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Report to:	Audit Committee	Date: 11 February 2025
Subject:	Global Internal Audit Standards (GIAS) 2024	
Report of	Section 151 Officer	

Summary

New Global Internal Audit Standards (GIAS) were published in January 2024, these will become mandatory for the profession in early 2025. An Application Note from the Chartered Institute of Public Finance and Accountancy (CIPFA) has just been published (December 2024) and taken together with the GIAS will come into force from April 2025. Further guidance on the application of the Standards in UK public sector and local government will also be provided by International Internal Auditing Standards Board (IIASB). This report provides the Committee with an overview of the standards and some materials to assist Members in gaining a better understanding of requirements.

FOR INFORMATION

1. INTRODUCTION

1.1 Following a consultation process in 2023, the new Global Internal Audit Standards were issued by the International Internal Auditing Standards Board (IIASB) in January 2024 and will be mandatory for the internal audit profession from early 2025, and specifically for public sector internal audit from April 2025. This report has been prepared to provide Members with an overview of the standards and relevant information to aid the Committee in supporting the transition to the new standards.

2. RECOMMENDATION

2.1 It is recommended that the Audit Committee:

- Note the content of the report and refer to the guidance found in appendices 1-3.
- Request a further report on the implementation of the standards, including any actions identified and taken as a result of the gap analysis which will be carried out.

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3. BACKGROUND

- 3.1 The 2024 Global Internal Audit Standards (GIAS) are the latest set of professional guidelines for internal auditors, issued by the International Professional Practices Framework (IPPF). The GIAS aim to promote quality, consistency, and value in internal audit activities, and to align with the evolving needs and expectations of stakeholders. The standards were published in January 2024, becoming mandatory from early 2025.
- 3.2 This report provides a summary of the main changes and updates in the 2024 GIAS, compared to the previous version from 2017 and provides Members of the Audit Committee with materials to develop their own understanding of the standards.
- 3.3 The summary is organised into five sections: core principles, code of ethics, standards, and implementation guidance and next steps. There are two frequently used terms within the standards that it is helpful to define:
- “The Board”: within the context of Bury Council, full Council is “the Board”, functions of the Board in relation to Internal Audit are delegated to the Audit Committee.
 - “Chief Audit Executive”: this is the Institute of Internal Auditors standard designation, synonymous in local government with the role of the Head of Internal Audit, for Bury Council this is the Head of Fraud, Audit, Insurance and Risk.

4. GLOBAL INTERNAL AUDIT STANDARDS 2024

Core Principles

- 4.1 In March 2023, the International Internal Auditing Standards Board released a draft of the Global Internal Audit Standards. This release progressed an initiative which commenced in 2017 with the International Professional Practices Framework (IPPF) Evolution Project. The aim of the project was to promote consistency in global internal audit practices and enhance internal auditors’ ability to help organisations achieve their goals.
- 4.2 The IPPF was built on 10 core principles for internal audit functions and internal auditors in all sectors:
- Demonstrates integrity.
 - Demonstrates competence and due professional care.
 - Is objective and free from undue influence (independent).
 - Aligns with the strategies, objectives, and risks of the organisation.
 - Is appropriately positioned and adequately resourced.
 - Demonstrates quality and continuous improvement.
 - Communicates effectively.
 - Provides risk-based assurance.
 - Is insightful, proactive, and future-focused.
 - Promotes organisational improvement.

- 4.3 The application of the IPPF in the UK public sector was covered in guidance issued by the UK Public Sector Internal Audit Standards Advisory Board (IASAB), which resulted in the Public Sector Internal Audit Standards (PSIAS) being issued in 2017. In addition, CIPFA provided a Local Government Application Note in 2019 which set out how internal auditors in local government should implement elements of the Standards in their context.
- 4.4 Following a period of consultation across the global internal audit profession in 2023, the new Global Internal Audit Standards were published by IIA in January 2024 and become mandatory for the profession in early 2025.
- 4.5 The 2024 GIAS sets out 15 core principles which are the fundamental values that describe the essence of internal auditing. They are derived from the definition of internal auditing and the mission of the profession. The Standards set out five Domains which include the core principles, as set out below:

Domain I: Purpose of Internal Auditing

Domain II: Ethics and Professionalism

- 4.1 Demonstrate integrity
- 4.2 Maintain Objectivity
- 4.3 Demonstrate Competency
- 4.4 Exercise Due Professional Care
- 4.5 Maintain Confidentiality

Domain III: Governing the Internal Audit Function

- 4.6 Authorised by the Board
- 4.7 Positioned Independently
- 4.8 Overseen by the Board

Domain IV: Managing the Internal Audit Function

- 4.9 Plan Strategically
- 4.10 Manage Resources
- 4.11 Communicate Effectively
- 4.12 Enhance Quality

Domain V: Performing Internal Audit Services

- 4.13 Plan Engagements Effectively
- 4.14 Conduct Engagement Work
- 4.15 Communicate Engagement Results and Monitor Action Plans

- 4.6 The development of these 15 core principles from the original IPPF Framework reflects the importance of communication skills, adaptability, and creativity in the current and future business environment. Internal auditors are expected to communicate with clarity, relevance, and impact, and to use various methods and channels to reach their audiences. Internal auditors are also expected to embrace change, learn new skills, and apply new tools and techniques to enhance their performance and value.

Code of Ethics

4.7 The code of ethics establishes the principles and expectations for the behaviour and conduct of internal auditors. It consists of four principles: integrity, objectivity, confidentiality, and competency. The 2024 GIAS have revised the code of ethics to include more specific and relevant guidance on how to apply the principles in practice. Some of the key changes are:

- *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.

