



INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

4 SEPTEMBER 2024

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 16 August 2024.
- Note the implementation status of the reported high priority recommendations.
- Note the plan amendments to the 2024/25 Annual Audit Plan.

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1. Introduction and Background

Purpose of Report

1.1 This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2023/24 as at 16 August 2024.
- b) In-Year Audit Plan review and proposed plan amendments.
- c) An update on performance indicators as at 16 August 2024.

Background

1.2 The 2024/25 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 13 March 2024.

1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first report giving an update on the delivery of the 2024/25 Internal Audit Plan.

1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

2.1 As at 16 August 2024, 27% of the 2024/25 Audit Plan days had been delivered.

2.2 There have been three final internal audit reports issued as part of the approved 2024/25 Internal Audit Plan since the papers were issued for the 19 June 2024 FAR Committee meeting:

Audit Title	Assurance Opinion	Recommendations
Estates	Limited	2 High and 1 Medium
Houses in Multiple Occupation	Limited	4 High, 4 Medium, 3 Low
Public Sector Decarbonisation Scheme (Salix Grant) (Interim Report)	N/A	1 Medium, 3 Low

High Priority Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.
- 2.4 The high priority recommendation arising from the Agency Staffing audit is reported as partially implemented, while three of the four high recommendations from the Houses in Multiple Occupation audit are reported as implemented and one as partially implemented (albeit the outstanding element has not yet passed its implementation date). Please see Appendix D for further detail.
- 2.5 An update on the two high priority findings from the Estates audit has not been provided as the implementation dates in September and December 2024 have not yet been reached.

Proposed Amendments

- 2.6 The Audit Plan approved by the FAR Committee in March 2024 contained an allocated number of plan days against audit areas such as General Audits, IT Audits and Consultancy and Advisory, but did not include an estimated number of plan days for completion of the planned individual internal audit projects. During the financial year, SIAS applies an estimated number of plan days against all individual internal audit projects as part of resource allocation and planning. These estimates are included in Appendix A – Progress against the 2024/25 Internal Audit Plan.
- 2.7 The Audit Plan is however designed to be dynamic and responsive to changed risk, circumstances and priorities, requests for new internal audit work, outcomes from scoping and planning of individual internal audit projects and amended resourcing requirements. Estimated plan days may need to be changed as a result, and these amendments are communicated to the FAR Committee.
- 2.8 There have been three audit plan amendments agreed with management within this reporting period.
- a) Five plan days have been taken from Contingency to accommodate a new Garden Waste Reconciliation project under Consultancy and Advisory.
 - b) Assurance Mapping has been reduced by eight plan days, with these plan days allocated to the Equality, Diversity and Inclusion Maturity Assessment. This is to accommodate a revised estimate of plan days following scoping and resourcing of the work during the audit planning phase.
 - c) Grant and Charity Audits have been reduced by three days, with these plan days allocated to completion of the Houses in Multiple Occupation audit.

Performance Management: Reporting of Audit Plan Delivery Progress

- 2.7 To help the Committee assess the current progress of the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix B. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits	Profile to 16 August 2024
Draft / Final Report Issued	4	18%	23% (5)
In Fieldwork / Quality Review	4	18%	23% (5)
Terms of Reference Issued / In Planning	4	18%	23% (5)
Not Yet Started	10	46%	31% (7)

- 2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2024. At 16 August 2024, actual performance for North Herts Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 16 August 2024	Actual to 16 August 2024
1. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (measured in audit days)	95%	33% (85 / 260 days)	27% (71 / 260 days)
2. Project Delivery Percentage of audit plan projects delivered to draft report stage by 31 March 2025.	90%	23% (5 / 22 projects)	18% (4 / 22 projects)
Percentage of audit plan projects delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	23% (5 / 22 projects)	18% (4 / 22 projects)
3. Client Satisfaction -Percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100%	100% for those returned. (1 returned from 13 issued since 1 April 2024)
4. Number of High Priority Audit Recommendations agreed % Percentage of critical and high priority recommendations accepted by management.	95%	100%	100%

