

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

The Code comes into force from 1 April 2025.

1. Summary

CIPFA has developed the Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit.

The Code is designed to work alongside new internal audit standards and replaces the organisational responsibilities set out in the [Statement on the role of the head of internal audit](#) (CIPFA, 2019). It is aimed at those responsible for ensuring effective governance arrangements for internal audit:

- The body or individual charged with governance – this includes the police and crime commissioner and chief constable (corporations sole) in policing or full body of the authority.
- The audit committee, the primary committee that may hold some delegated responsibilities towards internal audit.
- Senior management of the authority, including the statutory officers, head of paid service, monitoring officer and section 151/section 95 officer that hold responsibilities for governance.

It applies to all authorities applying Global Internal Audit Standards in the UK Public Sector and that are within the scope of the statutory regulations on internal audit, as set out in Appendix A of the Code. Typically smaller authorities would not fall within the scope of the Code.

The Code applies regardless of the method of internal audit delivery.

2. Background to the Code

Local government bodies have a requirement for internal audit as set out in national regulations. As the relevant internal audit standard setter (RIASS) for UK local government, CIPFA works with other RIASS through the Internal Audit Standards Advisory Board (IASAB) to mandate the appropriate internal audit standards. Since 2013, the RIASS have jointly mandated the Public Sector Internal Audit Standards (PSIAS) based on the International Professional Practices Framework of the Institute of Internal Auditors (IIA). New standards, Global Internal Audit Standards (UK public sector), are mandated from 1 April 2025 consisting of the [Global Internal Audit Standards](#) (GIAS) of the IIA and the [Application Note: Global Internal Audit Standards in the UK public sector](#).

The new standards include 'essential conditions' for the governance of internal audit. These conditions are needed to allow effective internal audit practice and for internal auditors to conform with GIAS in the UK public sector. Previously, CIPFA has issued guidance to authorities on the governance of internal audit in the [Statement on the role of the head of internal audit](#) and in its [Position Statement: audit committees in local authorities and police](#), and the [accompanying publication](#) (CIPFA, 2022).

When the IIA published GIAS, it recognised that in the public sector, governance structures or other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government, where there isn't a straightforward replacement for the 'board' as described in GIAS. Elected representatives are ultimately those charged with governance, whether that is the full council of an authority or an elected police and crime commissioner. Local government audit committees are non-executive advisory bodies with limited decision-making powers and police audit committees cannot be delegated any decision-making powers. Internal audit's primary mandate comes from statutory regulations rather than the decision of the audit committee.

The GIAS also provides for the chief audit executive to reach agreement with those in governance roles and senior management on alternative conditions that still allow for conformance with the standards. The Code provides the route to satisfying the essential conditions in GIAS in the UK public sector, tailored for UK local government. The Application Note GIAS in the UK public sector directs the local government sector bodies to apply this Code.

This Code meets the objectives of the essential conditions, by providing for the necessary governance of internal audit, but in a way that is appropriate for UK local government bodies. It includes roles and responsibilities of the audit committee, senior management and those charged with governance towards internal audit.

3. Implementing the Code

By following the Code, both the authority and the chief audit executive can be confident that governance in their authority is working in the way that is expected in the Principles and Standards in Domain III of GIAS in the UK public sector. The chief audit executive must, of course, conform with the full standards to achieve overall conformance. But by using the Code alongside GIAS in the UK public sector, local government bodies are better placed to achieve that conformance.

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 as per existing CIPFA guidance, and many authorities will have these arrangements, or close to them, in place. Bringing them together into a code will strengthen the position of internal audit in local government and support its professionalism. Strengthening governance arrangements will ensure authorities are better able to meet their challenging service priorities and make best use of their resources.

4. Demonstrating compliance

The authority should explain how it complies with the Code in its annual governance statement. CIPFA is currently updating its guidance on annual governance statements for publication in 2025. Conformance with both the Code and GIAS in the UK public sector will be featured in the new Addendum as part of the core arrangements authorities should have in place. Effective arrangements for the governance of internal audit, as well as effective internal audit, are vital parts of an authority's governance arrangements.

