



CORPORATE GOVERNANCE COMMITTEE – 31 MARCH 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

IMPLEMENTATION OF THE GLOBAL INTERNAL AUDIT STANDARDS IN THE UK PUBLIC SECTOR

Purpose of Report

1. The purpose of this report is to provide the Corporate Governance Committee (the Committee) with an update on plans to implement the new Global Internal Audit Standards in the UK Public Sector

Background

2. At its meeting on 16 September 2024, the Corporate Governance Committee was informed by the Head of Internal Audit Service (the HoIAS) that two consultations on changes to internal audit provision were scheduled. The first was on a replacement for the current Public Sector Internal Audit Standards (PSIAS) with the implementation of new global internal audit standards (GIAS). The second consultation was on a proposal by CIPFA to introduce a Code of Practice for the Governance of Internal Audit in UK Local Government.
3. At its meeting on 6 December 2024, the HoIAS provided more detail on the proposed changes and provided explanation on, and copies of: -
 - a. *Application Note: Global Internal Audit Standards in the UK public sector (the Application Note)*. This is a 'bridging' document between the GIAS and certain requirements for the UK public sector that are not contained in the global standards.
 - b. *Code of Practice for the Governance of Internal Audit in Local Government (the Code)*. This document was proposed to meet a requirement in the GIAS, Domain III 'Governing the Internal Audit Function' which specified that appropriate governance arrangements are 'essential conditions' to fulfil the 'Purpose of Internal Audit'.
 - c. *Comparison of the Code of Practice for the Governance of Internal Audit in UK Local Government to Regulations and existing CIPFA guidance*. This document explained that the proposed Code would build on existing CIPFA recommended practice for the governance of internal audit in local government bodies.
 - d. *Leicestershire County Council Response to Consultation on Code of Practice for the Governance in Internal Audit in Local Government*. The response to the consultation was positive.

Preparedness for implementation of the Global Internal Audit Standards in the UK Public Sector

4. Following the consultations some amendments were made but the Application Note, and the Code are now approved and are attached as appendices 1 and 2 respectively.
5. From 1 April 2025, it is expected that internal audit teams in the public sector will be working to the new internal audit standards. These will be a combination of the Global Internal Audit Standards (GIAS) and the Application Note and are to be referred to as the 'Global Internal Audit Standards in the UK Public Sector' or GIAS (UK Public Sector).
6. Whilst 1 April is the effective date for the new standards, internal audit teams will not be expected to demonstrate full conformance on this date. They must work in accordance with the new standards from 1 April and by doing so will build up their conformance.
7. There are several new standards to review and implement and the HoIAS is completing a 'gap analysis' reviewing current processes against the 15 GIAS Principles, identifying any obvious gaps and creating a plan of actions. Internal audit teams such as LCCIAS that fully conform with the current standards (the PSIAS) should have most of the practices specified in the GIAS, however there are some additional requirements, most notably: -
 - a. One of the new requirements is to stipulate a 'mandate' for internal audit (GIAS Standard 6.1). However, in local government internal audit's primary mandate comes from statutory regulations issued by central government. These are the Accounts and Audit Regulations 2015.
 - b. Standard 6.2 states that 'the chief audit executive (for the Council this role is undertaken by the HoIAS) must develop and maintain an internal audit charter. The charter is a formal document that defines the internal audit activity's mandate, purpose, authority and responsibility, and establishes internal audits' position within the organisation and reporting relationships. Additionally, the charter confirms the Committee's responsibilities to the Internal Audit function, the HoIAS role and responsibilities in managing the Internal Audit function and the scope and types of services carried out by the function. Whilst having a charter isn't a new requirement, the Internal Audit Charter for the Council (last reported to the Committee at its meeting on 26 January 2024) will be revised to include the mandate, reflect an updated definition of the purpose of internal audit and references will be made at appropriate points to the Application Note and the Code.
 - c. GIAS Standard 9.2 requires an internal audit strategy. This is a new requirement. 'The chief audit executive (HoIAS) must develop and

implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the board, senior management, and other key stakeholders. An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfilment of the internal audit mandate. The chief audit executive (HoIAS) must review the internal audit strategy with the board and senior management periodically’.

- d. There is not just a GIAS rationale for having an internal audit strategy, but also a sound business case, as without one, direction of the internal audit function could be missing and can lead to an internal audit function which does not align with the needs of its organisation. To develop the strategy, the HoIAS will consult with the Statutory Officers and the Corporate Management Team. The HoIAS is utilising the Institute of Internal Auditors (IIA) Strategy Guidance and Tool Kit. The expectation is that internal audit functions will not use all the guidance or tools but will chose those that are most helpful and suitable for their circumstances. The HoIAS has begun to develop the strategy using the following 4 ‘core’ and 1 ‘non-core’ tools: -
 - i. Internal Audit Stakeholder Expectations Analysis
 - ii. SWOT Analysis
 - iii. Internal Audit Maturity Analysis Framework
 - iv. Performance Measurement Framework
 - v. Innovation Analytics and Tech Strategy (non-core)

The output from using the above will be a further ‘core’ tool i.e. a three-year strategy (designed for no more than two pages).

