

February 21st, 2025

## **Notice Of Meeting**

You are requested to attend the Audit Committee Meeting to be held on **Thursday, 20th February 2025** at **2:00 pm** in **Council Chamber, Downshire Civic Centre.**

### **Committee Membership 2024-2025**

Ms Brona Slevin Independent **Chairperson**

Councillor C Bowsie

Councillor L Devlin

Councillor O Hanlon

Councillor T Howie

Councillor C King

Councillor A Mathers

Councillor K Murphy

Councillor S O'Hare

Councillor G Sharvin

Councillor J Tinnelly

# Agenda

## 1.0 Apologies and Chairperson's Remarks

## 2.0 Declarations of Interest

## 3.0 Action Sheet arising from Audit Committee Meeting held 19/09/2024

*For Approval*

 *Audit Committee Action Sheet 2024\_09\_19.pdf*

*Page 1*

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### *Performance*

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## 4.0 Mid Year Assessment of Performance 2024/25

*For Decision*

 *AC Cover Report Mid Year Progress Report PIP 2024-25.pdf*

*Page 4*

 *Appendix 1 - PIP Mid Year Progress Report April-September 2024.pdf*

*Page 7*

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### *Corporate Services*

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## 5.0 Corporate Risk Register

*For Decision*

 *6 - Corporate Risk Register February 2025.pdf*

*Page 21*

 *6 - Appendix 1 - CRR Overview - February 2025.pdf*

*Page 24*

 *6 - Appendix 2 - Corporate Risk Register - Feb 2025.pdf*

*Page 25*

 *6 - Appendix 3 - ERT Overview - February 2025.pdf*

*Page 51*

 *6 - Appendix 4 - ERT Directorate Risk Register -Feb 2025.pdf*

*Page 52*

## 6.0 Prompt Payment Statistics

*For Decision*

 *Prompt Payments Report Q2 and Q3 - 202425.pdf*

*Page 65*

## 7.0 Planning Update

*For Approval*

 *Planning Department Update Feb 25.pdf*






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## 8.0 Risk Management Strategy Update

*For Decision*







This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 <b>Risk Management Policy and Strategy Update.pdf</b>	<b>Not included</b>
 <b>Appendix 1 - NMDDC Risk Management Policy 2025 - update.pdf</b>	<b>Not included</b>
 <b>Appendix 2 - NMDDC Risk Strategy Jan 2025 update.pdf</b>	<b>Not included</b>
 <b>Appendix 3 - NMDDC Risk Appetite Statement Jan 2025.pdf</b>	<b>Not included</b>
 <b>BG Doc - 2023.24 NMDDC Risk management - final report.pdf</b>	<b>Not included</b>

## 9.0 Update on Audit Recommendations

*For Decision*




This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 <b>8 - Follow up of Audit Recommendations new.pdf</b>	<b>Not included</b>
 <b>8 - Appendix 1 - Legacy Recommendations.pdf</b>	<b>Not included</b>
 <b>8 - Appendix 2 - H&amp;S Advisory Follow Up.pdf</b>	<b>Not included</b>
 <b>8 - Appendix 3 - 2021-22 IA Recs.pdf</b>	<b>Not included</b>
 <b>8 - Appendix 4 - 2022-23 IA Recs.pdf</b>	<b>Not included</b>
 <b>8 - Appendix 5 - External Audit Follow up.pdf</b>	<b>Not included</b>

## 10.0 Direct Award Contracts







*For Decision*

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 <b><i>Cover Report - Direct Award Contracts.pdf</i></b>	<b><i>Not included</i></b>
 <b><i>Appendix 1 - Q2 DACs 2024-2025.pdf</i></b>	<b><i>Not included</i></b>
 <b><i>Appendix 2 - Q3 DACs 2024 - 2025.pdf</i></b>	<b><i>Not included</i></b>

## **11.0 Procurement Action Plans**

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 <b><i>Report to AC Feb 2025 PAP (003).pdf</i></b>	<b><i>Not included</i></b>
 <b><i>Appendix 1 - Corporate Services PAP - Feb 2025.pdf</i></b>	<b><i>Not included</i></b>
 <b><i>Appendix 2 - AHC PAP.pdf</i></b>	<b><i>Not included</i></b>
 <b><i>Appendix 3 - Sustainability (002).pdf</i></b>	<b><i>Not included</i></b>
 <b><i>Appendix 4 - Environment.pdf</i></b>	<b><i>Not included</i></b>
 <b><i>Appendix 5 - ERT PAP February 2025.pdf</i></b>	<b><i>Not included</i></b>

## **12.0 Update on Fraud and Raising Concerns**

*For Decision*


This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 <b><i>Fraud and Raising Concerns update new.pdf</i></b>	<b><i>Not included</i></b>
 <b><i>Appendix 1 - Fraud and Raising Concerns Register Feb 2025.pdf</i></b>	<b><i>Not included</i></b>

## **13.0 Update Report NCCR**

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.



 **Audit Report - Update Report NCCR February 2025.pdf** **Not included**

 **Appendix 1 -Correspondence between NIAO & NMDDC .pdf** **Not included**

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## **NIAO (CLOSED SESSION)**

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### **14.0 Report to Those Charged with Governance 2023/24 - final**

*For Decision*

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 **Marie Ward 130225.pdf** **Not included**

 **FINAL RTTCWG NMD 23-24.pdf** **Not included**

### **15.0 Audit and Assessment Report 2024/25 - S95**

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.


 **Cover Letter Marie Ward 291124.pdf** **Not included**

 **NMD PI 2024 Audit Certificate 291124.pdf** **Not included**

 **NMD Final S95 report 24-25.pdf** **Not included**

### **16.0 Annual Audit Letter**

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 **AAL - Marie Ward 061224.pdf** **Not included**

 **NMD Annual Audit Letter 2023-24.pdf** **Not included**

### **17.0 Local Government Auditors Report 2024**

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act

(Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 ***NI Audit Office Report - Local Government Auditor Report 2024.pdf***

***Not included***

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## ***Internal Audit (CLOSED SESSION)***

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### **18.0 Sumer NI Summary Report**

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 ***NMDDC Summary report - February 2025 to Audit Committee.pdf***

***Not included***

### **19.0 Internal Audit Plan 2024/25**

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 ***202425 NMDDC IA Plan - proposed changes February 2025 updated.pdf***

***Not included***

### **20.0 Leisure Services**

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 ***202425 - NMDDC - Review of Leisure Services report - Final.pdf***

***Not included***

### **21.0 Car Parking**

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 ***2024.25 NMDDC - Off street car parking - Final Report.pdf***

***Not included***

## 22.0 User Access Management

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 **202425 NMDDC User Access Management - Final report.pdf**

**Not included**

## 23.0 Flood Grant Verification

This item is deemed to be exempt under paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

 **202425 NMDDC - Flood grant verification review - Final Report.pdf**

**Not included**

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### ***Circulars***

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## 24.0 Global Internal Audit Standards

 **Global Internal Audit Standards - applicable January 2025.pdf**

**Page 74**

 **Application Note - GIAS - April 2025.pdf**

**Page 194**

## 25.0 Circular LG 15/2024 – Consolidated Councillor Allowances

*For Information*

 **Ig-15-2024-CONSOLIDATED COUNCILLOR ALLOWANCES CIRCULAR - dec 2024.pdf**

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## 26.0 The National Fraud Initiative in Northern Ireland 2024

*For Information*

 **NI Audit Office Report - The National Fraud Initiative in NI 2024.pdf**

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# Invitees

- Cllr Terry Andrews
- Cllr Callum Bowsie
- Mr Caolain Boyd
- Fionnuala Branagh
- Mr Stephen Brannigan (NIAO)
- Cllr Jim Brennan
- Cllr Pete Byrne
- Mr Gerard Byrne
- Cllr Philip Campbell
- Cllr William Clarke
- Edel Cosgrove
- Cllr Laura Devlin
- Ms Louise Dillon
- Ms Kathy Doey (NIAO)
- Cllr Cadogan Enright
- Cllr Killian Feehan
- Cllr Doire Finn
- Cllr Aoife Finnegan
- Ms Joanne Fleming
- Cllr Conor Galbraith
- Cllr Mark Gibbons
- Christine Hagan (ASM)
- Cllr Oonagh Hanlon
- Cllr Glyn Hanna
- Cllr Valerie Harte
- Cllr Roisin Howell
- Cllr Tierna Howie
- Ms Catherine Hughes
- Cllr Jonathan Jackson
- Cllr Geraldine Kearns
- Miss Veronica Keegan
- Mrs Josephine Kelly
- Mrs Sheila Kieran
- Cllr Cathal King
- Cllr Mickey Larkin
- Cllr David Lee-Surginor
- Cllr Alan Lewis
- Cllr Oonagh Magennis
- Mr Conor Mallon
- Cllr Aidan Mathers
- Cllr Declan McAteer
- Cllr Leeanne McEvoy

Cllr Andrew McMurray  
.....  
Maureen/Joanne Morgan/Johnston  
.....  
Cllr Declan Murphy  
.....  
Sinead Murphy  
.....  
Cllr Kate Murphy  
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Cllr Selina Murphy  
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Cllr Siobhan O'Hare  
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Mr Andy Patterson  
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Cllr Áine Quinn  
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Cllr Henry Reilly  
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Cllr Michael Rice  
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Cllr Michael Ruane  
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Cllr Gareth Sharvin  
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Ms Brona Slevin (Audit)  
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Donna Starkey  
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Nicola Stranney  
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Sarah Taggart  
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Cllr David Taylor  
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Cllr Jarlath Tinnelly  
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Cllr Jill Truesdale  
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Mr Seamus Wade (NIAO)  
.....  
Mrs Marie Ward  
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Cllr Helena Young  
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AUDIT COMMITTEE MEETINGTHURSDAY 19 SEPTEMBER 2024

## Actions arising from Audit Committee Meeting – 19 September 2024

Minute Ref	Subject	Decision	Lead officer	Action taken / progress to date	Remove from action sheet Y/N
AC/071/2024	Action sheet of Audit Committee from 31/07/2024	It was agreed to note the action sheet	J Kelly	Agreed	Y
AC/072/2024	Assessment of Performance 2023/24	It was agreed that any training opportunities for Members be considered and tabled at a future committee meeting It was agreed to note the assessment of performance 2023/24, including the summary document "Our Performance Looking Back Going Forward"	J Kelly G Byrne	Training to be organised in March/April for all Members Agreed	N Y
AC/073/2024	Update of Members Interests	It was agreed to note the report	J Kelly	Agreed	Y
AC/074/2024	Corporate Risk Register – AHC Directorate Risk Register also to be tabled	The following was agreed: - To approve the updates to the Corporate Risk Register highlighted within the summary at Appendix 1. - To note the revised AHC directorate risk register at appendix 2.	J Kelly	Agreed	Y
AC/075/2024	NMDDC Statement of Accounts	It was agreed to note the NIAO RRTCWG and approve the statement of accounts for year ending 31 March 24 for signing.	G Byrne	Agreed	Y
AC/076/2024	RRTCWG	It was agreed to note the report	J Kelly	Agreed	Y
AC/077/2024	Update on Audit Recommendations	It was agreed to note the update in relation to legacy audit recommendations	E Cosgrove	Agreed	Y

AC/078/2024	Direct Award Contracts	It was agreed to note the Q1 update in relation to DACs and the Q2 DAC activity to date	C Boyd	Agreed	Y
AC/079/2024	Procurement Action Plans	It was agreed to note the update in relation to procurement action plans	J Kelly	Agreed	Y
AC/080/2024	Update on Fraud and whistleblowing including raising concerns policy and NFI update 2024	The following was agreed: <ul style="list-style-type: none"> <li>- Note the update in relation to Fraud and Raising Concerns cases as outlined at appendix 1</li> <li>- Note the progress on actions arising from the NIAO internal fraud risk-assessment</li> <li>- Approve the revised Raising Concerns Policy detailed at Appendix 2</li> </ul>	G Byrne	Agreed	Y
AC/081/2024	Planning Department Update	It was agreed to note the contents of the report	C Mallon	Agreed	Y
AC/082/2024	SUMER NI summary report	It was agreed to accept the report	J Kelly	Agreed	Y
AC/083/2024	Internal Audit Plan 2024/25	It was agreed to approve the internal audit plan	J Kelly	Agreed	Y
AC/084/2024	Fleet and Asset Management	It was agreed to accept the Fleet and Asset Management Report	J Kelly	Agreed	Y
AC/085/2024	PCSP Audit 2023/24 – SUMER NI	It was agreed to accept the PCSP Audit	J Kelly	Agreed	Y
AC/086/2024	PCSP Audit 2020/21, 2021/22, 2022/23 – EY	It was agreed to accept the PCSP Audit	J Kelly	Agreed	Y
AC/087/2024	NFI Instructions	It was agreed to note the document.	J Kelly	Agreed	Y
AC/088/2024	Developing the Skills for NI's Future	It was agreed to note the report	J Kelly	Agreed	Y
AC/089/2024	Public bodies response to	It was agreed to note the document	J Kelly	Agreed	Y

AC/090/2024	misrepresented soil sample analysis Review of waste management in NI	It was agreed to note the document	J Kelly	Agreed	Y
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<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	20 February 2025
<b>Subject:</b>	Mid Year Assessment - Performance Improvement Plan 2024-25
<b>Reporting Officer (Including Job Title):</b>	Gerard Byrne – Assistant Director: Finance and Performance
<b>Contact Officer (Including Job Title):</b>	Catherine Hughes – Acting Head of Performance and Improvement

Confirm how this Report should be treated by placing an x in either:-

	For decision	For noting only	X
<b>1.0</b>	<b>Purpose and Background</b>		
1.1	<p>Through the Performance Improvement Plan 2024-25 and Business Planning and Performance Management Framework, the Council makes a commitment to monitor, review and report performance on a regular basis.</p> <p>This report provides an overview of the Council's progress in implementing the performance improvement objectives between April-September 2024. Where possible, performance has been tracked against the targets set within the Performance Improvement Plan 2024-25.</p>		
<b>2.0</b>	<b>Key issues</b>		
2.1	<p>A significant number of 'supporting actions' and 'measures of success' within the Performance Improvement Plan 2024-25 are on track to be achieved. However, progress against the following has been limited:</p> <ul style="list-style-type: none"> <li>• There was a decrease in the number of paid attendances across the Council's leisure centres and a decrease in people participating in targeted health programmes and health and wellbeing initiatives however this can be attributed to the closure of Newry Swimming Pool.</li> <li>• There was a decrease in the number of fixed penalty notices issued and paid.</li> <li>• The statutory standards for processing local and major planning applications were not achieved, and performance overall has decreased.</li> </ul>		
2.2	<p>It should be noted that the information contained within this report may be subject to change when the results are verified, validated and reported through the annual Assessment of Performance which will be published by 30 September 2025.</p>		
<b>3.0</b>	<b>Recommendations</b>		
3.1	<p>To note the:</p> <ul style="list-style-type: none"> <li>• Mid Year Assessment of the Performance Improvement Plan 2024-25</li> </ul>		
<b>4.0</b>	<b>Resource implications</b>		
4.1	<p>There are no financial resource implications within this report.</p>		

5.0	<b>Due regard to equality of opportunity and regard to good relations (complete the relevant sections)</b>
5.1	<p><b>General proposal with no clearly defined impact upon, or connection to, specific equality and good relations outcomes</b></p> <p>It is not anticipated the proposal will have an adverse impact upon equality of opportunity or good relations <input checked="" type="checkbox"/></p>
5.2	<p><b>Proposal relates to the introduction of a strategy, policy initiative or practice and / or sensitive or contentious decision</b></p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If yes, please complete the following:</p> <p>The policy (strategy, policy initiative or practice and / or decision) has been equality screened <input type="checkbox"/></p> <p>The policy (strategy, policy initiative or practice and / or decision) will be subject to equality screening prior to implementation <input type="checkbox"/></p>
5.3	<p><b>Proposal initiating consultation</b></p> <p>Consultation will seek the views of those directly affected by the proposal, address barriers for particular Section 75 equality categories to participate and allow adequate time for groups to consult amongst themselves <input type="checkbox"/></p> <p>Consultation period will be 12 weeks <input type="checkbox"/></p> <p>Consultation period will be less than 12 weeks (rationale to be provided) <input type="checkbox"/></p> <p><i>Rationale:</i> Consultation not required.</p>
6.0	<b>Due regard to Rural Needs (please tick all that apply)</b>
6.1	<p>Proposal relates to developing, adopting, implementing or revising a policy / strategy / plan / designing and/or delivering a public service</p> <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>If yes, please complete the following:</p> <p>Rural Needs Impact Assessment completed <input checked="" type="checkbox"/></p>
7.0	<b>Appendices</b>
	<ul style="list-style-type: none"> <li><b>Appendix 1 – Mid Year Assessment - Performance Improvement Plan 2024-25</b></li> </ul>
8.0	<b>Background Documents</b>
	Performance Improvement Plan 2024-25



# Performance Improvement Plan 2024-25

## Mid Year Assessment



Comhairle Ceantair  
an Iúir, Mhúrn  
agus an Dúin

**Newry, Mourne  
and Down**

District Council

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## Introduction

This report provides an overview of the Council's progress in implementing the performance improvement objectives between April-September 2024. Where possible, performance has been tracked against the targets set within the Performance Improvement Plan 2024-25.

### Performance Improvement Objectives 2024-25

1. **We will support the health and wellbeing of local people by improving our local facilities and services**
2. **We will contribute to growing the economy by supporting local businesses and job creation**
3. **We will improve the cleanliness of our District by continuing to promote recycling and addressing littering, fly tipping and dog fouling incidents**
4. **We will improve our sustainability and reduce our impacts in relation to climate change**
5. **We will improve the processing times of planning applications and enforcement cases by implementing the Planning Service Improvement Programme**








### Legend

Status		Legend	
	Target or objective achieved / on track to be achieved		Performance has improved since Q1/Q2 2023-24
	Target or objective partially achieved / likely to be achieved / subject to delay		Performance is similar to Q1/Q2 2023-24
	Target or objective not achieved / unlikely to be achieved		Performance has declined since Q1/Q2 2023-24

It should be noted that:

- For the statutory performance indicators for economic development, planning and waste management, performance has been compared to the same period in 2023-24.
- The information contained within this report may be subject to change when the results are verified, validated and reported through the annual Assessment of Performance which will be published by 30 September 2024.