- 2.9 In respect of delivery of Planned Days, performance is behind the profiled target. Based on the original profiling at the start of the financial year, it was anticipated that fieldwork would have been able to commence, be further advanced or complete on more of the internal audit projects scheduled for commencement in quarters one and two. The summer school holiday period has had an impact on officer capacity and availability both within SIAS and the Council, and an increased momentum in Audit Plan delivery is anticipated from September 2024. It should also be noted that the project / embedded assurance and through year work on the Churchgate, New Finance System, Public Sector Decarbonisation Scheme and Assurance Mapping internal audit work is dependent on the timing, pace and progress of the underlying Council project being supported.
- 2.10 In respect of Planned Projects, it was anticipated that a draft report would have been issued for the Garden Waste Reconciliation consultancy work based on original planning and commencement, however fieldwork is complete, and a draft report is in quality review prior to reporting.
- 2.11 SIAS have allocated resource to all remaining projects in the 2024/25 Internal Audit Plan and start dates have already been scheduled or in are in the process of being agreed with the relevant service areas. SIAS appreciate the co-operation and goodwill of Council staff and value the relationships it has fostered over an extended period. These are crucial in ensuring successful delivery of the Plan and delivering sufficient work to support the annual assurance opinion.
- 2.12 One new customer satisfaction survey has been received since the last SIAS Progress Update Report to FAR Committee in March 2024, with very positive feedback on the audit concerned. Any learning points arising from customer satisfaction surveys are shared with the relevant member of internal audit team through their regular appraisal process and personal and professional development plans.
- 2.13 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2024/25 Head of Assurance's Annual Report:
- **4. Public Sector Internal Audit Standards** – the service conforms with the standards.
 - **5. Internal Audit Annual Plan Report** – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet.
 - **6. Chief Audit Executive's Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year.

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 16 AUGUST 2024

2024/25 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
General Audits (98 days)									
Churchgate - Project Assurance						12	SIAS	0.5	In Planning
New Finance System						10	SIAS	0.5	In Planning
Public Sector Decarbonisation Scheme (Salix Grant)	N/A	0	0	1	3	12	SIAS	4.5	In Fieldwork (1 st interim report issued)
Training, Awareness and Induction						10	SIAS	0.5	In Planning
Project Prioritisation						10	SIAS	0	Not yet started
UK Shared Prosperity Fund (UKSPF)						12	SIAS	0	Not yet started
Operational Building Compliance						10	SIAS	0	Not yet started
Local Authority Trading Companies						12	SIAS	0	Not yet started
Homelessness						10	SIAS	0	Not yet started
IT Audits (22 days)									
Cyber Security – Cyber Governance and Culture						11	BDO	0	Not yet started

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 16 AUGUST 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Cyber Security – Supply Chain Management						11	BDO	0	Not yet started
Consultancy and Advisory (64 days)									
Assurance Mapping						28	SIAS	7	In Fieldwork
FAR Committee Review						11	BDO	3	In Fieldwork
Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment						20	BDO	2.5	ToR Issued
Garden Waste Reconciliation						5	SIAS	4.5	Quality Review
Grant Claims / Charity Certification (5 days)									
King George V Playing Fields						1.5	SIAS	0	Not yet started
Workman’s Hall						1.5	SIAS	0	Not yet started
Miscellaneous Grants						2	SIAS	0	Not yet started
Contingency (0 days)									
Contingency						0		0	
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Complete
Audit Committee						8	SIAS	4	Through Year
Plan Monitoring						8	SIAS	3	Through Year
Client Liaison						6	SIAS	3	Through Year
Audit Planning 2025/26						8	SIAS	0	Quarter 3/4

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 16 AUGUST 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
SIAS Development						5	SIAS	2	Through Year
2023/24 Carry Forward (33 days)									
Completion of outstanding 2023/24 projects:						4	SIAS	4	Complete
Business Continuity and Emergency Planning	Reasonable	0	0	0	1	5	SIAS	5	Final Report Issued
Project Management	Not Assessed	0	0	2	0	8	SIAS	8	Final Report Issued
Houses in Multiple Occupation	Limited	0	4	4	3	8	SIAS	8	Final Report Issued
Estates	Limited	0	2	1	0	8	SIAS	8	Final Report Issued
Total - North Herts D.C.		0	6	8	7	260		71	

Key / Notes

Not Assessed = No assurance opinion provide as the project was either consultancy based or validation for compliance

C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority

BDO = SIAS Audit Partner

N/a = Not Applicable

Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2024/25 Internal Audit Plan.

