

# INTERNAL AUDIT CHARTER



## Mission Statement

***To give confidence to the Council Tax Payers of North Wales (citizens) and the Corporate Joint Committee on the control environment and governance arrangements through independent and objective reporting to the Chief Finance Officer (section 151) and the Governance and Audit Sub-Committee. Internal auditing strengthens the organisation's ability to create, protect and sustain value by providing the Governance and Audit Sub-Committee and Management with independent, risk-based, and objective assurance, advice, insight, and foresight.***

## **INTERNAL AUDIT CHARTER**

### **1. PURPOSE**

- 1.1 The work of Internal Audit strengthens the body's ability to create, protect and sustain value by providing the Governance and Audit Sub-Committee and Management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 1.2 Internal Audit assists the North Wales Corporate Joint Committee (Ambition North Wales) to enhance:
- 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.
- 1.3 The Internal Audit Service is most effective when:
- It is performed by competent professionals in accordance with the Global Internal Audit Standards and the additional requirements as set out in the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) produced by CIPFA.
  - The internal audit function is independently positioned with direct accountability to the Governance and Audit Sub-Committee.
  - Internal auditors are free from undue influence and committed to making objective assessments.

### **Role and Responsibilities within the Public Sector**

- 1.4 The Internal Audit function within the public sector will focus on:
- Ensuring compliance with laws and/or regulations.
  - Identifying opportunities to improve the efficiency, effectiveness and economy of processes and programs.
  - Determining whether public resources are adequately safeguarded and used appropriately to provide services in an equitable manner.
  - Assessing whether performance aligns with its strategic objectives and goals.

## **2. INTERNAL AUDIT MANDATE**

- 2.1 The Internal Audit Mandate refers to the internal audit function's authority, role and responsibilities, granted by the Governance and Audit Sub-Committee and applicable legislation.

### **Authority**

- 2.2 There is a statutory requirement for an Internal Audit service for joint committees. This is implied in Section 151 of the Local Government Act 1972, which requires that authorities must "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".
- 2.3 The Accounts and Audit Regulations (Wales) 2014 state:
- (1) A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.
  - (2) Any officer or member of that body must, if the body requires—
    - (a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and
    - (b) supply the body with such information and explanation as that body considers necessary for that purpose.
  - (3) A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.
  - (4) The finding of the review referred to in paragraph (3) must be considered as part of the consideration of the system of internal control referred to in regulation 5(3), by the committee or body referred to in that paragraph.
- 2.4 Furthermore, the Local Government (Wales) Measure 2011, as amended by the Local Government and Elections (Wales) Act 2021 requires the appointment of a Governance and Audit Committee to oversee the authority's internal and external audit arrangements. However, as the North Wales CJC is itself a corporate entity and is a local government body in its own right, it is appropriate to refer to the relevant committee within the CJC as the Governance and Audit Sub-Committee.

2.5 The internal audit function's authority is in the Ambition North Wales Constitution and the Internal Audit Charter. The Internal Audit Function has authority to:

- Have full and unrestricted access to all functions, data, records, information, physical property and personnel pertinent to carrying out internal audit responsibilities. Internal Auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communication to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the CJC and other specialised services from within or outside the CJC to complete internal audit services.

2.6 The Ambition North Wales Financial Procedure Rules states:

<b>9.12</b>	<b>INTERNAL AUDIT</b>
9.12.1	The Internal Audit function is operated with the contents of the relevant Service Level Agreement.
9.12.2	The Internal Audit function shall be conducted, as far as is practicable, in accordance with the Global Internal Audit Standards.
9.12.3	The Internal Audit Strategy and remit will be included in the CJC's Internal Audit Charter which is reviewed and approved by the Governance and Audit Committee.
9.12.4	<p>The Chief Executive shall ensure that the Internal Audit Manager, or their authorised representative shall have authority to :-</p> <ul style="list-style-type: none"><li>(a) enter at all reasonable times on any CJC premises, land or contract sites;</li><li>(b) have access to all records, documents and correspondence relating to any financial and other transaction of the CJC;</li><li>(c) require and receive such explanations as are in their opinion necessary concerning any matter under examination;</li><li>(d) require any employee of the CJC to produce cash, stores or any other CJC property under his control.</li></ul>
9.12.5	The Chief Finance Officer shall agree the medium-term and annual audit plans prepared by the Internal Audit Manager which takes account of the characteristics and relative risks of the activities