### Progress at a glance

Performance Improvement Objective	Progress	Status Trend
We will support the health and wellbeing of local people by improving our local facilities and services	330,357 paid attendances recorded across the six Council Leisure Centres	 
	155,659 visits recorded at 10 community trails	 
	9,217 leisure centre memberships recorded	 
	9,388 people participating in targeted health programmes	 
	9,153 recorded attendances of young people participating in targeted youth health and wellbeing initiatives	 
We will contribute to growing the economy by supporting local businesses job creation	69 new jobs promoted through business start activity	 
	8 new social enterprises supported, and 8 new social enterprise jobs created	 
	115 business plans created for start-up businesses and employer enterprises	 
	179 businesses supported to progress growth and scaling ambitions	 
	135 new enterprises created as a result of support.	 
We will improve the cleanliness of our District by continuing to promote recycling and addressing littering, fly tipping and dog fouling incidents	12 fixed penalty notices issued and 10 paid	 
	100% of community clean up requests supported	
	£30k awarded towards 15 environmental projects through the NI 'Live Here Love Here' scheme	
	Increase in the rate of recycling	 
	Decrease in the amount of waste sent to landfill	 
We will improve our sustainability and reduce our impacts in relation to climate change	Carbon footprint of Council estate to be progressed in line with the Climate Change (Reporting Bodies) Regulations 2024	
	1 vehicle within the Council fleet currently has an alternative fuel source. Orders are due to be placed for 10 No small electric vans.	
	30 trees planted on the Council managed estate	
	18 dual EV chargers are to be installed across the District through the collaborative ORCs.	
	70% of Council fleet younger than 8 years	 
We will improve the processing times of planning applications and enforcement cases by implementing the Planning Service Improvement Programme	The average processing time for local planning applications increased to 43.1 weeks	 
	The average processing time for major planning applications decreased to 118.5 weeks	 
	The percentage of planning enforcement cases progresses within 39 weeks decreased to 40.8%	 
	Increase in the number of planning applications in the system for 12 months or more	
	Increase in the number of enforcement cases in the system for 12 months or more	



## Performance Improvement Objective 1










We will support the health and wellbeing of local people by improving our local facilities and services

Senior Responsible Officer: Director of Active and Healthy Communities

### Progress:

During Q1 and Q2 2024-25, the Council:

- Ran a comprehensive summer activity programme across the District during July and August.
- Continued to work with the capital estates team on progressing the design for Jennings Park in order to submit a planning application.
- Progressed the essential remedial work at Newry Pool.
- Completed the Play Strategy review and produced a Play Strategy Review Report.
- Sports capital financial assistance call was opened and completed in Q1/Q2.

Measure of Success	2024-25		Status	Explanatory note
	Target	Q1/Q2 Actual		
Number of paid attendances at:	850,000	<b>330,357</b>		In the first six months of 2024-25 there were a total of 330,357 paid attendances recorded across the six leisure centres in the District. The highest number was recorded in Down Leisure Centre accounting for 38% of the total paid attendances recorded.
Newry Leisure Centre		104,406		
Down Leisure Centre		126,234		
Kilkeel Leisure Centre		39,785		
St. Colmans Sports Complex		25,625		
Newcastle Centre & Tropicana Outdoor Swimming Complex		12,329		
Ballymote Sports & Wellbeing Centre		14,116		
Number of people participating in targeted health programmes	20,000	9,388	 	During Q1 & Q2 of 2024-25 participation in targeted health programmes reached 9,388 which is 47% of the annual target. This figure does however represent a



				10.2% decrease on the figure recorded for the same period last year.
Number of young people participating in targeted youth health and wellbeing initiatives	15,000	9,153	 	Between April & September 2024, 9,153 attendances were recorded of young people participating in youth health and wellbeing initiatives across the District, achieving 61% of the annual target. This figure does however represent a 35% decrease on the figure recorded for the same period last year. These initiatives included summer sports camps, teen fitness, volleyball and £1 summer activities which have been impacted as a result of the closure of Newry swimming pool.
Number of leisure centre memberships	10,000	9,217	 	A total of 9,217 leisure centre memberships were recorded by the end of Q2 2024-25 which is a decrease of 6.9% when compared to the 9,904 memberships recorded at the end of Q2 2023-24
Number of capital leisure projects progressed	No target	8		Projects being progressed at different stages for Donard Park, Dundrum, Kilkeel Leisure Centre, Jennings Park & Dunleath.
Number of recorded visits at community trails	265,000	155,659	 	155,659 visits were recorded at the community trails across the District between April and September of this year, achieving over 58.7% of the annual target set. This figure also represents a 29% increase on the figure recorded for the same period last year.

## Performance Improvement Objective 2








**We will contribute to growing the economy by supporting local businesses and job creation**




Senior Responsible Officer: Director of Enterprise, Regeneration and Tourism

**Progress:**

During Q1 and Q2 2024-25, the Council:

- Approved the 2024-25 Labour Market Partnership (LMP) Action Plan with two LMP meeting conducted.
- LMP Employment Pathway Job Fair event on 24<sup>th</sup> May with 50 employers; 13 support organisations; and 301 attendees, over 625 jobs were on offer and 71% of attendees were aged 18-49.
- LMP Golf Futures – Post Primary School engagement (50 pupils) Amgen Irish Open
- Recruitment commenced for LMP HGV academy.
- Received funding £192,650.00 for Multiply from UKSPF to upskill employees on numeracy
- Delivered a range of master classes (in person and online) via Go Succeed
- Delivered a Make it Local campaign in Newcastle to support the business community during Eats and Beats and the Amgen Irish Open.
- Continues to support the startup and growth of Social Enterprises in NMD.
- Continues to support artisan traders via artisan markets held monthly in Downpatrick, Newcastle and Warrenpoint.

Measure of success	2024-25		Status	Explanatory note
	Target	Q1/Q2 Actual		
Number of social enterprise start-ups supported	12	8	 	8 new social enterprise start-ups engaged, achieving 67% of the annual target.
Number of social enterprise jobs created	12	8	 	8 new social enterprise jobs created, achieving 67% of the annual target.
Number of participants engaged across all 'Go Succeed' activity	712	460		Between April and September 2024, 460 people registered for the Go Succeed Programme achieving 65% of the annual target. These registrations were across the three pillars of: Engage: 226 Foundation 55, and Growth: 179
Number of business plans created for start-up businesses and employer enterprises	361	115	 	115 Business Plans approved, achieving 32% of the annual target. These include: 102 Business Plans 13 Enterprise Action Plans

Number of new enterprises created as a result of support	195	135		226 start-ups registered for 'Go Succeed' between April and September 2024. Using the methodology developed by the programme this has resulted in 135 new startups registering to be created, achieving 69% of the annual target.
Number of new jobs promoted through business start up activity NI 'Go Succeed' <i>(statutory performance indicator)</i>	170	69		69 jobs were created between April and September 2024. Go Succeed offers 3 types of plans (Basic, Enterprise Action and Business). This accounts for 41% of the annual target
Number of existing businesses supported to progress growth and scaling ambitions	220	179		179 businesses received 1-2-1 diagnostic support. Mentoring is allocated depending on growth ambitions i.e. 10 hours, 15 hours and 21 hours. Average support is 15 hours.












### Performance Improvement Objective 3

We will improve the cleanliness of our District by continuing to promote recycling and addressing littering, fly tipping and dog fouling incidents

Senior Responsible Officer: Director of Sustainability and Environment

Progress:
<p>During Q1 and Q2 2024-25, the Council:</p> <ul style="list-style-type: none"> <li>Received 371 service requests for incidents of illicit dumping and fly tipping (293) and dog fouling (78).</li> <li>Issued 12 fixed penalty notices (10 of which have been paid). Overall, 83.5% of fixed penalty notices have been paid to date.</li> <li>Assisted 12 voluntary organisations, community groups, sports associations, schools and individuals with community clean ups across the District.</li> <li>Supported the NI 'Live Here Love Here' scheme, through which £30,469 was awarded towards 15 environmental projects covering themes such as community clean ups, community food growing initiatives and skill sharing in horticulture and community growing.</li> <li>Recorded an increase in the rate of recycling and a decrease in the amount of biodegradable waste sent to landfill. All current statutory standards have been achieved.</li> </ul>

Measure of success	2024-25		Status	Explanatory note
	Target	Q1/Q2 Actual		
LEAMS score (Keep NI Beautiful Cleanliness Index)	65	-	-	The annual Cleaner Neighbourhoods Survey results for the 2023-24 financial year have not yet been published by Keep Northern Ireland Beautiful. Once it is released it will be reported through the annual Assessment of Performance 2024-25.
Number of fixed penalty notices issued (littering, fly tipping and dog fouling)	120	12		The Council issued 12 fixed penalty notices, achieving 10% of the annual target. To date, 10 of the fixed penalty notices have been paid which represents 83.5% of the annual target. FPN's not paid will be referred for legal action with a higher penalty likely to apply. It should be noted that the post responsible for the management of the enforcement team continues to be vacant.
Number of fixed penalty notices paid (littering, fly tipping and dog fouling)	96	10		
Percentage of community clean up requests supported	90%	100%		The Council assisted with 12 community clean ups between April and September 2024, providing

				support to all requests from the community.
Number of 'Live Here Love Here' environmental projects	No target	15		A total of 15 environmental projects across Newry, Mourne and Down received funding through the NI 'Live Here Love Here' small grants scheme.
The percentage of household waste collected by District Councils that is sent for recycling <i>(statutory performance indicator)</i>	50% by 2020	<b>Q1 Actual</b>		In Q1 2024-25, the 2020 target has been exceeded with the rate of recycling recorded as 52.5% for Newry, Mourne and Down. This falls below the regional average of 54.5% and the Council is currently ranked 9/11 across Northern Ireland. When compared to Q1 2023-24, this represents an increase of 0.1% in the rate of recycling, from 52.4% to 52.5%.
		52.5%	 	
The amount of biodegradable Local Authority Collected Municipal Waste that is landfilled <i>(statutory performance indicator)</i>	<20,954 tonnes (2019-20)	51	 	During Q1 2024-25, the Council sent 51 tonnes of biodegradable municipal waste to landfill which was the second lowest across Northern Ireland and has only used 0.2% of the NILAS* allowance. When compared to Q1 2023-24, the amount of waste that was sent to landfill decreased by 90%, from 504 tonnes.
The amount of Local Authority Collected Municipal Waste arisings <i>(statutory performance indicator)</i>	No target	23,250		When compared to Q1 2023-24, the amount of local authority collected municipal waste arisings increased by 3.5%, from 22,473 tonnes to 23,250 tonnes. This increase is higher than the 1.6% increase experienced at the regional level.

\*NILAS: Northern Ireland Landfill Allowance Scheme.



## Performance Improvement Objective 4

We will improve our sustainability and reduce our impacts in relation to climate change


Senior Responsible Officer: Director of Sustainability & Environment

### Progress:

During Q1 and Q2 2024-25, the Council:

- Progressed the development of a Climate Change and Sustainable Development Strategy which will be brought to Committee for approval in Q4 2024-25.
- Continued the development of a Climate Change Adaptation Plan which will be brought to Committee for approval in Q4 2024-25.
- Progressed the development of the Newry, Mourne and Down Biodiversity Strategy (2023-30), with a publication of the strategy due in Q4 2024-25.
- Continues to implement the Fleet Replacement Programme. Fleet modernisation is delivering a significant reduction in CO2 emissions.

Measure of Success	2024-25 Target	Q1/Q2 Actual	Status	Explanatory note
Carbon footprint of Council Estate	No Target			The introduction of the Climate Change Act (Northern Ireland) 2022 has set a target of Net Zero greenhouse gas emissions by 2050. The Climate Change (Reporting Bodies) Regulations (Northern Ireland) 2024 came into effect on 3rd May 2024. These regulations require Council to provide the following reports:
Renewable Energy generation	No Target			•Climate Mitigation – Report due by 31st October 2025
Energy Consumption Baseline	No Target			•Climate Adaptation – Report due by 31st March 2026  The requirement for carbon baseline reporting commences for financial year ending 31st of March 2025.
Percentage of Council fleet younger than 8 years	85%	70%	 	70% of the Council's fleet is younger than 8 years and is an increase of 9% when compared to the 61% recorded for the same period last year.
Number of vehicles within the Council fleet that have an alternative fuel source	10	1	 	Approval has been granted for the replacement of a proportion of existing small and medium sized diesel vans with electric vehicles. Orders are now due to be placed for 10 No small electric vans. The funding has been approved for charging infrastructure, procurement for this project is currently underway.
Number of trees planted on Council managed estate	2,800	30		30 trees have been planted across the District during Q1 & Q2. In general, the planting season takes place during Q3 &

				Q4 with a number of projects planned to take place during this period.
Number of Council supported EV charging points	18	0		18 dual chargers are to be installed through the collaborative ORCs (On-Street Residential Charge Point Scheme) project, which is currently being procured, with delivery expected by the end of Q4 2024-25.






## Performance Improvement Objective 5




**We will improve the processing times of planning applications and enforcement cases by implementing the Planning Service Improvement Programme**

Senior Responsible Officer: Director of Economy, Regeneration and Tourism

Progress:	
During Q1 2024-25, the Council:	
<ul style="list-style-type: none"> <li>Received 287 planning applications in total which is the third highest across Northern Ireland.</li> <li>The Council decided on 274 applications in Q1 2024-25, which is the second highest across Northern Ireland. 247 local planning applications were approved, resulting in an approval rate of 90.1%, which is below the Northern Ireland average of 94.5%.</li> <li>Processed 1.8% of local planning applications within the statutory standard of &lt;15 weeks, which is below the regional average of 43.4%. This represents a decrease of 14.6% when compared to the 16.4% of applications processed within &lt;15 weeks during Q1 2023-24.</li> <li>Received 6 major planning application, decided on 4 applications and approved 3 applications. In Q1 2023-24, 25% of major planning applications were processed within the statutory standard of &lt;30 weeks which is below the current regional average of 43.9%. This represents an increase of 25% compared to the 0% applications processed within &lt;30 weeks in Q1 2023-24.</li> <li>Opened 76 enforcement cases which is the third highest across NI with 71 cases concluded. As of 30 June 2024, the Council had 814 planning enforcement cases in the system, which is by far, the highest across Northern Ireland.</li> </ul>	

Measure of Success	2024-25		Status	Explanatory note
	Target	Q1 Actual		
Average processing time for local planning applications (weeks) <i>(statutory performance indicator)</i>	<15 weeks	43.1 weeks		During Q1 2024-25, the average processing time for local planning applications was 43.1 weeks which is above the regional average of 19.0 weeks. When compared to Q1 2023-24, this represents an increase of 14.5 weeks for Newry, Mourne and Down.
Average processing time of major planning applications (weeks) <i>(statutory performance indicator)</i>	<30 weeks	118.5 weeks		During Q1 2024-25, the average processing time for major planning applications was 118.5 weeks which is above the regional average of 38.6 weeks. When compared to Q1 2023-24 however, this represents a decrease of 394.5 weeks for Newry, Mourne and Down.
Percentage of planning enforcement cases progressed within	70%	40.8%		During Q1 2024-25, the percentage of cases concluded within 39 weeks was 40.8% which is below the regional average of 69.7%. When compared to Q1 2023-24,



39 weeks <i>(statutory performance indicator)</i>				this represents a decrease of 26.5% for Newry, Mourne and Down.
Number of planning applications in the system for 12 months or more	150	397		As of 30 June 2024, Newry, Mourne and Down had 397 planning applications in the system for 12 months or more. This represents an increase of 45 applications when compared to March 2024 and 157 applications when compared to 30 June 2023. A reduction of 247 applications is required to achieve the annual target.
Number of planning applications in the system for 12 months or less	700	1,108		As of 30 June 2024, Newry, Mourne and Down had 1,108 planning applications in the system for 12 months or less. This represents a decrease of 46 applications when compared to 31 March 2024 and an increase of 84 applications when compared to 30 June 2023. A reduction of 408 applications is required to achieve the annual target.
Number of enforcement cases in the system 12 months or more	450	598		As of 30 June 2024, Newry, Mourne and Down had 598 enforcement cases in the system for 12 months or more. This represents a decrease of 1 case when compared to 31 March 2024 and an increase of 61 cases when compared to 30 June 2023. A reduction of 148 cases is required to achieve the annual target.

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	20 February 2025
<b>Subject:</b>	Corporate Risk Register
<b>Reporting Officer (Including Job Title):</b>	Josephine Kelly – Director of Corporate Services
<b>Contact Officer (Including Job Title):</b>	Gerard Byrne – Assistant Director of Finance & Performance

Confirm how this Report should be treated by placing an x in either:-

For decision	X	For noting only	
<b>1.0</b>			<b>Purpose and Background</b>
1.1			The Corporate Risk Register was reviewed and updated by SMT on 6 February 2025. Quarter 3 Assurance Statements for 2024/25 have been used to inform and update the content of the Corporate Risk Register. Where relevant, Officers have also provided updates in relation to specific controls and action plans.
<b>2.0</b>			<b>Key issues</b>
2.1			<p><b>Corporate Risk Register</b></p> <p>The Council has identified 12 corporate risks, 6 of which are red, 5 of which are amber and 1 of which is a yellow level risk. No new risks have been added to the Risk Register.</p> <p><u>Appendix 1</u> provides an overview of each risk, risk owner(s), gross and residual risk scores, as well as a summary of changes and updates which have been made to the Corporate Risk Register since September 2024.</p> <p>Several actions have been updated to ensure the Corporate Risk Register is a live document and can be used as a Management tool for decision making.</p> <p>The Corporate Risk Register has been updated with the Council's new objectives from the Corporate Plan 2024-27.</p> <p>The updated Corporate Risk Register is attached at <u>Appendix 2</u>.</p>
2.2			<p><b>Other Risk factors which were considered</b></p> <p>No other factors were considered for the Corporate Risk Register</p>
2.2			<p><b>Directorate Risk Register – Enterprise, Regeneration and Tourism (ERT)</b></p> <p>The Risk Reporting section of the Risk Strategy states that Directorate Risk Registers will be presented to the Audit Committee on a rotational basis. The Risk Register for the ERT Directorate is attached at <u>Appendix 3</u>. The Risk Register was reviewed and updated with the Assistant Directors and Director of ERT in February 2025.</p>
2.3			Within the ERT Directorate Risk Register, 8 risks have been identified, 7 of which are amber and 1 is yellow. These risks cover a range of service areas and functions.

