

Maldon District Council

INTERNAL AUDIT STANDARDS - ESSENTIAL CONDITIONS

November 2026

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GLOBAL INTERNAL AUDIT STANDARDS IN THE UK PUBLIC SECTOR

Global Internal Audit Standards in the UK Public Sector requirements

The Global Internal Audit Standards (GIAS) in the UK Public Sector encompass:

- The global Institute of Internal Auditors (IIA) Global Internal Audit Standards effective from January 2025
- The Internal Audit Standards Advisory Board (IASAB) Application Note Global Internal Audit Standards in the UK Public Sector effective from 1 April 2025.

As the activities of the Performance, Governance and Audit Committee (PGA) and senior management are essential to the Internal Audit function's ability to fulfil the Purpose of Internal Auditing, we have set out on the following pages the respective responsibilities of each party together with our assessment of conformance with the specific requirements of Domain III.

Action: The Committee is asked to agree to its roles and responsibilities regarding Internal Audit and to note the conformance assessment.



Global IIA Standards conformance

Domain III Governing the Internal Audit Function

Whilst the Chief Audit Executive (CAE) is responsible for the requirements of Domain III, activities of the board and senior management are essential to the internal audit function's ability to fulfil the Purpose of Internal Auditing. These activities are identified as 'essential conditions' and establish the necessary foundation for an effective dialogue between the board, senior management and the chief audit executive, ultimately enabling an effective internal audit function. The CAE must meet with the board and senior management to discuss:

- The purpose of internal auditing
- The 'essential conditions' to enable an effective IA function
- The potential impact on the effectiveness of the IA function if the board or senior management does not provide the expected levels of support.

Whilst the Board has ultimate responsibility to discuss and approve the IA Charter, setting out the mandate, senior management's perspective helps support the IA function's positioning and promotes the authority granted to the function. The nature and frequency of these discussions depends on the circumstances and changes in the organisation. Within the IIA standards the term Board refers to the body authorised to provide the internal audit function with the appropriate authority, role and responsibilities. Set out below and on the next page are the nine 'essential conditions.'



Internal Audit Mandate

Requirement: CAE to provide board and management with the information necessary to establish an IA mandate to determine IA's authority and role and responsibilities. CAE must assess whether changes in circumstance justify a discussion with the board and management about the mandate.

Board: Discuss with CAE and management the appropriate authority, role and responsibilities for the IA function.

Management: Participate in discussions with the board and CAE on the IA mandate. Support the mandate throughout the organisation and promote IA's authority.

Internal audit Charter

Requirement: CAE to develop and maintain an IA charter, outlining the purpose of internal auditing, commitment to the GIA standards, IA mandate, types of service provided and the board's responsibilities and expectations regarding management's support for IA. CAE to review and update the charter periodically in consultation with the board and management.

Board: Engage in discussions regarding the charter and consider other topics to be included to enable an effective IA function. Approve the charter.

Management: Communicate with the board and CAE about management's expectations that should be considered for inclusion in the charter.

Board and senior management support

Requirement: CAE to provide board and management with the information needed to support and promote recognition of the IA function throughout the organisation.

Board: Champion the IA function, ensure unrestricted access to information, support the CAE through regular, direct communications, demonstrate support by requiring CAE be suitably positioned to fulfil the IA mandate, approve the plan, budget and resource plan, understand any restrictions placed on scope, meet with CAE without management present.

Management: support recognition of the IA function and allow unrestricted access to people and information.

Global IIA Standards conformance

Independence

Requirement: CAE confirm to the board the independence of the IA function annually and any incidents where independence may have been breached. CAE must discuss with board and management any potential impairment to independence.

Board: Establish a direct reporting relationship with CAE, authorise their appointment / removal, provide opportunities for CAE to discuss sensitive matters without management, position CAE at a level they can operate without management interference.

Management: Position IA at a level in organisation that enables it to perform without interference and recognise CAE's direct reporting line to the board.

CAE qualifications

Requirement: CAE must help the board understand the qualifications and competencies necessary to manage IA. CAE must maintain and enhance qualifications and competencies necessary to fulfil responsibilities.

Board: Review the requirements necessary for CAE to manage IA. Approve the CAE role and identify necessary qualifications, experience and competencies required to fulfil responsibilities. Engage with management to appoint CAE with requirement qualifications and competencies.

