

Meeting of:	<b>Governance and Audit Committee</b>
Date of Meeting:	<b>Monday, 24 March 2025</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	<b>GLOBAL INTERNAL AUDIT STANDARDS</b>
Purpose of Report:	To provide Members with an overview of the new Global Internal Audit Standards (GIAS)
Report Owner:	Head of Regional Internal Audit Service
Responsible Officer:	Head of Finance & Section 151 Officer
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance
Policy Framework:	The proposals in this report are in accordance with the policy framework ad budget
<p>Executive Summary:</p> <ul style="list-style-type: none"> <li>• The Global Internal Audit Standards (GIAS) replace the Public Sector Internal Audit Standards</li> <li>• The GIAS become effective in the public sector in the UK on 1<sup>st</sup> April 2025</li> <li>• All reference to the Standards within Internal Audit documentation will need to be updated</li> <li>• The Standards have 5 Domains, 15 Principles and 52 Standards</li> </ul> <p>The key change are:</p> <ul style="list-style-type: none"> <li>• A ‘mandate’ for internal audit; in local government, internal audit’s primary mandate comes from statutory regulations</li> <li>• An internal audit strategy</li> <li>• Professional courage and professional scepticism</li> <li>• Internal Audit plans support the achievement of organisation’s objectives.</li> </ul>	

## **Recommendation**

1. That the Committee notes the content of the report and presentation.

## **Reason for Recommendation**

1. To ensure the Governance and Audit Committee is aware of the new Global Internal Standards in line with their responsibility for effective governance of the Internal Audit function.

## **1. Background**

- 1.1 The presentation was provided to Members immediately prior to the Governance and Audit Committee meeting in a separate session.
- 1.2 From 1 April 2025 internal audit teams in the public sector in the UK will be working to new internal audit standards. These will be a combination of the Global Internal Audit Standards (GIAS) and CIPFA's Application Note, Global Internal Audit Standards in the UK Public Sector. The consultation on the Application Note closed at the end of October 2024; the final version has recently been published.
- 1.3 The Global Internal Audit Standards will replace the Public Sector Internal Audit Standards, all reference to which within Internal Audit documentation will need to be updated, in particular, the Internal Audit Charter. Much of the day-to-day practice of undertaking audit engagements will not change, the team will need to make sure those engagements fulfil the new standards. Reports, plans and charters will need to be updated to reflect the standards.
- 1.4 As the Internal Audit team currently fully conforms with the Public Sector Internal Audit Standards (PSIAS) it should have most of the practices it needs. There are some additional requirements, and CIPFA's Application Note should help with those. But time will still be needed to make the transition and build familiarity during 2025/26.
- 1.5 There are a number of changes, the key ones are:
  - a 'mandate' for internal audit; in local government, internal audit's primary mandate comes from statutory regulations
  - an internal audit strategy
  - professional courage and professional scepticism
  - Internal Audit plans support the achievement of organisation's objectives
- 1.6 The Standards have 5 Domains, 15 Principles and 52 Standards:  
The five domains are:
  - Purpose
  - Ethics & professionalism
  - Governing

- Managing
- Reporting

**1.7** The Principles and Standards sit within each Domain

**2. Key Issues for Consideration**

- 2.1** The presentation at Appendix A will provide an overview of the new Global Internal Audit Standards (GIAS). Further information to demonstrate Internal Audit's compliance will be brought to the Committee throughout the year.
- 2.2** The Standards include a section 'Applying the Global Internal Audit Standards in the Public Sector' which take into consideration the differences from the private sector with law and regulations, governance and organisational structure and funding. As the Internal Audit Standards Advisory Board have determined that the GIAS will be applicable in the public sector within the UK, CIPFA's Application Note and Code of Practice will support internal audit functions to conform with those Standards.
- 2.3** The IA Charter will be updated to reflect the new Standards and working practices will be reviewed early in 2025/26 to ensure conformance. The requirements of the new Standards have been mapped out and, using the current self assessment and external peer assessment of the PSIAS as a sound base, the Regional Internal Audit Service (RIAS) will cross check to ensure full compliance.
- 2.4** While much of the day-to-day practice of undertaking audit engagements will not change, the team will need to make sure those engagements fulfil the new standards. Reports, plans and charters will need to be updated to reflect the standards.
- 2.5** A specific mandate for internal audit will be incorporated within the IA Charter; the provision of internal audit is a statutory requirement within the public sector in the UK as specified in the Accounts and Audit (Wales) Regulations 2014. This is already referred to at 1.6 of the RIAS IA Charter. The mandate specifies the authority, role and responsibility of the internal audit function.
- 2.6** The Standards require an internal audit strategy. RIAS currently takes its Audit Strategy and Audit Plan to Governance and Audit Committees annually.
- 2.7** The standards on ethics and professionalism have been expanded including new sections on professional courage and professional scepticism. As an independent and objective management tool RIAS provides balance reports (strengths and weaknesses) based on the evidence obtained. RIAS will continue to report based on the evidence obtained, without fear of recrimination.
- 2.8** Internal audit plans (Standard 9.4) should support the achievement of the organisation's objectives. RIAS takes into consideration the Corporate Plan as part of its planning process to help support the achievement of the organisation's objectives and will continue to do so.
- 2.9** The GIAS describe the importance of internal auditors encouraging and promoting an ethics-based culture alongside personal adherence to the ethical expectations