	The ERT Risk Register will be updated on a regular basis and considered by the Audit Committee annually.
<b>3.0</b>	<b>Recommendations</b>
3.1	To approve the updates to the Corporate Risk Register highlighted within the summary at Appendix 1. Full Corporate Risk Register can be evidenced at Appendix 2.  To note the revised ERT Directorate Risk Register summary at Appendix 3 and detailed ERT Directorate Risk Register at appendix 4.
<b>4.0</b>	<b>Resource implications</b>
4.1	There are no resource implications.
<b>5.0</b>	<b>Due regard to equality of opportunity and regard to good relations (complete the relevant sections)</b>
5.1	<b><i>General proposal with no clearly defined impact upon, or connection to, specific equality and good relations outcomes</i></b>  It is not anticipated the proposal will have an adverse impact upon equality of opportunity or good relations <input checked="" type="checkbox"/>
5.2	<b><i>Proposal relates to the introduction of a strategy, policy initiative or practice and / or sensitive or contentious decision</i></b>  Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>  If yes, please complete the following:  The policy (strategy, policy initiative or practice and / or decision) has been equality screened <input type="checkbox"/>  The policy (strategy, policy initiative or practice and / or decision) will be subject to equality screening prior to implementation <input type="checkbox"/>
5.3	<b><i>Proposal initiating consultation</i></b>  Consultation will seek the views of those directly affected by the proposal, address barriers for particular Section 75 equality categories to participate and allow adequate time for groups to consult amongst themselves <input type="checkbox"/>  Consultation period will be 12 weeks <input type="checkbox"/>  Consultation period will be less than 12 weeks (rationale to be provided) <input type="checkbox"/>  <i>Rationale:</i> Consultation not required.

<b>6.0</b>	<b>Due regard to Rural Needs (please tick all that apply)</b>
6.1	<p>Proposal relates to developing, adopting, implementing or revising a policy / strategy / plan / designing and/or delivering a public service</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If yes, please complete the following:</p> <p>Rural Needs Impact Assessment completed <input type="checkbox"/></p>
<b>7.0</b>	<b>Appendices</b>
	<p>Appendix 1: Summary Sheet – Corporate Risk Register – February 2025</p> <p>Appendix 2: Corporate Risk Register – February 2025</p> <p>Appendix 3: Summary Sheet – ERT Directorate Risk Register – February 2025</p> <p>Appendix 4: ERT Directorate Risk Register – February 2025</p>
<b>8.0</b>	<b>Background Documents</b>
	None



NMDDC Corporate Risk Register Cover Sheet - February 2025

Sep-24 Feb-25

Risk	Description	Risk Owner(s)	Gross Risk Score	Revised Residual Risk Score	Revised Residual Risk Score	Comments
CR01	Failure to deliver the capital investment programme for the District	SMT Caolain Boyd	25	20	20	Residual risk score remains unchanged. The unknowns in relation to the new Procurement Act has been added as a potential route cause and there is also an action in relation to the procurement act.
CR02	Non-compliance with legislative requirements, including the Procurement Act 2023	Josephine Kelly Sinead Murphy	23	16	20	Title of the risk amended to reference the Procurement Act 2023. Risk score remains unchanged. Actions have been updated to include an update on the procurement policy referencing social value procurement.
CR03	Failure to effectively manage waste	Sinead Murphy	23	20	20	Residual risk remains unchanged - actions have been updated. New action in relation to Packaging Extended Producer Responsibility (eEPR).
CR04	Failure to provide robust and timely planning decisions	Conor Mallon	25	16	16	Residual risk score remains unchanged and actions have been updated. New control in relation to the validation checklist which has been approved. New action in relation to a graduate recruitment programme which is being discussed with the Department.
CR05	Failure to adequately deliver future efficiencies and improvements	Marie Ward Josephine Kelly	20	16	16	Residual risk score remains unchanged and actions have been updated. Digital Strategy has now been approved by Council and an action plan is being formulated.
CR06	Failure to adequately react to a major incident which would minimize any negative consequences/impact	SMT Sinead Traynor	25	8	8	Residual risk score remains unchanged and actions have been updated. One new control in relation to Council having representation on the South East Flooding Recommendations Working Group.
CR07	Failure to implement an economic development programme to regenerate the district	Marie Ward Conor Mallon	20	16	16	Residual risk score remains unchanged and actions have been updated.
CR08	Failure to manage sickness absence resulting in delays and an inability to deliver Council services.	Senior Management Team	25	20	20	Residual risk score remains unchanged and actions have been updated. Controls have been updated to include the Thrive/Face to Face Counselling. New Action in relation to the Health and Well Being working groups events plan and stress audit.
CR09	Risk to the long term financial stability of Council in relation to the delivery of Council Services	Senior Management Team, Gerard Byrne	25	20	20	Residual risk score remains unchanged and actions have been updated. Update to the potential root causes in relation to the rise in National Insurance Employer Contributions from 1 April 2025 being a significant recurring pressure for all Councils.
CR10	Failure to effectively plan for and manage a cyber security attack.	Josephine Kelly Gavin Ringland	25	20	20	Residual risk score remains unchanged and actions have been updated.
CR11	Risk of Industrial Action impacting on Service Delivery	Senior Management Team	25	15	15	Residual risk score remains unchanged and actions have been updated.
CR12	Insufficient staff resources to deliver Council services in an effective and efficient manner	Marie Ward Josephine Kelly	20	16	16	Residual risk score remains unchanged and actions have been updated. Update to the potential root causes in relation to Labour Market Trends - decrease in unemployment and economic inactivity rate, increase in employment rate and cross border mobility.

# 1. Corporate Risk Register NMDDC

2/17/2025 12:21:38 PM

## Risk CR. 01 - Failure to deliver the capital investment programme for the District

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Consequence

Probability

**Risk Categories** Buildings / Engineering / Environment  
Business operational/regulatory

**Risk Description** Failure to adequately resource the capital programme  
Failure to effectively manage capital contracts  
Capital programme does not sufficiently deliver on the Corporate Objectives

**Potential Root Cause** Lack of availability of construction materials and increases in the cost of materials due to inflation and Cost of Living crisis  
Contractors on key projects fail to deliver on time and on budget  
Consultant and/or contractor collusion  
Procurement delays, failures or legal challenges  
Procurement Act 2023 - due to the uncertainty - becomes law on 24 February 2025  
Governance Arrangements not being adhered to  
Projected timelines too optimistic  
Delays due to the statutory approvals process  
Lack of awareness in staff and managers  
Lack of resources - economic downturn/recession  
Funding reduced/withdrawn, timescales extended leading to increased costs  
Impact of the pay award and inflation on the financial viability of the capital plan going forward

**Consequence** Impact on service delivery  
Financial impact - inflationary pressures / pay demands  
Legal challenge / Negative PR  
Impact on quality/cost of projects  
Future reduction on the capital budget  
Reputational damage

**Risk Owners** Caoimhin Boyd; Senior Management Team

**Gross/inherent Risk** Red 25

**Residual Risk** Red 20

**Target Risk Level** Yellow 9

**Last Review** 2/6/2025

**Next Review** 2/17/2025

**Risk Appetite** Risk Open

### Objectives

1. Support the continued growth and development of our local economy
6. Develop and revitalise our district
7. Deliver sustainable services

### Key Controls Identified

1. Asset Management Strategy in Place to identify surplus assets
1. Monthly review of spend against budget
1. Professionally qualified and experienced staff
- 2 Project risk register in place for major projects
2. Capital Plan annually approved at Council
2. Large projects are project managed by external consultants who report to the Estates Team.
2. Monthly site progress meetings which are minuted
2. Multi Year Capital Plan
2. Strategic Finance Working Group scrutinises each Capital Project
3. Gateway Reviews
3. Internal Audit of Project Governance received SA 2022/23.

### Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
BRCD funding going forward	On the 13 September 2024 the UK government announced that it was pausing funding of City Deals in Northern Ireland. On the 16 September 2024, The Secretary of State confirmed that following communication with HM Treasury nothing has changed on the status of the Belfast Region City Deal, which was signed back in December 2021.	In Progress	Senior Management Team	4/1/2025	The Belfast Region City Deal was signed in December 2021 and unlocks £1 billion of transformative co-investment. OBCs for NMD projects have been approved by BRCD Board and relevant Government Departments. Contracts for funding and funding agreements have been progressed. Progress ongoing on project delivery, based on stage of development of each. The estimates for MRPI can payments over the life of our capital Programme as part of the 2025/26 Rate Process is now complete. Capital Financing Costs will be forecast for the 2024/25 year as part of the period 9 Management Accounts process. Finance Team to meet with Capital Team and Project Managers early in March 2025 to establish revised cash flow projections. The guidance notes and templates have not yet been released by Central Government. Council are in contact regularly with CPDN to get the most up to date information and guidance. Council has put more stringent Pre-Qualification Questionnaire criteria and assurances to ensure Construction line value and project cashflow is stress tested prior to award. Project Expenditure is then monitored against project programmes to manage any underspend against completed activities.
Capital Plan Cash Flow forecasting	Ongoing forecasting dependent on progress in capital projects	In Progress	Gerard Byme	5/31/2025	
Procurement Act 2023	Procurement legislation is changing. The Procurement Act 2023 will become law on Monday 24 February 2025. Has a significant impact on capital projects, when the projects span old and new regulations/laws.	In Progress	Josephine Kelly	4/1/2025	
Supplier/Contractor Options	AD of Capital Projects and Procurement currently looking a number of options to counter act the over reliance on a small number of Contractors/Suppliers/PiMs in NI	Completed	Caolain Boyd	2/28/2025	







### Key Controls Identified

1. Asbestos and Legionella Policies and Management Plans in place
1. Dedicated skilled teams in place for:
  - Health and Safety, HR, Legal and Procurement
1. Health and Safety Committees in place and ongoing programme of training in place
1. Policies and procedures in place - i.e H&S Policy, Procurement Policy, Access to Information, Capital Projects etc
  1. Procurement training rolled out to all relevant staff
  2. Compliance Reporting to SMT and H&S Committees
  2. Procurement a standing agenda item at Councils Audit Committee
  3. Internal Audits Completed and Scheduled going forward annually.

### Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
<p>Actions from Fire Risk Assessment Audits</p> <p>The actions from the Fire Risk Assessments which have been completed need to be actioned as soon as possible for all Council properties by the Facilities Management and Maintenance Department.</p>	In Progress	Conor Sage	5/1/2025	<p>The current level of risk regarding fire risks in our buildings is considered Low. The Fire Policy was approved and effective since 12th March 2020 and is now overdue for review, this will be presented at CMT/SMT in Q4 24/25. The associated Fire Safety Management Plan requires progressing. The priority is to seek agreement on a Fire Safety Management Plan which will guide future control of this risk.</p> <p>The Council has appointed a Council wide Contractor's to undertake annual inspections of fire alarms and firefighting equipment. Fire alarms inspections are likely to highlight a programme of work to upgrade some systems. Tender documentation for a new Fire alarm maintenance contract is currently being evaluated. To be awarded in Q1 25/26.</p> <p>Fire Risk assessment programme is in place, Facility Managers are responsible for updating the risk control plans and adding any required remedial works requests to the FM Portal. The Council's Building Maintenance team continue to address remedial work as required.</p> <p>An external review has been undertaken and an independent Report from provided to Council. There has been an initial meeting of Directors of Corporate Services, Sustainability and Environment and Active Healthy Communities. The working group will now meet with relevant Assistant Directors and Heads of Service.</p>
<p>Advisory Internal Audit Review - Implement the 30 recommendations arising from the internal audit review of Health and Safety</p>	In Progress	Josephine Kelly Sinead Murphy	3/1/2025	

Asbestos Policy and Management Plans	Implementation of Asbestos Policies and Management Plans	In Progress	Conor Sage	5/1/2025	The current level of risk for asbestos, is considered medium. All buildings have been surveyed and no significant risks have been identified which cannot be managed through good building practices. A Contractor was appointed in October 2020 for a three-year period to undertake inspections, air sampling, training and related asbestos consultancy work. There was a defined year 1, 2 and 3 work programmes. Asbestos reinspection surveys are now overdue for completion. Asbestos Management Policy is now due for review and will be presented to CMT/SMT in Q4 25/26. RFQ has been completed for a 1-Year contract to deliver asbestos management surveys. Programme to commence in Q1 25/26. E Learning is promoted throughout the organisation and updates are being sent to staff on a regular basis. Action plan now in place to implement recommendations
E-Learning Training	E-Learning training to be promoted throughout the organisation as take up is low - this is particularly relevant to mandatory training sessions.	In Progress	Marina Hughes	4/1/2025	
Internal Audit - Compliance checking – facilities review (considering fire risk, asbestos and legionella checking)	Implement recommendations outlined in the limited assurance internal audit which was finalised in May 2024	In Progress	Conor Sage Senior Management Team	3/31/2025	
Internal Audit - Contract management	Implement recommendations from the limit assurance Internal Audit which was finalised in May 2024	In Progress	Caolain Boyd Senior Management Team	4/30/2025	Procurement Policy will be updated in line with the new legislation. Directors currently bring procurement actions plans to Audit Committee Quarterly. STAs also reported to Audit Committee quarterly. The current level of risk for legionella is considered Medium.
Legionella Policy and Management Plan	Implementation of Legionella Policies and Management Plans	In Progress	Conor Sage	5/1/2025	A new contract for Water Hygiene services has been awarded. Water monitoring programme is in place in accordance with LB/HSG 274. A prioritised programme of risk assessments is underway. Legionella Policy has been updated and approved at Council. The Legionella Management Plan has been updated and will be presented to CMT/SMT at Q4 24/25. Business Case for a mechanical works contractor was approved at SE committee in Dec 24 to address legionella risk assessment remedial works. Legislation to be reviewed to determine if this is possible while adhering to Public Contract Regulations. Procurement team are liaising with the LG Procurement Working Group. Council is currently adhering to legislative requirements. Procurement Policy to be reviewed in October 2024 when new procurement legislation is introduced in February 2025.
Social Procurement Policy	Council to consider bringing in a social procurement policy following the guidance issued by the Minister of Finance in June 2021.	In Progress	Caolain Boyd Josephine Kelly	2/28/2025	



arc21 Waste Management Group	Following the May 2022 refusal to grant arc21 planning permission for their residual waste project and the requirement to recycle 70% by 2030 as per the Climate Change Bill and the Circular Economy package coupled with governance and internal issues within arc21 the long term viability of the group is under consideration. arc21 continue with the appeal process against the refused planning application. SOLACE have engaged SIB to undertake a review of waste management arrangements across the 11 Councils to consider future collaboration in contract management, changing legislation and emerging policies.	In Progress	Sinead Murphy	3/31/2025	Arc21 are carrying out their own strategic review. NM&D have had an opportunity to input. Consideration needs to be given as to how the Council would participate in any successor body to arc21.
Internal Waste Management Planning	Council waste management planning is driven by a number of internal and external factors including the introduction of legislation such as the Climate Change Act (Northern Ireland) 2022, Extended Producer Responsibility, Deposit Return Scheme and Common Collection Systems.	In Progress	Sinead Murphy Sinead Trainor	9/30/2025	Ongoing but stayed as there have been delays to the introduction of Deposit Return Scheme. Common Collection Systems may require legislation which can't be progressed without a sitting Assembly. Response to DAERA consultation "Rethinking our resources: Measures for Climate Action and a Circular Economy in NI" submitted to DAERA. Future resourcing model from Extended Producer Responsibility regulations to be made available in Q3 24/25. Response is due in Q2 2025/26
Operators Licence	Internal Audit carried out a review of the progress in implementing TRU and FTA recommendations in October 2018. A further review took place during November/December 2020 which has provisionally highlighted that limited progress has been made in implementing a number of recommendations from the 2018 audit.	In Progress	Sinead Murphy Conor Sage	5/1/2025	A consolidated action plan in relation to compliance to the Council's Operators License (OL) was presented to SE Committee in November 2022. A further update on compliance was provided in June 2023 showing good progress towards full implementation of actions and ongoing compliance. Staffing issues are being addressed and the Head of Cleansing has been seconded as interim Head of Fleet. Further operators license COTC holders trained and named on the OL. A further follow up Audit by RHA for 2023/24 also demonstrated positive progress and the Transport Regulation Unit is being regularly informed of progress. KPIs for compliance targets are reported to Operator Licence Working Group on a monthly basis. In November 2024 a further audit was completed by RHA. Updated will be provided against the recommendations in due course.
Packaging Extended Producer Responsibility (pEPR)	pEPR funding is intended to pay for the costs Local Authorities incur in managing packaging waste but this funding is not ring fenced.	In Progress	Sinead Murphy	4/1/2025	A report will be brought to Committee setting out proposals for waste transformation projects in 2025/26 and going forward.
Waste Management Plan	The Waste Management Plan is organised by ARC 21. The Council is required to feed into and approve ARC 21s Waste Management Plan.	In Progress	Sinead Murphy	6/1/2025	A initial review of the arc21 Waste Management Plan (which includes NM&DCC) has been completed by WRAP on behalf of DAERANIEA. Technical expertise (RPS) has been procured to produce an Addendum for the Plan as part of the six yearly review. arc21 WMP is currently out for public consultation. DAERA are yet to consult on a draft Waste Management Strategy for NI which was due by the end of 2023; the publication of which would better inform the Councils Waste Management Plans. The Waste Management Strategy has been delayed to Spring 2025.