The Code must also be included in the chief audit executive's annual internal quality assessment for report to the audit committee.

The external quality assessment (EQA), that authorities need at least once every five years, must also apply the Code when evaluating those aspects of the standards.

It is anticipated that further guidance on the EQA of multi-client providers and in-house teams with multiple external clients for internal audit services will be developed in 2025. For those internal audit functions, the EQA will need to take the Code into account when considering local government clients.

Provisions of the Code

When applying the Code, authorities should take into account what delegated authority, if any, the audit committee may have. Some committees may be delegated to approve certain matters related to internal audit such as the audit charter or an internal audit strategy. Other committees may review and recommend to the appropriate body charged with governance.

The term chief audit executive is used to ensure consistency with the GIAS, although the term is rarely used in local government. Each authority should be clear which individual fulfils these responsibilities, regardless of actual job title. In practice the chief audit executive may delegate appropriate responsibilities to other qualified professionals in the internal audit function but retains ultimate accountability.

1. Providing authority for internal audit

1.1 Internal audit's mandate

To be effective and to meet the requirements of professional standards, internal audit's authority needs to be established.

In local government in the UK, internal audit's authority has statutory backing through the regulations issued by national UK governments. Authorities should familiarise themselves with the appropriate regulations that apply to them (see Appendix A). Regulations also include internal audit's rights of access.

In GIAS in the UK public sector this is referred to as internal audit's mandate, so the primary mandate comes from the regulations.

In addition to internal audit's mandate from regulations, each body may agree a wider statement of internal audit's authority. In developing the mandate with the chief audit executive, senior management should consider their wider assurance framework.¹ The framework ensures that those responsible for governance and the audit committee receive the assurances they need, including assurance from first and second lines,² and clarifies how internal audit contributes.

Development of the mandate will involve the chief audit executive, senior management and the audit committee. The audit committee must approve, or recommend for approval, the mandate.

If there are changes to the regulations, the mandate must be updated to reflect them.

1.2 Internal audit's charter

The chief audit executive has a responsibility to prepare a charter that conforms with GIAS in the UK public sector. When reviewing the charter, the audit committee should be satisfied that it covers the

¹ The means by which leaders, managers and decision makers can have confidence that the governance arrangements that they have approved are being implemented, operating as intended, and remain fit for purpose. See [Developing an effective assurance framework in a local authority](#) (CIPFA, 2023).

² Management assurance from line management and internal review or oversight functions.

governance arrangements for internal audit. It must include the mandate derived from the regulations, plus any additional agreed mandate, and include internal audit's reporting line to the audit committee. The charter should include the administrative reporting arrangements for internal audit and the chief audit executive.

Senior management must work with the chief audit executive to ensure that the charter sets out the arrangements the function needs to achieve internal audit's purpose. In local government, internal audit's role would normally include:

- supporting the delivery of the authority's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls
- championing good practice in governance through assurance, advice and contributing to the authority's annual governance review
- advising on governance, risk management and internal control arrangements for major projects, programmes and system changes
- access to the authority's interests in collaborative and arm's-length arrangements.

The audit committee must approve the charter or recommend its approval.

Where there are significant changes to the governance of the authority, its risks or the internal audit function, the charter must be reviewed to ensure it is still fit for purpose and new formal approval given. A regular review is recommended to confirm the charter or update as required.

1.3 Support for internal audit

Internal audit's activities require access to and support from senior management, the audit committee and those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations.

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, the audit committee and the authority's external auditor
- assisting, where possible, with access to external providers of 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.

Support also means putting in place conditions to enable internal audit's work:

- When senior management and those charged with governance agree organisational structures, they must ensure that the direct reporting line of the chief audit executive is not lower than a member of the senior management team and has access to all members of the team. The chief audit executive should be a senior manager, providing them with the necessary profile to fulfil the function's mandate.

- Where internal audit is outsourced or delivered through a partnership arrangement, senior management and those charged with governance should ensure there is a nominated chief audit executive, and client responsibility lies with a member of senior management.
- The organisational position of the chief audit executive should be supported by direct reporting to the audit committee.

