

Code of Practice for the Governance of Internal Audit in UK Local Government

The Global Internal Audit Standards

Since 1 April 2025, Veritau has been working to new globally applicable standards for the performance of internal auditing. These standards, known as the Global Internal Audit Standards (GIAS) replace the International Standards for the Professional Practice of Internal Auditing which had been in place for over a decade.

The new standards are described by the Institute of Internal Auditors as an evolution rather than a revolution. Over the last 12 months, Veritau has been preparing for the standards by evaluating our current arrangements and processes against the requirements of the GIAS.

Structurally, the GIAS are organised into five 'domains' which collectively represent the purpose, positioning, and performance of internal audit (figure 1). Within each domain are a set of principles (15 in total) which guide the professional practice of internal auditing. Each principle is, in turn, supported by standards (52 in total) that contain requirements, considerations for implementation, and examples of evidence of conformance.

Figure 1: the five GIAS domains



Applying the Global Internal Audit Standards to the UK public sector

Given that internal audit is performed in many different jurisdictions and contexts globally, the GIAS recognise that requirements will need to be adapted for each country and sector (with internal auditing in the public sector being specifically referenced for the

first time). These are broadly known as 'interpretations' to the GIAS and are permitted so long as the original intention of the standard is met.

In the UK, the body responsible for interpreting the GIAS and setting expectations for the performance of internal audit in the public sector is known as the Internal Audit Standards Advisory Board (IASAB). The IASAB is made up of six 'Relevant Internal Audit Standard Setters' (RIASS) representing central and local government, and the health sector. The RIASS for UK local government is the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

It was IASAB which produced the Public Sector Internal Audit Standards (PSIAS). With the introduction of the GIAS, the PSIAS no longer exist. The PSIAS have now been replaced by a new compliance regime known as the Global Internal Audit Standards in the UK Public Sector or 'GIAS UK Public Sector'.

GIAS UK Public Sector is made up of the Global Internal Audit Standards (as well as what are known as 'Topical Requirements') and the 'Application Note: Global Internal Audit Standards in the UK Public Sector' ('the Application Note').

The purpose of the application note, issued by the RIASS in December 2024, is to set out interpretations and requirements which need to be applied to the GIAS requirements so that these form a suitable basis for internal audit practice in the UK public sector. It sets out eight specific interpretations to the GIAS and, importantly for this briefing note, advises that the RIASS for each sector may choose to issue specific guidance for the governance of internal audit.

Code of Practice for the Governance of Internal Audit in UK Local Government

Background and purpose

CIPFA has recently published the 'Code of Practice for the Governance of Internal Audit in UK Local Government' ('the Code'). As noted above, the purpose of the Code is to ensure that the essential conditions of governance can be met in a local government context.

However, a difference between the GIAS UK Public Sector and the Code is that the Code is intended for local authorities themselves rather than internal audit functions. It is designed to support authorities in establishing effective internal audit arrangements and providing oversight and support for internal audit.

Internal audit functions are still expected to be aware of the Code, and to assess compliance with it (alongside GIAS UK Public Sector), but the emphasis of the Code is on ensuring that local authorities have created the conditions for internal audit to be delivered effectively.

The Code builds on existing CIPFA guidance, including:

- ▲ Position Statement: audit committees in local authorities and police (2022)
- ▲ The role of the head of internal audit (2019) (the Code replaces the organisational responsibilities)



▲ The Financial Management Code (2019).

Much of the Code is already recognised good practice, and CIPFA's expectation is that many authorities will already have most of these arrangements in place. Bringing them together into a Code aims to strengthen the position of internal audit in local government and to support its professionalism. Strengthening governance arrangements is intended to ensure authorities are better able to meet their challenging service priorities and make best use of their resources.

Demonstrating compliance

CIPFA has established the Code as part of the proper practice requirements under the Accounts and Audit Regulations 2015. It introduces a requirement for local authorities to explain how they comply with the Code in their annual governance statements (guidance on which is currently being updated through an addendum to the CIPFA / SOLACE good governance framework). It is therefore important for authorities to understand the Code, and to engage early with it before preparing their 2025/26 statements.

The Code itself is organised into three main sections which are designed to help authorities ensure that they meet the essential conditions for governance set out in domain III of the GIAS. These sections are:

- ▲ Providing the authority for internal audit
- ▲ Positioning internal audit independently
- ▲ Oversight of internal audit

Taken together, the requirements address the purpose, scope, positioning, and authority of internal audit, the support it can expect to receive from senior management, interactions with the audit committee, and arrangements for managing resources and quality.

Assessing compliance: the compliance checklist

To support our clients in interpreting and assessing compliance with the Code, Veritau has created a bespoke compliance checklist. The checklist draws out each of the Code's requirements, indicates whether the authority or Veritau is primarily responsible, and includes relevant considerations and actions (where required).

It is for each authority to satisfy itself that the governance arrangements in place meet the requirements of the Code. It is also for each authority to determine how or if it wishes to engage members of the audit committee (or equivalent) in the compliance assessment process, and how to raise the profile of the Code amongst committee members and senior management. Future Veritau reports to committee will reference the Code, alongside the newly introduced GIAS UK Public Sector. We will also be available to support each authority's compliance efforts.

The need for action will vary by client since it will depend on the current governance arrangements for internal audit. However, all clients will be required to review and approve an updated internal audit charter over the coming weeks. The internal audit charter, and the arrangements it sets out, is fundamental to achieving compliance with the Code. Client officers / senior management should therefore make sure that the charter has been reviewed, and that the arrangements included are operating in practice, before it is presented to the audit committee (or equivalent) for approval.