Management: Engage with board to determine the CAE's qualifications, experience and competencies.

Board interaction

Requirement: CAE provides board with information needed to conduct oversight of the IA function. CAE escalates significant issues to the board when disagreements with management arise.

Board: Communicate with the CAE to understand how IA's activities fulfil its mandate, communicate the board's perspective on the organisation's strategies, objectives and risks, establish clear processes for escalating issues and support the CAE to resolve disputes with management.

Management: Share perspectives on strategies, objectives and risks to assist with determining priorities, establish escalations processes with the board

Resources

Requirement: CAE to evaluate whether resources are sufficient to fulfil IA's mandate and achieve IA plan.

Board: Collaborate with management to provide IA with sufficient resources, discuss resource with the CAE at least annually, consider the impact of insufficient resources and address any insufficiencies.

Management: Engage with board to provide sufficient resources to fulfil IA mandate and address any identified resource insufficiencies.

Quality

Requirement: CAE must develop, implement, and maintain a quality assurance and improvement program (QAIP), conducting internal and external assessments and reporting results annually to the board and management.

Board: Discuss the QAIP with the CAE, approve the function's performance objectives, assess the function's effectiveness and efficiency of the IA function.

Management: Provide input on IA's performance objectives and participate in the annual assessment.

External Quality Assessment (EQA)

Requirement: CAE must develop a plan for an EQA at least every five years, ensuring that at least one person of the assessment team is suitably qualified.

Board: Review and approve CAE's EQA plan including scope / frequency of EQA, review results directly from the assessor, and approve action plans for addressing gaps.

Management: Collaborate with the board and CAE on the EQA and action plans.

Global IIA Standards conformance

Essential conditions evaluation

We have set out in the following pages our detailed assessment of conformance with the essential conditions for an effective internal audit function within Maldon District Council. This assessment is for consideration and discussion with senior management and the Performance, Governance and Audit Committee.

If either the board or senior management disagrees with one or more of these essential conditions, and our assessment of the conformance these should be discussed, with consideration for how the absence of the condition(s) may affect the internal audit function's ability to fulfil its purpose or conform with specific standards.

Where we are not fully conforming, we should either:

- Agree alternatives to the essential conditions to achieve the same results; or
- Reach agreement with the board and senior management that one or more of the essential conditions are not necessary to conform with the Standards.

In such instances, the chief audit executive must document:

- The reasons for agreeing that a particular condition is unnecessary.
- Alternative conditions that compensate for the absent conditions, to support the judgments of the board and senior management.

If the chief audit executive does not agree with the board's and/or senior management's reasons for not performing one or more of the conditions, the chief audit executive may conclude that the internal audit function cannot conform with the Standards. In such cases, the chief audit executive should document the reasons why the board and/or senior management will not perform the essential conditions. This documentation should be shared with the board and senior management to ensure clarity regarding their positions and made available to an external quality assessor.

Overview of assessment

In the assessment that follows we have recommended that the internal audit services is fully conforming with 8 out of the 9 essential conditions and is generally conforming with one.

The essential condition that is not fully met relates to Standard 8.4 External Quality Assessment. This standard requires the CAE to develop a plan for an EQA and discuss the plan with the board. At BDO we have an EQA performed every 5 years, as required by the standards, however this is across all outsourced internal audit services that we provide to all our clients. For this reason, we do not meet all of the essential conditions that support conformance with this standard which require Board approval of:

- the scope and frequency of assessments
- the competencies of the external assessor or assessment team
- the rationale for choosing to conduct a self-assessment with independent validation instead of an EQA (if applicable)
- the CAE's action plan to address identified deficiencies and opportunities for improvement (if applicable)

As a suggested alternative we will provide the Performance, Governance and Audit Committee and Senior Management with a briefing on the scope, competencies of the team, and a summary report providing the outcome of the EQA assessment and any associated action plan.

Recommendation for approval

We recommend the Performance, Governance and Audit Committee and Senior Management agree and approve the conformance assessment and the agree the alternative condition for conformance with Standard .