of their organisation. “Conformance with the Standards, the Definition of Internal Auditing and Code of Ethics is mandatory” is already incorporated within the IA Charter approved by Governance and Audit Committee. The IA Team are also reminded regularly of the need to comply with the Nolan Principles.

**2.10** GIAS 7.2 (Chief Audit Executive Qualifications) sets out expectations relevant to the global practice of internal audit. There is an expectation that chief audit executives in the public sector hold appropriate professional qualifications alongside relevant experience. Therefore, in considering whether a chief audit executive is suitably qualified, an organisation must be looking for:

- CMIIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and
- Suitable internal audit experience.

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

**3.1** The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

**3.2** Conforming with the Standards will support the Internal Audit’s function to understand how those services provided by the Council undertake the five ways of working and deliver the well-being objectives.

### **4. Climate Change and Nature Implications**

**4.1** None as a consequence of this report.

### **5. Resources and Legal Considerations**

#### **Financial**

**5.1** There are no resource implications as a direct consequence of this report.

#### **Employment**

**5.2** None as a direct consequence of this report.

### **Legal (Including Equalities)**

- 5.3** The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

### **6. Background Papers**

None

# Global Internal Audit Standards and the Code of Practice for the Governance of Internal Audit in UK Local Government

Regional Internal Audit Service (RIAS)

January 2025

# The Global Internal Audit Standards

- ▶ Released January 2024 - effective from January 2025
- ▶ UK Public Sector from 1<sup>st</sup> April 2025
- ▶ Provide a framework for performing value-added internal auditing.
- ▶ Describes basic principles that represent the good practice of internal auditing.
- ▶ Establish the basis for the evaluation of internal audit performance.
- ▶ Foster improved organisational processes and operations.
- ▶ Outline specific considerations for performance and conformance with the Standards and offer examples of evidence for how to document the fulfilment of requirements.

# 5 Domains

- 15 Principles

- 52 Standards

- Requirements
- Considerations for Implementation
- Examples of Evidence of Conformance

**Additional features:**

- Fundamentals
- Glossary
- Applying the Global Internal Audit Standards in the Public Sector





# Applying the Global Internal Audit Standards in the Public Sector

The Global standards include a section ‘Applying the Global Internal Audit Standards in the Public Sector’

Internal auditors in the public sector operate in a political environment, which differs from private sector in how they apply the Standards and use terminology:

## Laws and/or Regulations

- Acknowledges the legal framework under which internal auditors in the public sector work.
- Recognises conform or explain approach, as described in Fundamentals and the Standards.

## Governance and Organisational Structure

- Explanations and examples describing governance and organisational structures in the public sector.
- Situations to be aware of and ideas for internal audit functions to adjust the application of certain standards while safeguarding independence.

## Funding

- Some structures do not give the board and senior management authority over the budget.
- Chief Audit Executives in the public sector may have limits on the way they may access and use resources.

# Applying the Global Internal Audit Standards in the UK Public Sector

- ▶ During 2024 the Internal Audit Standards Advisory Board ([IASAB](#)) considered how to implement the Global standards in the UK Public Sector.
- ▶ Determined that it is applicable to the internal audit of UK public sector bodies subject to some additional requirements and interpretations.
- ▶ Rather than issuing a parallel set of standards, the IASAB has developed an Application Note for the UK public sector setting out the interpretations and requirements.

# GIAS Proposed Application Note

- ▶ **General context for the UK public sector**

Principals of Public Life, Handling Information, Value for Money, Role of Regulators

- ▶ **Specific interpretations and requirements**

Resources, Overall Conclusions, Qualifications of Chief Audit Executive, Selecting Independent Assessors

- ▶ **Determining the essential conditions in relation to governance**

# Code of Practice for the Governance of Internal Audit in UK Local Government

- ▶ Designed by CIPFA to work alongside new internal audit standards and replaces the organisational responsibilities set out in the Statement on the role of the Head of Internal Audit (CIPFA, 2019)
- ▶ The Code provides the route to satisfying the essential conditions in GIAS.
- ▶ The authority should explain how it complies with the Code in its annual governance statement. CIPFA is currently updating its guidance on annual governance statements for publication in 2025. It is anticipated that conformance with both the Code and GIAS (UK public sector) will be featured in the new guidance.

