



Coventry City Council

Public report

Report to

Audit and Procurement Committee

24th November 2025

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director of Finance and Resources

Ward(s) affected:

City Wide

Title:

Internal Audit Professional Standards Update

Is this a key decision?

No

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the new professional standards for internal audit which came into effect on the 1st April 2025, including the essential conditions which apply to the Committee and to seek approval for the Internal Audit Service's performance objectives for 2025-26.

Recommendation:

The Audit and Procurement Committee is recommended to:

1. Note and consider the new professional standards for internal audit, including the essential conditions applicable to the Committee. This should include consideration of whether there are any areas where, in the view of the Committee, arrangements will not be sufficient to meet the essential conditions.
2. Approve the performance objectives for internal audit for 2025-26.

List of Appendices included:

Appendix One – Audit and Procurement Committee Essential Conditions for Governing the Internal Audit function

Background papers:

None

Other useful documents:

None

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee.

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:

Internal Audit Professional Standards Update

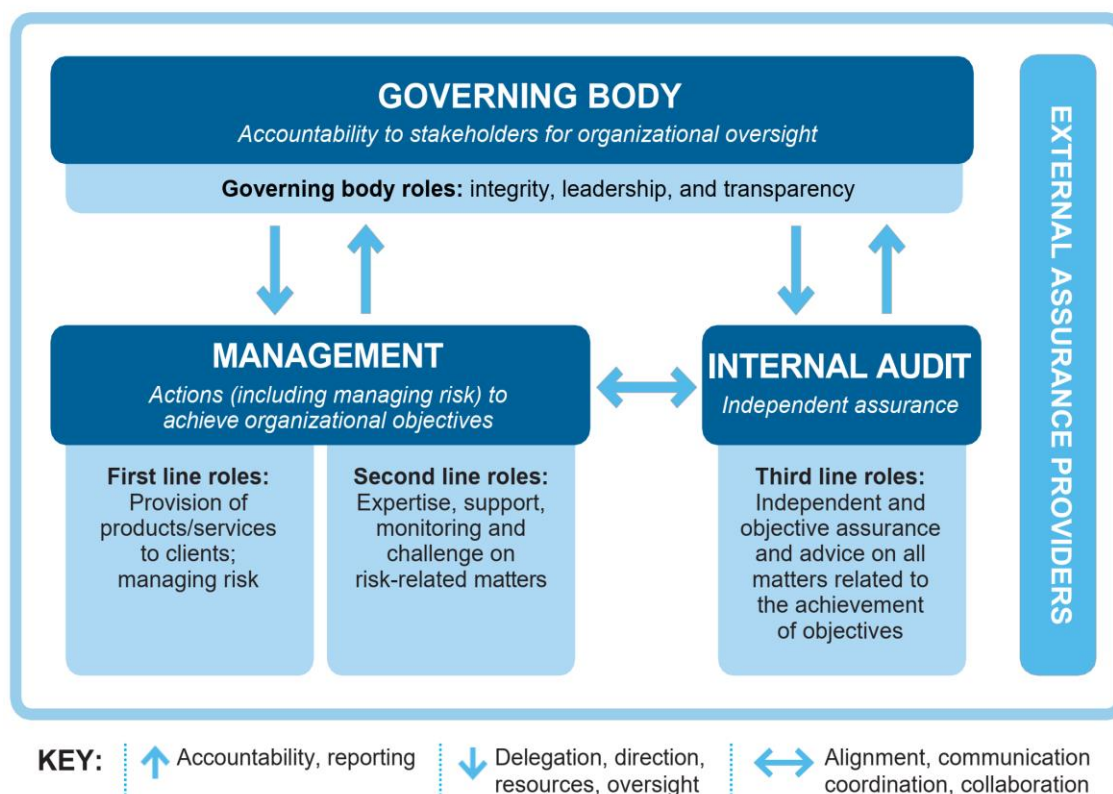
1. Context (or background)