- e. The standards on ethics and professionalism have been expanded including new sections on professional courage and professional scepticism. This has required training for the internal audit team which has been delivered using IIA guidance and YouTube videos.
8. To achieve conformance with the new standards, the Committee in conjunction with the HoIAS will need to demonstrate that all aspects of the standards are met, including the governance of internal audit (Domian III of the new standards). This covers the oversight and support for internal audit from the audit committee and senior management.
 9. The new Code of Practice on the Governance of Internal Audit in Local Government (the Code). Contains three main provisions (split across nine sub-provisions):
 - a. Providing authority for internal audit – covering its mandate, charter and support for internal audit
 - b. Positioning internal audit independently – covering organisational independence and qualifications of the Head of Internal Audit

- c. Oversight of internal audit – covering Audit Committee interaction, resources, quality and external quality assessment (EQA)
10. The Code sets out the conditions for internal audit (including roles and responsibilities of the Statutory Officers, Corporate Management Team and the Committee).
 11. Much of the Code is already recognised good practice as per existing CIPFA guidance (some of which will be removed once the Code has bedded in). Going forward the Council should explain how it complies with the Code in its annual governance statement. CIPFA is currently consulting on its updated guidance on annual governance statements for publication during 2025. It is anticipated that conformance with both the Code and GIAS (UK public Sector) will be featured in the new guidance.
 12. Compliance with the new Code will also be required to be included in the HoIAS annual internal quality self-assessment which will be reported to the Committee for the 2025/26 financial year and compliance will also form part future External Quality Assessments (EQA) of LCCIAS which are conducted once every five years.
 13. The full implications of the Code will be discussed with the Statutory Officers and Chairman of the Committee.
 14. In relation to the application of the new standards and the Code, the HoIAS has attended several webinars and training sessions and participated in all the consultation exercises both individually and collectively as part of Group Audit Forums. Additionally, internal audit staff training has commenced. A suggested CIPFA 'Timeframe for the implementation of the Global Internal Audit Standards (GIAS) and the Application Note, GIAS in the UK Public Sector' is attached as Appendix 3.
 15. Whilst work on each is in progress, the three governance documents (three-year strategy, charter and Code) will require approval and adoption from the Statutory Officers and the Committee. The Director of Corporate Resources, following consultation with the Director of Law and Governance, is authorised to approve the arrangements for the implementation of the Global Internal Audit Standards. Approved versions of the documents will then be reported to the next Committee, scheduled for 23 June 2025.

Resource implications

16. Implementation of the new standards is creating significant impact on resources of the HoIAS and his team.

Equality Implications

17. None.

Human Rights Implications

18. None

Recommendations

19. The Committee is recommended to: -

- a. note the work undertaken to respond to consultations on changes to internal audit standards
- b. note that the Director of Corporate Resources, following consultation with the Director of Law and Governance, be authorised to approve the arrangements for the implementation of the Global Internal Audit Standards, and that the approved documents will be reported to the Committee scheduled 23 June 2025.

Background Papers

Corporate Governance Committee (16 September 2024) – Internal Audit Service 2024-25 Plan, progress and updates.

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7722&Ver=4>

Corporate Governance Committee (6 December 2024) - Changes to Internal Audit Standards

<https://democracy.leics.gov.uk/documents/s187049/Changes%20to%20Internal%20Audit%20Standards.pdf>

Corporate Governance Committee (26 January 2024) - External Quality Assessment of the Internal Audit Service and the Revised Internal Audit Charter

<https://democracy.leics.gov.uk/documents/s180858/Appendix%202%20-%20The%20Internal%20Audit%20Charter%202024.pdf>

Circulation under the Local Issues Alert Procedure

None.

Officer to Contact

Declan Keegan, Director of Corporate Resources,
Corporate Resources Department,

☎0116 305 7668 E-mail Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director (Finance, Strategic Property and Commissioning),
Corporate Resources Department,

☎0116 305 7066 E-mail Simone.Hines@leics.gov.uk

Neil Jones, Head of Internal Audit & Assurance Service

Tel: 0116 305 7629

Email: neil.jones@leics.gov.uk

Appendices

- Appendix 1 Application Note: Global Internal Audit Standards in the UK public sector
- Appendix 2 Code of Practice for the Governance of Internal Audit in Local Government
- Appendix 3 Timeframe for the implementation of the Global Internal Audit Standards (GIAS) and the Application Note, GIAS in the UK Public Sector