	involved. The plans shall be approved by the Governance and Audit Committee.
9.12.6	All relevant managers shall consider and respond promptly to agreed actions in audit reports. Senior Managers shall ensure that any agreed actions arising from audit findings are out in a timely and efficient fashion in accordance with the agreed action plan.
9.12.7	<p>The Internal Audit Manager shall report regularly to the Governance and Audit Committee:</p> <ul style="list-style-type: none"> <li>(a) On the results of Internal Audit work in the preceding period.</li> <li>(b) On any substantial control weaknesses discovered or audited.</li> <li>(c) On any audit recommendations that were not implemented within the agreed timetable, where a failure to act on those recommendations would prolong a substantial control weakness.</li> <li>(d) Progress on completion of the Internal Audit Plan for the current year.</li> </ul>

### **Independence, Position and Reporting Relationships**

- 2.7 The Standards contain terminology that need to be defined clearly within the local Charter, namely the “Board”, the “Chief Audit Executive” and “Senior Management”.

#### **“Board**

The Standards define the Board as ***“the highest-level body charged with governance”***.

In accordance with the Ambition North Wales Constitution, consideration of and responding to reports by the Internal Audit Service is a function that has been delegated to the Governance and Audit Sub-Committee.

For the purpose of this Internal Audit Charter, therefore, the Governance and Audit Sub-Committee undertakes the role of the “Board” in order to fulfil the requirements of the Standards.

### **“Chief Audit Executive”**

The Audit Manager is the “*Chief Audit Executive*” in accordance with the terminology in the Standards.

### **“Senior Management”**

“Senior Management” is defined as “*the highest level of executive management of an organization that is ultimately accountable to the board for executing the organization’s strategic decisions, typically a group of persons that include the chief executive officer or head of the organization*”.

- 2.8 In Ambition North Wales, the Chief Finance Officer is the officer who has the responsibility for "the proper administration of the CJC’s financial affairs" in accordance with section 151 of the Local Government Act 1972.
- 2.9 In the context of communicating the results of internal audit work and discussing the work plan, the Audit Manager is accountable to the Chief Executive and Chief Finance Officer, but has the freedom to report directly to the Monitoring Officer or the Governance and Audit Sub-Committee if he/she is of the opinion that this is necessary, and in practical terms it is the Audit Manager who releases all reports to Internal Audit’s customers.
- 2.10 The Audit Manager will confirm to the Governance and Audit Sub-Committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the Audit Manager will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.
- 2.11 The Audit Manager will disclose to the Governance and Audit Sub-Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function’s effectiveness and ability to fulfil its mandate.
- 2.12 In line with CIPFA’s Code of Practice for the Governance of Internal Audit in UK Local Government (2025) (which also applies to CJC’s) on behalf of those charged with governance, senior management have established and made arrangements to safeguard internal audit’s independence. These arrangements include:
- Ensuring internal audit’s access to staff and records, as set out in regulations and the charter, operates freely and without any interference to its scope, performance of engagements or communication of results.

- Ensuring that the Audit Manager reports in their own right to the Governance and Audit Sub-Committee on the work of internal audit.
- Providing opportunities for the Audit Manager to meet with Governance and Audit Sub-Committee without senior management present. At least one such meeting must be held each year.
- Where there are actual or potential impairments to the independence of internal audit, senior management will work with the Audit Manager to remove or minimise them or ensure safeguards are operating effectively.
- Recognise that if the Audit Manager has additional roles and responsibilities beyond internal auditing or if new roles are proposed, that could impact on the independence and performance of internal audit, the impact will be discussed with the Audit Manager and the views of Governance and Audit Sub-Committee sought.
- Where needed, appropriate safeguards must be put in place by senior management to protect the independence of internal audit and support conformance with professional standards.

