

Teignbridge District Council

Audit Scrutiny

16 April 2025

Part 1

GLOBAL INTERNAL AUDIT STANDARDS 2025

Purpose of Report

To advise members of the new Global Internal Audit Standards (GIAS); the Application Note from the Chartered Institute of Public Finance and Accountancy (CIPFA) applicable to internal audit from 1 April 2025; and the Code of Practice for the Governance of Internal Audit (the Code).

Recommendation(s)

It is recommended for the Audit Scrutiny Committee to note the report and monitor the implementation of the standards.

Financial Implications

None. There are no significant financial implications at the present time. There may be some minor additional training costs in terms of maintaining continuing professional development but these are typically met from the existing corporate training budget.

Legal Implications

The Accounts and Audit Regulations 2015 require councils to undertake an effective internal audit to evaluate risk management, control and governance processes, taking into account the Public Sector Audit Standards (PSIAS) or guidance. PSIAS have been replaced with GIAS, and the CIPFA Application Note with effect from 1 April 2025.

Risk Assessment

Risk of weaknesses in the council's governance, risk and internal control systems going undetected are reduced if internal audit is following best practice.

Environmental / Climate Change Implications

None.

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Executive Member

Councillor John Parrot – Executive Member for Corporate Resources

1. INTRODUCTION / BACKGROUND

- 1.1 Since 2017, the Public Sector Internal Audit Standards (PSIAS) have provided the basis for internal audit in the public sector. Teignbridge internal audit service has been broadly compliant with these, as previously reported in its annual self-assessment.
- 1.2 The Global Institute of Internal Auditors (the IIA) published new Global Internal Audit Standards (GIAS) which became effective from 9th January 2025 applicable to both private and public sector worldwide. The GIAS and associated CIPFA Application Note came into effect for UK local government on 1st April 2025. The Application Note sets out the interpretations and requirements which need to be applied to the GIAS requirements, in order for make them suitably relevant to the UK public sector.
- 1.3 The authority for setting standards for internal audit in the UK public sector rests with the Relevant Internal Audit Standard Setters (RIASS). These comprise HM Treasury for central government, Dept of Health and Social Care for the health sector, and CIPFA for local government. To support the standards' development, the UK public sector Internal Audit Standards Advisory Board (IASAB) was created. IASAB includes representatives from the

each of the RIASS, Chartered IIA, audit committees and internal audit practitioners. They consult and advise the RIASS on the standards to be used.

1.4 The GIAS aim to promote quality, consistency, and value in internal audit service, and assist internal audit stakeholders in understanding and articulating the value of internal auditing.

1.5 **The Standards**. The GIAS covers all aspects of Internal Audit best practice and guidance split into 5 Domains:

- 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

1.6 Within the 5 Domains there are 15 Core Principles:



1.7 The Core Principles are the fundamental values underpinning internal audit. Supporting the principles are 52 Standards, including the requirements for implementation, along with example of evidence of conformance.

1.8 There are two frequently used terms within the documents which are worthy of mention to aid members' understanding:

- **"The Board"**. The local government equivalent is the Audit Committee.
- **"Chief Audit Executive"**. This is the IIA's standard term for a Head of Internal Audit. In Teignbridge this currently the Audit and Information Governance Manager.

1.9 Key new or revised standards include:

- A new Purpose statement that sets out the value of internal audit;
- New behavioural requirements for internal auditors, including the concept of 'Professional Scepticism';
- Domain III covers the governance of internal audit and represents a significant change. Although it covers areas that were in the 2017 standards, the new standards go further and explicitly lay out requirements for Senior Management and the Audit Committee (the Board);
- The standards require an Internal Audit Mandate to be approved by the Audit Committee. The mandate sets out the authority, role, responsibilities, scope and types of services. It also considers organisational independence, including interference such as limiting budgets or resources of Internal Audit;
- The chief audit executive (Chief Internal Auditor) must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the board, senior management, and other key stakeholders;
- The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. If unable to achieve an appropriate level of coordination, the chief audit executive must raise any concerns with senior management and, if necessary, the Board;

- The chief audit executive must strive to ensure that the internal audit function has the technology to support the internal audit process. The chief audit executive must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency. The chief audit executive must communicate the impact of technology limitations on the effectiveness or efficiency of the internal audit function to the board and senior management. The chief audit executive must collaborate with the organisation's information technology and information security functions to implement technological resources properly;
- If internal auditors and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both parties to express their positions and rationale and to determine a resolution;
- Internal auditors must ensure the final communication to stakeholders for individual engagements is reviewed and approved by the chief audit executive before it is issued;
- New to the Global Internal Audit Standards are the setting of Topical Requirements. These are intended to assist the internal audit function by providing structure and consistency in covering governance, risk and control over specified areas.

1.10 **Code of Ethics.** The IIA's former Code of Ethics is now incorporated within the Ethics and Professionalism domain of the standards and provides more specific and relevant guidance on how to apply the principles in practice:

- **Integrity:** Internal Auditors are required to report any actual or potential conflicts of interest, and to disclose any personal or professional relationships that may impair their objectivity
- **Objectivity:** Internal Auditors are required to avoid any undue influence or pressure from management or other parties, and to exercise professional scepticism and judgment in their work
- **Confidentiality:** Internal Auditors are required to protect the information they obtain or create during their engagements, and to comply with the applicable laws and regulations on data privacy and security

- **Competency:** Internal Auditors are required to maintain and enhance their knowledge and skills, and to seek feedback and coaching to improve their performance.

2. CONCLUSION

- 2.1 Internal Audit are reviewing key documents and processes that support the strategy and delivery of the service to ensure that they align with the GIAS, the Application Note, and Code of Practice for the Governance of Internal Audit. Progress updates will be provided to the Audit Scrutiny Committee and any areas of non-conformance will be reported in line with the mandatory quality assurance and improvement programme.

