

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	08/07/2024
<b>Subject: 2024 Global Internal Audit Standards</b>	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of: the Chamberlain</b>	<b>For Information</b>
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### **Summary**

New Global Internal Audit Standards were issued in January 2024 and will be mandatory for the profession from January 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.

### **Recommendation(s)**

Members are asked to note the content of the report and refer to the guidance found in appendices 1-3.

### **Main Report**

#### **Background**

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 January 2025.
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 and Risk Management Committee with materials to develop their own understanding of the standards. The summary is organised into four sections: core principles, code of ethics, standards, and implementation guidance. There are two frequently used terms within the standards that it is helpful to define:
  - The Board: within the context of The City of London Corporation, Court of Common Council is “the Board”, functions of the Board in relation to Internal Audit are delegated to the Audit and Risk Management Committee.

- Chief Audit Executive: this is the Institute of Internal Auditors standard designation, synonymous with Head of Internal Audit.

## **Current Position**

### Core Principles

3. The core principles 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 2024 GIAS have added two new core principles, bringing the total number to 12. The new core principles are:
  - Internal auditors communicate effectively and timely.
  - Internal auditors demonstrate agility and innovation.
4. The addition of these core principles 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

5. 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

6. 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 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

7. 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 CIPFA**

8. CIPFA has stated that it will be producing a revised edition of the Public Sector Internal Audit Standards (PSIAS), providing an overlay to support the adoption of the global standards specifically in the context of UK public sector organisations. It is anticipated that the revised PSIAS will be available in time to support adoption by 1 April 2025.

### **Further information**

9. 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.

### **Corporate & Strategic Implications**

10. While there are a number of changes within the 2024 Global Internal Audit Standards, initial assessment determines that the City of London Corporation's Internal Audit function materially conforms with the requirements. Any areas of potential non-conformance that are identified as a result of forthcoming gap analysis will be considered within the mandatory quality assurance and improvement programme.

## **Conclusion**

11. New Global Internal Audit Standards were published in January 2024, these will become mandatory for the profession in January 2025. Further guidance will be made available from CIPFA in the format of revised Public Sector Internal Audit Standards. This report provides the Committee with an overview of the standards and some materials to assist Members in gaining a better understanding of requirements.

## **Appendices**

- 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

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