Global IIA Standards conformance

Essential condition	Status	Commentary
Internal audit mandate	✓	▸ The internal audit mandate is defined by the IIA as the function's authority, role, and responsibilities, which may be granted by the board and/or laws and regulations. BDO has defined the mandate in the internal audit Charter that is reviewed annually to confirm it is up to date and an accurate reflection of practice. This is included within our Annual Plan paper which is discussed and approved by the Performance, Governance and Audit Committee. ▸ Internal audit's mandate is: ○ **Authority:** the CAE has direct access to the Chair of the Performance, Governance and Audit Committee. The internal audit team meets with the Chair of the Performance, Governance and Audit Committee before each meeting to discuss upcoming papers. The CAE and team meets quarterly with the Director of Finance to discuss the organisational strategy, risk, governance and internal audit programme. ○ **Role:** the CAE and internal audit team do not have responsibilities outside of the scope of internal audit. ○ **Responsibilities:** the internal audit function is responsible for the performance of internal audit services and conforming with the IIA International Professional Practices Framework which include the Global Internal Audit Standards. ▸ During the development of the internal audit strategy and internal audit plan, the internal audit team meets with the Senior Leadership Team (SLT) to discuss the role, responsibility and authority of the internal audit function. ▸ As part of individual assignment scoping meetings, we set out the purpose of internal audit, our role, authority and responsibilities to ensure there is no disparity on the service we can provide. ▸ Our internal audit assignment reports also include the responsibilities of the internal audit team.
Internal audit charter	✓	▸ The internal audit charter is approved alongside the Internal Audit Plan each year. This sets out the purpose of internal auditing, our commitment to conformance with the IIA International Professional Practices Framework and our authority, position and reporting lines within Maldon District Council.

✓ Full conformance ✓ Generally conforms ✓ Partial conformance ✓ Non conformance

Global IIA Standards conformance

Essential condition	Status	Commentary
Board and senior manager support	✓	▶ The internal audit team has regular meetings with the Chair of the Performance, Governance and Audit Committee. This allows direct interaction and discussion on the level of support for the internal audit function and whether any restrictions have been imposed in terms of the scope, access or authority of the function. ▶ The Performance, Governance and Audit Committee and Senior Management are involved in risk assurance mapping activity. ▶ SLT are actively engaged in developing the risk assessment and internal audit plan prioritisation, demonstrating support for the function.
Independence	✓	▶ The internal audit function maintains independence in multiple ways. As a function, we are ultimately responsible to the Performance, Governance and Audit Committee and have a direct reporting line to the Chair of the Performance, Governance and Audit Committee In line with this, we have pre-meetings with the Chair of the Performance, Governance and Audit Committee, independent from management, which would allow any concerns to be shared freely. In a similar fashion, the Chairs can also reach out to us at any point during the year. ▶ Should we identify any potential conflicts arising during the delivery of our internal audit services we would discuss the potential conflict with management and the Chair of Performance, Governance and Audit Committee at the time to agree the appropriate actions required. This would also be communicated to the next Performance, Governance and Audit Committee for transparency. Within our annual report we confirm that we have not undertaken any work or activity during the year that would lead us to declare any conflict of interests. ▶ Our internal risk management procedures include specific conflict checks in relation to the clients/projects which are flagged to the internal audit team so that these can be considered for potential conflicts and discussed with Senior Management and the Performance, Governance and Audit Committee if required.
CAE qualifications	✓	▶ It is our policy that staff engaged in the provision of a specialist service be qualified in the relevant professional discipline. In Internal Audit, staff are qualified or are studying for the exams of the Chartered Institute of Internal Auditors or are studying for their qualifications through an accountancy body. ▶ All professionally qualified staff are required by the firm to complete a minimum of 40 hours of continuous professional development (CPD) annually, as well as meeting the specific requirements of the professional body of which they are a member. ▶ Information regarding the qualifications, training and development of the internal audit function is provided to the Performance, Governance and Audit Committee annually as part the Annual Internal Audit Report and Opinion. ▶ The Performance, Governance and Audit Committee, and Senior Management, determine the requirements for the Chief Audit Executive's qualifications, experience and competencies through the specification and selection processes when tendering for the internal audit service.