- 1.1 In April 2025, new professional standards for internal audit came into effect. The “Global Internal Audit Standards in the UK Public Sector” consist of the Global Internal Audit Standards of the Institute of Internal Auditors and the Application Note: Global Internal Audit Standards in the UK public sector issued by CIPFA. In addition, CIPFA have issued a “Code of Practice for the Governance of Internal Audit in UK Local Government” which is designed to work alongside the new internal audit standards.
- 1.2 The Global Internal Audit Standards in the UK Public Sector are split into five domains, each with a number of principles and standards which underpin them:
- Domain I – Purpose of Internal Auditing
 - Domain II – Ethics and Professionalism
 - Domain III – Governing the Internal Audit Function
 - Domain IIIIV – Managing the Internal Audit Function
 - Domain V – Performing Internal Audit Services
- 1.3 Whilst many of the principles and standards are similar to the previous professional standards for internal audit, one of the key differences is the inclusion of “essential conditions” under Domain III for the Governance of Internal Audit. When the Institute of Internal Auditors published the Global Internal Audit Standards, it recognised that in the public sector, governance structures or other laws or regulations may impact on how the essential conditions can be applied. The Code of Practice therefore provides the route to satisfying the essential conditions, but in a way that is appropriate for UK local government.
- 1.4 Under Domain III the standards require the Chief Internal Auditor to discuss:
- The purpose of internal auditing
 - The essential conditions required for Governing the Internal Audit Function
 - The potential impact on the effectiveness of the internal audit function if the board or senior management does not provide the support outlined in the essential conditions.
- 1.5 In addition, under the essential conditions for the governance standard on quality, new requirements have been introduced linked to internal audit’s performance objectives, which requires the Audit and Procurement Committee to approve the performance objectives for the Internal Audit Service on an annual basis.

2. Options considered and recommended proposal

- 2.1 Purpose of Internal Auditing - Internal auditing is defined in the Global Internal Audit Standards in the UK Public Sector as “an independent, objective assurance and advisory service designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management

and control processes.” Internal audit is part of the Council’s governance framework, which follows the principles of the Three Lines Model, illustrated below:



The purpose of internal audit is defined in the Global Internal Audit Standards in the UK Public Sector as:

“Internal auditing strengthens the organisation’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. It enhances the organisation’s:

- Successful achievement of its objectives.
- Governance, risk management and control processes.
- decision making and oversight.
- Reputation and credibility with stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.”

- 2.2 The primary mandate for internal audit in UK local government is the Accounts and Audit Regulations 2015 which requires “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” The Regulations also include internal audit’s rights of access to information and explanations necessary to achieve their intended purpose.
- 2.3 Essential Conditions - The table attached at Appendix One provides a summary of the essential conditions relating to the Audit and Procurement Committee required for Domain III Governing the Internal Audit Function and the arrangements in place to fulfil these. Where appropriate, the Code of Practice has been relied upon to interpret the conditions in the context of the local authority environment. Whilst a number of the essential conditions are already in place or only require minor amendments to existing arrangements, some areas will need specific new actions to be taken. These are:
- Development of a resource strategy for the Internal Audit Service. This will need to be linked to the scope of internal audit activities as defined in the Internal Audit Charter.
 - In the event that the job description for the Chief Internal Auditor is amended (or there is a recruitment exercise for a new Chief Internal Auditor), feedback will be sought from the Audit and Procurement Committee on the job description. Feedback will also be sought from the Chair of the Committee on the Chief Internal Auditor’s performance as part of the annual appraisal process.
 - Audit and Procurement Committee approval of the performance objectives of the Internal Audit Service on an annual basis. This is expanded upon in 2.4 below.
- 2.4 Performance Objectives – The Audit and Procurement Committee must satisfy itself on the effectiveness of the Internal Audit Service. Receiving reports on the performance of the Service against defined performance objectives is a key way in which the Audit and Procurement Committee meets this responsibility and is included in the Terms of Reference for the Committee. Under the new essential conditions for the governance standard on quality, this has been expanded upon to include the requirement that the Audit and Procurement Committee approve the performance objectives for the Internal Audit Service on an annual basis.

