

Wednesday, 19 March 2025

Report of the Interim Audit Manager

Global Internal Audit Standards

Exempt Information

None.

Purpose

To update the Audit & Governance Committee on the new arrangements for Internal Audit under the Global Internal Audit Standards (GIAS), CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector and CIPFA’s Code of Practice for the Governance of Internal Audit (the Code).

To ensure that the Audit & Governance Committee understands its role in respect of Internal Audit as set out under the new arrangements and to approve the new Audit Charter.

To inform the Committee of actions being undertaken, following a gap analysis to achieve full compliance with the new arrangements which come into place on 1 April 2025.

Recommendations:

- 1. To approve the Audit Charter and note this report.**

Executive Summary

The Institute of Internal Auditors (IIA) published the Global Internal Audit Standards in January 2024. These are intended to guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function (**Appendix 1**). The GIAS are organised into 5 domains: –



Domain 1: Purpose of Internal Auditing – is intended to assist internal auditors and internal audit stakeholders in understanding and articulating the value of internal auditing.

Domain 2: Ethics and Professionalism – outline the behavioural expectations for professional internal auditors, including Chief Audit Executives (Internal Audit Manager acting as the Head of Internal Audit). Conformance with these principles and standards instils trust in the profession of internal auditing, creates an ethical culture within the internal audit function, and provides the basis for reliance on internal auditors' work and judgement.

Domain 3: Governing the Internal Audit Function – appropriate governance arrangements are essential to enable the internal audit function to be effective. This domain outlines the requirements for the Chief Audit Executive to work closely with the Board (Audit Committee) to establish the internal audit function, position it independently, and oversee its performance. This domain also outlines senior managements responsibilities that support the Board's responsibilities and promote strong governance of the internal audit function.

Domain 4: Managing the Internal Audit Function - the Chief Audit Executive is responsible for managing the internal audit function in accordance with the internal audit charter and Global Internal Audit Standards. This responsibility includes strategic planning, obtaining and deploying resources, building relationships, communicating with stakeholders, and ensuring and enhancing the performance of the function.

Domain 5: Performing Internal Audit Services – this requires internal auditors to effectively plan engagements, conduct the engagement work to develop findings and conclusions, collaborate with management to identify recommendations and / or action plans that address the findings, and communicate with management and the employees responsible for the activity under review throughout the engagement and after it closes.

Within these domains are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfil the purpose of internal auditing.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

While the Global Internal Audit Standards (GIAS) apply to all internal audit functions, internal auditors in the public sector work in a political environment under governance, organisational and funding structure. The CIPFA Application Note (**Appendix 2**) therefore sets out the interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector.

CIPFA Code of Practice for the Governance of Internal Audit in Local Government (the Code)

CIPFA has developed the Code of Practice for the Governance of Internal Audit in Local Government (the Code) (**Appendix 3**) to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit. The Code is designed to work alongside the new Standards.

Gap Analysis

A self-assessment has been undertaken against the Global Internal Audit Standards using the Institute of Internal Auditors self-assessment toolkit and a gap analysis has been undertaken against CIPFA's Application Note and Code.

While the majority of the new arrangements are already complied with (Internal Audit as a shared service with Lichfield District Council was externally assessed as compliant against the PSIAS in 2023), areas requiring attention have been identified to ensure the Council achieves full compliance with the new GIAS and associated CIPFA notes and codes.

The audit manual has now been updated and a new GIAS compliant Audit Charter, which has been approved by CMT, is detailed at **Appendix 4** for the Committee's approval.

Remaining actions for full compliance are included in the action plan at **Appendix 5**.

Options Considered

Not applicable.

Resource Implications

The GIAS can be implemented within the current resources available.

Legal/Risk Implications Background

The core mandate for Internal Audit is derived from the statutory responsibility under the Accounts & Audit Regulations 2015 which require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'.

Equalities Implications

Equality, Social Inclusion and Health Impact Assessment (ESHIA) completed at **Appendix 6**.

Environment and Sustainability Implications (including climate change)

None.

Background Information

None otherwise appended or linked within this report.

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List of Background Papers

None, otherwise referenced above.

Appendices

Appendix 1 – Global Internal Audit Standards

Appendix 2 – CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

Appendix 3 - Code of Practice for the Governance of Internal Audit in Local Government (the Code)

Appendix 4 – Audit Charter

Appendix 5 – Global Standards, Application Note and Code Action Plan – March 2025

Appendix 6 – ESHIA

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