### Risk CR. 04 - Failure to provide robust and timely planning decisions

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Probability

<b>Risk Categories</b>	Business operational/reputational Financial Quality of Service
<b>Risk Description</b>	Failure to provide robust and timely planning decisions
<b>Potential Root Cause</b>	Ineffective and/or inadequate resources Planning Legislation not being followed Ineffective technology - EPIC system changes - challenges of introducing new planning portal and associated training.
<b>Consequence</b>	Litigation and financial costs Reputational issues Lower levels of customer satisfaction Impact on service delivery and lost productivity Financial implications resulting in budget constraints Failure to achieve the statutory standards around local / major planning applications and enforcement cases
<b>Risk Owners</b>	Conor Mallon, Jonathan McGilly
<b>Gross/Inherent Risk</b>	Red 25
<b>Residual Risk</b>	Amber 16
<b>Target Risk Level</b>	Yellow 9
<b>Last Review</b>	2/8/2025
<b>Next Review</b>	2/17/2025
<b>Risk Appetite</b>	Risk Open

#### Objectives

- 3. Protect and enhance our environment to secure a sustainable future
- 6. Develop and revitalise our district

#### Key Controls Identified

- 1. Action plan in place to reduce backlog
- 1. Ongoing training for officers and members
- 2. Dedicated Planning Committee in operation
- 2. Local Development Plan developed and timetable agreed
- 2. Quarterly report to Committee on progress against action plan
- 2. Scheme of Delegation in place to facilitate timely planning decisions
- 2. Validation check list agreed at Feb 25 Planning Committee, to be implemented following consultation and engagement ap



## Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Implement action plan to reduce backlog in line with timeframe set	In Progress	Jonathan McGilly	5/1/2025	Planning performance stats for Q1&2 2024/25 show average processing time of 44.2 weeks for Local application, above the NI average of 21 weeks and the target of 15 weeks however during that period 102 more applications were processed than in previous 6 months. For Major applications there was a significant in year improvement in processing times, Q1 118 weeks, Q2 34 weeks, against target of 30 week. Recruitment remains ongoing with all DM posts now offered and final staff checks being completed for March 2025 starts. There has been ongoing training of staff and presentation of revised plans was tabled at January SPR.
Internal Review of overturn decisions	In Progress	Conor Mallon Jonathan McGilly	5/1/2025	Audit is now complete and presented to Audit Committee. Action Plan agreed with Planning Committee in July and currently being implemented. Training for Members was held in July 2024 and Programme of training currently being developed. Revised work plan to be tabled at April Planning Committee.
Recruitment Drive For Planners	In Progress	Jonathan McGilly	4/1/2025	Council are liaising with the Department about the possibility of a graduate recruitment Programme going forward.
Regional Planning Review	In Progress	Conor Mallon	4/1/2025	Performance improvement plan has been developed covering key areas of Planning. This was agreed between DfI and Councils and has involved engagement with PAC. This work is managed by Head of Planning group and is reported on to SOLACE and wider partnership groups involving DfI, PAC and Solace. This work remains ongoing and following recent discussions SOLACE has requested additional actions be added to the work plan including more engagement with PAC etc, this has been agreed by DfI and work will commence March 2025 to review and revise PIP.

**Risk CR. 05 - Failure to adequately deliver future efficiencies and improvements**

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	Probability				

<b>Risk Categories</b>	Business operational/reputational Financial Impact on individuals (staff or public) Quality of Service
<b>Risk Description</b>	Failure to adequately deliver future efficiencies and improvements
<b>Potential Root Cause</b>	Difficulty recruiting key positions in Council. Corporate efficiency projects and other improvement activities are not currently joined-up with wider transformational activity The Council is currently unable to track the realisation of benefits (financial or non-financial) arising from investment in new IT systems (i.e. Legend) A lack of corporate capacity currently exists to support transformational activity The overall affordability of the Councils long term plans considering; Cost of Living Crisis / inflation / pay demands
<b>Consequence</b>	Not promoting a single corporate identity The budget situation will continue to get worse (salaries and wages) therefore not providing VFM Our ability to provide citizens / customers with the services they require will be significantly constrained We will potentially lag behind other Councils & other public sector organisations
<b>Risk Owners</b>	Josephine Kelly, Marie Ward
<b>Gross/inherent Risk</b>	Red 20
<b>Residual Risk</b>	Amber 16
<b>Target Risk Level</b>	Yellow 9
<b>Last Review</b>	2/6/2025
<b>Next Review</b>	2/17/2025
<b>Risk Appetite</b>	Risk Hungry

**Objectives**

7. Deliver sustainable services

**Key Controls Identified**

1. PFF now complete
2. IT Project Group in place and meets regularly
2. IT Strategy in place

**Action Plans**

	<b>Action Plan Description</b>	<b>Action Plan Type</b>	<b>Action Plan Owner</b>	<b>Action Plan Action Date</b>	<b>Comments</b>
Digital Strategy	Digital Strategy action plan is being developed.	In Progress	Veronica Keegan	6/1/2025	The Digital Strategy has been approved by Council. A Priority Plan of new digital transformation projects is being developed with further workshops with SMT / CMT in Q1 2025/26.
New HR System	New Self Service Human Resource Management system to be procured	In Progress	Marina Hughes Josephine Kelly	6/1/2025	The Business Case for the procurement of new systems has been reviewed following changes to the eLearning system and OH provider changes. The draft business case has been considered by ITPG with a second draft to be presented to ITPG for consideration in March 2025.
Service Reviews	Service Reviews are currently being completed across Directorate in line with paper which was approved at SP&R	In Progress	Senior Management Team	4/1/2025	A draft action plan / timetable of service reviews has been provided to the Trade Unions as part of the agreement to the current dispute. Work is progressing. A full list of Service Reviews is being collated to ensure resources are appropriately directed to undertake the work required.



**Risk CR. 06 - Failure to adequately react to a major incident which would minimise any negative consequences/impact**

5	4	3	2	1		Risk Categories	Buildings / Engineering / Environment Business operational/reputational Impact on individuals (staff or public) Statutory Duty (Legal/Regulatory)
						Risk Description	In the event of a disaster or an emergency, the Council may not respond in a way which minimises any negative consequences/impact
Potential Root Cause		Natural disasters, localised flooding, Harbour disasters, Fire Pandemics - COVID 19 Significant IT failure Inadequate preparedness to be able to respond in the event of an emergency					
Consequence		Reputational damage through inadequate civic leadership to provide adequate community emergency support Loss of income Litigation - civil/criminal Increased insurance premiums					
Risk Owners		Sinead Murphy, Senior Management Team					
Gross/Inherent Risk		Red 25		Last Review		2/6/2025	
Residual Risk		Yellow 8		Next Review		3/19/2025	
Target Risk Level		Green 4		Risk Appetite		Risk Averse	

**Objectives**

7. Deliver sustainable services

**Key Controls Identified**

- 1. Emergency planning measures in place, including:
  - Flood risk plan
  - Inter-agency group
- 1. Annual Winter Resilience Plan in place
- 1. Business Continuity scenario plans in place
- 1. Dedicated Emergency Planning team and professionally trained and experienced staff
- 1. Test exercises completed on a regular basis and lessons learned communicated
- 2. Member of Southern Region Emergency Planning Group
- 2. Member of the South East Flooding Recommendations Working Group
- 2. New regional local government regional model
- 3. Internal Audits Completed;

## Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Documenting Business Continuity Plans	In Progress	Sinead Trainor	3/31/2025	Revision of all Departmental BCP's in ongoing during 2024/25 and will continue into 2025/26 when Head of Departments are recruited.
Independent External Review of Flooding Incident	In Progress	Sinead Murphy	4/1/2025	Independent report was published and was communicated to Council's EPIG group on the 16 August 2024. An NMDDC representative attends the South East Flooding Recommendations Working Group which has responsibility for implementing the recommendations of the report and reports back through EPIG.
Northern Ireland Emergency Planning Structures Risk Assessments	In Progress	Senior Management Team Sinead Trainor	4/1/2025 4/1/2025	Council continued to be represented at NIEPS were any upcoming incidents are discussed. Information is currently being collated through Councils Corporate Management Team. IOSH Managing Safety training is being rolled out along with risk assessment workshops. IOSH training and risk assessment workshops have now completed by staff across the organisation. Departments are now reviewing and implementing risk assessments.
Scenario Planning	In Progress	Conor Sage	2/24/2025	A new scenario planning event is going to be coordinated via CMT and take place in the coming months. The scenario is scheduled for SMT and CMT on 24/02/2025.

**Risk CR. 07 - Failure to implement an economic development programme to regenerate the district and attract inward investment**

Consequence	5								
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			1	2	3	4	5	Probability	

**Risk Categories**  
Impact on individuals (staff or public)  
Quality of Service

**Risk Description**  
Failure to implement an economic development programme to regenerate the district and attract inward investment.

**Potential Root Cause**  
Failure to engage stakeholders (public and private sector)  
Inflationary pressures and higher interest rates.  
FFNI/DFFF - NMDDC is lead Council with operations team - increased risk  
Impact of the City Deal  
The weakness in sterling driving inflation expectations higher  
Issues around the Windsor Framework including:  
-Loss of EU funding  
-Disruption of food and medical supplies  
-Changes in regulations, border controls, cross border trade and movement of goods and people  
-Uncertainty amongst the business community in relation to food standards, trading standards and exports  
-Lack of employees with the required expertise and experience, eg Environmental Health Officers

**Consequence**  
Lack of investment in the District and lower levels of economic activity  
Lack of confidence from the private sector  
Some services, which were funded externally, not being delivered  
Lack of leadership and direction from the NI Executive and UK Government  
Inadequate levels of service provision

**Risk Owners**  
Conor Mallon, Marie Ward

**Gross/Inherent Risk**  
Red 20

**Residual Risk**  
Amber 16

**Target Risk Level**  
Yellow 9

**Last Review**  
2/6/2025

**Next Review**  
2/17/2025

**Risk Appetite**  
Risk Hungry

**Objectives**

1. Support the continued growth and development of our local economy
4. Support regenerative tourism opportunities which promote our culture, heritage and environment
6. Develop and revitalise our district:
7. Deliver sustainable services

**Key Controls Identified**

1. FFNI Digital Transformation Projects underway
1. Regeneration and Economic Development Strategy 2020-25 in place
2. Engagement with other Councils, other Departments, NILGA and the Private Sector through the Chamber of Commerce
2. Establishment of Economic Forum including public and private sector stakeholders
3. Internal Audits Completed and Scheduled going forward - including the Enhanced Flood Support Scheme grant.

**Action Plans**

City Deals	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
	Actively engage in Belfast Region City Deal	In Progress	Conor Mallon Marie Ward	5/1/2025	The Belfast Region City Deal was signed in December 2021 and unlocks £1 billion of transformative co-investment. OBCs for NMD projects have been approved by BRCD Board and relevant Government Departments. Contracts for funding and funding agreements have been progressed. Progress ongoing on project delivery, based on stage of development of each.
Full Fibre Network NI (FFNI)	Delivery of Digital Infrastructure and Digital Related projects under the FFNI Consortium / NMDDC	In Progress	Conor Mallon Amanda Smyth	4/1/2025	Digital Transformation Flexible Fund: FFNI Operations team responsible for centralised implementation and delivery of this programme across all Council areas. Total value of funding £7.5m from the Complementary fund and DAERA (£1.1M). NMDDC is the lead Council for this project under FFNI. Invest NI is the Investment Decision Maker.
					Development and delivery of the BRCD Digital Pillar projects including proposed Regional Innovation Hub for NMDDC.
					Mobile Action Plan: FFNI appointed by Solace as lead for all Councils Digital Champions. FFNI operations lead and project officer currently appointed as Digital Champion and Coordinator in respect of the Mobile Action Plan.
					FFNI RGC - Ongoing benefits realisation and management information tracking of DCMS funded fibre installed across 887 public sector sites in Northern Ireland. Data is required to be monitored for 5 years as per DCSM grant agreement. IT dept are currently engaging 3rd parties to put the fibre into use.
Provide Flood Recovery Support to Local businesses in impacted areas of the District	Administering funding provided by UK Treasury for Businesses impacted by flooding in November 2023	In Progress	Conor Mallon Amanda Smyth	4/1/2025	Following the floods across the District, Council hosted LPS workshops for businesses online to provide information on rate relief. Council organised 3 business information clinics (Newry, Downpatrick and Flurrybridge). 114 were paid out. The Enhanced Flood grant support scheme is currently being implemented with £4m of grant being delivered to businesses.
Support local businesses	The Council is also providing support, advice and guidance to local businesses as they anticipate and manage the changes associated with Brexit.	In Progress	Amanda Smyth	4/1/2025	NMDDC is a delivery partner for Go Succeed, the NI business support programme offering mentoring support to businesses in specialised areas, i.e. Brexit / Windsor framework. Council is also recognising the opportunity as positioning the district from an investment perspective as having unfettered access to both UK and EU markets.

<p>Warrenpoint Port</p>	<p>To ensure efficient delivery of statutorily required of food import checks on relevant Agri-Food goods entering Northern Ireland at Warrenpoint port</p>	<p>In Progress</p>	<p>Sinead Murphy Sinead Trainor</p>	<p>4/1/2025</p>	<p>Required checks are being completed at Warrenpoint Port on an on-going basis by trained and authorised staff. Regular meetings are attended with relevant partners, DAERA, Defra, FSA, Border force, Seatruck, Warrenpoint Port, to continue to share learning and work through operational issues as they arise, including the implementation of the Windsor Framework. Funding is continuing to be provided through the FSA. Council have recently submitted a 25/26 funding bid to the FSA for the provision of this service.</p>
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**Risk CR. 08 - Failure to adequately manage sickness absence resulting in delays and an inability to deliver Council services.**

5	4	3	2	1	T	R	G	Business operational/reputational Financial Impact on individuals (staff or public) Quality of Service									
									CR. 08 - Failure to adequately manage sickness absence resulting in delays and an inability to deliver Council services. Increased levels of sickness absence Failure to adequately manage sickness absence Failure to conduct Return to Work Meetings following instances of absenteeism Increase in sickness absence being experienced across all sectors Increase in sickness absence Critical services failing to be delivered Financial cost of Occupational Sick Pay Impact on remaining staff of increased workloads to cover sickness absence Increased cost to Council due to the use of agency staff/overtime								
<b>Risk Categories</b>																	
<b>Risk Description</b>																	
<b>Potential Root Cause</b>																	
<b>Consequence</b>																	
<b>Risk Owners</b> Senior Management Team																	
<b>Gross/inherent Risk</b> Red 25																	
<b>Residual Risk</b> Red 20																	
<b>Target Risk Level</b> Yellow 10																	
					<table border="1"> <tr> <td>5</td> <td>4</td> <td>3</td> <td>2</td> <td>1</td> <td colspan="4">Probability</td> </tr> </table>				5	4	3	2	1	Probability			
5	4	3	2	1	Probability												

**Objectives**

- 2. Improve the health and wellbeing of everyone in the district
- 5. Represent the voice of the district with our partners

**Key Controls Identified**

- 1. Employee Health Cash Plan
- 1. Human Resources Team
- 1. Managing Attendance Procedure
- 2. Health and Wellbeing Working Group/Team
- 2. Occupational Health Service
- 2. RTW absence interviews are now being monitored through the CMT group
- 3. Internal Audit of Sickness Absence in completed in 2023/24 - Satisfactory

**Last Review** 2/6/2025  
**Next Review** 2/17/2025  
**Risk Appetite** Risk Minimal



## Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Health and Wellbeing Initiatives Annual schedule of Health and Wellbeing initiatives events & Stress Audit planned	In Progress	Josephine Kelly Sinead Murphy	5/1/2025	The Health and Wellbeing Working Group (HWWG) have delivered a number of H & WB events throughout the year, which coincide with an annual calendar of events, including NI Alcohol Awareness Week, Men's Health Week, Staff Volunteer day and Issue Newsletters to promote H & WB among staff. A schedule of events for 2025/26 is under development. The HWWG will also deliver a H&WB survey, including stress risk assessment in 2025 which will support the development of an action plan going forward. There has been a significant improvement in the level of outstanding RTW meetings. RTW meetings are a core line management responsibility. HR will continue to provide support and management information. SMT & CMT ensure compliance in their areas of responsibility. An attendance management audit was undertaken in December 2023. The report has been provided to management with satisfactory assurance. Agreed actions will be taken forward in 24/25. The outstanding RTW meeting report has been updated and the RTW meetings process for long term absence is under review.
Return to Work interviews	In Progress	Marina Hughes	4/1/2025	An attendance management audit was undertaken in December 2023. The report had a satisfactory assurance rating. Agreed actions will be taken forward in 24/25, particularly in relation to mandatory attendance management training and refresher training. Skillgate e-learning portal has been introduced for organisational mandatory training. HR will work with Skillgate to establish robust processes which contribute to reduction in sickness absence durations. Phase 2 roll out will include mandatory manager training. It is anticipated that the system will be available from Q1 2025/26. In the interim line managers are still be referred to the attendance management module on Skillgate and HR are providing one to one support for line managers. Further line management guidance will be circulated shortly.
Training	In Progress	Marina Hughes	4/1/2025	All Managers must complete Managing Attendance training on the Council's e-learning platform

**Risk CR. 09 - Risk to the long term financial stability of Council in relation to the delivery of Council Services**

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	Probability					

Risk Categories  
 Business operational/reputational  
 Financial  
 Quality of Service  
 Statutory Duty (Legal/Regulatory)

Risk Description  
 Risk to the long term financial stability of Council in relation to the delivery of Council Services

Potential Root Cause  
 Pay Pressures - Regional and Local  
 National Insurance Employer Contributions rise is a recurring cost from 1 April 2025  
 Central Government Funding Cuts - Animal Welfare / Communities etc  
 Erosion of Rate Support Grant since LG reform  
 Inflation and higher interest rates and utility costs  
 Central Government Budget not known prior to sinking the rate  
 Capital Programme affordability and availability of funding  
 Risk to Council Rates Income and volatility of our ratebase  
 Impact of potential changes as to how rates are calculated (Uniform Business Rate Review)  
 Impact of the Windsor Framework going forward

Consequence  
 Council income reducing  
 Going concern issues  
 Large increase in District Rate going forward - negative publicity  
 Council Reserves reducing to inadequate levels  
 Social impact - economic inequality and increased risk factor for poor mental health

Risk Owners  
 Gerard Byrne; Senior Management Team

Gross/inherent Risk  
 Red 25

Residual Risk  
 Red 20

Target Risk Level  
 Yellow 9

Last Review  
 2/8/2025

Next Review  
 2/17/2025

Risk Appetite  
 Risk Open

**Objectives**

1. Support the continued growth and development of our local economy
2. Improve the health and wellbeing of everyone in the district
3. Develop and revitalise our district
4. Deliver sustainable services
5. Represent the voice of the district with our partners