Global IIA Standards conformance

Essential condition	Status	Commentary
Board interaction	✓	▶ The Chief Audit Executive provides the Performance, Governance and Audit Committee with the information it needs to conduct its oversight responsibilities. This includes the provision of: ○ The internal audit plan and budget and subsequent significant revisions to them (if applicable) ○ Changes potentially affecting the mandate or charter ○ Results of internal audits, including conclusions, themes, assurance, advice, insights, and monitoring results ○ Results from feedback surveys received in relation to the performance of the internal audits ▶ The Performance, Governance and Audit Committee communicates their perspective on the Maldon District Council's strategies, objectives, and risks through the Performance, Governance and Audit Committee pre-meetings and via the discussion held at the Performance, Governance and Audit Committee. ▶ The internal audit team attend every Performance, Governance and Audit Committee and present the findings of each internal audit assignment. Performance, Governance and Audit Committee members can ask questions of the internal audit team and senior management on the content of the reports. ▶ The internal audit team involves both the Performance, Governance and Audit Committee and senior management in determining the scope of the annual internal audit plan to ensure to it is addressing key assurance needs and concerns.
Resources	✓	▶ Each year, we discuss the internal audit plan with senior management and the Performance, Governance and Audit Committee. We ensure there is enough time allocated to deliver individual reviews and conduct sufficient coverage to provide an annual opinion. ▶ As part of the planning process the relevant skills, competencies and expertise that are required to deliver the plan and internal audit mandate are considered. Use of subject matter experts is factored into the overall resource and budget for the plan. Internal audit plans clearly articulate where we foresee the use of specialist resources. ▶ BDO continually invests in platforms and technologies to drive innovation, efficiency, and value for you. We have several tools to support the internal function and provide valuable insights, such as various data analytics packages, EDI and Governance maturity assessments.

Global IIA Standards conformance

Essential condition	Status	Commentary
Quality	✓	▶ We follow a clear and defined method of working, which is being aligned to the new Global Internal Audit Standards (effective from January 2025). This ensures that all assignments and deliverables have undergone a thorough review and approval process. ▶ BDO's Risk Management Unit oversees our quality assurance policies, procedures, and review approach. Quality assurance is our highest priority and is integral to our Conduct of Professional Services Manual (CPSM). This includes the review and approval of work, quality and documentation requirements, and annual 'cold' and 'hot' reviews of partner and manager files. ▶ We have agreed performance measures with the Performance, Governance and Audit Committee. Performance against these measures is reported annually to the Performance, Governance and Audit Committee. ▶ We seek regular feedback through our Listening Programme, client satisfaction surveys, formal effectiveness/feedback processes, and regular communication. Our staff undergo continuous training through recognised providers, and we share our experiences internally to enhance the quality of our work.
External quality assessment (EQA)	✓	▶ The global standards of the Institute of Internal Auditors (IIA) requires every internal audit function that aims to comply with its standards to be reviewed, externally, every five years. ▶ At BDO we recognise the importance of independent quality assurance and so submit our RAS team to an External Quality Assurance (EQA) review every five years, most recently in 2021. We engaged the Chartered Institute of Internal Auditors (CIIA) to carry out the EQA and, in summary, their conclusion was that BDO generally conforms to the International Professional Practices Framework (IPPF). This was the highest of the three gradings awarded by the CIIA at the time. ▶ RAS is committed to continuous improvement and has agreed a Quality Assurance Improvement Programme with the CIIA to respond to the recommendations and suggestions raised through the EQA exercise. ▶ A copy of the EQA report is available on request so you may obtain comfort regarding our working practices. ▶ The EQA of the BDO internal audit services is not specific to Maldon District Council and the scope covers all of our out-sourced internal audit clients. For this reason, we generally conform with Standard 8.4 External Quality Assessment which requires the CAE to discuss the plan for the EQA with the Board. We do not meet all of the essential conditions under this standard which require collaboration and Board approval of: ○ the scope and frequency of assessments ○ The competencies of the external assessor or assessment team ○ The rationale for choosing to conduct a self-assessment with independent validation instead of an EQA. ○ The CAE's action plan to address identified deficiencies and opportunities for improvement (if applicable). Instead, we determine these internally. We will however keep the Performance, Governance and Audit Committee up to date on these as appropriate.

✓ **Full conformance** ✓ **Generally conforms** ✓ **Partial conformance** ✓ **Non conformance**

FOR MORE INFORMATION:

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