



GLOBAL INTERNAL AUDIT STANDARDS UPDATE

Report by Chief Internal Auditor

PURPOSE

- 1.1 The purpose of the Report is to provide an update on the introduction of the new Global Internal Audit Standards (GIAS) as stated to the February Committee meeting.

EXECUTIVE SUMMARY

- 2.1 Public Sector Internal Audit Standards are in place across the whole of the public sector in all sectors of government. The Local Authority Accounts (Scotland) Regulations 2014 requires that "A local authority must operate a professional and objective Internal Auditing service in accordance with recognised standards and practices in relation to Internal Auditing."
- 2.2 The introduction of new Global Internal Audit Standards (GIAS) and the supplementary Application Note: GIAS in the UK Public Sector, issued by the Chartered institute of Public Finance and Accountancy (CIPFA), is being put in place to harmonise standards on a global scale rather than just being UK Public Sector specific.
- 2.3 The new GIAS and Application Note relating to UK Local Government will come into effect on 1st April 2025.

RECOMMENDATIONS

- 3.1 It is recommended that the Audit and Scrutiny Committee:
 - (a) Note that the GIAS come into effect on the 1 April 2025 and the ongoing work Internal Audit are undertaking to conform with the new standards.

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Appendix:

None

IMPLICATIONS

4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	None
Legal	Public Sector Internal Audit Standards (PSIAS) have been replaced by Global Internal Audit Standards (GIAS) as of 1 April 2025, these are mandatory. The GIAS and the CIPFA Application Note have been developed to apply across the whole of the public sector in all sectors of government. The Local Authority Accounts (Scotland) Regulations 2014 requires that "A local authority must operate a professional and objective Internal Auditing service in accordance with recognised standards and practices in relation to Internal Auditing." The recognised standards are now the Global Internal Audit Standards in the UK Public Sector and conformance with these is required.
Staffing	None
Assets and Property	None
Strategic Implications	Implications/None
Risk	A failure to be able to conform or adequately explain areas of non-conformance with the Global Internal Audit Standards in the UK Public Sector could reduce the ability to place reliance on the Internal Audit Service and its work in support of the Audit Committee.
Equalities	None
Corporate Strategy	By complying with the mandatory Global Internal Audit Standards (GIAS), the Internal Audit team work towards the outcomes to meet strategic priorities.
Environmental Impact	None
Consultation	None

BACKGROUND

- 5.1 The Public Sector Internal Audit Standards (PSIAS) came into effect in April 2013. This introduced a common set of standards across the public sector, and it is a mandatory requirement that all Internal Audit service providers comply with these. The PSIAS was based upon the Institute of Internal Auditors (IIA) International Standards. Guidance on applying these in the public sector was issued by the Chartered Institute of Public Finance & Accountancy (CIPFA). This included the requirement to report annually on the extent of compliance with PSIAS. This requirement has been met through the Chief Internal Auditor's Annual Assurance Report to the Audit & Scrutiny Committee in June each year.

DETAIL

- 6.1 Since their introduction the PSIAS have been reviewed and updated, the most recent changes being made in 2017. These are now being replaced by the Global Internal Audit Standards (GIAS) which apply worldwide across all types of organisations, rather than being wholly UK public sector specific. Auditors working in the UK public sector will be required to follow the requirements of the GIAS subject to the interpretations and additional requirements set out in the Application Note. When expressing conformance with the standards, auditors must be clear that they are conforming to the GIAS subject to the Application Note and must refer to this as "conformance with Global Internal Audit Standards in the UK Public Sector."
- 6.2 The GIAS consists of five overarching areas consistent with the operation of internal audit, which are called 'domains' and each domain has associated attached principles relating to specific requirements of practice, there is a total of 15 'Principles' across these five domain. Further details of which are in the appendix to this report. The five domains are:
- Domain I – Purpose of Internal Auditing
 - Domain II – Ethics & Professionalism
 - Domain III – Governing the Internal Audit Function
 - Domain IV – Managing the Internal Audit Function
 - Domain V – Performing Internal Audit Services
- 6.3 In order to achieve conformance the internal audit function must demonstrate that there are adequate and appropriate arrangements for its governance. The CIPFA Application Note sets out the basis for suitably adjusted essential conditions, which when applied, the objectives of the GIAS conditions will be achieved. The Application Note will apply to all local government bodies.
- 6.4 There are a range of changes and requirements of the GIAS which we will need to ensure compliance with. Some of these include revisions to our Internal Audit Charter and Manual, changes to our reporting requirements in our Annual Assurance Statement, and developing an Internal Audit Strategy.

CONCLUSION

- 7.1 The Council's Internal Audit service must comply with the new Global Internal Audit Standards, Application Note and any supplementary guidance in relation to how these Standards should be implemented in the public sector in the United Kingdom. The Audit and Scrutiny Committee have an overview in that role and there are good and open communications lines in place that will continue to support such relationship between the Committee, Chief Internal Auditor and Corporate Management Team.
- 7.2 The Chief Internal Auditor, through discussions with the Chair and Vice Chair will continue to monitor progress in meeting the changes of the new standards.