**Key Controls Identified**

1. Monthly Management Accounts completed by Finance
1. Quarterly Management Accounts to Committee - AD Variance Analysis
2. Engagement with ALGFO and FWG ongoing quarterly
2. Quarterly Budget meetings in place with Directorate Teams
2. Service and Business plans now in place
2. Treasury Management expert contracted by all 11 Councils
3. Internal Audits Completed and Scheduled going forward
3. Statutory Financial Audit by NI Audit Office

## Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
2025/26 Rates Process	Continued engagement with Members as part of the 2025/26 Rates Process via the Strategic Finance Working Group	In Progress	Gerard Byme Senior Management Team	3/1/2025	Completed - Council Rate struck on 3 February 2025 and budgets agreed for the 2025/26 financial year.
Management Accounts	Embedding a culture of reporting on variance analysis and budget accountability	In Progress	Gerard Byme	3/31/2025	ADs provide variance analysis going forward on a quarterly basis on their own Service Areas. This will feed into the Quarterly Management Accounts which are presented to SP&R. Quarterly budget meetings are to take place with Directorates, led by the DCS and AD of Finance & Performance. Management Accounts will include a year end forecast position which will include an estimate of a Capital Finance Costs to year end. Independent review of the Rates Support Grant is nearing completion and report is due early in 2025. As per action from SP&R, Council wrote to the Minister for Communities on the 12 September 2024 to express concern in relation to the RSG reduction and the impact for Council and Ratepayers. While we closely monitor market conditions, we are meeting with our Treasury Advisors in relation to our current Banking and Money Market arrangements. Meeting to take place in March 2025 regarding interest rates and capital finance requirements going forward. CEO attends Solace who have direct engagement with the Permanent Secretaries Group, AD of Finance & performance attends the Council wide Finance Working Group (FWG) and Association of Local Government Finance Officers (ALGFO). Partnership Panel also meet with Ministers as required. Management also meet with our Treasury Advisors on a regular basis to get an overview of the economic situation on a global scale - i.e. interest rates / borrowing etc Officers will continue to attend and input into the above groups.
Rates Support Grant	Director of Corporate Services to write to the Minister of Communities about the reduction of the Rates Support Grant	In Progress	Josephine Kelly	3/31/2025	
Treasury Advice - Banking	All 11 Councils receive weekly updated from our Treasury Management Expert in relation to banking and lending.	In Progress	Gerard Byme	3/31/2025	
Working Groups	Multiple Officer groups discussing these financial concerns on a regular basis.	In Progress	Gerard Byme Senior Management Team	3/31/2025	

**Risk CR. 10 - Failure to effectively plan for and manage a Cyber Security Attack**

5	Green	Yellow	Red	Red	Green	Business operational/reputational Impact on individuals (staff or public) Quality of Service
4	Green	Yellow	Red	Red	Yellow	Risk of a cyber security event causing significant operational, financial and reputational damage to the Council
3	Green	Yellow	Red	Red	Yellow	Cyber attack Lack of specialist/dedicated in-house resources Lack of staff compliance with IT training Accidental breach of security
2	Green	Green	Yellow	Yellow	Green	Breach of people, process, physical or technical controls Failure to respond to and recover from a cyber incident within, or impacting upon, Council Lack of skills and competencies System vulnerabilities Supply chain breach
1	Green	Green	Yellow	Yellow	Green	Threat to availability, integrity and confidentiality of Council information and systems Failure to deliver Council services (including statutory and regulatory services) Financial loss Reputational damage Extended period to recover services to Business as Usual (BAU) Destruction of systems and data Theft of data for criminal use Political impact Environmental impact
						Veronica Keegan; Josephine Kelly; Gavin Ringland
						Last Review 2/8/2025
						Next Review 2/17/2025
						Risk Appetite Risk Averse

**Objectives**

- 7. Deliver sustainable services

**Key Controls Identified**

1. Agile working policy now in operation from 12 September 2022

1. Back up arrangements

1. Business Continuity Scenario Planning

1. Participation in threat intelligence networks

1. Penetration testing and vulnerability scanning

1. Phishing simulation and learning exercises

1. Technical security controls and arrangements

2. Engagement with Cyber bodies

2. National Cyber Security training

3. Internal Audits Scheduled completed in 2021/22 and an action plan in place

## Action Plans

Action Plan	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Date	Comments
Business Continuity Plans	BCP plans to be updated to reflect the cyber risk	In Progress	Gavin Ringland Sinead Trainor	3/31/2025	CMT to ensure that BCPs for each service area are in existence, regularly reviewed and tested where possible/appropriate
Cyber Incident Response/Disaster Recovery	Establish and test cyber incident response and disaster recovery capabilities and implement SOC/SIEM/XDR Service	In Progress	Gavin Ringland	3/31/2025	Worst Case Scenario (WCS) testing was undertaken on 20th November 2024. Testing was successfully completed within an isolated bubble exceeding Recovery Time (RTO) and Recovery Point (RPO) objectives. The Disaster Recovery run book has been finalised and accepted into operation.
IT Strategy	Implement additional security tools including multifactor authentication, conditional access and modern authentication where possible and appropriate	Completed	Gavin Ringland	3/31/2025	An overarching Cyber Incident Response plan will be formalised through the SOC/SIEM/XDR service that will be implemented during Q1 2025/26. Remote access to LAN completely MFA. MFA and conditional access to M365 complete. MFA also enabled on many Line of Business Systems, including IDOX. Single Sign On (SSO) implemented on numerous systems. Intune and Defender implemented and works continue on the implementation of LAPS and PAM. The new Mobile Worker solution, which forms part of new WAN arrangements, is fully implemented.
Training / Development Plans	Training to increase User Resilience	In Progress	Gavin Ringland	3/31/2025	In person training was delivered to all staff during 2023. On-going eLearning and testing campaigns are mandatory for all digital users with compliance reports issued to Line Managers and Corporate Management Team.
Upgrade Virtual Servers	Upgrade the Operating Systems, database engines and on-premise applications to latest supported and stable versions	In Progress	Gavin Ringland	3/31/2025	Supplier engagement and planning has commenced to migrate most of the server infrastructure underpinning the finance systems to modern Operating Systems and Database Engines. Some of said infrastructure will be decommissioned as new solutions are implemented utilising Software As A Service model. Work continues on the consolidation of data repositories to support an upgrade of the file servers.



### Risk CR. 11 - Risk of Industrial Action impacting on Service Delivery

<b>Risk</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	
	<b>T</b>	<b>R</b>	<b>G</b>	<b>G</b>	<b>G</b>	<b>G</b>
<b>Consequence</b>						
<b>Risk Categories</b>	Business operational/reputational Impact on individuals (staff or public) Quality of Service					
<b>Risk Description</b>	Risk of Industrial Action impacting on Service Delivery					
<b>Potential Root Cause</b>	In common with many sectors and employers across the UK, industrial unrest has become increasingly likely Unresolved Legacy employment issues Current economic climate					
<b>Consequence</b>	Creation of uncertainty and instability Negative impact on service delivery and lost productivity Negative PR for the Council Management & HR time lost to IR issues which impacts on operational and strategic matters being progressed Financial implications for Council where meeting the TU demands results in increased salary costs					
<b>Risk Owners</b>	Senior Management Team					
<b>Gross/inherent Risk</b>	Red 25					
<b>Residual Risk</b>	Amber 15					
<b>Target Risk Level</b>	Yellow 10					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Probability</b>

#### Objectives

- 2. Improve the health and wellbeing of everyone in the district
- 7. Deliver sustainable services

#### Key Controls Identified

1. Decalled budgeting process in operation
1. Qualified HR, IT & Finance professionals in place
2. Agreement was reached between MS and JTUS on 28 February 2024
2. External Facilitator engaged
2. LRA Conciliation Process

#### Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Rebuilding the Industrial Relations (IR) Framework Agreement is in place between Management and the Joint Trade Unions, to work with an external facilitator, to rebuild the IR Framework and processes in NMDDC	In Progress	Josephine Kelly	4/1/2025	Agreement was reached between MS and JTUS on 28 February 2024. Work is at an advanced stage in relation to the Industrial Relations Framework and between MS and JTUS and an agreed Workplan will be finalised in due course.

**Risk CR. 12 - Insufficient staff resources to deliver Council services in an effective and efficient manner**

5	Green	Yellow	Orange	Red	Red
4	Green	Yellow	Orange	Red	Red
3	Green	Yellow	Orange	Orange	Orange
2	Green	Green	Yellow	Yellow	Yellow
1	Green	Green	Green	Green	Green
	1	2	3	4	5

Risk Categories

Risk Description

Potential Root Cause

Consequence

Risk Owners

Gross/Inherent Risk

Residual Risk

Target Risk Level

Insufficient staff resources to deliver Council services in an effective and efficient manner

There has been a difficulty in recruiting key positions in across Council. Another issue has been the retention of staff across all Directorates.

Pay scales in private sector

Competitive Job Market

Candidates less likely to apply for temporary positions

Labour Market Trends - decrease in unemployment and economic inactivity rate, increase in employment rate and cross border mobility

Our ability to provide citizens / customers with the services they require will be significantly constrained

We will potentially lag behind other Councils & other public sector organisations

Increased costs due to employing agency staff / consultants etc

Josephine Kelly; Mane Ward

Red 20

Amber 16

Amber 12

Last Review 2/8/2025

Next Review 2/17/2025

Risk Appetite Risk Cautious

**Objectives**

7. Deliver sustainable services

**Key Controls Identified**

- 1. Agency Framework in place
- 1. Code of Procedures on Recruitment and Selection
- 1. Qualified HR professionals in place
- 2. SMT review of recruitment schedule

## Action Plans

Action Plans	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Alternative methods of recruitment	HR to look at alternative method of recruitment due to the difficulties in recruiting into key positions across Council. All Directorates are struggling to fill certain vacant posts.	In Progress	Marina Hughes	5/1/2025	This includes the Regional Approach in relation to the Talent Management Strategy which is overseen by the LG Staff Commission. NMDDC, represented on and contributing to LGSC Regional Talent Management Group.
Service Reviews	Service Reviews are currently being looked at in line with paper which was approved at SP&R.	In Progress	Senior Management Team	5/1/2025	The recruitment processes for the Director posts have been completed and the Directors are in place. The recruitment of a number of AD posts as part of PFF has been completed. There are currently one post outstanding. However it should be noted that there are still challenges across the Directorates on a number of posts at different levels.  HR are also considering alternatives to current assessment and interview process for manual posts. A draft action plan / timetable of service reviews has been provided to the Trade Unions as part of the agreement to the current dispute. Work is progressing, including the Cleansing Review.  A full list of Service Reviews is being collated to ensure resources are appropriately directed to undertake the work required.  A full list of Service Reviews is being collated to ensure resources are appropriately directed to undertake the work required.

NMDDC Corporate Risk Register Cover Sheet - February 2025

Risk	Description	Risk Owner(s)	Gross Risk Score	Jan-24	Feb-25	Comments
				Revised Residual Risk Score	Revised Residual Risk Score	
ER01	Failure to sustainably grow the tourism industry across the District	Amanda Smyth	16	12	12	Risk score remains unchanged. Actions have been updated.
ER02	Failure to invest in towns and villages through urban and rural regeneration initiatives	Amanda Smyth / Jonathan McGilly	16	12	12	Risk score remains unchanged. Actions have been updated.
ER03	Failure to support the recovery of the arts and heritage sector across the District.	Amanda Smyth	15	9	9	Residual risk remains unchanged - actions have been updated.
ER04	Failure to effectively support the recovery and growth of the local economy	Amanda Smyth	16	12	12	Residual risk remains unchanged - actions have been updated.
ER05	Failure to secure, retain and maximise external funding opportunities to invest in the District	Amanda Smyth	16	12	12	Residual risk remains unchanged - actions have been updated.
ER06	Failure to effectively implement MasterGov	Jonathan McGilly	16	12	12	Residual risk remains unchanged - actions have been updated.
ER07	Failure to meet the statutory and corporate performance standards for processing planning applications, enforcement cases and complaints.	Jonathan McGilly	25	16	16	Risk Score remains unchanged - actions have been updated.
ER08	Failure to develop and deliver the Local Development Plan within agreed timescales.	Jonathan McGilly	16	12	12	Residual risk score remains unchanged. Actions have been updated.

# Enterprise, Regenration and Tourism Direcotrate

## Risk 01. Failure to sustainably grow the tourism industry across the District

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Consequence

Probability

<b>Risk Categories</b>	Business operational/reputational Financial Impact on individuals (staff or public) Quality of Service
<b>Risk Description</b>	Failure to sustainably grow the tourism industry across the District
<b>Potential Root Cause</b>	NMD has a high dependency on one day domestic visitors Lack of investment in tourism sites and opportunities Poor collaboration with tourism industry Impact of recession on tourism industry
<b>Consequence</b>	Reputational damage for the District and Council Financial impact on the District and local tourism industry Negative impact on the local economy and jobs
<b>Risk Owners</b>	Amanda Smyth
<b>Gross/Inherent Risk</b>	Amber 16
<b>Residual Risk</b>	Amber 12
<b>Target Risk Level</b>	Yellow 9

<b>Last Review</b>	10/02/2025
<b>Next Review</b>	31/05/2025
<b>Risk Appetite</b>	Risk Open

### Objectives

Work with partners to lead the implementation of the Tourism Strategy. Lead the development and implementation of Culture

### Key Controls Identified

- Belfast Region City Deal tourism projects
- Council Tourism Facilities
- Effective partnership working between TourismNI and NMD/OC
- Flagship events programme
- Tourism Strategy 2024-29



## Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Date	Comments
Mourmes Gateway Project	Progress the Mourmes Gateway Project as part of the Belfast Region City Deal investment programme.	In Progress	Amanda Smyth	31/03/2025	The Belfast City Region Deal was signed in December 2021 and unlocks £1 billion of transformative co-investment. OBC for Mourmes Gateway Project has been approved by Council, BRCD Board and relevant Government Departments. Contract for Funding received May 2024. ICT appointed May 2024, progressing design with a target of RIBA Stage 2 by March 2025. New Tourism Strategy is completed and work continues with the tourism industry partners and key stakeholders on implementation of the new Tourism Strategy 2024-29. Industry support programmes are in place to support tourism businesses and to develop new visitor experiences. Work ongoing with key partners to implement the Geopark Development Plan.
Tourism Strategy	Launch and commence delivery of the Tourism Strategy for 2024-29.	In Progress	Amanda Smyth	31/03/2025	
UNESCO Global Geopark	Continue to deliver the UNESCO Geopark action plan.	In Progress	Amanda Smyth	31/03/2025	
Visitor Experiences	Develop the tourism proposition for the district and new visitor experiences.	In Progress	Amanda Smyth	31/03/2025	Work ongoing to develop new visitor experiences to showcase NMD food and activity tourism sectors.

**Risk 02. Failure to invest in towns and villages through urban and rural regeneration initiatives**

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	Probability					

<b>Risk Categories</b>	Buildings / Engineering / Environment Business operational/reputational Impact on individuals (staff or public) Quality of Service
<b>Risk Description</b>	Failure to invest in towns and villages through urban and rural regeneration initiatives
<b>Potential Root Cause</b>	Lack of timely and appropriate planning Lack of planning policy and adherence to existing policies Poor identification /needs analysis Failure to utilize existing assets Insufficient funding and resources
<b>Consequence</b>	Poor and inadequate service delivery by the Council Reputational damage for the Council and District Impact on the quality of life and environment for urban and rural communities Low levels of investment in urban and rural areas
<b>Risk Owners</b>	Jonathan McGilly, Amanda Smyth
<b>Gross/inherent Risk</b>	Amber 16
<b>Residual Risk</b>	Amber 12
<b>Target Risk Level</b>	Green 6
<b>Last Review</b>	10/02/2025
<b>Next Review</b>	31/05/2025
<b>Risk Appetite</b>	Risk Open

**Objectives**

**Key Controls Identified**

- Baseline information on regeneration issues updated on an continuous basis
- Collaboration with the Planning Department
- Masterplans
- Partnership working with public and private sector partners
- Regeneration and Economic Development Strategy 2020-25
- Village Plans

## Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Forward Plan of regeneration initiatives	In Progress	Jonathan McGilly	31/03/2025	Downpatrick Regeneration is ongoing with a LoO received for Church St / Die Courcy place. Living High Street Action Plan is underway. Castlewellan Forest Park & Carlingford Lough Greenway to be completed 25/26. New Regeneration and Economic Development Strategy will be created in Q1 2025/26
Masterplans and Village Plans	In Progress	Jonathan McGilly	31/03/2025	The review of Masterplans is underway and we are continuing to implement village plans and develop new initiatives through the small settlement scheme.
Rural Development Programme	In Progress	Jonathan McGilly	31/03/2025	Small Settlement Scheme delivered. Working with DFC on the development of their new regeneration scheme which will support future regeneration initiatives. Rural Business Development Grant scheme being delivered 24/25.

**Risk 03. Failure to support the recovery of the arts and heritage sector across the District**

Consequence	5					
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**Risk Categories**  
**Risk Description**  
**Potential Root Cause**  
**Consequence**

Failure to support the recovery of the arts and heritage sector across the District.  
 Failure to manage the Council's heritage assets, including buildings and collections  
 Lack of training and resources  
 Poor engagement and partnership working with key stakeholders  
 Impact of the COVID-19 pandemic and social restrictions  
 Impact of recession and lack of investment in the arts, culture and heritage sector  
 Reputational damage to the Council and District  
 Financial impact on the District and potential loss of jobs.  
 Low levels of customer satisfaction and potential impact on community wellbeing.

