control framework was **a key institutional requirement for Czech accession to the European Union later in 2004.**
- **After more than two decades of application**, it became clear that the legislation no longer fully reflected current public finance management standards and advances in IT systems, prompting the need for a complete revision and replacement with a modern framework.

Key Challenges

- This time, the change in the legislation was **“unforced”** and driven by multiple **deficiencies in the legislation:**
- Different impact on **different types of organisations** based on different legislative requirements
- Lack of an explanatory memorandum (official commentary)
- Legislation deviates from real-world situations
- **Rights and obligations are not clearly defined**
- Excessive focus on control, with **little attention to management and audit**
- **Inadequate definition of the role, procedures, and quality standards for internal audit**
- Inappropriate specification of the bodies required to establish an internal audit unit
- **International standards are only mentioned** without clear obligations
- **Implementation of the Global International Audit Standards**, introduced alongside the new Act

Our Approach to Addressing the Challenges: the Team

- **Small and compact team:** Director, Head of Unit, lawyer, two economists. Other CHU staff join as needed.
- Established in 2014:
  - Strong advantage – **we know the people** representing the subjects of the Act.
  - Connected with the internal audit community and key stakeholders.
  - Possess **institutional memory** and understand political positions on financial control and audits.
- Scope of responsibility:
  - Approximately **18,000 organizations** under the Act.
    - State organizations: **ministries, subsidiaries, agencies, services**
    - **Health insurance companies, state hospitals, universities**
    - **14 regions and 6,000 municipalities** and their subsidiaries (**schools and kindergartens**)
- Communication approach:
  - We have built a **network of representatives** in each sector and we are cooperatig with CIIA
  - We maintain continuous communication with key contacts

Our Approach to Addressing the Challenges: What We Communicate

- All the documentation related to the new Act is available on the webpages of the Ministry of Finance:
- Text of the new Act on the Management and Control of Public Finances (Act No. 231/2025 Sb.)
- Text of the Accompanying Amendatory Act – the actual change law that amends other legislation in connection with the new Act.
- **Official Notice of Promulgation of International Internal Audit Standards – the notice announcing adoption of global internal audit standards into Czech regulatory context.**
- Explanatory Memorandum to the Act – detailed background explanation of the rationale behind the law.
- Proposal of the Act (Legislative Proposal) – earlier version(s) released during the legislative process.
- Regulatory Impact Assessment (RIA) – assessment of expected impacts and costs of the proposed law.
- Supplementary Standards and Reference Materials
- **Global Internal Audit Standards – official Czech Translation**
- **Global Internal Audit Standards – Original English Version – the official English edition as published by the Institute of Internal Auditors (IIA).**

Our Approach to Addressing the Challenges: the Implementation of the GIAS

- **Act 231/2025 Coll., § 20(1) Performance of Internal Audit**
  - *„The Internal Audit Unit **shall perform** internal audits in accordance with this Act and **in accordance with the International Standards for the Professional Practice of Internal Auditing** issued by the Institute of Internal Auditors and **promulgated by a Notice** of the Ministry of Finance in the Collection of Laws and International Treaties (hereinafter referred to as the "International Standards for Internal Auditing)."*
- **Act 231/2025 Coll., § 28 (2) f) The annual report on the results of internal audits**
  - *(The annual report on the results of internal audits shall include) **an assessment of compliance with the International Standards for Internal Auditing**, including a summary of the results of any external quality assessment of the internal audit function conducted during the year, and an evaluation of the implementation of measures to improve the quality of internal auditing.*
- **Notice No. 419 of the Ministry of Finance** *dated 9 October 2025 on the Promulgation of the International Standards for Internal Auditing.*
  *Pursuant to Section 20, paragraph 1 of Act No. 231/2025 Coll., **the Ministry of Finance hereby promulgates the International Standards for Internal Auditing** issued by the Institute of Internal Auditors:*
  (The text of Global Internal Audit Standards follows.)

Key issues in implementig the GIAS (1/2)

- **Challenge:** Public sector entities **must revise or establish internal audit statutes, manuals, and procedures** to align with the new standards, including documented methodologies, quality assurance arrangements, and clearly defined roles and responsibilities.
- **Measures taken:** The Central Harmonization Unit (CHU) has prepared and delivered **Model Internal Audit Charter, Manual, Ethical Codex and other methodological guidances** to support entities in aligning their internal frameworks with the GIAS.

- **Challenge:** With approximately 18,000 organizations subject to the Act, **achieving consistent compliance** across highly diverse organizational contexts **is challenging, particularly for smaller entities** with limited internal audit capacity.
- **Measures taken:** The internal audit function has been **centralized at the ministerial level** for organizations within ministerial responsibility. For municipalities, the obligation to establish an internal audit function applies only to those with more than 15,000 inhabitants, reducing the burden on smaller local authorities.

Key issues in implementing the GIAS (2/2)

- **Challenge:** The GIAS place strong emphasis on quality assurance, including **periodic external quality assessments**. Ensuring that all internal audit units implement quality assurance programs and undergo external evaluations may be difficult due to limited resources and a shortage of qualified external assessors.
- **Measures taken:** External quality assurance for internal audit units at the central government level will be **provided free of charge by the Ministry of Finance. Ministries may decide** whether to request the Ministry of Finance or a private company to perform the quality assurance. The other institutions may decide between private companies and a peer review. Peer reviews will be methodoligaly supported by the CHU.

- **Challenge:** The need for education, **capacity-building activities**, and workshops on various issues related to the implementation of the GIAS.
- **Measures taken:** Close cooperation between **the CHU and the Czech Institute of Internal Auditors**. CHU will provide, free of charge, regional-level seminars and introductory workshops for all types of organizations. CHU has established a **SharePoint** platform for internal auditors in the public sector.

Let Us Talk About Lessons Learned

- Crucial role of **international cooperation** through a project funded by the Norwegian Financial Mechanism
  - Expert studies conducted by **five universities**
  - On-site mapping of the situation in **five countries**
  - Organization of **16 discussion meetings** with entities subject to the Act
  - Organization of **two conferences**
  - Establishment of a **ten-member expert committee** to evaluate CHU outputs
- Continuous **communication** with stakeholders
- Delivery of **trainings, seminars, and workshops**
- **Low-cost transformation approach**
- Application of the **comply-or-explain principle**

- **Special Thanks to the PEMPAL Professional Network!**

Thank you for your attention!

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All the informations available at:

https://www.mfcr.cz/cs/kontrola-a-regulace/rizeni-a-kontrola-verejnych-financi/zakon-o-rizeni-a-kontrole-verejnych-financi