#### **Changes to the Internal Audit Mandate and Charter**

2.13 Circumstances may justify a follow-up discussion between the Audit Manager, Governance and Audit Sub-Committee, and senior management on the internal audit mandate or other aspects of the internal audit Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the Audit Manager, Governance and Audit Sub-Committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

### **3. Governance and Audit Sub-Committee Oversight**

- 3.1 The Governance and Audit Sub-Committee's duties as detailed in Financial Procedure rule 9.2.3 which states *"The Governance and Audit Committee will implement the statutory requirements placed upon it pursuant to the Local Government (Wales) Measure 2011. This includes monitoring and reviewing the propriety of budgets, financial strategy, accounting, and financial management of the CJC and all its services through reviewing financial procedures, promotion of risk management, internal control and good governance and development of a culture that militates against fraud."*
- 3.2 To establish, maintain, and ensure that the Audit function has sufficient authority to fulfil its duties, the Chief Finance Officer / Governance and Audit Sub-Committee will:
- Discuss with the Audit Manager and senior management, as appropriate, the authority, role, responsibilities, scope and services (assurance and/or advisory) of the Internal Audit function.
  - Ensure the Audit Manager has unrestricted access to and communicates, and interacts with the Governance and Audit Sub-Committee, including in private meeting without senior management present.
  - Discuss with the Audit Manager and senior management other topics that should be included in the Internal Audit Charter.
  - Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
  - Review the internal audit charter periodically with the Audit Manager to consider changes affecting the organisation, such as the employment of a new chief audit executive (audit manager) or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter.
  - Approve the risk-based internal audit plan.
  - Receive communications from the Audit Manager about the internal audit function including its performance relative to its plan.
  - Ensure a quality assurance and improvement program has been established and reviewed annually.
  - Make appropriate inquiries of senior management and the Audit Manager to determine whether scope or resource limitations are inappropriate.
  - Discuss with the Audit Manager and senior management the "essential conditions" described in the Global Internal Audit Standards.
  - Periodically review the contents of the Service Level Agreement between Ambition North Wales and the Internal Audit Service.



#### **4. Audit Manager Responsibilities**

##### **Ethics and Professionalism**

4.1 The Audit Manager will ensure that internal auditors:

- Conform with the Global Standards, Application Note and Code of Practice including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality. (See Appendix A).
- Conform with the Seven Principles of Public Life (the Nolan Principles), (selflessness, integrity, objectivity, accountability, honesty and leadership).
- Every internal auditor shall be required to sign a Declaration of Auditor Independence annually which incorporates the duty to adhere to the Seven Principles of Public Life.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

##### **Objectivity**

4.2 The Audit Manager will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication.

4.3 If the Audit Manager determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

4.4 Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

4.5 Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the CJC or its affiliates.

- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any CJC employee that is not employed by the internal audit function, except where such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

#### 4.6 Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, to the Audit Manager, Governance and Audit Sub-Committee, management or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### **Managing the Internal Audit Function**

#### 4.7 The Audit Manager has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Governance and Audit Sub-Committee and senior management. Discuss the plan with the Governance and Audit Sub-Committee and senior management and submit the plan to the Governance and Audit Sub-Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Governance and Audit Sub-Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the CJC's business, risks, operations, programs, systems, and controls.
- Communicate with the Governance and Audit Sub-Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Governance and Audit Sub-Committee and senior management periodically and for each engagement as appropriate.

- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the CJC Wales and communicate to the Governance and Audit Sub-Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the CJC's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Governance and Audit Sub-Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Audit Manager cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Governance and Audit Sub-Committee.

4.8 In order to facilitate the work of the Governance and Audit Sub-Committee, the Auditor Manager will:

- Attend committee meeting and contribute to the agenda
- Participate in the committee's review of its own remit and effectiveness
- Seek to ensure that the committee receives and understands documents that describe how internal audit will fulfil its objectives (e.g. the risk-based plan, annual work programmes, progress reports)

#### **Communication**

4.9 The Audit Manager will report regularly (at agreed intervals) to the Governance and Audit Sub-Committee and senior management regarding:

- The internal audit function's mandate and Internal Audit Charter.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan.
- Potential impairments to independence, including relevant disclosures as applicable.

- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Governance and Audit Sub-Committee that could interfere with the achievement of the CJC's strategic objectives.
- Results of assurance and advisory services.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the CJC's risk appetite
- Adherence to the Service Level Agreement.

4.10 A formal report will be written for most audit assignments, except for some small audits where significant weaknesses were not discovered and where a full audit report was not deemed necessary. In these cases, memoranda will be sent to the relevant officers.

4.11 Where appropriate, each report will be placed in one of four assurance levels based on an evaluation of the internal control environment and the number of risks identified together with their risk score.

The current risk score will be categorised in one of four risk categories:

RISK LEVEL	SCORE
VERY HIGH	20 – 25
HIGH	12 – 16
MODERATE	6 - 10
LOW	1 - 5

4.12 The general assurance levels of audits are as shown in the table below:

ASSURANCE LEVEL	DEFINITION
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
SATISFACTORY	Controls are in place to achieve their objectives but there are aspects that need tightening to further mitigate the risks.
LIMITED	Although controls are in place, compliance with the controls needs to be improved and/or introduce new controls to reduce the risks to which the service is exposed.
NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

The use of assurance levels is likely to be less appropriate for reports that have been prepared following a special investigation, or for work containing “consultancy” aspects.

- 4.13 Following completion of audit work, a draft report of the findings as well as any areas of risks identified is prepared for the relevant managers so that they have an opportunity to consider the findings and possible solutions to mitigate risks and correct any factual errors. A period of 2-3 weeks is given to managers to respond to the draft, but a longer period will be considered if a request for an extension is received. If a response is not received by the stipulated date, the report is assumed to be acceptable and a final report will be issued. If comments are received, these will be considered (and the draft report may or may not be modified) before the final report is issued. If there is no agreement to mitigate risk(s), that will be addressed in the final report.
- 4.14 After an appropriate period, Internal Audit will conduct follow-up testing to ensure that what was agreed is operational. The results of follow-up work will be reported to Chief Officers and the Governance and Audit Sub-Committee.

## **5. Quality Assurance and Improvement Programme**

- 5.1 The Audit Manager will develop, implement, and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit function. The QAIP will include external and internal assessments of the internal audit function’s conformance with the Global Internal Audit Standards and Code of Practice, as well as performance measurement to assess the internal audit function’s progress toward the achievement of its objectives and promotion of continuous improvement.
- 5.2 The programme will also assess compliance with laws and/or regulations relevant to internal auditing such as the Relevant Internal Audit Standard Setters’ (RIASS) Application Note and CIPFA’s Code of Practice.
- 5.3 If applicable, the assessment will include plans to address the internal audit function’s deficiencies and opportunities for improvement.
- 5.4 Annually, the Audit Manager will communicate with the Governance and Audit Committee and senior management about the internal audit function’s QAIP, including the results of internal self-assessments (ongoing monitoring and periodic self-assessments) and external assessments.
- 5.5 External assessments will be conducted at least once every five years by a suitably qualified, independent assessor or assessment team from outside the Council.

## **6. Scope and Types of Internal Audit Services**

- 6.1 The scope of internal audit covers the entire breadth of the organisation, including all the CJC's activities, assets and personnel.
- 6.2 The scope of internal audit activities also encompasses but is not limited to:
- Objective examinations of evidence to provide independent assurance and advice to management and the Governance and Sub-Audit committee on risk management, governance and internal controls.
  - Promote an anti-fraud, anti-bribery and anti-corruption culture within the CJC to aid the prevention and detection of fraud and to investigate allegations of fraud, bribery, corruption and other irregularities.

