

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Global Internal Audit Standards and Internal Audit Charter
Meeting date	20 March 2025
Status	Public Report
Executive summary	<p>To comply with the new Global Internal Audit Standards (GIAS), the Application Note for the Global Internal Audit Standards in the UK Public Sector and CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government, this report introduces the new Internal Audit Charter for BCP Council. The Internal Audit Charter has been completely revised in light of the new requirements and contains other key documents, such as the Internal Audit Strategy and the Quality Assurance & Improvement Programme.</p> <p>This report also provides an overview of the GIAS, which comes into effect from 1 April 2025 and the action plan in place to ensure full conformance with the standards.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee approve the Internal Audit Charter having considered the following:</p> <ul style="list-style-type: none"> • The mandate which : <ul style="list-style-type: none"> ○ includes appropriate authority, role and responsibilities of the internal audit function ○ provides expected scope and types of internal audit services ○ ensures the independence and effective performance of internal audit • Content of the Internal Audit Strategy • Change to performance target 1A of the Quality Assurance and Improvement Program – “To complete the final revised annual audit plan by 30 May or 31 July for agreed cross-year engagements” • Arrangements to manage organisational independence and conflicts of interest, including in those areas which the Chief Internal Auditor manages
Reason for	To comply with Global Internal Audit Standards and Application Note for the public sector through the production and approval by

recommendations	the Audit & Governance Committee of the Internal Audit Charter.
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance
Corporate Director	Graham Farrant, Chief Executive
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Wards	Council-wide
Classification	For Decision and Information

Background

1. The new [Global Internal Audit Standards](#) (GIAS), produced by the Institute of Internal Auditors (IIA), guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of internal audit functions. The new GIAS will replace the existing Public Sector Internal Audit Standards (PSIAS).
2. Auditors working in the UK public sector must follow the requirements of the GIAS, subject to the interpretations and additional requirements set out in the [Application Note: Global Internal Audit Standards in the UK Public Sector](#), which both come into effect from the 1 April 2025.
3. These are supplemented by the [CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government](#), which supports authorities in establishing their internal audit arrangements and provide oversight and support for internal audit. This also comes into effect from the 1 April 2025.

The new Global Internal Audit Standards

4. One of the key changes is a structural change, where elements have been consolidated into a new structure and categorised into:
 - 5 Domains,
 - 15 Principles, and
 - 52 Standards

as shown in the diagram below (taken from The Institute of Internal Auditors), together with some of the new requirements and key changes shown in *italics*.

Domain V – Performing Internal Audit Services

Principles:

- 13. Plan Engagements Effectively
- 14. Conduct Engagement Work
- 15. Communicate Engagement Conclusions and Monitor Action Plans

Some new requirements such as determining root cause analysis

Domain IV – Managing the IA Function

Principles:

- 9. Plan Strategically
- 10. Manage Resources
- 11. Communicate Effectively
- 12. Enhance Quality

Some new requirements such as for an internal audit strategy

Domain I – Purpose of Internal Auditing
Shortest domain – emphasises the purpose of IA



Domain II – Ethics and Professionalism

Principles:

- 1. Demonstrate Integrity
- 2. Maintain Objectivity
- 3. Demonstrate Competency
- 4. Exercise Due Professional Care
- 5. Maintain Confidentiality

Reorganisation of the Code of Ethics & introduces new terms such as professional courage & professional

Domain III – Governing the IA Function

Principles:

- 6. Authorised by the Board
- 7. Positioned Independently
- 8. Overseen by the Board

Changes include outlining essential conditions necessary for optimal internal audit, senior management and board (Audit Committee) collaboration and the requirement for a mandate

Topical Requirements – provides consistent, comprehensive approach to governance, risk management and control processes in key risk areas.

Diagram from Institute of Internal Auditors

5. Other key changes include:

- a. Board (Audit & Governance Committee) and Senior Management involvement necessary to perform oversight responsibilities
- b. Introduction of an Internal Audit Strategy
- c. Introduction of Topical standards – such as cybersecurity, information technology governance and sustainability – to provide consistent, comprehensive approach to governance, risk management and control processes in key risk areas.

Self-Assessment

6. In preparation for the GIAS, a self-assessment against the mandatory requirements was undertaken using the tool provided by the Chartered Institute of Internal Auditors. Each standard was assessed using the criteria 'Generally Conforms / Partially Conforms / Does Not Conform'. These are then aggregated using the guidelines that where over 50% of requirements are met, 'Generally Conforms' will be applied, 'Partial Conforms' for between 25% - 50%, and 'Does Not Conform' for under 25%.
7. An initial assessment was carried out in July 2024, where partial conformance was identified against some standards. There were also areas where conformance could not be readily evidenced although the standard was met in practice. An action plan was put in place, and a second self-assessment was undertaken in February 2025 where it was judged that the internal audit function '**generally conforms**' across all standards / domains.
8. There are still a number of areas for development which are required in order to meet full conformance and therefore an action plan is being delivered to address these.

Action Plan

9. The attached action plan (Appendix 1) shows the required actions in order to meet full conformance with the GIAS. In summary, the actions are as follows:
 - Update of the Audit Manual – whilst most requirements are already included, a full assessment and cross-referencing is still to be undertaken
 - Undertake competency assessments – this is a new requirement
 - Consult/engage with senior management – across a number of areas
 - Identify emerging themes in audit findings
 - Use of service's performance management in audits
 - Establish a library of work programmes
 - Introduce root cause analysis
 - Include Topical Requirements where required
10. There are also a number of 'desirable' actions, which would enhance conformance, included on the wider action plan being delivered by Internal Audit but are of lower priority.

