



ESPO FINANCE AND AUDIT SUBCOMMITTEE – 11 FEBRUARY 2026

GLOBAL INTERNAL AUDIT STANDARDS IN THE UK PUBLIC SECTOR – GOVERNANCE DOCUMENTS

REPORT OF THE CONSORTIUM TREASURER

Purpose of the Report

1. The purpose of this report is to provide the Finance and Audit Subcommittee (the Subcommittee) with details about important governance documents required for conformance with Global Internal Audit Standards effective in the UK public sector from 1 April 2025.

Background

2. At its meeting on 30 October 2024, the Subcommittee was advised that from 1 April 2025, new Internal Audit Standards would replace the former Public Sector Internal Audit Standards. The new standards combine the Global Internal Audit Standards (GIAS) with CIPFA's 'Application Note', which essentially brings together the GIAS and specific requirements for the UK public sector. Together, they form the 'GIAS UK (public sector)'.
3. The GIAS UK (public sector) requires the development and maintenance of three important governance documents: -
 - a. An Internal Audit Charter (the Charter). This is an established component of internal audit standards but with some additional requirements.
 - b. A new requirement to self-assess compliance to CIPFA's Code of Practice for the Governance of Internal Audit in Local Government (the Code).
 - c. A new local government requirement for an Internal Audit Strategy (the Strategy).

Revised Draft Internal Audit Charter for ESPO – February 2026

4. The revised draft Internal Audit Charter (the Charter) sets out the purpose and mandate for ESPO's Internal Audit Service by reference to the GIAS in the UK Public Sector and the Accounts and Audit Regulations 2015. The Charter also covers the Subcommittee's oversight function, roles and responsibilities and the scope and types of services to be provided by Leicestershire County Council's Internal Audit Service. The Charter is required to be formally agreed and approved by this Subcommittee and periodically reviewed.
5. The Charter is based on a recommended template provided by the Chartered Institute of Internal Auditors (CIIA) to ensure that the wording of the new standards is appropriately included. Because the structure and headings of the Charter are new, it would be complex to set out the changes to the previous version (February 2024) for comparison, however, the key points of change are as follows: -
 - a. There is a new section referred to as the Mandate which is a requirement of the new standards (Standard 6.1). This refers to the authority for the Internal Audit function which is derived from legislation and the Accounts and Audit Regulations 2015;
 - b. The previous section on Audit Independence is now broader, covering Independence, Organisational Position and Reporting Relationships; and
 - c. The section on the Subcommittee's Oversight is now more detailed, although there are no significant changes in content.
6. The Charter also takes account of the requirements set out in the CIPFA's Code of Practice on the Governance of Internal Audit in the UK local government (the Code) published in February 2025. Further information on the Code is reported below.
7. The revised draft Internal Audit Charter is attached as **Appendix 1**.

CIPFA's Code of Practice for the Governance of Internal Audit in Local Government

8. When the GIAS were published, they contained 'essential conditions' for the governance of internal audit. These conditions are needed to allow effective internal audit practice and for internal auditors to conform with standards. However, in the UK public sector, governance structures or other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government, where there isn't a straightforward replacement for the 'board' as described in GIAS. Elected representatives are ultimately those charged with governance and audit committees are non-

executive advisory bodies with limited decision-making powers. Internal audit's primary mandate comes from statutory regulations rather than the decision of the audit committee.

9. CIPFA has created a Code of Practice for Internal Audit Governance in Local Government (the Code). It meets the objectives of the essential conditions by providing governance suited to UK local government bodies, outlining roles and responsibilities of the audit committee, senior management, and those charged with governance. Much of it reflects existing CIPFA good practice, with older guidance to be phased out once the Code is established.

10. 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)

11. Because governance arrangements for internal audit may differ at each organisation, a specific self-assessment of compliance to the Code at each organisation is required. The HolAS has conducted a provisional self-assessment of compliance to the Code relevant to the current governance arrangements at ESPO, which is attached at **Appendix 2**. It contains: -

- a. The Code's requirements
- b. The HolAS assessment of the function's current position at ESPO
- c. A RAG rating of improvements (R = important, A = minor, G = none)
- d. What action is required
- e. Who will be responsible for implementing the action
- f. Where will the evidence of the change be found

12. The self-assessment is a lengthy document and there is some repetition/overlap within the Code's requirements resulting in some actions being repeated. Overall, the HolAS has concluded that his self-assessment confirms good compliance, but some improvements are required as follows: -

Important

- a. Audit Committee Guidance and Training - review with Senior Management the scope of guidance and training required for the Subcommittee in time for the October meeting.

Minor

- b. Assurance framework - Consider with Senior Management whether given the organisation's size ESPO would benefit from developing and maintaining an assurance framework/map.
- c. Collaborative and arm's length arrangements – Develop protocols for joint work with other organisations and ensure contracts with third-party providers include clauses granting internal audit access
- d. Finance & Audit Subcommittee – arrangements for private meetings and feeding into the HolAS performance evaluation
- e. Resourcing – consider filling vacancies on short term/fixed contracts pending the outcome of LGR
- f. Quality – conduct self-assessment against GIAS UK (public sector) using a soon to be released CIPFA tool (to include cross check against 2024 external quality assessment minor improvements).

13. Going forward, compliance to the Code will have to be reported in: -

- a. The Annual Governance Statement (AGS)
- b. The HolAS' annual internal quality self-assessment which will be reported as part of the HolAS' Annual Report to the Subcommittee for the 2025-26 financial year at its meeting in October
- c. Future External Quality Assessments (EQA) of LCCIAS which are conducted once every five years.

14. CIPFA is developing a Code compliance tool, but its launch was too late for this Subcommittee meeting. The HolAS will evaluate whether the tool will add anything to the disclosures of compliance in the AGS and his Annual Report which will be reported in October 2026.

Internal Audit Strategy

15. An Internal Audit Strategy (the Strategy) is a plan of action designed to achieve a long-term or overall objective. The Strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. It helps guide the internal audit function toward the fulfilment of the internal audit mandate. The HolAS must review the Strategy with senior management and the Subcommittee periodically.

16. Having a Strategy is both a GIAS UK (public sector) new requirement and a business necessity; without it, the function risks losing direction and misalignment with organisational needs. To develop the Strategy the HoIAS has referred to relevant elements of the Institute of Internal Auditors (IIA's) Strategy Guidance and Toolkit and consulted with the Statutory Officers and the Corporate Management Team at Leicestershire County Council (ESPO's Servicing Authority).
17. The HoIAS has developed a draft Strategy specifically for the working arrangements for the Internal Audit Service covering from January 2026 to the end of March 2028. It was approved by the County Council's Corporate Governance Committee on 23 January 2026. Minor amendments have been made to reflect ESPO's governance arrangements, and the draft Internal Audit Strategy for ESPO is contained in **Appendix 3**. It's deliberately short(er) term because of the unknown outcomes of the pending Local Government Reorganisation (LGR). It will be reviewed and amended at the time of refreshing annual plans, any significant changes to the function and once the outcome of LGR is known.

Conclusion

18. Work continues on the three GIAS UK (public sector) governance documents (the Charter, Code and Strategy) and the Subcommittee is asked to agree a delegation to the Consortium Treasurer to make any necessary minor changes to each document.

Recommendations

19. That the Subcommittee notes the work undertaken to develop the three GIAS UK (public sector) governance documents
20. The Subcommittee agrees a delegation to the Consortium Treasurer to make any necessary minor changes to each document.

Equal Opportunities Implications

21. There are no discernible equal opportunities implications resulting from the audits listed.

Background Papers

Report to ESPO Finance & Audit Subcommittee 30 October 2024 – Progress Against the 2024-25 Internal Audit Plan and Internal Audit Updates

<https://democracy.leics.gov.uk/documents/s186052/Internal%20Audit%20Service%20-%20Progress%20against%20the%202024-25%20Internal%20Audit%20Plan.pdf>

Appendices:

Draft Application Note

<https://democracy.leics.gov.uk/documents/s186054/Appendix%202%20-%20Application%20Note%20-%20Global%20Internal%20Audit%20Standards%20in%20the%20UK%20public%20sector.pdf>

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

<https://democracy.leics.gov.uk/documents/s186055/Appendix%203%20-%20Code%20of%20Practice%20for%20the%20Governance%20of%20Internal%20Audit%20in%20UK%20Local%20government.pdf>

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Appendices

Appendix 1 Draft Internal Audit Charter for ESPO – February 2026

Appendix 2 Provisional self-assessment against CIPFA Code of Practice for the Governance of Internal Audit in Local Government for ESPO

Appendix 3 Draft IA Strategy for ESPO (January 2026 to March 2028)