

Audit Committee

31 July 2025

Conformance with the Global Internal Audit Standards

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Summary

To provide Members with the outcomes of a self-assessment against the new Global Internal Audit Standards and the action plan created to address gaps in conformance.

1. Recommendations

- 1.1. The Committee is recommended to note the outcomes of the self-assessment against the Global Internal Audit Standards and the proposed action plan.

2. Budget and policy framework

- 2.1. Council delegates responsibility for the oversight and monitoring the effectiveness of the Internal Audit and Counter Fraud Shared Service to the Audit Committee.

3. Background

- 3.1. The Internal Audit team has been operating in compliance with the Public Sector Internal Audit Standards (PSIAS) throughout the period of operation for the shared service. PSIAS was issued by the Relevant Internal Audit Standard Setters (RIASS) for the UK public sector and was based on the mandatory elements of the Global Institute of Internal Auditors (the IIA) 2017 International Professional Practices Framework (IPPF). Additional, sector specific guidance on how the PSIAS should be applied by local government bodies was provided in a Local Government Application Note published by the Chartered Institute of Public Finance & Accountancy (CIPFA).
- 3.2. In January 2024, the IIA published a set of new Global Internal Audit Standards (the Standards), which came into effect on 9 January 2025. The Standards incorporate all the mandatory elements of the 2017 IPPF, including the Definition of Internal Auditing, Mission of Internal Audit, Code of Ethics, and Core Principles for the Professional Practice of Internal Auditing. Additionally, the Standards incorporate recommended guidance from the 2017 IPPF as considerations for implementation and examples of evidence of conformance.
- 3.3. Alongside the Standards, the IIA have introduced Topical Requirements, which will ensure that all internal audit functions apply a consistent methodology when assessing the effectiveness of governance, risk management and controls in particular topical areas. Collectively, the Standards and Topical requirements,

which are both mandatory, combined with supplementary Global Guidance, form the 2024 IPPF.

- 3.4. Rather than issuing a parallel set of standards to replace PSIAS, the RIASS have agreed to use the Global Internal Audit Standards as the basis for internal auditing in the UK public sector. However, an Application Note: Global Internal Audit Standards in the UK Public Sector (the Application Note) has been developed, allowing the RIASS for individual sectors to choose to issue specific material for their sector, which internal auditors must comply with. CIPFA, as the RIASS for local government, have issued a Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) that, among other things, includes conditions, which, when applied in the local government internal audit context, will achieve the requirements of the Standards. These additional public sector interpretations and requirements were applicable from 1 April 2025.

4. Global Internal Audit Standards

- 4.1. The Standards are arranged into five Domains.
- I. Purpose of Internal Auditing
 - II. Ethics and Professionalism
 - III. Governing the Internal Audit Function
 - IV. Managing the Internal Audit Function
 - V. Performing Internal Audit Services
- 4.2. Domain I. outlines the purpose of internal auditing, while Domains II. to V. set out 15 Principles, and 52 individual standards that support these.
- 4.3. A self-assessment has been undertaken to determine the Internal Audit team's level of conformance with the each of the individual standards. This assessment has considered the elements making up each standard and a RAG rating applied to each element. Full conformance has only been judged on standards with a green rating for all elements. Those with an amber/red rating on at least one element within a standard have been judged as partial conformance, and those where all elements are red, judged as not conforming.
- 4.4. The conclusion of the assessment is that the team conforms with 46 of the 52 standards, partially conforms with a further five (standards 6.1, 9.1, 9.5, 10.3, and 11.3 – see paragraph 4.6), and currently does not conform with one (standard 7.2 - see section 5). While we believe we are conforming with the vast majority of standards, we have used the process as an opportunity to identify where some changes may also help to enhance our evidence of this conformance.
- 4.5. Some of the work required to conform with the new Standards took place as the assessment was being completed, such as changes to our key documents (IA Charter, Strategy, and QAIP) and amendments to the template documents used by the team. However, an action plan to address any remaining gaps in conformance and enhance our evidence base, as referenced in paragraph 4.4, was created alongside the self-assessment.
- 4.6. The full assessment and action plan can be found at Appendix 1, however, the 14 actions that the team plan to undertake are listed below, along with reference to the standard(s) to which they relate, as a number of actions are linked to multiple standards.

- **Action 1** - Develop an Internal Audit training programme, incorporating training on:
 - ethics,
 - laws, regulations and ethical and professional behaviour, objectivity / managing unconscious bias,
 - due professional care,
 - professional scepticism,
 - proper use and protection of information

Target date: 31 March 2026.

(Evidence enhancements for standards 1.1, 1.2, 1.3, 2.1, 2.2, 3.1, 3.2, 4.1, 4.2, 4.3, 5.1, 5.2)

- **Action 2** - Internal Audit Plan templates to be updated to include reference to ethics related objectives, risks, and control processes. **Target date: 31 July 2025.**

(Evidence enhancements for standards 1.2, and conformance with 9.1)

- **Action 3** - Update all Committee report templates to include:
 - details of any identified ethical or independence issues,
 - details of any identified themes or root causes,
 - relevant references to the global internal audit standards

Target date: 31 July 2025.