The audit committee can demonstrate its support for internal audit by:

- enquiring of senior management and the chief audit executive 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 chief audit executive in sessions without senior management present.

2. Positioning internal audit independently

On behalf of those charged with governance and the audit committee, senior management establishes and protects the internal audit function's independence and qualifications.

2.1 Organisational independence

On behalf of those charged with governance, senior management needs to establish and safeguard internal audit's independence. These arrangements must 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 chief audit executive reports in their own right to the audit committee on the work of internal audit.
- Providing opportunities for the chief audit executive to meet with the audit 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 should work with the chief audit executive to remove or minimise them or ensure safeguards are operating effectively.
- Recognise that if the chief audit executive has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit. The impact must be discussed with the chief audit executive and the views of the audit 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.

In local government, matters around the appointment, removal, remuneration and performance evaluation of an in-house chief audit executive will be undertaken by senior management, but these

arrangements must not be used to undermine the independence of internal audit. The audit committee should provide feedback on the proposed job description and the performance evaluation of the chief audit executive should include feedback from the chair of the audit committee. In shared or outsourced arrangements, the audit committee should provide feedback on the operation of the contract.

The audit committee must support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence raised by the chief audit executive. The chief audit executive must have the right of access to the chair of the audit committee at any time. The audit committee can escalate its concerns about internal audit independence to those charged with governance.

2.2 Qualifications of the chief audit executive

Ensuring effective leadership of the internal audit team requires a suitably qualified and experienced chief audit executive. The Application Note: GIAS in the UK public sector sets out the qualifications and competencies expected of the chief audit executive. These must be taken into account by senior management when recruiting to the post.

Where internal audit is fully outsourced or is shared, senior management should ensure that an equivalent individual from the provider is nominated as the chief audit executive and meets the qualification requirements set out in the Application Note.

3. Oversight of internal audit

To ensure the effectiveness of internal audit, it should be overseen by the audit committee on behalf of those charged with governance.

Some local authorities in the UK have legislation or statutory guidance on the responsibilities of their audit committees. Details are in Appendix B.

CIPFA has established recommended practice for audit committees in local government and police: the **Position Statement: audit committees in local authorities and police 2022** and its supporting guidance publication, **Audit committees: practical guidance for local authorities and police (2022)**.³ The following principles are consistent with their recommended practices for the oversight of internal audit.

3.1 Audit committee interaction

All audit committees should follow the CIPFA audit committee guidance for the oversight of internal audit.

To ensure there is good interaction between the audit committee and internal audit, audit committees must agree its work plan with the chief audit executive to ensure there is appropriate coverage of

³ CIPFA's guidance on audit committees has been endorsed by the Ministry of Housing, Communities and Local Government as recommended practice for English authorities and by the Home Office for police audit committees in England and Wales. The Statutory and Non-Statutory Guidance for Principal Councils in Wales – supporting provisions within the Local Government Act 2000, the Local Government (Wales) Measure 2011 and the Local Government and Elections (Wales) Act 2021 also recommend CIPFA's guidance.

internal audit matters within audit committee agendas. The audit committee workplan should provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports. The committee should also oversee the tracking and implementation of the actions agreed following audits.

The audit committee must familiarise itself with the authority's assurance framework and approach to governance, risk management and internal control arrangements to fulfil the wider terms of reference of the committee. This understanding will facilitate its interactions with internal audit.

Senior management should update the audit committee on significant changes to governance, risk and control arrangements and any concerns they may have on assurance. The audit committee should have oversight of the annual governance statement before final approval. Audit committee familiarity with these will support their effective interaction with internal audit.

Where internal audit consider the management of risk or proposed actions in response to audit engagements represent an unacceptable level of risk to the authority, the audit committee must review the matter. The committee should make their recommendation to either management or those charged with governance as necessary.

3.2 Resources

The audit committee and senior management must engage with the chief audit executive to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS in the UK public sector. Where the function is outsourced or shared, the focus should be on the budgeted contract.

Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns should be formally recorded and reported to those charged with governance. If resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement.

Decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the authority and internal audit's role in supporting those objectives. The long-term viability of the internal audit function must be considered.

