

# Appendix A



## Briefing Note on the Global Internal Audit Standards (2024)

### 1. Background

Internal Audit in UK local government is currently required to comply with [Public Sector Internal Audit Standards](#), 2017 (PSIAS), which applies the Institute of Internal Auditors (IIA) [International Professional Practices Framework](#) (IPPF) to the UK public sector.

The new [Global Internal Audit Standards](#) (GIAS) were published by the Institute of Internal Auditors in January 2024 and will replace the IPPF from January 2025. The relevant Internal Audit Standard Setters (RIASS) have the authority for setting standards for internal audit in the UK public sector and CIPFA is the internal audit standard setter for UK local authorities. CIPFA have decided that the GIAS together with a [UK application note](#) will apply to the UK public sector from April 2025, subject to sector specific interpretations and requirements.

The main adjustments required to the GIAS for application in UK local government reflect the operation of governance within the UK local government sector. This CIPFA code sets out the basis for suitably adjusted essential conditions, and when the code is applied, the objectives of the GIAS conditions will be achieved. The following table outlines the differences between the 2017 and 2024 standards at a macro level:

Public Sector Internal Audit Standards Sections	Global Internal Audit Standards Domains
<p>The Mission of Internal Audit The Definition of Internal Audit Core Principles for the Professional Practice of Internal Auditing Code of Ethics Standards, which consist of:</p> <ul style="list-style-type: none"><li>• Attribute standards (e.g. purpose, authority and responsibility)</li><li>• Performance standards</li></ul>	<p>These have been incorporated into the five domains of the new GIAS:</p> <p>Domain I: Purpose of Internal Auditing Domain II: Ethics and Professionalism Domain III: Governing the Internal Audit Function Domain IV: Managing the Internal Audit Function Domain V: Performing Internal Audit Services</p>

The five GIAS domains include 15 guiding principles that enable effective internal auditing. Each principle is supported by standards (52 in total) that contain requirements, considerations for implementation, and examples of evidence of conformance. In addition, there is non-mandatory global guidance on subjects such as assurance and advisory services, engagements, internal audit strategy and management, fraud and other pervasive risks.

The IIA created a [two-way map](#) that shows the relationship between the 2017 and 2024 standards.

## **2. Purpose of Internal Auditing**

The first domain in GIAS builds on the mission and definition of Internal Audit from the previous standards and brings them together, alongside elements required to ensure Internal Audit is as effective as possible.

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments

In the UDC context, the board is the Audit & Standards Committee, senior management is Corporate Management Team and Internal Audit is a key part of the governance framework. The Audit Manager fulfils the role of Chief Audit Executive (CAE) and has responsibility for ensuring the audit work achieves the required standards. He reports administratively to the Director of People, Performance and People. Audit independence is maintained through regular reporting to CMT and Audit and Standards Committee supplemented by one to ones with the Chief Executive.

## **3. Governing the Internal Audit Function**

Domain III of GIAS outlines the essential governance arrangements required for an effective internal audit service. It expands the purpose, authority and responsibility standard from PSIAS to incorporate the reporting to and oversight by senior management and the board. Internal Audit needs the support of the board and senior management to ensure it has the resources and access across the organisation it needs to fulfil its remit.

Appropriate governance arrangements are essential to enable the internal audit function to be effective. This domain outlines the requirements for chief audit executives to work closely with the board to establish the internal audit function, position it independently, and oversee its performance. This domain also outlines senior management's responsibilities that support the board's responsibilities and promote strong governance of the internal audit function. While the chief audit executive is responsible for the requirements in this domain, activities of the board and senior management are essential to the internal audit function's ability to fulfil the Purpose of Internal Auditing. These activities are identified as "essential conditions" in each standard and establish a necessary foundation for an effective dialogue between the board, senior management, and the chief audit executive, ultimately enabling an effective internal audit function.

The chief audit executive must discuss this domain with the board and senior management. The discussions should focus on:

- The Purpose of Internal Auditing as articulated in Domain I: Purpose of Internal Auditing.
- The essential conditions outlined under each of the standards in Domain III: Governing the Internal Audit Function.
- The potential impact on the effectiveness of the internal audit function if the board or senior management does not provide the support outlined in the essential conditions.

The discussions are needed to inform the board and senior management about the importance of the essential conditions and to gain alignment among their respective responsibilities. The nature and frequency of these discussions depend on the circumstances and changes in the organization. For example, the chief audit executive should discuss these essential conditions with the board and senior management if:

- The standards change significantly, or a new internal audit function is created.
- The chief audit executive is new to the role or organization.
- There are significant changes in the relationship between the board and the chief audit executive, such as a new chairperson to whom the chief audit executive reports or a change in the structure or composition of the board that affects this reporting relationship.
- There are significant changes in the structure or composition of senior management that affect the chief audit executive's positioning within the organization.

