

Bolsover District Council

Meeting of the Audit Committee on 22nd January 2025

Global Internal Audit Standards

Report of the Portfolio Holder for Resources

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| Classification | This report is public |
| Contact Officer | Jenny Williams – Head of the Internal Audit Consortium |

PURPOSE/SUMMARY OF REPORT

- To present for members' information the Global Internal Audit Standards (GIAS), the CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector Applicable from 1 April 25 and the CIPFA Consultation document Code of Practice for the Governance of Internal Audit (the Code).
- To ensure that the Audit Committee understands its governance role in respect of internal audit as set out in the new Code.
- To present an action plan to achieve full compliance with the GIAS and the Code.

REPORT DETAILS

1. Background

- 1.1 In January 2024 the Institute of Internal Auditors (IIA) published the Global Internal Audit Standards (Appendix 1) that are intended to guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function.
- 1.2 From the 1st April 2025 the GIAS will replace the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Consortium is currently compliant with the PSIAS and whilst many of the principles of auditing are the same, work is ongoing to ensure full compliance with the GIAS.

2. Details of Proposal or Information

- 2.1 The GIAS are organised into 5 domains: –

- **Domain 1:** Purpose of Internal Auditing – is intended to assist internal auditors and internal audit stakeholders in understanding and articulating the value of internal auditing.

- **Domain 11:** Ethics and Professionalism – outline the behavioural expectations for professional internal auditors, including Chief Audit Executives (Head of Internal Audit). Conformance with these principles and standards instills 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 judgement.
- **Domain 111:** Governing the Internal Audit Function – Appropriate governance arrangements are essential to enable the internal audit function to be effective. This domain outlines the requirements for the Chief Audit Executive to work closely with the board (Audit Committee) to establish the internal audit function, position it independently, and oversee its performance. This domain also outlines senior managements responsibilities that support the board's responsibilities and promote strong governance of the internal audit function.
- **Domain 1V:** Managing the Internal Audit Function - 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.
- **Domain V:** Performing Internal Audit Services – this 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.

2.2 Within these domains are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfil the purpose of internal auditing.

2.3 The next external review of Internal Audit is due in May 2026 and this review will need to assess the Internal Audit Consortium's compliance with the GIAS.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector Applicable from 1 April 25

2.4 While the Global Internal Audit Standards (GIAS) apply to all internal audit functions, internal auditors in the public sector work in a political environment under governance, organisational and funding structure. The CIPFA Application note (Appendix 2) therefore sets out the interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector.

CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government.

- 2.5 CIPFA has developed the Consultation Code of Practice for the Governance of Internal Audit in Local Government (the Code) (Appendix 3) to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit. The Code is designed to work alongside the new internal audit standards.
- 2.6 The Code is aimed at those responsible for ensuring effective governance arrangements for internal audit so for Bolsover District Council this is the Audit Committee.
- 2.7 The Code is currently in draft pending finalisation by CIPFA.

Action Plan to achieve conformance with the Global Internal Audit Standards in the UK Public Sector and with the Code of Practice for the Governance of Internal Audit

- 2.8 The Head of the Internal Audit Consortium has undertaken a self-assessment against the Global Internal Audit Standards using the Institute of Internal Auditors self-assessment toolkit.
- 2.9 Whilst the bulk of the Standards are already complied with, some areas for improvement have been identified to ensure full compliance and these are detailed in the action plan at Appendix 4.
- 2.10 In summary, the main action plan points relate to: -
- Updates to current documentation to ensure that they reference the GIAS rather than the PSIAS e.g. The Internal Audit Charter, Internal Audit Manual,
 - Retaining evidence of regular training on ethical and professional behaviour, objectivity, due professional care and communication skills,
 - Clarifying Board (Audit Committee) responsibilities championing internal audit and assessing their effectiveness,
 - Development of an Internal Audit Strategy,
 - Documentation of the basis of reliance on other assurances,
 - Greater emphasis on identifying the root cause of problems identified,
 - 2025/26 Annual Governance Statement to detail how the Council complies with the Code.

3. Reasons for Recommendation

- 3.1 To update Members on the GIAS and Code of Practice in respect of the operation and governance of internal audit.

4 Alternative Options and Reasons for Rejection

- 4.1 N/A

RECOMMENDATION(S)

That the report be noted.

IMPLICATIONS:

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| <u>Finance and Risk</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Details: Compliance with the GIAS and the Code ensures that internal audit is operating in accordance with best practice which reduces the risk that weaknesses in respect of governance, risk and internal control go undetected. On behalf of the Section 151 Officer |
| <u>Legal (including Data Protection)</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Details: The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account the Public Sector Internal Audit Standards or guidance”. On behalf of the Solicitor to the Council |
| <u>Staffing</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Details: The GIAS can be implemented with the current resources available. On behalf of the Head of Paid Service |
| <u>Equality and Diversity, and Consultation</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Details: N/A |
| <u>Environment</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Details: N/A |

DECISION INFORMATION:

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| <p><input checked="" type="checkbox"/> Please indicate which threshold applies:</p> <p>Is the decision a Key Decision? A Key Decision is an Executive decision which has a significant impact on two or more wards in the District or which results in income or expenditure to the Council above the following thresholds:</p> <p>Revenue (a) Results in the Council making Revenue Savings of £75,000 or more or (b) Results in the Council incurring Revenue Expenditure of £75,000 or more.</p> <p>Capital (a) Results in the Council making Capital Income of £150,000 or more or (b) Results in the Council incurring Capital Expenditure of £150,000 or more.</p> <p>District Wards Significantly Affected: <i>(to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the District)</i> Please state below which wards are affected or tick All if all wards are affected:</p> | <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>(a) <input type="checkbox"/> (b) <input type="checkbox"/></p> <p>(a) <input type="checkbox"/> (b) <input type="checkbox"/></p> <p>All <input type="checkbox"/></p> |
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| <p>Is the decision subject to Call-In? <i>(Only Key Decisions are subject to Call-In)</i></p> <p>If No, is the call-in period to be waived in respect of the decision(s) proposed within this report? <i>(decisions may only be classified as exempt from call-in with the agreement of the Monitoring Officer)</i></p> <p>Consultation carried out: <i>(this is any consultation carried out prior to the report being presented for approval)</i></p> <p>Leader <input type="checkbox"/> Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/></p> | <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> |
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| <p>Links to Council Ambition: Customers, Economy, Environment Housing</p> |
| <p>Compliance with the GIAS requires that Internal Audit reviews focus on helping to meet the objectives of the Council.</p> |

DOCUMENT INFORMATION

| Appendix No | Title |
|-------------|---|
| 1 | Global Internal Audit Standards |
| 2 | CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector Applicable from 1 April 2025 |
| 3 | Consultation CIPFA Code of Practice for the Governance of Internal Audit |
| 4 | Action Plan to achieve conformance with the Global Internal Audit Standards in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit |

Background Papers

(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).

DECEMBER 2024