Where there are temporary resource constraints, senior management must work with the chief audit executive to establish longer-term plans for sustainable internal audit resources.

3.3 Quality

Annually, the audit committee must review the results of the chief audit executive's assessment of conformance against GIAS in the UK public sector, including any action plan.

The audit committee must review the chief audit executive's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives. The committee should review in-year updates and make appropriate enquiries if there are concerns about internal audit performance.

To meet the requirements of the regulations (the mandate) for internal audit, the audit committee must satisfy itself on the effectiveness of internal audit. They should take into account conformance with the standards, interactions with the committee, performance and feedback from senior management. Their conclusions should be reported to those charged with governance, for example as part of the audit committee's annual report.

3.4 External quality assessment

On behalf of those charged with governance and the audit committee, senior management must ensure that internal audit has an external quality assessment at least once every five years of its conformance against GIAS in the UK public sector, including this Code. Senior management should discuss the chief audit executive's plan for the review and report the options, suggested timing and their recommendation to the audit committee.

Where the authority is the client of an internal audit provider, (shared, partnership or outsourced functions), then agreement on the approach to the EQA will need to take account of the broader arrangements.

Where the authority commissions the EQA, the proposals for the scope, method of assessment and assessor should be brought to the audit committee for agreement. For all EQAs covering local government clients, the assessor must use this Code alongside the standards and be familiar with the sector.

The audit committee must receive the complete results of the assessment and consider the chief audit executive's action plan to address any recommendations. Progress should be monitored.

Where the audit committee does not have delegated authority, the committee should report the overall results of the external quality assessment to those charged with governance.

Appendix A – Current regulations for internal audit in local government (extracts)

The regulations are the basis for internal audit's authority or mandate. Authorities should use the regulations applicable to them. Subsequent amendment regulations have not changed the paragraphs on internal audit, but they may be updated or replaced in the future.

England

The Accounts and Audit Regulations 2015

Internal Audit

5.(1) 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.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (a) make available such documents and records; and
- (b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation “documents and records” includes information recorded in an electronic form.

Northern Ireland

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015

Internal audit

6. (1) A local government body must undertake an adequate and effective internal audit of its accounting records and of its system of risk management, internal control and governance processes using internal auditing standards in force from time to time.

(2) Any officer or member of a local government body must, if internal audit requires—

- (a) make available such documents and records as appear to internal audit to be necessary for the purposes of the audit; and
- (b) supply internal audit with such information and explanation as internal audit considers necessary for that purpose.

(3) In this regulation “records” includes records and documents in an electronic form.

Scotland

The Local Authority Accounts (Scotland) Regulations 2014

Internal auditing

7. (1) 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) Any officer or member of a local authority must, as required by those undertaking internal auditing—

(a) make available such documents of that authority which relate to its accounting and other records for the purpose of internal auditing; and

(b) supply such information and explanation as those undertaking internal auditing consider necessary for that purpose.

(3) A local authority must from time to time assess the efficiency and effectiveness of its internal auditing, in accordance with the standards and practices referred to in paragraph (1).

(4) The findings of the assessments referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 5(2), at the meeting referred to in regulation 5(3).

Wales

The Accounts and Audit (Wales) Regulations 2014

Internal audit

7. (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 findings 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.

Appendix B – Current legislation or statutory guidance on the responsibilities of audit committees in UK local government

Local Government Measure 2011 as amended by the Local Government and Elections (Wales) Act 2021 (extract)

81. Local authorities to appoint governance and audit committees

- (1) A local authority must appoint a committee (a “governance and audit committee”) to—
- ...
- (e) oversee the authority’s internal and external audit arrangements

Cities and Local Government Devolution Act 2016

Levelling Up and Regeneration Act 2023

For audit committees in combined authorities and combined county authorities.

Audit committee requirements for police

The Financial Management Code of Practice (Home Office, 2018), includes:

- The police and crime commissioner (PCC) and the chief constable should establish an independent audit committee. It is recommended that this be a combined body which will consider the internal and external audit reports of both the PCC and the chief constable.



77 Mansell Street, London E1 8AN
+44 (0)20 7543 5600

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