There is broad compatibility between the old and new standards, with the new standards requiring greater clarity on roles and responsibilities. There are two new standards within this domain:

- The chief audit executive must help the board understand the qualifications and competencies of a chief audit executive that are necessary to manage the internal audit function. The CIPFA application note makes it clear that, for UK local government, a Chartered Member of the Institute of Internal Auditors (CMIIA) or Consultative Committee of Accountancy Bodies (CCAB) qualification with suitable internal audit experience are minimum requirements.
- Senior Management and the board should input to Internal Audit's performance objectives and participate in the CAE's annual assessment.

In practical terms, the new standards will also require:

- This briefing note and subsequent discussion of the new GIAS with CMT and Audit & Standards Committee
- An update to the Internal Audit Charter
- Formalising the safeguards in place regarding the Audit Manager's oversight of the Council's counter-fraud activity.

The essential conditions identified by in GIAS are found in the following table:

Standard	Audit and Standards Committee	CMT
Standard 6.1 Internal Audit Mandate	<ul style="list-style-type: none"> <li>• Discuss with the chief audit executive and senior management the appropriate authority, role, and responsibilities of the internal audit function.</li> <li>• Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in discussions with the board and chief audit executive and provide input on expectations for the internal audit function that the board should consider when establishing the internal audit mandate.</li> <li>• Support the internal audit mandate throughout the organization and promote the authority granted to the internal audit function.</li> </ul>
Standard 6.2 Internal Audit Charter	<ul style="list-style-type: none"> <li>• Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function.</li> <li>• Approve the internal audit charter.</li> <li>• Review the internal audit charter with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization.</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate with the board and chief audit executive about management's expectations that should be considered for inclusion in the internal audit charter.</li> </ul>
Standard 6.3 Board and Senior Management Support	<ul style="list-style-type: none"> <li>• Champion the internal audit function to enable it to fulfil the Purpose of Internal Auditing and pursue its strategy and objectives.</li> <li>• Work with senior management to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.</li> <li>• Support the chief audit executive through regular, direct communications. Demonstrate support by: <ul style="list-style-type: none"> <li>– Specifying that the chief audit executive reports to a level within the organization that allows the internal audit function to fulfil the internal audit mandate.</li> <li>– Approving the internal audit charter, internal audit plan, budget, and resource plan.</li> <li>– Making appropriate inquiries of senior management and the chief audit executive to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.</li> <li>– Meeting periodically with the chief audit executive in sessions without senior management present.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Support recognition of the internal audit function throughout the organization.</li> <li>• Work with the board and management throughout the organization to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.</li> </ul>

Standard	Audit and Standards Committee	CMT
Standard 7.1 Organizational Independence	<ul style="list-style-type: none"> <li>• Establish a direct reporting relationship with the chief audit executive and the internal audit function to enable the internal audit function to fulfil its mandate.</li> <li>• Authorize the appointment and removal of the chief audit executive.</li> <li>• Provide input to senior management to support the performance evaluation and remuneration of the chief audit executive.</li> <li>• Provide the chief audit executive with opportunities to discuss significant and sensitive matters with the board, including meetings without senior management present.</li> <li>• Require that the chief audit executive be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the board when necessary.</li> <li>• Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the chief audit executive that are beyond the scope of internal auditing.</li> <li>• Engage with senior management and the chief audit executive to establish appropriate safeguards if chief audit executive roles and responsibilities impair or appear to impair the internal audit function's independence.</li> <li>• Engage with senior management to ensure that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.</li> </ul>	<ul style="list-style-type: none"> <li>• Position the internal audit function at a level within the organization that enables it to perform its services and responsibilities without interference, as directed by the board. Recognize the chief audit executive's direct reporting relationship with the board.</li> <li>• Engage with the board and the chief audit executive to understand any potential impairments to the internal audit function's independence caused by non-audit roles or other circumstances and support the implementation of appropriate safeguards to manage such impairments.</li> <li>• Provide input to the board on the appointment and removal of the chief audit executive.</li> <li>• Solicit input from the board on the performance evaluation and remuneration of the chief audit executive</li> </ul>
Standard 7.2 Chief Audit Executive Qualifications	<ul style="list-style-type: none"> <li>• Review the requirements necessary for the chief audit executive to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function.</li> <li>• Approve the chief audit executive's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.</li> <li>• Engage with senior management to appoint a chief audit executive with the qualifications and competencies necessary to manage the internal audit function effectively and ensure the quality performance of internal audit services</li> </ul>	<ul style="list-style-type: none"> <li>• Engage with the board to determine the chief audit executive's qualifications, experience, and competencies.</li> <li>• Enable the appointment, development, and remuneration of the chief audit executive through the organization's human resources processes.</li> </ul>