**Risk Owners**  
**Gross/Inherent Risk**  
**Residual Risk**  
**Target Risk Level**

Amenda Smyth  
 Amber 15  
 Yellow 9  
 Green 6

**Last Review** 10/02/2025  
**Next Review** 31/05/2025  
**Risk Appetite** Risk Open

**Objectives**

Work with partners to lead the implementation of the Tourism Strategy. Lead the development and implementation of Culture

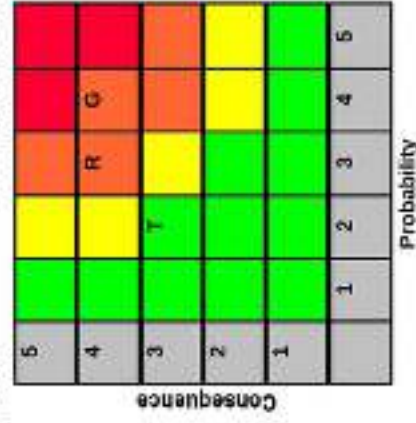
**Key Controls Identified**

Arts, Culture and Heritage Strategy  
 New Theatre - Conference Facility  
 Strategic Review of Museums Service

**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Arts, Culture and Heritage Strategy Continue to develop our Arts Facilities and Programming	In Progress	Amanda Smyth	31/03/2025	Delivery against key priorities monitored via ERT Departmental Business Plans
Strategic Review of Museums Service	In Progress	Amanda Smyth	31/03/2025	Work continuing on the new Theatre - Conference Centre for Newry within the NCCR Programme. Down Arts Centre have comprehensive Arts offering. Arts Programming for Newry / Warrenpoint being developed for 25/26
	In Progress	Amanda Smyth	31/03/2025	Work continuing to implement strategic review recommendations, including development of updated Forward Plans for each museum.

### Risk 04. Failure to effectively support the recovery and growth of the local economy



<b>Risk Categories</b>	Business operational/regulatory Financial Impact on individuals (staff or public) Quality of Service
<b>Risk Description</b>	Failure to effectively support the recovery and growth of the local economy
<b>Potential Root Cause</b>	Inadequate identification of the needs of local businesses and other key stakeholders Ineffective partnership arrangements with the private sector and local employers Failure to effectively engage with the education sector Poor collaboration with Government departments, specifically the Departments for Economy and Education Lack of resources and poor leadership Economic factors and government policy, particularly in relation to COVID-19 and Brexit
<b>Consequence</b>	Financial impact on the Council and District Reputational impact on the Council and District Lack of investment in the District Local communities do not reach their full potential Socio-economic inequalities emerge and deepen across the District Inflation - cost of living
<b>Risk Owners</b>	Amanda Smyth
<b>Gross/Inherent Risk</b>	Amber 16
<b>Residual Risk</b>	Amber 12
<b>Target Risk Level</b>	Green 6
<b>Last Review</b>	10/02/2025
<b>Next Review</b>	31/05/2025
<b>Risk Appetite</b>	Risk Open

#### Objectives

Invest in and support new and growing businesses, job creation and employment skills  
Promote the revitalisation of our city, towns, villages and rural communities

#### Key Controls Identified

- City Deal Skills and Employability Programme
- Community Plan and Corporate Plan 2024-27
- Continue to identify and review skills gap
- Council led 'Employability and Skills Forum'
- Engagement via Economic Forum
- FFNI Digital Transformation Projects
- Labour Market Partnerships
- Partnership working with Chambers of Commerce and other key stakeholders
- Regeneration and Economic Development Strategy 2020-25



## Action Plans

City Deals	Action Plan Description	Action Plan Type	Action Plan Owner	Action Date	Comments
	Actively engage in Belfast Region City Deal	In Progress	Amanda Smyth	31/03/2025	The Belfast Region City Deal was signed in December 2021 and unlocks £1 billion of transformative co-investment. ORCs for NMD projects have been approved by BRCD Board and relevant Government Departments. Contracts for funding and funding agreements are in place, with projects being progressed based on stage of development. Digital Champions as lead for all Councils Digital Champions, FFNI operations lead and project officer currently appointed as Digital Champion and Coordinator in respect of the Mobile Action Plan. Barrier Busting team to be established to promote rollout of advanced technologies which underpins Councils Digital Transformation activities and projects under the City and Growth deals. FFNI has successfully secured and delivered £23.1m of UK DCMS Government funded investment to improve digital infrastructure across Northern Ireland. The FFNI Operations team continues to monitor take-up of services and benefits realizations across all sites.
Full Fibre NI (FFNI)	FFNI - Digital Champions to coordinate and lead all Councils with regards to Mobile Action Plan.	In Progress	Amanda Smyth	31/03/2025	Go Succeed is the new business start up and growth support, delivered by NI Councils and funded by UK Government UKSPF. This is offering support to those wishing to start a new business or grow an existing.
Full Fibre NI (FFNI)	Local Full Fibre Network to improve connectivity across all of Northern Ireland.	In Progress	Amanda Smyth	31/03/2025	Delivery against Labour Market Partnership Action Plan is also ongoing. Council have established a new Local Economic Partnership, that will take forward investment from DfE aimed at creating good jobs, increasing productivity, decarbonisation.
Support Local Businesses	The Council is continuing to provide support, advice and guidance to local businesses through agreed programmes and action plans.	In Progress	Amanda Smyth	31/03/2025	

**Risk 05. Failure to secure, retain and maximise external funding opportunities to invest in the District**

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	Probability				

<b>Risk Categories</b>	Business operational/regulatory Financial Impact on individuals (staff or public) Quality of Service Statutory Duty (Legal/Regulatory)
<b>Risk Description</b>	Failure to secure, retain and maximise external funding opportunities to invest in the District
<b>Potential Root Cause</b>	Failure to identify and promote investment opportunities Failure to develop professional networking opportunities Ineffective partnership working with Government Departments and private sector Lack of infrastructure and match funding Non-compliance with Letters of Offer Possible reduction in staff due to the loss of EU funding
<b>Consequence</b>	Reduced funding in future years, specifically EU funding Reduced levels of service provision Loss of employment within the Council and broader District Negative impact on the overall investment in the local area and local communities Socio-economic inequalities emerge and deepen
<b>Risk Owners</b>	Amenda Smyth
<b>Gross/Inherent Risk</b>	Amber 16
<b>Residual Risk</b>	Amber 12
<b>Target Risk Level</b>	Green 6
<b>Last Review</b>	10/02/2025
<b>Next Review</b>	31/05/2025
<b>Risk Appetite</b>	Risk Open

**Objectives**

**Key Controls Identified**

- Cross border partnerships and European partnerships through EBR
- Funding information bodies / bulletins
- International Relations activity is ongoing
- Partnership working with Invest NI and Government Departments
- Regeneration and Economic Development Strategy in place
- University of Ulster School of Economics Service Level Agreement

## Action Plans

Emerging programmes	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Programme Delivery	<p>Research and develop proposals for future funded programmes, including the Shared Prosperity Fund, Peace Plus, Levelling Up Fund, Community Renewal Fund, Fisheries and Rural Development Funding, Shared Island Fund and Labour Market Partnerships</p> <p>Projects currently being scoped and delivered with funding secured under PEACE Plus, Levelling Up Fund, Community Renewal Fund, Fisheries and Rural Development Funding, Shared Island Fund and Labour Market Partnerships with monitoring and evaluation ongoing</p>	In Progress	Amanda Smyth	31/03/2025	Officers continue to identify funding opportunities. The development of potential funding applications is underway.
		In Progress	Amanda Smyth	31/03/2025	Delivery against programme timelines ongoing.

### Risk 06. Failure to effectively implement MasterGov

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	1	2	3	4	5
	Probability				

**Risk Categories** Business operational/reputational Impact on individuals (staff or public) Quality of Service

**Risk Description** Failure to effectively implement MasterGov

**Potential Root Cause** The new system is not fit for purpose for all Councils across NI. Lack of capacity and employees not effectively participating in training on how to use the new system. IT infrastructure within the Council does not support the new system.

**Consequence** Financial cost in procuring a new system. Teething problems with the new system could have a negative impact on the Council's ability to achieve the statutory standards for processing planning applications and enforcement cases. Low levels of customer satisfaction and reputational damage.

**Risk Owners** Jonathan McGilly

**Gross/Inherent Risk** Amber 16

**Residual Risk** Amber 12

**Target Risk Level** Yellow 8

**Last Review** 10/02/2025

**Next Review** 31/05/2025

**Risk Appetite** Risk Minimal

#### Objectives

Provide a robust, efficient and responsive development management service within the Council Planning Department to supp

#### Key Controls Identified

Departmental Working Group  
 NMD representation on Working Groups  
 Partnership working Councils and the Department for Infrastructure

#### Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Upgrade the existing IT planning infrastructure across NI.	In Progress	Jonathan McGilly	31/03/2025	The system is now operational. Work still remains ongoing to adapt the system to meet operational needs. The enforcement module has been updated and operational.

**Risk 07. Failure to meet the statutory and corporate performance standards for processing planning applications, enforcement cases and complaints.**

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	1	2	3	4	5

**Risk Categories** Business operational/reputational Quality of Service Statutory Duty (Legal/Regulatory)

**Risk Description** Failure to meet the statutory and corporate performance standards for processing planning applications, enforcement cases and complaints.

**Potential Root Cause** Complaints not being logged, monitored and responded to within the corporate timescales. Challenges of fully resourcing the Planning Department. Backlog of planning applications linked to the high volume of applications received by the Council.

**Consequence** Complaints not being dealt with within the agreed corporate timescales. Failure to achieve the statutory standards for processing planning applications and enforcement cases. Low levels of customer satisfaction and reputational damage. Poor staff morale and low levels of productivity.

**Risk Owners** Jonathan McGilly

**Gross/inherent Risk** Red 25

**Residual Risk** Amber 16

**Target Risk Level** Yellow 8

**Last Review** 10/02/2025

**Next Review** 31/05/2025

**Risk Appetite** Risk Minimal

**Objectives**

Provide a robust, efficient and responsive development management service within the Council Planning Department to supp

**Key Controls Identified**

Benchmarking performance across NI

Corporate Complaints Handling Policy and Procedures

Internal correspondence tracking system

Regular performance reports considered by the Planning and ERT Committees

Statutory standards set for Councils in NI



**Action Plans**

Internal Audit of Complaints Handling	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Processing times of planning applications and enforcement cases	Review why the Planning Department is not meeting the corporate processing timescales for handling complaints, to be reported to and monitored by SMT. Achieve the statutory targets for major and local planning applications and enforcement cases.	In Progress	Jonathan McGilly	31/03/2025	Complaint handling has been reviewed and targets are being met.
Review complaints and correspondence	A senior planner will review complaints and correspondence on a weekly basis to ensure they are being responded to in accordance with the timescales within the corporate Complaints Policy.	In Progress	Jonathan McGilly	31/03/2025	Challenge of achieving statutory targets remains. An action plan is in place as agreed by SPR and is monitored and reviewed monthly and reports brought back to SPR each quarter Ongoing monitoring and weekly review of complaints made through BSM.

**Risk 08. Failure to develop and deliver the Local Development Plan within agreed timescales**

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	Probability					

<b>Risk Categories</b>	Business operational/reputational Quality of Service Statutory Duty (Legal/Regulatory)
<b>Risk Description</b>	Failure to develop and deliver the Local Development Plan within agreed timescales.
<b>Potential Root Cause</b>	Challenges of fully resourcing the Planning Department. Slippage in the timetable for developing the plan. Inadequate software system to manage representations.
<b>Consequence</b>	Local Development Plan not produced in a timely way, leading to reputational damage. Impact on the future development of and investment in the District. Political reaction.
<b>Risk Owners</b>	Jonathan McGilly
<b>Gross/inherent Risk</b>	Amber 16
<b>Residual Risk</b>	Amber 12
<b>Target Risk Level</b>	Yellow 8
<b>Last Review</b>	10/02/2025
<b>Next Review</b>	31/05/2025
<b>Risk Appetite</b>	Risk Averse

**Objectives**

Progress the preparation and delivery of the Local Development Plan (LDP) in accordance with the agreed timeframe across

**Key Controls Identified**

- Holding regular progress review meetings
- LDP progress against the revised timetable reported to Committee on a quarterly basis
- Local Development Plan Steering Group
- Local Development Plan Team
- Ongoing collaboration with specialist experts and DfI
- Progress reported to the Planning Committee on a monthly basis
- Stage 1 Preferred Options Paper

**Action Plans**










Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Local Development Plan Develop and deliver the Local Development Plan within the timescales agreed with the Department for Infrastructure.	In Progress	Jonathan McGilly	31/03/2025	The Council continues to progress the preparation of the draft Plan Strategy for Council approval and publication, in line with the published timeframe.

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	20 February 2025
<b>Subject:</b>	Prompt Payment Statistics – Quarter 2 & Quarter 3 2024/25
<b>Reporting Officer (Including Job Title):</b>	Gerard Byrne: Assistant Director of Finance & Performance
<b>Contact Officer (Including Job Title):</b>	Gerard Byrne: Assistant Director of Finance & Performance

Confirm how this Report should be treated by placing an x in either:-

<b>For decision</b>	<input type="checkbox"/>	<b>For noting only</b>	<input checked="" type="checkbox"/>
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<b>1.0</b>	<b>Purpose and Background</b>																		
1.1	<p>'Prompt payment' is the payment of valid supplier invoices by public bodies, as set in government targets.</p> <p>This dataset contains the:</p> <ul style="list-style-type: none"> <li>• Total amount paid by each Northern Ireland council to suppliers</li> <li>• Total number of invoices</li> <li>• Number of invoices paid within 10 working days</li> <li>• Number of invoices paid within 30 calendar days</li> <li>• Number of invoices paid outside 30 calendar days</li> </ul> <p>Adherence to the policy is not mandatory for councils, but in a letter issued to council Chief Executives in October 2013, the Department of Environment's Local Government Policy Division said that: 'District councils are encouraged to pay suppliers as promptly as possible and to endeavour to meet the 10 day prompt payment commitment made by Northern Ireland Executive in response to the current economic position'.</p>																		
<b>2.0</b>	<b>Key issues</b>																		
2.1	<p>The table below provides a comparison of prompt payment statistics for the last five financial years.</p> <table border="1"> <thead> <tr> <th>Financial Year</th> <th>Within 30 days (T&amp;C's)</th> <th>Within 10 days</th> </tr> </thead> <tbody> <tr> <td>2019/20</td> <td>90%</td> <td>18%</td> </tr> <tr> <td>2020/21</td> <td>86%</td> <td>11%</td> </tr> <tr> <td>2021/22</td> <td>89%</td> <td>17%</td> </tr> <tr> <td>2022/23</td> <td>86%</td> <td>43%</td> </tr> <tr> <td>2023/24</td> <td>95%</td> <td>50%</td> </tr> </tbody> </table>	Financial Year	Within 30 days (T&C's)	Within 10 days	2019/20	90%	18%	2020/21	86%	11%	2021/22	89%	17%	2022/23	86%	43%	2023/24	95%	50%
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2023/24	95%	50%																	

2.2	<p><b>Quarter 1 2024/25 - 1 April 2024 to 30 June 2024</b></p> <table border="1"> <thead> <tr> <th></th> <th>Paid within 10 days</th> <th>Paid within 30 days</th> <th>Paid outside payment period</th> <th>Total invoices</th> </tr> </thead> <tbody> <tr> <td>Number of Invoices</td> <td>2,058</td> <td>4,421</td> <td>232</td> <td>4,653</td> </tr> <tr> <td><b>Percentage</b></td> <td><b>44%</b></td> <td><b>95%</b></td> <td><b>5%</b></td> <td><b>100%</b></td> </tr> <tr> <td>Value</td> <td>£9,605,127</td> <td>£19,431,462</td> <td>£1,020,975</td> <td>£20,452,437</td> </tr> <tr> <td colspan="3">Average number of days to pay suppliers: <b>12.94</b></td> <td colspan="2"><b>Performance trend:</b> </td> </tr> </tbody> </table>		Paid within 10 days	Paid within 30 days	Paid outside payment period	Total invoices	Number of Invoices	2,058	4,421	232	4,653	<b>Percentage</b>	<b>44%</b>	<b>95%</b>	<b>5%</b>	<b>100%</b>	Value	£9,605,127	£19,431,462	£1,020,975	£20,452,437	Average number of days to pay suppliers: <b>12.94</b>			<b>Performance trend:</b> 	
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4.0	<p><b>Resource implications</b></p>																									
4.1	<p>The Purchase to Pay Team provide statistics to the Department for Communities on a quarterly basis. The prompt payment statistics are also published on our website.</p>																									
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<b>7.0</b>	<b>Appendices</b>	
	None	
<b>8.0</b>	<b>Background Documents</b>	
	None	



<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	20 January 2025
<b>Subject:</b>	Planning Department Update
<b>Reporting Officer (Including Job Title):</b>	Jonathan McGilly Assistant Director Regeneration
<b>Contact Officer (Including Job Title):</b>	Jonathan McGilly Assistant Director Regeneration

Confirm how this Report should be treated by placing an x in either:-

<b>For decision</b>	<input type="checkbox"/>	<b>For noting only</b>	<input checked="" type="checkbox"/>
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<b>1.0</b>	<b>Purpose and Background</b>																																																																				
1.1	Following consideration of Planning performance paper at previous Audit committee an update report has been prepared to update members on activity since last report and reflecting data from report for Q1&2 2024/2025 published in December 2024.																																																																				
<b>2.0</b>	<b>Key issues</b>																																																																				
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Average for year to date 44.2 weeks

Processing times for local applications remains above target and NI Average. It should be noted that there has been a marked increase in the number of applications processed year to date and as a result of applications largely being processed in date order processing times will increase as result of the backlog.

During this period NMD received the third highest number of applications in NI equating to approximately 13% of NI total

### **CURRENT ANALYSIS**

Based on latest **available data as of 20/1/25:**

**1571 live applications** – (This includes ALL applications that are not captured and reflected in NISRA stats)

**At September 2024 report this was 1786** which demonstrates some improvement which is also reflective of the increased determinations in NISRA stats over the April to September.

### **Made up as follows:**

1042 applications are allocated & processing, approx. 25% are awaiting consultee responses.

529 awaiting allocation,

45 new applications to be validated.

For period April – August 2024, 567 applications were determined.

For same period April – August 2023, 484 applications were determined.

### **LOCAL DEVELOPMENT PLAN**

Revised Development Plan timetable was agreed by Council in June 2023 and by the Department in September 2023.

A work plan has been agreed with the team and is being reviewed monthly. Regular reports are tabled at planning Committee to update members against progress.

Finalisation of remaining Planning Policy Review papers is ongoing and workshops in late 2024 and presentations to December 2024 Planning Committees has resulted in finalisation of policies on Countryside policies and Sustainable Development & Climate Change policy. The draft Plan Strategy remains on track for publication in 2025 as per the timetable approved.

## **ENFORCEMENT**

The NI target for the Enforcement is that 70% of enforcement cases are concluded within 39 weeks of receipt. This has reduced to c40% which can be explained below by increased number of historical cases being closed.