# Provisions of the Code

- 1. Providing the Authority for Internal Audit**
  - 1.1 Mandate (primary mandate = legislation)
  - 1.2 Charter
  - 1.3 Support for Internal Audit
- 2. Positioning Internal Audit Independently**
  - 2.1 Organisational Independence
  - 2.2 Qualifications of the chief audit executive
- 3. Oversight of Internal Audit**
  - 3.1 Audit committee interaction
  - 3.2 Resources
  - 3.3 Quality
  - 3.4 External Quality Assessment

# Consultation

- ▶ The Global Internal Audit Standards along with the Application Note and Code of Practice to be effective from April 2025.
- ▶ Relevant Internal Audit Standard Setters: Application Note Global Internal Audit Standards in the UK Public Sector - consultation deadline was 31st October 2024
- ▶ CIPFA: Code of Practice for the Governance of Internal Audit in UK Local Government - consultation deadline was 28th November 2024

# What happens next...

- ▶ Look to agree our Internal Audit Mandate.
- ▶ Update our Internal Audit Charter and seek appropriate approval.
- ▶ Review our compliance with the new Global Standards and develop an action plan to address any gaps.
- ▶ Wait for advice from CIPFA regarding the requirements for future Annual Governance Statements.

Any Questions so far ?





# Domain I. Purpose of Internal Auditing

## **Purpose Statement:**

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

### **Internal auditing enhances the organization's:**

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

### **Internal auditing is most effective when:**

- It is performed by qualified internal auditors in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

# Domain II: Ethics and Professionalism

## 1. Demonstrate Integrity

Internal auditors demonstrate integrity in their work and behavior.

1.1 Honesty and Professional Courage

1.2 Organization's Ethical Expectations

1.3 Legal and Ethical Behavior

## 2. Maintain Objectivity

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

2.1 Individual Objectivity

2.2 Safeguarding Objectivity

2.3 Disclosing Impairments to Objectivity

## 3. Demonstrate Competency

Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.

3.1 Competency

3.2 Continuing Professional Development

## 4. Exercise Due Professional Care

Internal auditors apply due professional care in planning and performing internal audit services.

4.1 Conformance with Global Internal Audit Standards

4.2 Due Professional Care

4.3 Professional Skepticism

## 5. Maintain Confidentiality

Internal auditors use and protect information appropriately.

5.1 Use of Information

5.2 Protection of Information

# Domain III: Governing the Internal Audit Function

Domain III standards include “essential conditions” for an effective internal audit function.

## 6. Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

6.1 Internal Audit Mandate

6.2 Internal Audit Charter

6.3 Board and Senior Management Support

## 7. Positioned Independently

The board establishes and protects the internal audit function’s independence and qualifications.

7.1 Organizational Independence

7.2 Chief Audit Executive Qualifications

## 8. Overseen by the Board

The board oversees the internal audit function to ensure the function’s effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

# Domain IV. Managing the Internal Audit Function

## 9. Plan Strategically

The chief audit executive plans strategically to position the internal audit function to fulfill its mandate and achieve long-term success.

9.1 Understanding Governance, Risk Management, and Control Processes

9.2 Internal Audit Strategy

9.3 Methodologies

9.4 Internal Audit Plan

9.5 Coordination and Reliance

## 10. Manage Resources

The chief audit executive manages resources to implement the internal audit function's strategy and achieve its plan and mandate.

10.1 Financial Resource Management

10.2 Human Resource Management

10.3 Technological Resources

## 11. Communicate Effectively

The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.

11.1 Building Relationships and Communicating with Stakeholders

11.2 Effective Communication

11.3 Communicating Results

11.4 Errors and Omissions

11.5 Communicating the Acceptance of Risks

## 12. Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

# Domain V. Performing Internal Audit Services

## 13. Plan Engagements Effectively

Internal auditors plan each engagement using a systematic, disciplined approach.

13.1 Engagement Communication

13.2 Engagement Risk Assessment

13.3 Engagement Objectives and Scope

13.4 Evaluation Criteria

13.5 Engagement Resources

13.6 Work Program

## 14. Conduct Engagement Work

Internal auditors implement the engagement work program to achieve the engagement objectives.

14.1 Gathering Information for Analyses and Evaluation

14.2 Analyses and Potential Engagement Findings

14.3 Evaluation of Findings

14.4 Recommendations and Action Plans

14.5 Developing Engagement Conclusions

14.6 Documenting Engagements

## 15. Communicate Engagement Conclusions and Monitor Actions Plans

Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward implementation of recommendations or action plans.

15.1 Final Engagement Communication

15.2 Confirming the Implementation of Action Plans