It is recognised that the performance measures which are currently used in reporting to the Audit and Procurement Committee are solely linked to the delivery of the audit plan and do not reflect the expectations within the new standards that the performance objectives should be those which are most impactful to advance the outcomes stated within the standards, the Internal Audit Charter and the Internal Audit Strategy. As such, the Chief Internal Auditor has determined a revised set of performance objectives and measurements for 2025-26, which are detailed in Table One overleaf. It should be noted that all existing performance indicators will continue to be maintained as part of the administrative arrangements for managing the Internal Audit Service.

Table One – Internal Audit Performance Objectives and Measures 2025-26

Performance Objective	Measure	Target	Frequency
The Internal Audit Service delivers its mandate and charter through completion of a risk-based programme of work which supports delivery of the annual conclusion on the Council's effectiveness of its risk management, control and governance processes.	% of the Annual Internal Audit Plan (as adjusted and approved) completed.	90%	Quarterly
The Internal Audit Service advances its vision, mission and objectives outlined in the Internal Audit Strategy.	Average customer feedback score.	4.8 out of 5	Quarterly
	Audit initiatives as outlined in the Internal Audit Strategy 2025-2028 are delivered as planned.	All initiatives delivered by March 2028	Annual review of progress
	% of agreed audit recommendations implemented as planned. (This measure is not exclusively a reflection of Internal Audit performance as management are responsible for completing agreed actions.)	70%	Quarterly
Internal Audit is performed by competent professionals in conformance with the Global Internal Audit Standards in the UK Public Sector.	All internal auditors are supported in undertaking CPD.	No target set (qualitative)	Annual review
	Improvement actions identified from the Quality Assurance and Improvement Program are delivered as planned.	All actions delivered as planned	Annual review of progress

It is believed that these objectives / measures will support the Audit and Procurement Committee to satisfy itself on the overall effectiveness of the Internal Audit Service. However, these will be subject to annual review and approval by the Committee.

- 2.5 As the Internal Audit Service works towards its implementation of the new professional standards, further updates may be brought to the attention of the Audit and Procurement Committee in due course.
- 2.6 Options considered – in the event that no action is taken to implement the Global Internal Audit Standards in the UK Public Sector, the Council will not meet its statutory obligations to provide an effective internal audit function.

3. Results of consultation undertaken

None

4. Timetable for implementing this decision

The Global Internal Audit Standards in the UK Public Sector came into force on the 1st April 2025. Internal Audit teams are not expected to demonstrate full compliance on this date. Instead, they will work towards compliance with the new standards, building up conformance over time during the 2025-26 period.

5. Comments from the Director of Finance and Resources and the Director of Law and Governance

5.1 Financial Implications

There are no specific financial implications associated with this report. Internal audit work has clear and direct effects, through the recommendations made, to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

5.2 Legal implications

The Accounts and Audit Regulations 2015 requires “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” The Global Internal Audit Standards in the UK Public Sector came into effect on the 1st April 2025 and replaced the Public Sector Internal Audit Standards which previously applied. Implementation of the Global Internal Audit Standards in the UK Public Sector also ensures that the Council meets its statutory obligations in respect of maintaining an effective internal audit function, which is a key part of the Council’s governance framework.

6. Other implications

6.1 How will this contribute to achievement of the One Coventry Plan? <https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>)

Internal Auditing is defined in the Global Internal Audit Standards as “an independent, objective assurance and advisory service designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes”. As such the work of Internal Audit is directly linked to the Council’s key objectives / priorities with specific focus agreed on an annual basis and reflected in the annual Internal Audit Plan.