Standards

4.8 The standards are the mandatory requirements that provide the framework for performing and promoting internal audit activities. They are divided into three categories: attribute standards, performance standards, and a glossary. The 2024 GIAS have introduced several new or revised standards, covering topics such as:

- *Risk management*: Internal auditors are required to assess and respond to the risks that may affect the achievement of the audit objectives, and to provide assurance and advice on the effectiveness of the organisation's risk management processes.
- *Quality assurance and improvement programme*: Internal auditors are required to establish and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity, and to undergo external assessments at least once every five years.
- *Engagement planning*: Internal auditors are required to develop and document a risk-based plan for each engagement, and to obtain the approval of the chief audit executive and the engagement client before commencing the work.
- *Engagement supervision*: Internal auditors are required to ensure that the engagement is supervised by a competent and qualified person, and that the work performed, and the results obtained are reviewed and approved.
- *Engagement communication*: Internal auditors are required to communicate the engagement objectives, scope, criteria, results, and recommendations to the appropriate parties, and to obtain their acknowledgement and feedback.
- *Engagement follow-up*: Internal auditors are required to monitor and verify the implementation of the agreed actions by the engagement client, and to report the status and outcomes to the chief audit executive and the board.

Implementation Guidance

- 4.9 The implementation guidance is the supplementary material that provides guidance and examples on how to apply the standards in specific types of internal audit activities or engagements. The 2024 GIAS have expanded and updated the implementation guidance to reflect the emerging trends and challenges in the internal audit profession.

Role of the IASAB

- 4.10 The UK Public Sector Internal Audit Standards Advisory Board (IASAB) was established by the bodies responsible for setting Internal Audit Standards in the UK public sector. The Board exists to promote high quality internal audit across the UK public sector. It does this mainly by advising the Relevant Internal Audit Standard Setters (RIASS) on the development and maintenance of the Public Sector Internal Audit Standards (PSIAS).
- 4.11 In April 2024 the Relevant Internal Audit Standard Setters (RIASS) agreed to use the 2024 GIAS as the basis for internal auditing for the UK Public Sector and asked the IASAB to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use.
- 4.12 The IASAB consulted on a draft Public Sector Application Note for the new Global Internal Audit Standards in October 2024 and are expected to publish the final Application Note in the new year.

Role of CIPFA

- 4.13 CIPFA (Chartered Institute of Public Finance and Accountancy) is the internal audit standard setter for UK local government and participates in the RIASS. CIPFA stated that would be producing a revised edition of the Public Sector Internal Audit Standards (PSIAS), in the form of a Code of Practice. The new Code will support the adoption of the global standards specifically in the context of UK public sector organisations. In December 2024 CIPFA issued an Application Note and when taken together with the GIAS are to form the basis of the UK public sector internal audit effective from 1 April 2025.

Next steps

- 4.14 Once the IASAB guidance has been published and CIPFA Application Note has been reviewed, key internal audit documents, including the Internal Audit Charter and Strategy will be updated and further information provided to the Committee on the implications of the Guidance and Note.
- 4.15 The Internal Audit Service will then review all key documents that support the strategy, planning and delivery of the service to ensure that it aligns with GIAS 2024 as supplemented by the CIPFA Application Note and IASAB Guidance.
- 4.16 While there are a number of changes within the 2024 Global Internal Audit Standards, initial assessment determines that the Council's Internal Audit

function materially conforms with the requirements. Any areas of potential nonconformance that are identified as a result of forthcoming gap analysis will be considered within the mandatory quality assurance and improvement programme.

Further information

4.17 The Institute of Internal Auditors has provided various documentation to support Audit Committees in the transition to the 2024 Global Internal Audit Standards, a selection of which is included as appendices 1-3 to this report.

Appendix 1 – Audit Committee Guidance and Toolkit

Appendix 2 – Global Internal Audit Standards 2024 – What Audit Committees need to know

Appendix 3 – Global Internal Audit Standards Domain III

Links with the Corporate Priorities:

Please summarise how this links to the Let's Do It Strategy.

- Internal Audit undertakes assurance work to all Departmental Directors and Statutory Officers regarding the systems in place, making recommendations for improvements to control and protect the assets and resources of the Council. The control and mitigation of the loss of funds gives the assurance that public money is used in an appropriate manner to deliver the Corporate Priorities.

Equality Impact and Considerations:

Please provide an explanation of the outcome(s) of an initial or full EIA.

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

Internal Audit provide assurance to Committee Members and the public that the organisation is delivering services in line with agreed policies and procedures which have considered the requirements of the Equality Act 2010.

Environmental Impact and Considerations:

Please provide an explanation of the carbon impact of this decision.

N/a – no decision required

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
The Internal Audit function may not be operating in accordance with the Global Internal Audit Standards.	Internal Audit operate to the current PSIAS standards and are independently reviewed every 5 years to ensure compliance. A self-assessment to ensure the GIAS are met will be undertaken when the standards and CIPFA guidance note are released for Public Sector implementation.

Legal Implications:

The Council must have a sound system of internal control which includes the work of the Fraud Team having an effective annual plan and regular review of the key policies is good practice to ensure that the Council meets its legal obligations and ensures compliance with the Council's constitution.

Financial Implications:

Risk of financial loss and recovery as set out in the report.

Background papers:

- Appendix 1 to 3 (attached)

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
GIAS	Global Internal Audit Standards
IASB	International Internal Audit Standards Board
CIPFA	Chartered Institute of Public Finance and Accountancy
IPPF	International Professional Practices Framework
PSIAS	Public Sector Internal Audit Standards
RIASS	Relevant Internal Audit Standard Setters

