

North East Derbyshire District Council

Audit Committee

20th January 2025

Global Internal Audit Standards

Report of the Head of the Internal Audit Consortium

Classification: For Publication

Report By: Jenny Williams: Head of the Internal Audit Consortium

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PURPOSE / SUMMARY

- To present for members' information the Global Internal Audit Standards (GIAS), the CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector Applicable from 1 April 25 and the CIPFA Consultation document Code of Practice for the Governance of Internal Audit (the Code).
 - To ensure that the Audit Committee understands its governance role in respect of internal audit as set out in the new Code.
 - To present an action plan to achieve full compliance with the GIAS and the Code.
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RECOMMENDATION

1. That the report be noted.
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IMPLICATIONS

Finance and Risk: Yes No

Details:

Compliance with the GIAS and the Code ensures that internal audit is operating in accordance with best practice which reduces the risk that weaknesses in respect of governance, risk and internal control go undetected.

On Behalf of the Section 151 Officer

Legal (including Data Protection):

Yes

No

Details:

The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account the Public Sector Internal Audit Standards or guidance”.

On Behalf of the Solicitor to the Council

Staffing:

Yes

No

Details:

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details:

Links to Council Plan priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.

Compliance with the GIAS requires that Internal Audit reviews focus on helping to meet the objectives of the Council.

REPORT DETAILS

1 Background

- 1.1 In January 2024 the Institute of Internal Auditors (IIA) published the Global Internal Audit Standards (Appendix 1) that 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.
- 1.2 From the 1st April 2025 the GIAS will replace the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Consortium is currently compliant with the PSIAS and whilst many of the principles of auditing are the same, work is ongoing to ensure full compliance with the GIAS.

2. Details of Proposal or Information

- 2.1 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 11:** Ethics and Professionalism – outline the behavioural expectations for professional internal auditors, including Chief Audit Executives (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 111:** 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 1V:** 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 V: 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.

2.2 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.

2.3 The next external review of Internal Audit is due in May 2026 and this review will need to assess the Internal Audit Consortium's compliance with the GIAS.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector Applicable from 1 April 25

2.4 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 UK Local Government.

2.5 CIPFA has developed the Consultation 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 internal audit standards.

2.6 The Code is aimed at those responsible for ensuring effective governance arrangements for internal audit so for North East Derbyshire District Council this is the Audit Committee.

2.7 The Code is currently in draft pending finalisation by CIPFA.

Action Plan to achieve conformance with the Global Internal Audit Standards in the UK Public Sector and with the Code of Practice for the Governance of Internal Audit

2.8 The Head of the Internal Audit Consortium has undertaken a self-assessment against the Global Internal Audit Standards using the Institute of Internal Auditors self-assessment toolkit.

2.9 Whilst the bulk of the Standards are already complied with, some areas for improvement have been identified to ensure full compliance and these are detailed in the action plan at Appendix 4.

2.10 In summary, the main action plan points relate to: -

- Updates to current documentation to ensure that they reference the GIAS rather than the PSIAS e.g. The Internal Audit Charter, Internal Audit Manual,
- Retaining evidence of regular training on ethical and professional behaviour, objectivity, due professional care and communication skills,
- Clarifying Board (Audit Committee) responsibilities championing internal audit and assessing their effectiveness,
- Development of an Internal Audit Strategy,
- Documentation of the basis of reliance on other assurances,
- Greater emphasis on identifying the root cause of problems identified,
- 2025/26 Annual Governance Statement to detail how the Council complies with the Code.

3 Reasons for Recommendation

3.1 To update Members on the GIAS and Code of Practice in respect of the operation and governance of internal audit.

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

DOCUMENT INFORMATION

Appendix No	Title
Appendix 1	Global Internal Audit Standards
Appendix 2	CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector Applicable from 1 April 2025
Appendix 3	Consultation CIPFA Code of Practice for the Governance of Internal Audit
Appendix 4	Action Plan to achieve conformance with the Global Internal Audit Standards in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet you must provide copies of the background papers)	