(Evidence enhancements for standard 1.2, 2.3, 4.1, 7.1 and conformance with 11.3)

- **Action 4** - Create training log that mirrors the training programme being developed as part of Action 1, to also capture all relevant CPE. **Target date: 31 March 2026.**

(Evidence enhancements for standards 3.1 and 3.2)

- **Action 5** - Develop an assurance map across council services identifying other providers of assurance that the internal audit function may rely upon. **Target date: 31 March 2026 for initial phase.**

(Evidence enhancements for standard 3.1 and conformance with 6.1 and 9.5)

- **Action 6** - Audit Committee to be advised of the expected qualifications of the CAE. **See paragraph 5.3.**

(Conformance with standard 7.2)

- **Action 7** - Chief Audit Executive (CAE) to obtain Chartered Internal Auditor (CMIIA) Designation. **Target date: 31 August 2025.**

(Conformance with standard 7.2)

- **Action 8** - Existing succession plan to be formally documented and communicated to Corporate Management Teams. **Target date: 31 August 2025.**

(Conformance with standard 7.2)

- **Action 9** - CAE to have discussion with S151 and Audit Committee Chair for Medway as part of Committee TOR review to determine whether assurance engagements resulting in a Red opinion, that also meet set criteria, are specifically reported to the Audit Committee. **Target date: 30 June 2025.**

(evidence enhancements for standards 8.1 and 11.5)

- **Action 10** - Updated training materials for Audit Committee members to be developed in the form of video presentations. **Target date: 30 September 2025.**

(Evidence enhancements for standard 8.1)

- **Action 11** - Audit Needs Assessment records to be expanded with a checklist to confirm that all relevant considerations have been made as part of the planning process. **Target date: 31 January 2026.**

(Conformance with standards 9.1 and 9.4)

- **Action 12** - Procedure notes explaining planning process to be created and added to internal audit manual. **Target date: 31 December 2025.**

(Evidence enhancements for standard 9.4)

- **Action 13** - Development of assurance engagement management system and accompanying user guides to be finalised and implemented. **Target date: 31 December 2025.**

(Conformance with standard 10.3)

- **Action 14** - Communicate progress on development and implementation of assurance engagement management system with the Audit Committees. **Target date: Ongoing.**

(Conformance with standard 10.3)

- 4.7. The majority of these actions should be relatively straightforward and are largely based on minor amendments to existing processes, to ensure that appropriate evidence is held, or changes to what is included in our reporting, to pick up on the new requirements.
- 4.8. Assurance mapping across the organisation is perhaps the most resource intensive action as it will require a lot of work with colleagues across various services and for that reason, we have set a lengthy target date for the initial phase as it will have to be completed alongside other work. However, we will be working with officers responsible for risk management to try and make the process as efficient as possible and seek to complete the overall assurance mapping process as quickly as possible.

5. Standard 7.2 – Chief Audit Executive (CAE) Qualifications

- 5.1. As noted in paragraph 4.4, the team currently does not conform with standard 7.2, which relates to the qualifications of the CAE and there are two elements to this.
- 5.2. The first is that the CAE must 'help the Board understand the qualifications and competencies of a CAE that are necessary to manage the internal audit function'.
- 5.3. The second is that 'the CAE must maintain and enhance the qualifications and competencies necessary to fulfil the roles and responsibilities expected by the Board'.
- 5.4. Standard 7.2 was amended by the Application Note: Global Internal Audit Standards in the UK Public Sector, which outlines that the RIASS maintain an expectation that CAEs in the public sector 'hold appropriate professional qualifications alongside relevant experience'. When determining whether a CAE is

suitably qualified, the organisation must be looking for Chartered Internal Auditor (CMIIA), or CCAB qualifications, as well as suitable internal audit experience.

5.5. Currently, the CAE does not hold either of these qualification types, although has made an application to the Institute of Internal Auditors to obtain the CMIIA designation through their 'chartered by experience' process on the basis of eight years' as Head of Internal Audit & Counter Fraud and the associated experience in an internal audit leadership role. The outcome of this process is expected to be known in early August.

5.6. Assuming this application is successful, the CAE will then have the appropriate qualifications, and the team will therefore conform with Standard 7.2.

6. Risk management

6.1. The work of Internal Audit provides a key source of assurance for the council on the adequacy and effectiveness of its internal control arrangements.

7. Climate change implications

7.1. There are no climate change implications in this report.

8. Financial implications

8.1. An adequate and effective internal audit function provides the council with assurance on the proper, economic, efficient, and effective use of council resources in delivery of services.

8.2. The actions identified to achieve full conformance can be delivered within the exiting budget envelope for the service.

9. Legal implications

9.1. The Accounts and Audit Regulations 2015 require local authorities to: undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes. The Section 151 Officer of a local authority is responsible for establishing the internal audit function; Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council.

Lead officer contact

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Appendices

Appendix 1 – Self-assessment of conformance with the Global Internal Audit Standards (GIAS) and planned actions to address gaps.

Background papers

Global Internal Audit Standards 2024.

Application Note: Global Internal Audit Standards in the UK Public Sector.