Internal Audit Charter (including Mandate) 2025/26

11. In order to comply with the GIAS, a new Internal Audit Charter (including Mandate) has been produced to take effect from 1 April 2025.
12. Audit & Governance Committee are asked to approve the Internal Audit Charter (Appendix 2) which includes the:
 - Purpose of Internal Auditing;
 - Commitment to adhering to the Global Internal Audit Standards;
 - Mandate, including scope and types of services, Audit & Governance Committee and senior management responsibilities, expectations and support;
 - Organisational position and reporting relationships.
13. The Internal Audit Charter is divided into the five Domains of the GIAS and linked to the individual standards.
14. Section 6 (of the Charter) includes the Purpose and Mandate for Internal Audit. The definition has been updated to reflect the role of Internal Audit in provision of insight and foresight, in addition to assurance and advice.
15. The inclusion of the Mandate is a new requirement. The mandate for BCP Council's Internal Audit function is provided by the Accounts and Audit Regulations 2015 (as amended), supplemented by the Local Government Act 1972 and the BCP Council Constitution (including the Terms of Reference for the Audit & Governance Committee and Financial Regulations). Audit & Governance Committee should note the mandate:
 - includes appropriate authority, role and responsibilities of the internal audit function
 - provides expected scope and types of internal audit services
 - ensures the independence and effective performance of internal audit
16. Audit & Governance Committee should also note that the Charter includes:
 - Internal Audit Strategy 2025 – 2028 (Charter ref 8.2 / Appendix C) – this is a new requirement which aims to ensure the Internal Audit function supports both the strategic success of BCP Council and continually strives to improve its own quality, performance and efficiency. The specific development areas include:
 - Compliance with GIAS
 - Use of Artificial Intelligence
 - Qualification training of apprentices
 - Data Analytics Strategy
 - Audit Management System
 - Data Analytics Strategy 2025-2028 (Charter Appendix D) – this has been updated to reflect the data analytics maturity level from 'Aware' to 'Defined', added use of Artificial Intelligence, and refreshed the actions to move towards 'Managed' maturity level

- Information sources to determine the scope of an audit (Charter Appendix E) – to help stakeholders understand how audits are selected for the audit plan and scoped
 - An updated Quality Assurance and Improvement Program (QAIP) (Charter Appendix H) – Audit & Governance Committee are asked to particularly note performance target 1A. This had previously referred to completion of 90% of the audit plan. However, this has now been changed to completion of the (whole of) the final revised annual audit plan, and includes dates by which the audits should be completed. This has been changed to reflect the move away from a static annual plan a number of years ago, to a more dynamic plan which is updated through the year in response to risks and changing priorities. Any audits which do not meet the deadlines will be reported to Audit & Governance Committee.
 - Domain III gives particular responsibilities to Audit & Governance Committee to confirm the independence of the Internal Audit function (Charter ref 6.21 – 6.24 and 7.7 – 7.8). This includes the ability of the Chief Internal Auditor to have direct access to the Chair of Audit & Governance Committee and arrangements to manage conflict of interest risk for those areas the Chief Internal Auditor manages. In these cases, the audit engagements will be overseen by the Deputy Chief Internal Auditors and issued in their name. The Chief Internal Auditor's own personal declarations of interest will be shared with the Chair and Vice Chair of this Committee annually.
 - Whist BCP Council's HR processes will always take precedent, before the appointment of a new Chief Internal Auditor, Audit & Governance Committee will be asked to review job description, remuneration and performance evaluation process (Charter ref 6.24).
 - The Chief Internal Auditor will report to Audit & Governance Committee regarding the adequacy of financial and human resources, of the Internal Audit team, to allow fulfilment of its responsibilities (Charter ref 8.12).
17. The Internal Audit Charter and Mandate will be reviewed by Internal Audit at least annually or when changes are required and reported to Audit & Governance Committee annually (Charter ref 4.2).

Options Appraisal

18. An options appraisal is not applicable for this report.

Summary of financial implications

19. The introduction of the GIAS will be delivered within existing resources.

Summary of legal implications

20. Compliance with the GIAS will ensure compliance with the Council's legal obligations, including the Accounts and Audit Regulations 2015 (as amended) that requires the Council to "undertake an effective internal audit...taking into account public sector internal auditing standards or guidance".

Summary of human resources implications

21. The Internal Audit team are required to comply with the GIAS, with specific responsibilities relating to Ethics and Professionalism.

Summary of sustainability impact

22. There are no direct sustainability impact implications from this report.

Summary of public health implications

23. There are no direct public health implications from this report.

Summary of equality implications

24. The Charter and accompanying Equality Impact Assessment (EIA), shown in Appendix A of the Audit Charter, has been reviewed by the Council's Equalities team and determined that it does not need to go to an EIA Panel due to the high level of this document and the lack of equalities implications.
25. In summary, the Charter has been considered in light of all protected characteristics and will ensure that Internal Audit reviews Council services to ensure that they are operating efficiently and safeguarding public resources, supporting the council to support vulnerable people from across a range of protected characteristics.
26. No negative equality impacts have been identified; however, all internal processes are considered with regard to equality and fairness and adhere to global standards and best practice.

Summary of risk assessment

27. Non-compliance with the Global Internal Audit Standards (GIAS), the Application Note for the Global Internal Audit Standards in the UK Public Sector and CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government risks that the Internal Audit function do not provide an effective and efficient internal audit service and do not comply with legislation. There is a risk that key risk, governance and control weaknesses in the Council are not identified.

Background papers

None

Appendices

Appendix 1 – GIAS Action Plan

Appendix 2 - Internal Audit Charter 2025/26