Standard	Audit and Standards Committee	CMT
Standard 8.1 Board Interaction	<ul style="list-style-type: none"> <li>• Communicate with the chief audit executive to understand how the internal audit function is fulfilling its mandate.</li> <li>• Communicate the board's perspective on the organization's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.</li> <li>• Set expectations with the chief audit executive for: <ul style="list-style-type: none"> <li>– The frequency with which the board wants to receive communications from the chief audit executive.</li> <li>– The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board's risk tolerance.</li> <li>– The process for escalating matters of importance to the board.</li> </ul> </li> <li>• Gain an understanding of the effectiveness of the organization's governance, risk management, and control processes based on the results of internal audit engagements and discussions with senior management.</li> <li>• Discuss with the chief audit executive disagreements with senior management or other stakeholders and provide support as necessary to enable the chief audit executive to perform the responsibilities outlined in the internal audit mandate.</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate senior management's perspective on the organization's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.</li> <li>• Assist the board in understanding the effectiveness of the organization's governance, risk management, and control processes.</li> <li>• Work with the board and the chief audit executive on the process for escalating matters of importance to the board</li> </ul>
Standard 8.2 Resources	<ul style="list-style-type: none"> <li>• Collaborate with senior management to provide the internal audit function with sufficient resources to fulfil the internal audit mandate and achieve the internal audit plan.</li> <li>• Discuss with the chief audit executive, at least annually, the sufficiency, both in numbers and capabilities, of internal audit resources to fulfil the internal audit mandate and achieve the internal audit plan.</li> <li>• Consider the impact of insufficient resources on the internal audit mandate and plan.</li> <li>• Engage with senior management and the chief audit executive on remedying the situation if the resources are determined to be insufficient.</li> </ul> <p><i>In UK Local Government, Internal Audit's resourcing is managed through the Council's budget setting process. The Audit and Standards Committee should raise concerns if they believe internal resource to be insufficient to fulfil its mandate and purpose.</i></p>	<ul style="list-style-type: none"> <li>• Engage with the board to provide the internal audit function with sufficient resources to fulfil the internal audit mandate and achieve the internal audit plan.</li> <li>• Engage with the board and the chief audit executive on any issues of insufficient resources and how to remedy the situation.</li> </ul>

Standard	Audit and Standards Committee	CMT
Standard 8.3 Quality	<ul style="list-style-type: none"> <li>• Discuss with the chief audit executive the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function.</li> <li>• Approve the internal audit function's performance objectives at least annually. (See also Standard 12.2 Performance Management.)</li> </ul> <p>Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes:</p> <ul style="list-style-type: none"> <li>– Reviewing the internal audit function's performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal audit mandate; and progress towards completion of the internal audit plan.</li> <li>– Considering the results of the internal audit function's quality assurance and improvement program.</li> <li>– Determining the extent to which the internal audit function's performance objectives are being met.</li> </ul> <p><i>In UK Local Government, Internal Audit's performance is monitored and reported through the Council's mechanisms. The Audit and Standards Committee should feed into this process for Internal Audit.</i></p>	<ul style="list-style-type: none"> <li>• Provide input on the internal audit function's performance objectives.</li> <li>• Participate with the board in an annual assessment of the chief audit executive and internal audit function.</li> </ul>
Standard 8.4 External Quality Assessment	<ul style="list-style-type: none"> <li>• Discuss with the chief audit executive the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team.</li> <li>• Collaborate with senior management and the chief audit executive to determine the scope and frequency of the external quality assessment.</li> <li>• Consider the responsibilities and regulatory requirements of the internal audit function and the chief audit executive, as described in the internal audit charter, when defining the scope of the external quality assessment.</li> <li>• Review and approve the chief audit executive's plan for the performance of an external quality assessment. Such approval should cover, at a minimum: <ul style="list-style-type: none"> <li>– The scope and frequency of assessments.</li> <li>– The competencies and independence of the external assessor or assessment team.</li> <li>– The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.</li> </ul> </li> <li>• Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.</li> <li>• Review and approve the chief audit executive's action plans to address identified deficiencies and opportunities for improvement, if applicable.</li> <li>• Approve a timeline for completion of the action plans and monitor the chief audit executive's progress</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate with the board and the chief audit executive to determine the scope and frequency of the external quality assessment.</li> <li>• Review the results of the external quality assessment, collaborate with the chief audit executive and board to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans</li> </ul>

#### 4. Managing the Internal Audit Function

Domain IV of the GIAS groups together the standards required to ensure the service delivers the assurance required by the organisation.

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.