Following ongoing work plan with a focus on reviewing caseloads across department with the recruitment of a Senior Planner and Plan Manager as per structure caseload has been reduced from 900 cases in January 2024 to 680 in August 2024.

For period April to September 2024, 147 cases were closed, by comparison 152 were closed in all of 23/24.

In that period 144 new cases have been opened which broadly equates to the same number as were closed.

### **Challenges**

Challenges remain with respect to performance against statutory targets and the number of applications live in the system is also well above manageable levels.

A number of ongoing challenges continue to impact on service delivery, in summary these are;

#### Statutory consultation

This remains a challenge across ALL consultees and has been discussed with DfI at a strategic level

#### Application quality

The poor quality of some submissions continues to be an issue and given that several consultations are required with poor applications any changes required results in a delay in response times this adds to the challenges.

Validation checklists will be presented in draft to February Committee with a view to consultation thereafter with the sector and roll out in early 25/26

### **Actions**

From August 2022 to October 2023 there have been 9 separate recruitment exercises to appoint a range of posts across all levels within the Planning Department. Staff retention and recruitment continues to be an industry wide challenge in both Local Councils and the private sector.

From October 2023 to March 2024 there have been a further 4 recruitment exercises for, BSM ,BSO, Planning Assistants and Principal Planning Manager (LDP and Enforcement)

Since September 2024 there has been a further 2 recruitment exercises completed and a third is due to complete by end of January

## **Performance Management –**

### **Current performance improvement actions**

- Majors and Legacy applications are being reviewed monthly with an agreed action plan to determine / close applications that have been in the system before 2020
- Ongoing performance meetings with Senior Planning staff to review performance and agree actions to address challenges.
- Regular reporting to SMT
- Ongoing engagement with statutory consultees around response times.
- Senior Planners have developed workplans with all team members to be reviewed weekly/fortnightly to plan for weekly determination figures

### **Additional performance improvement actions**

- It is accepted that the performance improvement within the department in respect of development management is not progressing at the speed to deal with the backlog. As a result additional performance improvement actions have been introduced within the department.
- Dedicated training/mentoring programme to build capacity of new Planning Assistants, to be led and delivered by part time Principal Planning Officer – This has now commenced and will continue.
- Ongoing review of applications district wide. Allocation of case loads on the basis of application complexity to ensure caseloads are reflective of experience of each individual, eg
  - A more flexible allocation of cases, not based purely on geographical boundaries of planning teams.
  - Allocation of applications out of sequence ie not based on the date received
  - Allocation of projects with Economic development impact, grant funding, medical considerations etc.

This has commenced however will increase when the full compliment of additional Planning Officers are in place.

- Stringent application of how many times applicants are given opportunities to resubmit information to address application shortcomings and missing information. If outstanding or revised information is not provided within specified timeframe, then will move the application to a decision. – This has been introduced and is resulting in formation being provided but needs to be monitored and implemented more extensively

	<ul style="list-style-type: none"> <li>• Introduction of individual team performance management with individual performance targets to ensure output is managed at an individual level as well at a department level – Ongoing</li> <li>• Reviewing consultations to ensure we only consult with statutory partners where necessary. – This is ongoing, lead by Seniors.</li> <li>• Following engagement with NIW a pilot is being introduced to help reduce the number of NIW consultations relating to rural applications.</li> <li>• Continue to review staff complement and react to emerging resource challenges.</li> </ul>
<b>3.0</b>	<b>Recommendations</b>
3.1	Note the content of the report
<b>4.0</b>	<b>Resource implications</b>
4.1	NA
<b>5.0</b>	<b>Due regard to equality of opportunity and regard to good relations (complete the relevant sections)</b>
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	NA
<b>8.0</b>	<b>Background Documents</b>
	NA

# Global Internal Audit Standards™

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The Institute of  
Internal Auditors

Published January 9, 2024

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# Acknowledgements

The Institute of Internal Auditors is grateful to the stakeholders that provided guidance and assistance in the development of the Global Internal Audit Standards™. The IIA particularly recognizes members of the International Internal Audit Standards Board – a global group of internal auditors who have generously volunteered their time and expertise to ensure the Standards elevate the professional practice of internal auditing. The IIA thanks the International Professional Practices Framework Oversight Council for its essential role in ensuring the standard-setting process serves the public interest, the Professional Certifications Board for its advice, and IIA staff and technical advisors for ensuring the successful implementation and management of all aspects of the project.

# About the International Professional Practices Framework

A framework provides a structural blueprint and coherent system that facilitates the consistent development, interpretation, and application of a body of knowledge useful to a discipline or profession. The International Professional Practices Framework (IPPF)® organizes the authoritative body of knowledge, promulgated by The Institute of Internal Auditors, for the professional practice of internal auditing. The IPPF includes Global Internal Audit Standards, Topical Requirements, and Global Guidance.

The IPPF addresses current internal audit practices while enabling practitioners and stakeholders globally to be flexible and responsive to the ongoing needs for high-quality internal auditing in diverse environments and organizations of different purposes, sizes, and structures.

<b>Mandatory</b>	<p><b>Global Internal Audit Standards</b> guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing.</p>
	<p><b>Topical Requirements</b> are designed to enhance the consistency and quality of internal audit services related to specific audit subjects and to support internal auditors performing engagements in those risk areas. Internal auditors must conform with the relevant requirements when the scope of an engagement includes one of the identified topics.</p> <p>Topical Requirements strengthen the ongoing relevance of internal auditing in addressing the evolving risk landscape across industries and sectors.</p>

Supplemental	<p><b>Global Guidance</b> supports the Standards by providing nonmandatory information, advice, and best practices for performing internal audit services. It is endorsed by The IIA through formal review and approval processes.</p> <p>Global Practice Guides provide detailed approaches, step-by-step processes, and examples on subjects including:</p> <ul style="list-style-type: none"> <li>• Assurance and advisory services.</li> <li>• Engagement planning, performance, and communication.</li> <li>• Financial services.</li> <li>• Fraud and other pervasive risks.</li> <li>• Strategy and management of the internal audit function.</li> <li>• Public sector.</li> <li>• Sustainability.</li> </ul> <p>Global Technology Audit Guides (GTAG®) provide auditors with the knowledge to perform assurance or consulting services related to an organization's information technology and information security risks and controls.</p>
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# Fundamentals of the Global Internal Audit Standards



**The Institute of Internal Auditors'** Global Internal Audit Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing.

## Internal Auditing and the Public Interest

Public interest encompasses the social and economic interests and overall well-being of a society and the organizations operating within that society (including those of employers, employees, investors, the business and financial community, clients, customers, regulators, and government). Questions of public interest are context specific and should weigh ethics, fairness, cultural norms and values, and potential disparate impacts on certain individuals and subgroups of society.

Internal auditing plays a critical role in enhancing an organization's ability to serve the public interest. While the primary function of internal auditing is to strengthen governance, risk management, and control processes, its effects extend beyond the organization. Internal auditing contributes to an organization's overall stability and sustainability by providing assurance on its operational efficiency, reliability of reporting, compliance with laws and/or regulations, safeguarding of assets, and ethical culture. This, in turn, fosters public trust and confidence in the organization and the broader systems of which it is a part.

The IIA is committed to setting standards with input from the public and to benefit the public. The International Internal Audit Standards Board is responsible for establishing and maintaining the Standards in the interest of the public. This is achieved through an extensive, ongoing due process overseen by an independent body, the IPPF Oversight Council. The process includes soliciting input from and considering the interests of various stakeholders—including internal audit practitioners, industry experts, government bodies, regulatory agencies, public representatives, and others—so that the Standards reflect the diverse needs and priorities of society.

## Applicability and Elements of the Standards

The Global Internal Audit Standards set forth principles, requirements, considerations, and examples for the professional practice of internal auditing globally. The Standards apply to any individual or function that provides internal audit services, whether an organization employs internal auditors directly, contracts them through an external service provider, or both. Organizations receiving internal audit services vary in sector and industry affiliation, purpose, size, complexity, and structure.



The Standards apply to the internal audit function and individual internal auditors including the chief audit executive. While the chief audit executive is accountable for the internal audit function's implementation of and conformance with all principles and standards, all internal auditors are responsible for conforming with the principles and standards relevant to performing their job responsibilities, which are presented primarily in Domain II: Ethics and Professionalism and Domain V: Performing Internal Audit Services.

The Standards are organized into five domains:

- Domain I: Purpose of Internal Auditing.
- Domain II: Ethics and Professionalism.
- Domain III: Governing the Internal Audit Function.
- Domain IV: Managing the Internal Audit Function.
- Domain V: Performing Internal Audit Services.

Domains II through V contain the following elements:

- Principles: broad descriptions of a related group of requirements and considerations.
- Standards, which include:
  - Requirements: mandatory practices for internal auditing.
  - Considerations for Implementation: common and preferred practices to consider when implementing the requirements.
  - Examples of Evidence of Conformance: ways to demonstrate that the requirements of the Standards have been implemented.

The Standards use the word "must" in the Requirements sections and the words "should" and "may" to specify common and preferred practices in the Considerations for Implementation sections. Each standard ends with a list of examples of evidence. The examples are neither requirements nor the only ways to demonstrate conformance; rather, they are provided to help internal audit functions prepare for quality assessments, which rely on demonstrative evidence. The Standards use certain terms as defined in the accompanying glossary. To understand and implement the Standards correctly, it is necessary to understand and adopt the specific meanings and usage of the terms as described in the glossary.

### **Demonstrating Conformance with the Standards**

The requirements, considerations for implementation, and examples of evidence of conformance are designed to help internal auditors conform with the Standards. While conformance with the requirements is expected, internal auditors occasionally may be unable to conform with a requirement yet still achieve the intent of the standard. Circumstances that may necessitate adjustments are often related to resource limitations or specific aspects of a sector, industry, and/or jurisdiction. In these exceptional circumstances, alternative actions should be implemented to meet the intent of the related standard. The chief audit executive is responsible for documenting and conveying the rationale for the deviation and the adopted alternative actions to the appropriate parties. Related requirements and information appear in Standard 4.1 Conformance with Global Internal Audit Standards and Domain III: Governing the Internal Audit Function together with its principles and standards. While the circumstances necessitating adjustments are too varied to list, the following section acknowledges two areas that consistently draw questions: small internal audit functions and those in the public sector.

### **Application in Small Internal Audit Functions**

The internal audit function's ability to fully conform with the Standards may be affected by its size or the size of the organization. With limited resources, completing certain tasks may be challenging. Additionally, if the internal audit function comprises only one member, an adequate quality assurance and improvement program will require assistance from outside the internal audit function. (See also Standards 10.1 Financial Resource Management, 12.1 Internal Quality Assessment, and 12.3 Oversee and Improve Engagement Performance.)

### **Application in the Public Sector**

While the Global Internal Audit Standards apply to all internal audit functions, internal auditors in the public sector work in a political environment under governance, organizational, and funding structures that may differ from those of the private sector. The nature of these structures and related conditions may be affected by the jurisdiction and level of government in which the internal audit function operates. Additionally, some terminology used in the public sector differs from that of the private sector. These differences may affect how internal audit functions in the public sector apply the Standards. The section "Applying the Global Internal Audit Standards in the Public Sector," which follows Domain V: Performing Internal Audit Services, describes strategies for conformance amid the circumstances and conditions unique to internal auditing in the public sector.

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## Glossary

**activity under review** - The subject of an internal audit engagement. Examples include an area, entity, operation, function, process, or system.

**advisory services** - Services through which internal auditors provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. "Advisory services" are also known as "consulting services."

**assurance** - Statement intended to increase the level of stakeholders' confidence about an organization's governance, risk management, and control processes over an issue, condition, subject matter, or activity under review when compared to established criteria.

**assurance services** - Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational/performance, and technology engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed.

**board** - Highest-level body charged with governance, such as:

- A board of directors,
- An audit committee,
- A board of governors or trustees,
- A group of elected officials or political appointees,
- Another body that has authority over the relevant governance functions.

In an organization that has more than one governing body, "board" refers to the body/bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities.

If none of the above exist, "board" should be read as referring to the group or person that acts as the organization's highest-level governing body. Examples include the head of the organization and senior management.

**chief audit executive** - The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards. The specific job title and/or responsibilities may vary across organizations.

**competency** - Knowledge, skills, and abilities.

**compliance** - Adherence to laws, regulations, contracts, policies, procedures, and other requirements.

**conflict of interest** - A situation, activity, or relationship that may influence, or appear to influence, an internal auditor's ability to make objective professional judgments or perform responsibilities objectively.

**control** - Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

**control processes** - The policies, procedures, and activities designed and operated to manage risks to be within the level of an organization's risk tolerance.

**criteria** - In an engagement, specifications of the desired state of the activity under review (also called "evaluation criteria").

**engagement** - A specific internal audit assignment or project that includes multiple tasks or activities designed to accomplish a specific set of related objectives. See also "assurance services" and "advisory services."

**engagement conclusion** - Internal auditors' professional judgment about engagement findings when viewed collectively. The engagement conclusion should indicate satisfactory or unsatisfactory performance.

**engagement objectives** - Statements that articulate the purpose of an engagement and describe the specific goals to be achieved.

**engagement planning** - Process during which internal auditors gather information, assess and prioritize risks relevant to the activity under review, establish engagement objectives and scope, identify evaluation criteria, and create a work program for an engagement.

**engagement results** - The findings and conclusion of an engagement. Engagement results may also include recommendations and/or agreed upon action plans.

**engagement supervisor** - An internal auditor responsible for supervising an internal audit engagement, which may include training and assisting internal auditors as well as reviewing and approving the engagement work program, workpapers, final communication, and performance. The chief audit executive may be the engagement supervisor or may delegate such responsibilities.

**engagement work program** - A document that identifies the tasks to be performed to achieve the engagement objectives, the methodology and tools necessary, and the internal auditors assigned to perform the tasks. The work program is based on information obtained during engagement planning.

**external service provider** - Resource from outside the organization that provides relevant knowledge, skills, experience, and/or tools to support internal audit services.

**finding** - In an engagement, the determination that a gap exists between the evaluation criteria and the condition of the activity under review. Other terms, such as "observations," may be used.

**fraud** - Any intentional act characterized by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organizations to secure unjust or illegal personal or business advantage.

**governance** - The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.



**impact** - The result or effect of an event. The event may have a positive or negative effect on the entity's strategy or business objectives.

**independence** - The freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner.

**inherent risk** - The combination of internal and external risk factors that exists in the absence of any management actions.

**integrity** - Behavior characterized by adherence to moral and ethical principles, including demonstrating honesty and the professional courage to act based on relevant facts.

**internal audit charter** - A formal document that includes the internal audit function's mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications.

**internal audit function** - A professional individual or group responsible for providing an organization with assurance and advisory services.

**internal audit mandate** - The internal audit function's authority, role, and responsibilities, which may be granted by the board and/or laws and regulations.

**internal audit manual** - The chief audit executive's documentation of the methodologies (policies, processes, and procedures) to guide and direct internal auditors within the internal audit function.

**internal audit plan** - A document, developed by the chief audit executive, that identifies the engagements and other internal audit services anticipated to be provided during a given period. The plan should be risk-based and dynamic, reflecting timely adjustments in response to changes affecting the organization.

**internal auditing** - An independent, objective assurance and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

**likelihood** - The possibility that a given event will occur.

**may** - As used in the Considerations for Implementation of the Global Internal Audit Standards, the word "may" describes optional practices to implement the Requirements.

**methodologies** - Policies, processes, and procedures established by the chief audit executive to guide the internal audit function and enhance its effectiveness.

**must** - The Global Internal Audit Standards use the word "must" to specify an unconditional requirement.

**objectivity** - An unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise.

**outsourcing** - Contracting with an independent external provider of internal audit services. Fully outsourcing a function refers to contracting the entire internal audit function, and partially outsourcing (also called "cosourcing") indicates that only a portion of the services are outsourced.

**periodically** - At regularly occurring intervals, depending on the needs of the organization, including the internal audit function.

**professional skepticism** - Questioning and critically assessing the reliability of information.

**public sector** - Governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver programs, goods, or services to the public.

**quality assurance and improvement program** - A program established by the chief audit executive to evaluate and ensure the internal audit function conforms with the Global Internal Audit Standards, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments.

**residual risk** - The portion of inherent risk that remains after management actions are implemented.

**results of internal audit services** - Outcomes, such as engagement conclusions, themes (such as effective practices or root causes), and conclusions at the level of the business unit or organization.

**risk** - The positive or negative effect of uncertainty on objectives.

**risk and control matrix** - A tool that facilitates the performance of internal auditing. It typically links business objectives, risks, control processes, and key information to support the internal audit process.

**risk appetite** - The types and amount of risk that an organization is willing to accept in the pursuit of its strategies and objectives.

**risk assessment** - The identification and analysis of risks relevant to the achievement of an organization's objectives. The significance of risks is typically assessed in terms of impact and likelihood.

**risk management** - A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

**risk tolerance** - Acceptable variations in performance related to achieving objectives.

**root cause** - Core issue or underlying reason for the difference between the criteria and the condition of an activity under review.

**senior management** - 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 includes the chief executive officer or head of the organization.

**should** - As used in the Considerations for Implementation of the Global Internal Audit Standards, the word "should" describes practices that are preferred but not required.

**significance** - The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

**stakeholder** – A party with a direct or indirect interest in an organization's activities and outcomes. Stakeholders may include the board, management, employees, customers, vendors, shareholders, regulatory agencies, financial institutions, external auditors, the public, and others.

**workpapers** – Documentation of the internal audit work done when planning and performing engagements. The documentation provides the supporting information for engagement findings and conclusions.

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# Domain I: Purpose of Internal Auditing



**The purpose statement** is intended to assist internal auditors and internal audit stakeholders in understanding and articulating the value of internal auditing.

## Purpose Statement

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organization's:

- 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.

Internal auditing is most effective when:

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

## Domain II: Ethics and Professionalism



**The principles and standards** in the Ethics and Professionalism domain of the Global Internal Audit Standards replace The IIA's former Code of Ethics and outline the behavioral expectations for professional internal auditors; including chief audit executives, other individuals, and any entities that provide internal audit services. Conformance with these principles and standards instills trust in the profession of internal auditing, creates an ethical culture within the internal audit function, and provides the basis for reliance on internal auditors' work and judgment.