APPENDIX B – 2024/25 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
General		Churchgate – Project Assurance (through year) (In Planning)	Churchgate – Project Assurance (through year) (In Planning)	Churchgate – Project Assurance (through year) (In Planning)
	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork)	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork)	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork)	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork)
		New Finance System (In Planning)		
		Local Authority Trading Companies (Not yet started)	UK Shared Prosperity Fund (UKSPF) (Not yet started)	
		Project Prioritisation (Not yet started)	Operational Building Compliance (Not yet started)	
		Training, Awareness and Induction (In Planning)		Homelessness (Not yet started)
IT			Cyber Security – Cyber Governance and Culture (Not yet started)	Cyber Security – Supply Chain Management (Not yet started)
C	FAR Committee Review (In Fieldwork)	Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment (ToR Issued)		
	Assurance Mapping (through year) (In Fieldwork)	Assurance Mapping (through year) (In Fieldwork)	Assurance Mapping (through year) (In Fieldwork)	Assurance Mapping (through year) (In Fieldwork)
	Garden Waste Reconciliation (Quality Review)			
G/C				Workman’s Hall (Not yet started)
				King George V Playing Fields (Not yet started)
C/F	2023/24 Carry Forward Audits (Complete)			

APPENDIX B – 2024/25 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

Business Continuity and Emergency Planning (Final Report Issued)			
Project Management (Final Report Issued)			
Houses in Multiple Occupation (Final Report Issued)			
Estates (Final Report Issued)			

Key:

General –Closely linked to the Council’s AGS, Delivery Plan and Risk Register

IT – IT Audits

C – Consultancy and Advisory: Assignments will be delivered as part of the audit plan

G/C – Grant or charity certification to be completed as part of the audit plan

C/F – Carry Forward Audits from 2023/24

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2024/25

Audit Opinions		
	Assurance Level	Definition
Assurance Opinions	Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
	Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
	No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
	Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
	Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
	Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
	Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