6.2 How is risk being managed?

Failure to implement the Global Internal Standards in the UK Public Sector will create risks to the effectiveness of the Council’s governance framework as outlined in the Local Code of Governance. Risk is being managed through maintaining the Internal Audit Quality Assurance and Improvement Programme which requires both internal and external assessments to be carried out of Internal Audit’s conformance with the Standards and develop action plans to address deficiencies and opportunities for improvement.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) Climate Change and the environment

No impact

6.6 Implications for partner organisations?

None

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Names of approvers: (officers and members)				
Oluremi Aremu	Head of Legal and Procurement Services	Law and Governance	5/11/25	10/11/25
Barry Hastie	Director of Finance and Resources (S151 Officer)	-	5/11/25	12/11/25
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	5/11/25	13/11/25
Councillor R Lakha	Chair of Audit and Procurement Committee	-	5/11/25	5/11/25

This report is published on the council's website: www.coventry.gov.uk/meetings

Appendix One – Audit and Procurement Committee Essential Conditions for Governing the Internal Audit function

Principle	Standard	Essential Conditions for the Audit & Procurement Committee	How will conditions be satisfied
The board establishes, approves and supports the mandate of the internal audit function	Internal Audit Mandate	Discuss with the Chief Internal Auditor and senior management the appropriate authority, role and responsibilities of the internal audit function.	Included within the Internal Audit Charter.
		Approve the Internal Audit Charter which includes the mandate and the scope and type of internal audit services.	The Charter will be included in the Internal Audit Annual Report and subject to annual approval by the Audit and Procurement Committee.
	Internal Audit Charter	Discuss with the Chief Internal Auditor and senior management other topics that should be included in the Internal Audit Charter to enable an effective internal audit function.	As above
		Approve the Internal Audit Charter.	As above
		Review the Internal Audit Charter with the Chief Internal Auditor to consider changes affecting the organisation, or changes in risks to the organisation.	As above, the Charter will be subject to annual approval by the Audit and Procurement Committee.
	Board and Senior Management Support	Champion the internal audit function to enable it to fulfil its purpose and pursue its strategy and objectives.	Through meetings with the Audit and Procurement Committee and other ad hoc communications.

		Work with senior management to enable the internal audit function's unrestricted access to the data, records, information, personnel and physical properties necessary.	Included within the Internal Audit Charter.
		Support the Chief Internal Auditor through regular, direct communications.	Through meetings with the Audit and Procurement Committee and other ad hoc communications.
		<p>Demonstrate support by:</p> <ul style="list-style-type: none"> - Specifying that the Chief Internal Auditor reports to a level within the organisation that allows internal audit to fulfil its mandate. - Approve the Internal Audit Charter and Internal Audit Plan and consider the resource strategy. - Make enquiries of management and the Chief Internal Auditor to determine whether any restrictions limit the function's ability to carry out its responsibilities effectively. - Meeting at least annually with the Chief Internal Auditor without senior management 	<p>Whilst not directly in the remit of the Audit and Procurement Committee, requirements are already fulfilled. Supporting statement to be included in the Internal Audit Charter.</p> <p>The Internal Audit Charter and Internal Audit Plan are subject to approval by the Audit and Procurement Committee. A resource strategy will be developed and included in the Charter.</p> <p>Included within the Internal Audit Charter and Annual Internal Audit report.</p> <p>Not explicitly in place, but the Internal Audit Charter provides for the opportunity to do this if required.</p>

The board establishes and protects the internal audit function's independence and qualifications	Organisational independence	Establish a direct reporting relationship with the Chief Internal Auditor to enable the internal audit function to fulfil its mandate.	Included within the Internal Audit Charter.
		In local government, matters around the appointment, removal, remuneration and performance evaluation of the Chief Internal Auditor will be undertaken by senior management. The Audit Committee should provide feedback on the proposed job description, and the performance evaluation of the Chief Internal Auditor should include feedback from the Chair of the Audit Committee.	If and when changes occur, feedback on the job description will be sought. Feedback to be sought as part of the annual appraisal process.
		Provide the Chief Internal Auditor with opportunities to discuss significant and sensitive matters with the board, including without senior management present.	The Internal Audit Charter provides the opportunity to do this if required.
		Require the Chief Internal Auditor to be positioned at a level in the organisation that enables internal audit to be performed without interference from management.	Whilst not directly in the remit of the Audit and Procurement Committee, requirements are already fulfilled. Supporting statement to be included in the Internal Audit Charter.
		Acknowledge the actual or potential impairments to the internal audit functions independence when approving roles or responsibilities for the Chief Internal Auditor that are beyond the scope of internal auditing.	Included within the Internal Audit Charter.
		Engage with senior management and the Chief Internal Auditor to establish appropriate safeguards if internal audits roles and responsibilities impair their independence.	Included within the Internal Audit Charter.