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, behavior, 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 behavior 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 behavior.***

Integrity is behavior 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

### Requirements

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 skepticism 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 favorable or unfavorable.

### Considerations for Implementation

Internal auditors should enhance their awareness and understanding of honesty and professional courage by seeking opportunities to obtain ethics-related continuing professional education. While education helps create awareness in hypothetical situations, workplace training, mentorship, and supervision allow internal auditors to learn and practice skills such as tact and respectful communication, which are needed to apply professional courage effectively in real situations. When internal auditors encounter situations that challenge their honesty or professional courage, they should discuss the circumstances with a supervisor to determine the best course of action.

To support internal auditors, the chief audit executive should arrange opportunities for education and training, as well as discussions of hypothetical and real situations that require making ethical choices. Effective management of the internal audit function includes proper engagement supervision and periodic reviews of internal auditors' performance. For example, when approving work programs or reviewing engagement workpapers, an engagement supervisor may provide appropriate guidance to help internal auditors address potential or encountered situations that could pose a threat to their honesty and integrity. As part of evaluating internal auditors' performance, the chief audit executive may solicit feedback about their honesty and professional courage from the stakeholders with whom internal auditors interact.

### Examples of Evidence of Conformance

- A training plan that includes ethics education and training.
- Documents that evidence internal auditors' attendance or participation in ethics education and training.
- Performance evaluations showing honesty and professional courage as objectives.
- Feedback from key stakeholders regarding the honesty and courage of internal auditors.

## Standard 1.2 Organization's Ethical Expectations

### Requirements

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

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

### Considerations for Implementation

An organization's ethical expectations usually are documented in a code of ethics, code of conduct, and/or policies related to professional behavior and ethical conduct. Such policies, along with the organization's objectives and processes for promoting its ethics and values, provide the basis for an ethical culture.

The internal audit plan may include assessments of the organization's ethics-related risks to determine whether existing policies and control processes adequately and effectively address those risks. For example, the organization's policies may specify the criteria and process for handling and communicating about ethics-related issues, the parties that should receive the communication, and the protocol for escalating unresolved issues. The chief audit executive also should determine a methodology for addressing ethical issues and discuss the methodology with the board and senior management to ensure alignment of the approaches.

Internal auditors should consider ethics-related risks and controls during individual engagements. If internal auditors identify behavior within the organization that is inconsistent with the organization's ethical expectations, they should communicate the concerns according to the methodology established by the chief audit executive, which takes into account the organization's policies and processes as well as laws and/or regulations.

If internal auditors determine that a member of senior management has behaved in a manner that is inconsistent with the organization's ethical expectations – whether documented in a code of conduct, code of ethics, or otherwise – the chief audit executive should report the violation to the board. If an ethics-related concern involves the chairman of the board, the chief audit executive should report the concern to the entire board. Internal auditors should follow up on ethics-related issues involving the board or senior management and validate that appropriate actions were taken to address the concern.

### Examples of Evidence of Conformance

- Records of internal auditors' participation in workshops, training events, or meetings where ethical expectations and issues were discussed.
- Forms signed by individual internal auditors acknowledging their understanding of and commitment to follow ethics policies and procedures of the organization.



- The internal audit plan, work program, or workpapers showing consideration of the organization's ethics-related objectives, risks, and control processes.
- Documentation demonstrating that ethical issues were communicated to the board, senior management, and regulators in accordance with the organization's policies and relevant laws and/or regulations.

## Standard 1.3 Legal and Ethical Behavior

### Requirements

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

Internal auditors must understand and abide by the laws and/or regulations relevant to the industry and jurisdictions in which the organization 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.

### Considerations for Implementation

If organizational policies are not sufficiently specific to address the situations that the internal audit function encounters, then the chief audit executive may develop and implement a methodology that specifies the actions internal auditors are expected to take in response to legal or regulatory violations of which they become aware. The methodology may include a procedure for validating that adequate actions are taken to address the violation.

The chief audit executive should establish a methodology to ensure that internal auditors are properly supervised, conform with the Global Internal Audit Standards, and behave in alignment with ethical and professional values.

Examples of discreditable behaviors include but are not limited to:

- Bullying, harassment, or discrimination.
- Lying, deceiving, or intentionally misleading others, including misrepresenting one's competency or qualifications (such as claiming to hold a certification or displaying credentials when the designation is expired or inactive, has been revoked, or was never earned).
- Intentionally issuing false reports or communications or allowing or encouraging others to do so, including minimizing, concealing, or omitting internal audit findings, conclusions, or ratings from engagement reports or overall assessments.
- Overlooking illegal activities that the organization may tolerate or condone.
- Soliciting or disclosing confidential information without proper authorization.
- Performing internal audit services with undeclared impairments to objectivity or independence.



- Stating that the internal audit function is operating in conformance with the Global Internal Audit Standards when the assertion is not supported.
- Failing to accept responsibility for mistakes.

## Examples of Evidence of Conformance

- Records of internal auditors' participation in training on laws, regulations, and ethical and professional behavior.
- Internal auditors' acknowledgments of their understanding of and commitment to act in accordance with relevant legal and professional expectations.
- Documented methodologies for handling illegal or discreditable behavior by internal auditors and legal or regulatory violations by individuals within the organization.
- Documented communication between internal auditors and their supervisors and/or legal counsel that address concerns about illegal or unprofessional actions.
- Sign-off that workpapers were reviewed.
- Final engagement communication, if applicable.

## 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 judgments, fulfill 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

#### Requirements

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 judgments based on balanced assessments of all relevant circumstances.

Internal auditors must be aware of and manage potential biases.

## Considerations for Implementation

Objectivity means internal auditors perform their work without compromise or subordination of judgment to others. The Global Internal Audit Standards, along with the policies established and training arranged by the chief audit executive, support objectivity by providing requirements, procedures, and guidance that set forth a systematic and disciplined approach for gathering and evaluating information to provide a balanced assessment of the activity under review. Training may help internal auditors to better understand objectivity-impairing scenarios and how best to address them.

Making objective assessments requires an impartial mindset, free from bias and undue influence, which is essential to providing objective assurance and advice to the board and senior management. Internal auditors should develop awareness of the ways in which situations, activities, and relationships may affect their ability to be objective.

Internal auditors should consider the human tendency to misinterpret information or make assumptions or mistakes, which impairs the ability to evaluate information and evidence objectively.

Examples of biases include but are not limited to:

- Self-review bias - lack of critical perspective when reviewing one's own work, which may lead to overlooking mistakes or shortcomings.
- Familiarity bias - making assumptions based on past experiences, which may compromise professional skepticism.
- Prejudice or unconscious bias - misinterpretation of information, based on predisposed ideas about culture, ethnicity, gender, ideology, race, or other characteristics, which may cause inaccurate judgments.

## Examples of Evidence of Conformance

- References in the internal audit charter to internal auditors' responsibility for maintaining objectivity.
- Policies and procedures related to objectivity.
- Records of planned and completed objectivity training, including list of participants.
- Attestation forms that confirm internal auditors' awareness of objectivity's importance and the obligation to disclose any potential impairments.
- Documented disclosures of potential conflicts of interest or other impairments to objectivity.
- Notes from supervisory reviews and mentoring of internal auditors.

## Standard 2.2 Safeguarding Objectivity

### Requirements

Internal auditors must recognize 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, or favor, 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 the 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 internal 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 had 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 that 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.

### Considerations for Implementation

Objectivity is impaired when situations, activities, or relationships may influence internal auditors' judgments and decisions in a way that may change internal audit findings and conclusions. Impairments to objectivity may exist, in fact or appearance, even when they are unintended. Objectivity may be perceived by others to be impaired, even when no impairment has occurred in fact. Internal auditors should apply judgment regarding additional circumstances that may impair or be presumed to impair objectivity.

Conflicts of interest are situations in which an internal auditor has a competing professional or personal interest that may make it difficult to fulfill internal audit duties impartially. Conflicts of interest may create the appearance of impropriety that could undermine the confidence in an internal auditor, the internal



audit function, and the internal audit profession, even if no unethical or improper acts result.

Examples of conflicts of interest include situations, activities, and relationships that may, in fact or appearance:

- Oppose or compete with the interests of the organization.
- Create the potential for undue financial or other personal gain.
- Be established solely to protect oneself from potential or actual loss or harm.
- Be nepotistic or provide favoritism to certain individuals.

The internal audit function's methodologies should specify the expectations and requirements for internal auditors related to:

- Receiving gifts, favors, and rewards.
- Identifying situations that may impair objectivity.
- Responding appropriately upon becoming aware of an impairment.

Many organizations have a policy related to the acceptance of gifts, rewards, and favors, such as a policy limiting the value of gifts that can be accepted. Because of the importance of objectivity in the practice of internal auditing, the chief audit executive may have a policy that is more restrictive than that of the organization. Internal auditors should follow the more restrictive policy and carefully consider whether accepting a gift, reward, or favor may be perceived to affect their judgment or be given in exchange for producing favorable internal audit findings, conclusions, or results.

The policies of the organization and/or the internal audit function may prohibit specific activities or relationships that could create conflicts of interest. Internal auditors should be aware that close personal relationships outside work and relationships involving financial ties, such as investments, may be or appear to be conflicts of interest.

The chief audit executive should take precautions to reduce the potential impairments to objectivity that may result from the design of performance evaluations and remuneration arrangements, bonuses, and incentives. Examples of remuneration arrangements that may impair objectivity include:

- Basing performance evaluations and remuneration primarily on surveys of or input from the management of the activity under review.
- Measuring performance against the number of findings identified during engagements, the revenue growth of the activity under review, or the cost savings or job eliminations imposed upon the activity under review.
- Allowing management to provide indirect compensation in the form of gifts and gratuities.

Internal auditors should apply their understanding of objectivity and relevant policies and procedures to evaluate whether any situations, activities, or relationships may impair, or may be presumed to impair, their objectivity. The perceptions of other people should be considered.

The requirements for staffing and supervising engagements are intended to ensure that the internal auditors assigned to an engagement were not recently responsible for any aspect of the activity under review, which may bias their view, give them a vested interest in a particular outcome, or create the perception or appearance that their objectivity is impaired. For each engagement, the internal auditors performing and supervising the engagement should be independent from the activity under review.

When planning resources for an engagement, the chief audit executive or a designated supervisor should discuss the engagement with internal auditors to identify any current or potential impairments to objectivity.



The discussion should include consideration of any impairments previously disclosed.

As part of the process for supervising engagements, workpapers are reviewed to ensure findings and conclusions are adequately supported. Engagement supervision also provides opportunities for more experienced internal auditors to provide feedback and mentoring regarding potential objectivity concerns. (See also Standards 12.3 *Oversee and Improve Engagement Performance* and 13.5 *Engagement Resources*.) If an impairment is unavoidable, it should be disclosed and mitigated as described in Standard 2.3 *Disclosing Impairments to Objectivity*.

## Examples of Evidence of Conformance

- Policies and procedures for identifying potential impairments and necessary safeguards.
- Records of objectivity training.
- Documentation through which internal auditors attest that they either have no known impairments or have disclosed potential impairments.
- Sources of feedback on the perception of internal auditors' objectivity, such as surveys of the internal audit function's stakeholders.
- Notes from supervisory reviews.
- Remuneration plan.
- Minutes of board meetings where impairments to objectivity were discussed.
- Plans showing alternative provisions to fulfill the internal audit plan activities where impairments to objectivity were unavoidable.
- Results of external quality assessments performed by an independent assessor.

## Standard 2.3 Disclosing Impairments to Objectivity

### Requirements

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, the board, and/or senior management and determine the appropriate actions 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 concern 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 situation. (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 *Organizational Independence*.)

## Considerations for Implementation

The requirements for disclosing impairments to objectivity are typically defined in the internal audit function's methodologies and describe the actions to be taken to address each impairment to objectivity. The general approach to disclosing and mitigating impairments to objectivity is typically determined by the chief audit executive in agreement with the board and senior management.

If an impairment to objectivity cannot be avoided, the chief audit executive may consider options to manage the impairment, including:

- Reassigning internal auditors to remove the impaired internal auditor from the engagement.
- Rescheduling an engagement to ensure it is properly staffed.
- Adjusting the scope of an engagement.
- Outsourcing the performance or supervision of the engagement.

When a concern arises during engagement planning that relates solely to the perception of an impairment, the chief audit executive may choose to discuss the concern with the management of the activity under review and/or senior management, explain why the risk exposure is minimal and how it will be managed, and document the discussion and the final decision about how to proceed.

Standard 7.1 Organizational Independence provides additional requirements and information related to the chief audit executive assuming roles or responsibilities beyond internal auditing.

## Examples of Evidence of Conformance

- Internal audit methodologies for disclosing objectivity impairments.
- Documentation disclosing the presence or affirming the absence of objectivity impairments.
- Records of the disclosure of objectivity impairments and the response from and/or approval of the mitigation by appropriate parties.

## Principle 3 Demonstrate Competency

***Internal auditors apply the knowledge, skills, and abilities to fulfill 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

### Requirements

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 fulfill 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.)

### Considerations for Implementation

Internal auditors should develop competencies related to:

- Communication and collaboration.
- Governance, risk management, and control processes.
- Business functions, such as financial management and information technology.
- Pervasive risks, such as fraud.
- Tools and techniques for gathering, analyzing, and evaluating data.
- The risks and potential impacts of various economic, environmental, legal, political, and social conditions.
- Laws, regulations, and practices relevant to the organization, sector, and industry.
- Trends and emerging issues relevant to the organization and internal auditing.
- Supervision and leadership.

To develop and demonstrate competencies, internal auditors may:

- Obtain appropriate professional credentials, such as the Certified Internal Auditor® designation and other certifications and credentials.
- Identify opportunities for improvement and competencies that need development, based on feedback provided by stakeholders, peers, and supervisors.
- Seek relevant training not only in internal audit methodologies but also on business activities relevant to the organization. Training opportunities may include enrolling in courses, working with a mentor, or being assigned new tasks under supervision during an engagement.

While internal auditors are responsible for ensuring their individual professional development and may assess their own skills and opportunities for development, the chief audit executive should support the professional development of internal auditors. The chief audit executive may establish minimum

expectations for professional development and should encourage the pursuit of professional qualifications. The chief audit executive should include funding for training and professional development in the internal audit budget and provide opportunities internally as well as externally, through continuing professional education, training, and conferences. (See also Standards 10.1 Financial Resource Management and 10.2 Human Resources Management.)

To ensure the internal audit function collectively possesses the competencies to perform the internal audit services, the chief audit executive should:

- Maintain knowledge of internal auditors' competencies to be used when assigning work, identifying training needs, and recruiting internal auditors to fill open positions.
- Participate in the performance reviews of individual internal auditors.
- Identify areas in which the competencies of the internal audit function should be improved.
- Encourage internal auditors' intellectual curiosity and invest in training and other opportunities to improve internal audit performance.
- Understand the competencies of other providers of assurance and advisory services and consider relying upon those providers as a source of additional or specialty competencies not available within the internal audit function.
- Consider contracting with an independent, external service provider when the internal audit function collectively does not possess the competencies to perform requested services.
- Effectively implement a quality assurance and improvement program.

## Examples of Evidence of Conformance

- Documentation listing the certifications, education, experience, work history, and other qualifications of internal auditors.
- Internal auditors' self-assessments of their competencies and plans for professional development.
- Documentation of internal auditors' completion of continuing professional education, such as courses, conference sessions, workshops, and seminars.
- Documented performance reviews of internal auditors.
- Documented supervisory reviews of engagements, post-engagement surveys completed by internal audit stakeholders, and other forms of feedback indicating competencies exhibited by individual internal auditors and the internal audit function.
- The results of internal and external quality assessments.
- Documentation of relevant competencies necessary to fulfill the internal audit plan, an analysis of resource gaps, and the identification of the training and budget necessary to fill the gaps.
- Documentation such as an assurance map that indicates the competencies of other providers of assurance and advisory services upon which the internal audit function may rely.



## Standard 3.2 Continuing Professional Development

### Requirements

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 certifications must follow the continuing professional education policies and fulfill the requirements applicable to their certifications.

### Considerations for Implementation

Continuing professional development may include self-study, on-the-job training, opportunities to learn new skills on special assignments (such as rotational programs), mentorship, supervisory feedback, and free and paid education. To improve the quality of performing internal audit services, internal auditors should seek opportunities to learn about trends and best practices as well as emerging topics, risks, trends, and changes that may affect the organizations for which they work and the internal audit profession.

Internal auditors are responsible for developing their competencies and should seek opportunities to learn. However, the chief audit executive is responsible for the competencies of the internal audit function and should budget and plan for opportunities to train and educate internal audit staff. For example, internal auditors can develop new knowledge when properly supervised and assigned to engagements involving processes or areas with which they have had limited experience. Internal auditors should seek and welcome opportunities for supervision and mentorship through which they can receive robust feedback, guidance, and insight.

Many professional credentials require a minimum number of hours of continuing professional education within specific periods, such as annually. The chief audit executive should consider implementing a plan that requires internal auditors to obtain specific types and quantities of continuing professional education.

Internal auditors possessing credentials, such as the Certified Internal Auditor® designation, should be aware of the specific requirements of the certifying body's policy for maintaining their credentials. Failing to fulfill such requirements may result in consequences, including jeopardizing internal auditors' permission to use the credentials. All internal auditors should develop a plan and schedule for ongoing training and education. As part of the required continuing professional education, The IIA requires holders of its certifications to complete ethics training. While this requirement is linked specifically to IIA certifications, all internal audit professionals should obtain ethics-focused continuing professional education or training regularly.

News service subscriptions, webinars, and professional events provide internal auditors with opportunities to stay abreast of current developments in the internal audit profession and industries relevant to the organizations for which they work. Training may be used to introduce new technology or changes in internal audit practices.

Professional development initiatives should include a regular review and assessment of internal auditors' career paths and needs for professional development. The chief audit executive should ensure plans and budgets for training reflect a balance between investing in developing the competencies of the internal audit function as a whole and providing internal auditors with opportunities to achieve their individual goals to grow professionally.

## Examples of Evidence of Conformance

- Documented plans for attending training events, professional conferences, and other continuing professional education.
- Records of internal auditors' completed continuing professional education and credentials obtained.
- Internal auditors' performance reviews and/or plans for professional development.
- