

# Report to Audit and Risk Assurance Committee

**12 December 2024**

<b>Subject:</b>	Internal Audit Standards Update
<b>Director:</b>	Alex Thompson Executive Director of Finance and Transformation
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## 1 Recommendation

- 1.1 To consider and comment upon the forthcoming changes to the Internal Audit Standards.

## 2 Reasons for Recommendation

- 2.1 To inform the committee of the forthcoming changes to the Internal Audit Standards.

## 3 How does this deliver objectives of the Council Plan?

Growing Up in Sandwell	Internal Audit operates across the Council and helps it accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
Living in Sandwell	
Thriving Economy in Sandwell	
Healthy in Sandwell	
One Council One Team	

## 4 Context and Key Issues

- 4.1 From 1 April 2025 internal audit teams in the public sector will be working to new internal audit standards. These will be a combination of the Global Internal Audit Standards (GIAS) and the Application Note, Global Internal Audit Standards in the UK Public Sector, and it is anticipated that the final version will be published before the end of the year.
- 4.2 There are a number of changes that will see the internal audit team updating their charter, plans and other documents to reflect the new standards. Also, in reviewing current working practices to make sure they comply with the standards.
- 4.3 While much of the day-to-day practice of undertaking audit engagements will not change, the internal audit team will need to make sure such engagements fulfil the new standards.
- 4.4 An internal audit team that conforms with the current standards (the Public Sector Internal Audit Standards) should have most of the practices it needs. This would reflect the situation here at the Council. However, time will still be needed to make the transition and build familiarity. The introduction of new standards is an opportunity to look ahead to see what both the team and the organisation need.
- 4.5 An example of some of the changes includes:
- One of the new requirements is a 'mandate' for internal audit. However, in local government, internal audit's primary mandate comes from statutory regulations. Most internal audit charters already refer to this mandate in their charters. With some changes, an up-to-date mandate and charter can readily be agreed.
  - There will be a standard requiring an internal audit strategy. This is new, but the service should be able to build on the requirement in the existing standards.
  - The standards on ethics and professionalism have been expanded including new sections on professional courage and professional scepticism.
  - Internal audit plans should support the achievement of the organisation's objectives. Many teams already demonstrate that link.

- 4.6 The standards come into effect on 1 April 2025 and the first evidence of their use will be the update of the charter, including the mandate, the audit strategy and plan. Each of these will be brought to the Audit and Risk Assurance Committee for agreement.
- 4.7 At the end of 2025/26, when the Head of Internal Audit completes their annual conclusion and report, they should be able to assess whether they are fully conforming with the standards and identify any improvement areas.
- 4.8 To assist local government bodies achieve conformance, CIPFA will be introducing a new Code of Practice on the Governance of Internal Audit in Local Government (the Code). The Code draws on existing CIPFA guidance for audit committees and support for the head of internal audit in public sector organisations and aligns these with the expectations that are set out in the Global Internal Audit Standards.

## 5 Alternative Options

- 5.1 The purpose of the report is to inform the Audit and Risk Assurance Committee on the forthcoming changes to the Internal Audit Standards. As such, there is no alternative option.

## 6 Implications

<b>Resources:</b>	There are no direct resource implications arising from this report.
<b>Legal and Governance:</b>	Internal audit is a statutory service in the context of the Local Government Accounts and Audit Regulations (Amendment)(England) 2015. The Act states that: “ <i>A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance</i> ”. These Standards have been adopted by the council’s internal audit section.
<b>Risk:</b>	The agreed actions detailed in Internal Audit reports are designed to mitigate risks.
<b>Equality:</b>	It was not necessary to undertake an Equality Impact Assessment.
<b>Health and Wellbeing:</b>	There are no direct health and wellbeing implications from this report.

<b>Social Value</b>	There are no direct social value implications from this report.
<b>Climate Change:</b>	There are no direct climate change implications from this report.
<b>Corporate Parenting:</b>	There are no direct corporate parenting implications from this report.

## **7. Appendices**

None.

## **8. Background Papers**

CIPFA Audit Committee Update – Issue 40 (November 2024)