## **7. SUPPORT FOR INTERNAL AUDIT**

- 7.1 In line with CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government (2025), internal audit's activities require access to and support from senior management, Governance and Audit Sub-Committee and those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations.
- 7.2 Support means:
- Championing the role and work of internal audit to the staff within the authority and to partner organisations with whom internal audit will work.
  - Facilitating access to senior management, Governance and Audit Sub-Committee and the authority's external auditor.
  - Assisting, where possible, with access to an external provider's assurance such as regulators, inspectors and consultants.
  - Engaging constructively with internal audit's findings, opinions and advice.
  - Building awareness and understanding of the importance of good governance, risk management and internal control for the success of the authority, and of internal audit's contributions.
- 7.3 The Governance and Audit Sub-Committee can demonstrate its support for internal audit by:
- enquiring of senior management and the Audit Manager about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively.

- considering the audit plan or planning scope and formally approving or recommending approval as appropriate.
- meeting at least annually with the Audit Manager in sessions without senior management present.

## ETHICS AND PROFESSIONALISM

All internal auditors are required to conform with the standards of ethics and professionalism. If internal auditors are expected to abide by other codes of ethics, behaviour, or conduct, such as those of an organization, conformance with the principles and standards of ethics and professionalism contained herein is still expected. The fact that a particular behaviour is not mentioned in these principles and standards does not preclude it from being considered unacceptable or discreditable.

While internal auditors are responsible for their own conformance, the chief audit executive is expected to support and promote conformance with the principles and standards in the Ethics and Professionalism domain by providing opportunities for training and guidance. The chief audit executive may choose to delegate certain responsibilities for managing conformance but retains accountability for the ethics and professionalism of the internal audit function.

### **Principle 1 Demonstrate Integrity**

***Internal auditors demonstrate integrity in their work and behaviour.***

Integrity is behaviour characterized by adherence to moral and ethical principles, including demonstrating honesty and the courage to act based on relevant facts, even when facing pressure to do otherwise, or when doing so might create potential adverse personal or organizational consequences. In simple terms, internal auditors are expected to tell the truth and do the right thing, even when it is uncomfortable or difficult.

Integrity is the foundation of the other principles of ethics and professionalism, including objectivity, competency, due professional care, and confidentiality. The integrity of internal auditors is essential to establishing trust and earning respect.

### **Standard 1.1 Honesty and Professional Courage**

Internal auditors must perform their work with honesty and professional courage.

Internal auditors must be truthful, accurate, clear, open, and respectful in all professional relationships and communications, even when expressing scepticism or offering an opposing viewpoint. Internal auditors must not make false, misleading, or deceptive statements, nor conceal or omit findings or other pertinent information from communications. Internal auditors must disclose all material facts known to them that, if not disclosed, could affect the organization's ability to make well-informed decisions.

Internal auditors must exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.



The chief audit executive must maintain a work environment where internal auditors feel supported when expressing legitimate, evidence-based engagement results, whether favourable or unfavourable.

#### Standard 1.2 Organisational Ethical Expectations

Internal auditors must understand, respect, meet and contribute to the legitimate and ethical expectations of the organisation and must be able to recognise conduct that is contrary to those expectations.

Internal auditors must encourage and promote an ethics-based culture in the organisation. If internal auditors identify behaviour within the organisation that is inconsistent with the organisations ethical expectations, they must report the concern according to applicable policies and procedures.

#### Standard 1.3 Legal and Ethical Behaviour

Internal auditors must not engage in or be party to any activity that is illegal or discreditable to the organisation or the profession of internal auditing or that may harm the organisation or its employees.

Internal auditors must understand and abide by the laws and/or regulations relevant to the CJC, local government and the jurisdictions in which the organisation operates, including making disclosures as required.

If internal auditors identify legal or regulatory violations, they must report such incidents to individuals or entities that have the authority to take appropriate action, as specified in laws, regulations, and applicable policies and procedures.

#### Principle 2 Maintain Objectivity

***Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.***

Objectivity is an unbiased mental attitude that allows internal auditors to make professional judgements, fulfil their responsibilities, and achieve the 'Purpose of Internal auditing' without compromise. An independently positioned internal audit function supports internal auditors' ability to maintain objectivity.

### Standard 2.1 Individual Objectivity

Internal auditors must maintain professional objectivity when performing all aspects of internal audit services. Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgements based on balanced assessment of all relevant circumstances.

Internal auditors must be aware of and manage biases.