The individual responsible for managing the internal audit function is expected to conform with the Standards including performing the responsibilities described in this domain whether the individual is directly employed by the organization or contracted through an external service provider. The specific job title and responsibilities may vary across organizations.

The chief audit executive may delegate appropriate responsibilities to other qualified professionals in the internal audit function but retains ultimate accountability.

The direct reporting relationship between the board and the chief audit executive enables the internal audit function to fulfil its mandate. In addition, the chief audit executive typically has an administrative reporting line to the highest-ranking person in senior management, such as the chief executive officer, to support day-to-day activities and establish the status and authority necessary to ensure the results of the internal audit services are given due consideration.

GIAS represents an evolution in audit practice and will require an update to the Internal Audit strategy. In practical terms, the new standards will also require:

- Increased detail in the internal audit strategy, especially around the use of information technology and human resources. CIPFA's UK Application Note recognises Audit Committees in Local Government don't have control over financial, human and technological resources which provides a constraint that will have to be considered.
- Improved co-ordination with other internal and external assurance providers. CIPFA's UK Application Note also recognises that there is limited scope in UK Local Government for co-ordination with some regulatory bodies. These barriers will need to be reported, but the regulators' reports make valuable contributions to the overall assurance map.



## 5. Performing Internal Audit Services

Domain V of the GIAS groups together the standards required to ensure consistent quality audit work that delivers the assurance required by the organisation.

Performing internal audit services 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.

Although the standards for performing engagements are presented in a sequence, the steps in performing engagements are not always distinct, linear, and sequential. In practice, the order in which steps are performed may vary by engagement and have overlapping and iterative aspects. For example, engagement planning includes gathering information and assessing risks, which may continue throughout the engagement. Each step may affect another or the engagement as a whole. Therefore, internal auditors should review and understand all standards in this domain before beginning an engagement.

Internal audit services involve providing assurance, advice, or both. Internal auditors are expected to apply and conform with the Standards when performing engagements, whether they are providing assurance or advice, except when otherwise specified in individual standards.

Assurance services are intended to provide confidence about governance, risk management, and control processes to the organization's stakeholders, especially the board, senior management, and the management of the activity under review. Through assurance services, internal auditors provide objective assessments of the differences between the existing conditions of an activity under review and a set of evaluation criteria. Internal auditors evaluate the differences to determine whether there are reportable findings and to provide a conclusion about the engagement results, including reporting when processes are effective.

Internal auditors may initiate advisory services or perform them at the request of the board, senior management, or the management of an activity. The nature and scope of advisory services may be subject to agreement with the party requesting the services. Examples of advisory services include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. When performing advisory services, internal auditors are expected to maintain objectivity by not taking on management responsibility. For example, internal auditors may perform advisory services as individual engagements, but if the chief audit executive takes on responsibilities beyond internal auditing, then appropriate safeguards must be implemented to maintain the internal audit function's independence.

Internal audit services are performed as described in the chief audit executive's established methodologies. The chief audit executive may delegate appropriate responsibility to other qualified professionals in the internal audit function but retains ultimate accountability.

GIAS represents an evolution in audit practice and will require an update to the Internal Audit methodology. CIPFA's application note also requires value for money to be considered. In practical terms, the new standards will also require:

- Establishing a methodology for communicating disagreements between management and internal audit regarding findings and recommendations.
- Ensuring final reports show where actions to address issues raised in audits are underway.

## 6. The Code of Ethics

All Internal Auditors must abide by the IIA's Code of Ethics in all the work they do. In PSIAS, this was standalone. GIAS integrates this into the standards as Domain II.

The principles and standards in the Ethics and Professionalism domain of the Global Internal Audit Standards replace The IIA's former Code of Ethics and outline the behavioural expectations for professional internal auditors; including chief audit executives, other individuals, and any entities that provide internal audit services. 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 judgment.

All internal auditors are required to conform with the standards of ethics and professionalism. If internal auditors are expected to abide by other codes of ethics, behaviour, or conduct, such as those of an organization, conformance with the principles and standards of ethics and professionalism contained herein is still expected. The fact that a particular behaviour is not mentioned in these principles and standards does not preclude it from being considered unacceptable or discreditable.

While internal auditors are responsible for their own conformance, the chief audit executive is expected to support and promote conformance with the principles and standards in the Ethics and Professionalism domain by providing opportunities for training and guidance. The chief audit executive may choose to delegate certain responsibilities for managing conformance but retains accountability for the ethics and professionalism of the internal audit function.

The new standards retain the principles of integrity, objectivity, competency and confidentiality. They add in the due professional care (which includes professional scepticism) as a new ethical principle to be applied to audit work.

CIPFA's UK Application Note adds the complementary requirement for internal auditors in local government to comply with the Nolan Principles (selflessness, integrity, objectivity, accountability, openness, honesty, leadership).