		Engage with senior management to ensure that the internal audit function is free from interference when determining its scope, performing engagements and communicating results.	Included within the Internal Audit Charter.
	Chief Audit Executive qualifications	Review the requirements necessary for the Chief Internal Auditor to manage the Internal Audit function.	Forms part of the Quality Assurance and Improvement Programme which is included in the Internal Audit Annual Report.
		The Chief Internal Auditor holds the CMIIA qualification, or a CCAB qualification or an equivalent professional qualification which includes training on the practice of internal audit. The Chief Internal Auditor has suitable internal audit experience.	Requirements form part of the job description for the post. The current Chief Internal Auditor holds the CMIIA qualification, MSc in Audit Management and Consultancy and has 30 years internal audit experience in local government.
The board oversees the internal audit function to ensure the function's effectiveness	Board interaction	Communicate with the Chief Internal Auditor to understand how Internal Audit is fulfilling its mandate.	Through meetings with the Audit and Procurement Committee and other ad hoc communications.
		Communicate the board's perspective on the organisation's strategies, objectives and risks to assist the Chief Internal Auditor with determining internal audit priorities.	The Internal Audit Plan is subject to approval by the Audit and Procurement Committee.
		Set expectations with the Chief Internal Auditor for: <ul style="list-style-type: none"> - The frequency with which the board wants to receive communications from them. - The criteria for determining which issues should be escalated to the board. - The process for escalating matters of importance to the board. 	Forms part of the annual work programme for Audit and Procurement Committee. Included within the Internal Audit Charter.

		Gain an understanding of the effectiveness of the organisations governance, risk management and control processes based on the results of internal audit engagements and discussions with senior management.	Included in regular monitoring reports to the Audit and Procurement Committee.
		Discuss with the Chief Internal Auditor disagreements with senior management or other stakeholders and provide support as necessary to enable the Chief Internal Auditor to perform their responsibilities.	Through meetings with the Audit and Procurement Committee and other ad hoc communications.
	Resources	The Audit Committee and senior management must engage with the Chief Internal Auditor to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate and achieve conformance with the standards.	<p>A resource strategy will be developed and included in the Charter.</p> <p>Included in the Internal Audit Annual Plan.</p> <p>Significant changes to the Plan are reported to the Audit and Procurement Committee.</p>
	Quality	Discuss with the Chief Internal Auditor the quality assurance and improvement programme.	Included in the Internal Audit Charter and Annual Internal Audit Report.
		Approve the internal audit functions performance objectives at least annually.	Included in this report for 2025-26 and will be included in the Internal Audit Annual Plan.
		<p>Assess the effectiveness and efficiency of the internal audit function. This includes:</p> <ul style="list-style-type: none"> - Reviewing the internal audit functions performance objectives, including its conformance with the standards, 	Included in regular monitoring reports to the Audit and Procurement Committee and the Internal Audit Annual Report.

		<p>laws and regulations, ability to meet the mandate and progress towards completion of the internal audit plan.</p> <ul style="list-style-type: none"> - Considering the results of the internal audit function's quality assurance and improvement program. - Determining the extent to which the internal audit functions performance objectives are being met. 	
	External Quality Assessment (EQA)	<p>Senior management must ensure that Internal Audit has an EQA at least once every five years. Senior management and the Chief Internal Auditor should discuss the timing of the review and report the options and their recommendation to the Audit Committee. The proposals for the scope, method of assessment and assessor should be brought to the Audit Committee for agreement.</p>	<p>Subject to a separate report to the Audit and Procurement Committee. The last EQA took place in May 2024.</p>
		<p>The Audit Committee must receive the complete results of the EQA and consider the Chief Internal Auditor's action plan to address any recommendations. Progress should be monitored.</p>	<p>Subject to a separate report to the Audit and Procurement Committee and included in the Internal Audit Annual Report.</p>