Finding Priority Levels		
	Priority Level	Definition
Corporate	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
<p>Agency Staffing</p>	<p>Potential breach of employment legislation - agency workers' rights after 12 weeks</p> <p><u>SIAS Recommendation</u></p> <ol style="list-style-type: none"> 1. We recommend that if an agency worker has a contract extended past the 12-week timeframe or in fact employed for longer than 12 weeks at the start of their employment the hiring manager must advise HR and Finance of this to ensure the agency workers' rights are respected. 2. The hiring manager and / or HR should communicate with the agency staff employee to obtain confirmation or acknowledgment of their workers' rights and allow the option to opt out of the Council's corporate pension scheme. Relevant processes may need to be built around this especially where recruitment takes place outside of the ECC contract. 3. There also needs to be an explicit clarification of responsibility between the hiring managers and HR, given the inconsistencies in understanding who is responsible for the different aspects of hiring temporary / agency staff. 4. HR should be in a position to provide advice in any event, should it be required. <p><u>Management Response</u></p> <ol style="list-style-type: none"> 1. Update temporary workers policy. Communicate change to managers through DMTs, HR managers update, SMG and the Hub. 2. HR to arrange automated notification of agency worker start date through the new starter process and create process for line managers to ensure opt out is complete prior to 12 weeks. 	<p>31 July 2024</p>	<p>September FAR Committee Update</p> <p>Partially Implemented.</p> <p>Progress has been made towards implementing this recommendation, and the other recommendations from the audit with an original target date of 31 July 2024, and work on these actions is nearly complete. However, an issue has been identified that requires further investigation, which will impact the launch of updated policy and guidance documents. In view of this, and other diary commitments including annual leave, the actions to implement the recommendation will now be completed by 20 September 2024.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p>3. NHC are aware of the residual risk around agency workers passing 12 weeks, risk register to be updated accordingly.</p> <p>4. Review of responsibilities to take place as part of policy update. CPD to continue within HR team. Reiterated at RPRs.</p>		
<p>Houses in Multiple Occupation</p>	<p>HMO Policies, Procedures, Guidance and Evidence Requirements</p> <p><u>SIAS Recommendation</u></p> <p>We recommend that:</p> <ul style="list-style-type: none"> • A list of evidence required for HMO licence applications is produced and once approved the prerequisite list on Tascomi (Licensing System) should be updated accordingly. • Evidence for HMO applications includes Energy Performance Certificates for HMOs in scope. • Work is completed by Licensing in conjunction with the MSU to finalise the review of operational procedures for HMOs to reflect current roles and responsibilities. • A review is conducted of the Council's Corporate Statement of Enforcement Policy to ensure that this reflects current requirements and respective roles and responsibilities for HMOs following the transfer to the Licensing Team. <p><u>Management Response</u></p> <p>Agreed.</p>	<p>31 July 2024</p> <p>31 July 2024</p> <p>14 August 2024</p> <p>31 July 2024</p>	<p>September FAR Committee Update</p> <p>Implemented.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
<p>Houses in Multiple Occupation</p>	<p>Consulting with the Fire Officer</p> <p><u>SIAS Recommendation</u></p> <p>We recommend that:</p> <ul style="list-style-type: none"> • Fire Officer Consultations are undertaken for all HMO applications and the role and responsibility for their undertaking is captured in operational procedures and checklist prerequisites on Tascomi. • An exercise is undertaken to check existing HMO licences and consultation made with the Fire Officer, where this has not taken place. <p><u>Management Response</u></p> <p>Agreed.</p>	<p>14 August 2024</p> <p>30 September 2024</p>	<p>September FAR Committee Update</p> <p>Partially Implemented</p> <p>In progress and expected to be completed by the target date. Consultation with the Fire Service has now been added to operational procedures and to Tascomi, and the exercise to check existing HMO licences and Fire Officer consultation is still ongoing.</p>
<p>Houses in Multiple Occupation</p>	<p>Consultation Period and Draft Notices of Intention to Issue HMO Licence</p> <p><u>SIAS Recommendation</u></p> <p>We recommend that notices of intention to issue an HMO licence, along with draft licences should be issued to all interested parties with a 14-day consultation period and due consideration is given to any objections received before the final licence is granted (in accordance with HMO policy).</p> <p><u>Management Response</u></p> <p>Agreed.</p>	<p>31 August 2024</p>	<p>September FAR Committee Update</p> <p>Implemented.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
<p>Houses in Multiple Occupation</p>	<p>Renewal of HMO Licences after Expiry</p> <p><u>SIAS Recommendation</u></p> <p>We recommend that:</p> <ul style="list-style-type: none"> • Where an HMO licence renewal request is received after the expiry date of the original licence, applicants should be required to complete a new application and pay the full fee (rather than the renewal fee). • Clear guidance is provided for MSU and Licensing Officers on when a renewal or new licence application is required. <p><u>Management Response</u></p> <p>Agreed.</p>	<p>31 July 2024</p> <p>14 August 2024</p>	<p>September FAR Committee Update</p> <p>Implemented.</p>

APPENDIX E – GLOBAL INTERNAL AUDIT STANDARDS BRIEFING NOTE

The change from the International Professional Practices Framework to the Global Internal Audit Standards

1. Following consultation during 2023, the Global Institute of Internal Auditors (the GIIA) published a set of new Global Internal Audit Standards (GIAS) in January 2024. The GIAS are due to come into effect from January 2025, although this has been extended to April 2025 for the UK public sector to align with the new financial / municipal year and internal audit reporting requirements.
2. The previous International Professional Practices Framework (IPPF) was separated into categories for mandatory and recommended guidance. The new 2024 GIAS have incorporated the recommended guidance into the mandatory requirements to aid practitioners in accessing and understanding the information. This has also led to the previous Code of Ethics, Core Principles, and Implementation guidance under the umbrella of the new Standards. The image below (from the consultation papers) encapsulates this change.