### Standard 2.2 Safeguarding Objectivity

Internal auditors must recognise and avoid or mitigate actual, potential and perceived impairments to objectivity.

Internal auditors must not accept any tangible or intangible item, such as a gift, reward, favour, that may impair or be presumed to impair objectivity.

Internal auditors must avoid conflicts of interest and must not be unduly influenced by their own interests or interests of others, including senior management or others in a position of authority, or by the political environment or other aspects of their surroundings.

When performing internal audit services:

- Internal auditors must refrain from assessing specific activities for which they were previously responsible. Objectivity is presumed to be impaired if an auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous 12 months.
- If the internal audit function is to provide assurance services where it previously performed advisory services, the chief audit executive must confirm that the nature of the advisory services does not impair objectivity and must assign resources such as individual objectivity is managed. Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by an independent party outside the internal audit function.
- If internal auditors are to provide advisory services relating to activities for which they had previous responsibilities, they must disclose potential impairments to the party requesting the services before accepting the engagement.

The chief audit executive must establish methodologies to address impairments to objectivity. Internal auditors must discuss impairments and take appropriate actions according to relevant methodologies.

### Standard 2.3 Disclosing Impairments to Objectivity

If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.

If internal auditors become aware of an impairment that may affect their objectivity, they must disclose the impairment to the chief audit executive or a designated supervisor. If the chief audit executive determines that an impairment is affecting an internal auditor's ability to perform duties objectively, the chief audit executive must discuss the impairment with the management of the activity under review, board, and/or senior management and determine the appropriate action to resolve the situation.

If an impairment that affects the reliability or perceived reliability of the engagement findings, recommendations, and/or conclusions is discovered after an engagement has been completed, the chief audit executive must discuss the concerns with the management of the activity under review, the board, senior management, and/or other affected stakeholders and determine the appropriate actions to resolve the situations. (See also Standard 11.4 Errors and Omissions.)

If the objectivity of the chief audit executive is impaired in fact or appearance, the chief audit executive must disclose the impairment to the board. (See also Standard 7.1 Organisational Independence.)

### Principle 3 Demonstrate Competency

***Internal auditors apply knowledge, skills and abilities to fulfil their roles and responsibilities successfully.***

Demonstrating competency requires developing and applying the knowledge, skills and abilities to provide internal audit services. Because internal auditors provide a diverse array of services, the competencies needed by each internal auditor vary. In addition to possessing or obtaining the competencies needed to perform services, internal auditors improve the effectiveness and quality of services by pursuing professional development.

#### Standard 3.1 Competency

Internal auditors must possess or obtain the competencies to perform their responsibilities successfully. The required competencies include the knowledge, skills, and abilities suitable for one's job position and responsibilities commensurate with their level of experience. Internal auditors must possess or develop knowledge of The IIA's Global Internal Audit Standards.

Internal auditors must engage only in those services for which they have or can attain the necessary competencies.

Each internal auditor is responsible for continually developing and applying the competencies necessary to fulfil their professional responsibilities. Additionally, the chief audit executive must ensure that the internal audit function collectively possesses the competencies to perform the internal audit services described in the internal audit charter or must obtain the necessary competencies. (See also Standards 7.2 Chief Audit Executive Qualifications and 10.2 Human Resources Management.)

### Standard 3.2 Continuing Professional Development

Internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services. Internal auditors must pursue continuing professional development including education and training. Practicing internal auditors who have attained professional internal audit certification must follow the continuing professional education policies and fulfil the requirements applicable to their certifications.

### Principle 4 Exercise Due Professional Care

***Internal Auditors apply due professional care in planning and performing internal audit services.***

The Standards that embody exercising due professional care require:

- Conformance with the Global Internal Audit Standards.
- Consideration of the nature, circumstances, and requirements of the work to be performed.
- Application of professional scepticism to critically assess and evaluate information.

Due professional care requires planning and performing internal audit services with the diligence, judgement, and scepticism possessed by prudent and competent internal auditors. When exercising due professional care, internal auditors perform in the best interests of those receiving internal audit services but are not expected to be infallible.

### Standard 4.1 Conformance with the Global Internal Audit Standards

Internal Auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards.

The internal audit function's methodologies must be established, documented and maintained in alignment with the Standards. Internal auditors must follow the Standards and the internal audit function's methodologies when planning and performing internal audit services and communicating results.

If the Standards are used in conjunction with the requirements issued by other authoritative bodies, internal audit communication must also cite the use of the other requirements, as appropriate.

If laws or regulations prohibit internal auditors or internal audit functions from conforming with any part of the Standards, conformance with all other parts of the Standards is required and appropriate disclosures must be made.

When internal auditors are unable to conform with a requirement, the chief audit executive must document and communicate a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale. Requirements related to disclosing non-conformance with the Standards are described in Standards 8.3 Quality, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communications.

#### Standard 4.2 Due Professional Care

Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided, including:

- The organisation's strategy and objectives.
- The interests of those for whom internal audit services are provided and the interests of other stakeholders.
- Adequacy and effectiveness of governance, risk management and control processes.
- Cost relative to potential benefits of the internal audit services to be performed.
- Extent and timeliness of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of risks to the activity under review.
- Probability of significant errors, fraud, non-compliance, and other risks that might affect objectives, operations and resources.
- Use of appropriate techniques, tools and technology.

### Standard 4.3 Professional Scepticism

Internal auditors must exercise professional scepticism when planning and performing internal audit services.

To exercise professional scepticism, internal auditors must:

- Maintain an attitude that includes inquisitiveness.
- Critically assess the reliability of information.
- Be straightforward and honest when raising concerns and asking questions about inconsistent information.
- Seek additional evidence to make a judgement about information and statements that might be incomplete, inconsistent, false or misleading.

### Principle 5 Maintain Confidentiality

***Internal Auditors use and protect information appropriately.***

Because internal auditors have unrestricted access to the data, records, and other information necessary to fulfil the internal audit mandate, they often receive information that is confidential, proprietary, and/or personally identifiable. (See also Principle 6 Authorised by the board and its standards.) This includes information in physical and digital form as well as information derived from oral communication, such as formal or informal meeting discussions. Internal auditors must respect the value and ownership of information they receive by using it only for professional purposes and protecting it from unauthorised access or disclosure, internally and externally.

#### Standard 5.1 Use of Information

Internal auditors must follow relevant policies, procedures, laws, and regulations when using information. The information must not be used for personal gain or in a manner contrary or detrimental to the organisation's legitimate and ethical objectives.

#### Standard 5.2 Protection of Information

Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.

Internal auditors must understand and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security that apply to the organisation and internal audit function.

Considerations specifically relevant to the internal audit function include:

- Custody, retention, and disposal of engagement records.
- Release of engagement records to internal and external parties.
- Handling of, access to, or copies of confidential information when it is no longer needed.

Internal auditors must not disclose confidential information to unauthorized parties unless there is a legal or professional responsibility to do so.

Internal auditors must manage the risk of exposing or disclosing information inadvertently.

The chief audit executive must ensure that the internal audit function and individuals assisting the internal audit function adhere to the same protection requirements.

The Application Note: Global Internal Audit Standards in the UK Public Sector provides further general context for the UK public sector. The GIAS generally and GIAS 1.2 (Organisation's Ethical Expectations) specifically describe the importance of internal auditors encouraging and promoting an ethics-based culture alongside personal adherence to the ethical expectations of their organisation. This need for ethical behaviour is especially relevant in the UK public sector where those delivering public services are both servants of the public and stewards of public resources. The government has set out Seven Principles of Public Life (also known as the 'Nolan Principles') that apply to all public servants (including contractors working in the public service).

### **The Seven Principles of Public Life**

- **Selflessness:** Holders of public office should act solely in terms of the public interest.
- **Integrity:** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family or their friends. They must declare and resolve any interests and relationships.

- **Objectivity:** Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability:** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **Openness:** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- **Honesty:** Holders of public office should be truthful.
- **Leadership:** Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

Internal auditors working in the UK public sector must apply these alongside all other relevant ethical frameworks.