3. New to the 2024 GIAS are the setting of Topical Requirements. They are intended to assist the internal audit function by providing structure and consistency in covering governance, risk, and control over specified areas. These requirements will be published during 2024 and will be mandatory when Internal Audit scope an audit in these topical areas.
4. Although mandatory, there is a comply or explain approach when auditing, or choosing not to audit, an area where topical requirements have been published. They are not a requirement to perform any engagement, nor are they a step-by-step approach to the execution of the Internal Audit engagement. The topical requirements include a tool to help internal audit document the rationale for including or excluding certain requirements.
5. To date, one Topical Requirement has been published on Cyber Security. Others being developed include:
 - a) Organisational Governance
 - b) Fraud Risk Management
 - c) Information Technology Governance

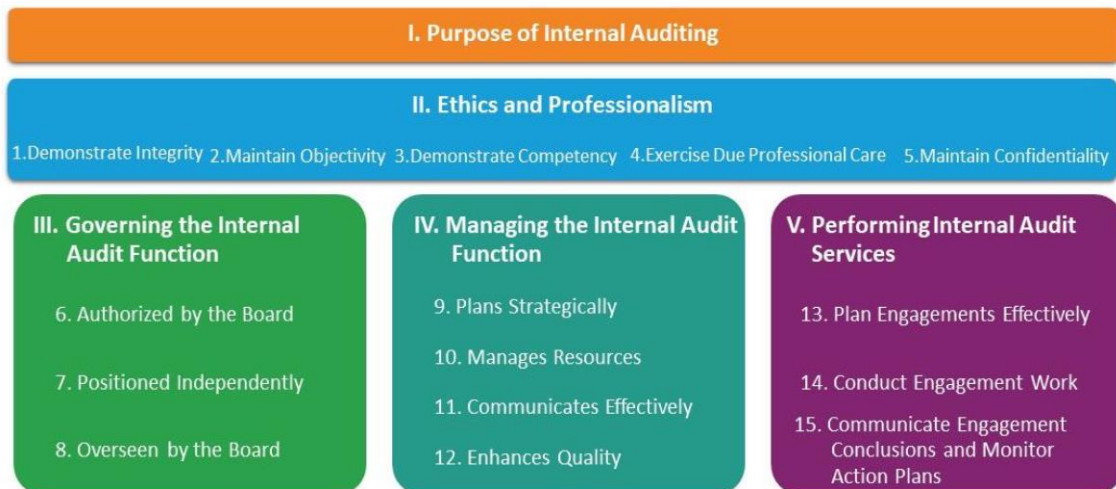
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- d) Sustainability: Environment, Social and Governance
- e) Third-party Management
- f) Performance Audits (Public Sector specific)

The Global Internal Audit Standards – Domains and Principles



Global Internal Audit Standards Five Domains, 15 Principles



6. The GIAS are arranged into five Domains (sections), as also outlined in the image above:

- 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

7. There are five domains, with the first two being the foundations which apply across all other domains. Domain III is around governing internal audit, is therefore the most relevant to the Audit Committee and includes essential conditions that the Audit Committee needs to follow. Domain IV is around leading the internal audit function and therefore is the focus of the Chief Audit Executive (aka the Head of Internal Audit). Finally, Domain V is focused on performing internal audit engagements.

8. The 5 domains include 15 Principles (as also outlined in the image above) and 53 individual standards to support these. Each standard includes:

- a) Requirements – mandatory practices for internal audit

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- b) Considerations for implementation – common and preferred practices to consider when implementing the requirements.
- c) Examples of evidence of conformance – examples to demonstrate that the requirements have been implemented.
9. This new structure while meaning the document is now in the region of 100 pages long, is easy to dip in and out of and bring all relevant material to one place, rather than having to read across different documents.
10. The review has not just been structural. There are new requirements and clarifications. These are aimed to raise the bar for the profession across the globe in the private and public sector, however, in the UK and Ireland (and EU) the distance from current practice to the new GIAS is not as great as in other parts of the world. This is especially the case for public sector internal audit teams in the UK that ‘generally conformed’ with the Public Sector Internal Audit Standards (PSIAS) enshrined in the Accounts and Audit Regulations 2015. The PSIAS were themselves based on the IPPF.

Key Changes

11. The table below illustrates some of the key changes in the GIAS:

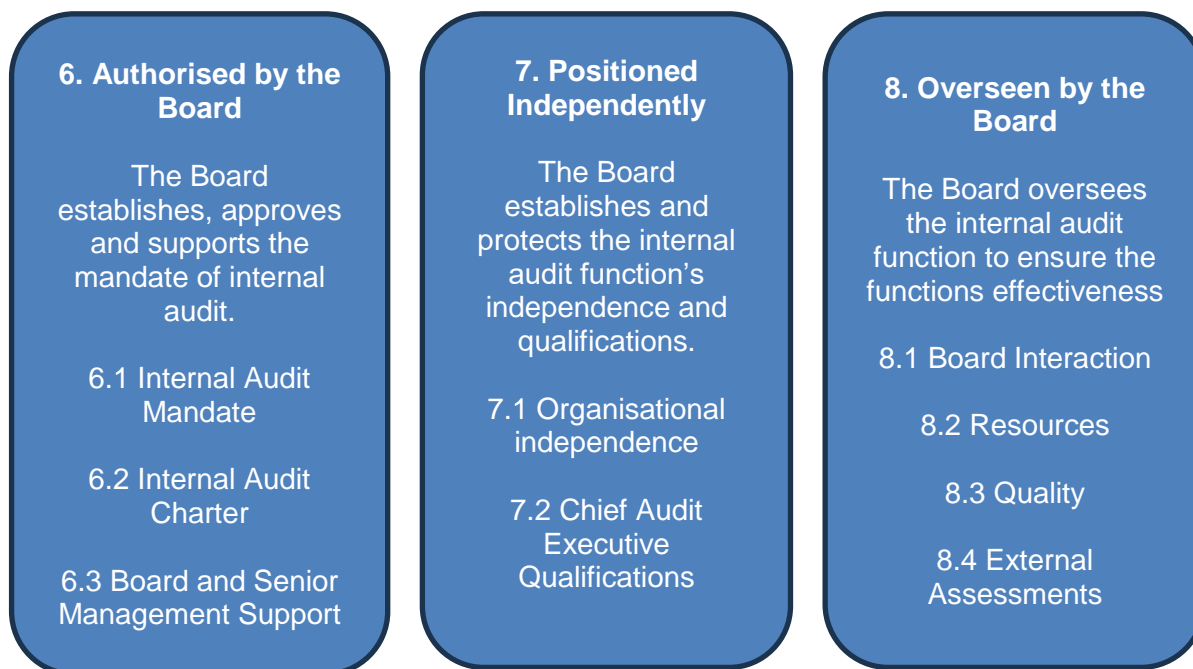
Area	Term	Definition / Change / Narrative
Glossary	Board	<p>Collective noun and is defined in the glossary as below:</p> <p><i>‘Highest-level body charged with governance, such as:</i></p> <ul style="list-style-type: none"> • <i>A board of directors.</i> • <i>An audit committee.</i> • <i>A board of governors or trustees.</i> • <i>A group of elected officials or political appointees.</i> • <i>Another body that has authority over the relevant governance functions.</i> <p><i>In an organisation that has more than one governing body, “board” refers to the body or bodies authorised to provide the internal audit function with the appropriate authority, role, and responsibilities.’</i></p> <p>In the UK public sector, this is generally deemed to be the Audit Committee or equivalent.</p>
Glossary	Root Cause	<p>Core issue or underlying reason for the difference between the criteria and condition of an activity under review. See Domain V below.</p>

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Domain I	Purpose of Internal Auditing	<p><i>'Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.'</i></p> <p>Internal auditing enhances the organisation's:</p> <ul style="list-style-type: none"> • Successful achievement of its objectives. • Governance, risk management, and control processes. • Decision-making and oversight. • Reputation and credibility with its stakeholders. • Ability to serve the public interest.
Domain II	Code of Ethics	<p>Essentially the Code of Ethics with some further expansion pulling from Implementation Guidance. Introduction of the term 'Professional Courage' and ethics training as a consideration for implementation, but CIAs MUST complete 2 CPEs of ethics training every year. Also 'professional courage' as an appraisal objective.</p> <p>Professional courage is a new term. This is not about internal auditors seeking to speak directly with the board on areas they are worried about, but having professional discussion and using escalation protocols as appropriate to ensure that the message reaches the board as appropriate. Part of this is about ensuring that internal audit functions are aware of what ethical standards are expected, which is why ethical training is key part of this.</p>
Domain III	Governing the Internal Audit Function	<p>Domain III covers the governance of Internal Audit and represents a significant change. Although it covers areas that were in the previous IPPF, the new GIAS go further and explicitly lay out essential requirements, principles and standards with which Senior Management and the Board (Audit Committee) must conform. See separate section at paragraph 12 below.</p>
Domain IV	Managing the Internal Audit Function	<p>The Internal Audit Strategy principle sits in here, and the need to develop and implement an internal audit strategy.</p> <p>It should be noted that SIAS already has a Strategy approved by the SIAS Board. This is being revisited to ensure that it conforms with the GIAS.</p>
Domain V	Performing the Internal Audit Services	<p>This is largely the same as the previous IPPF / PSIAS. The term root cause in here has been an area of discussion amongst internal auditors.</p>

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12. The images below depict the three principles and nine standards of Domain III, being that most relevant to Audit Committees and senior management.



UK Public Sector Update

13. The GIAS will form the basis for internal auditing for the UK public sector and the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) are carrying 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. This is especially relevant for Domain III. The consultation material is due for issue by September 2024 at the latest, with a consultation period of eight weeks.
14. Having regard to the points raised by respondents, the IASAB will prepare final material for application in the UK public sector together with guidance on transition. Subject to approval by the Relevant Internal Audit Standards Setters (including Treasury, CIPFA and others), these will be issued later in 2024 to allow sufficient time for preparation for implementation. The effective date of the new material developed by IASAB will be 1 April 2025, to align with requirements for annual opinions and other relevant aspects of UK public sector governance which line up with the financial year. Until then, the existing PSIAS based on the old International Professional Practices Framework and enshrined in the Audit and Account Regulations 2015 will continue to apply.
15. The PSIAS require an External Quality Assessment (EQA) to be completed every five years, and this continues to be a requirement of the GIAS. Those local authorities with an EQA due in 2024 must complete these prior to the GIAS implementation date of 9 January 2025 and can request an additional readiness assessment against the new GIAS.

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Those with an EQA date due in 2025 can opt to bring this forward for conduct under the existing PSIAS on the grounds outlined or keep to the planned date but must have completed sufficient engagements under the new standards prior to being assessed. The next SIAS EQA is due in July 2026, thereby providing sufficient time to embed and evidence compliance with the new standards.

Actions and Next Steps

16. SIAS have, and will continue to, participate in consultation around the GIAS.
17. We have been attending professional body (Chartered IIA, CIPFA) and network (Chief Auditors Network, HCCIAG, LAG) webinars, training, and discussions to make sure we learn from colleagues and understand what is proposed, timeframes, the implications for SIAS and how we ensure we conform with the GIAS.
18. We have reviewed guidance and template documents available on the Chartered IIA member web pages and are working through the GIAS self-assessment tools available from the professional body to identify gaps, actions and exceptions.
19. As noted at paragraph 10, there are not a significant number of requirements for SIAS to implement from scratch and most of the work relates to revisiting and updating (where necessary) our documentation, processes, procedures, approaches, and methodologies to ensure that they conform with the GIAS. We have sought to link this as closely as possible to the normal delivery and reporting cycles to the SIAS Board and partner Audit Committees. To this end, partner Audit Committees have already received our updated and revised Internal Audit Mandate and Internal Audit Charter for approval in the May / June reporting cycle.
20. We will report on implementation and conformance with the GIAS, including areas of deliberate non-conformance, to the SIAS Board and our partner Audit Committees as part of our annual self-assessment accompanying the annual assurance opinion and our Internal Audit Charter. This forms part of the May / June Audit Committee cycle. We will inform the SIAS Board and partner Audit Committees should any material impediments to implementation arise ahead of the key UK public sector implementation date of 1 April 2025.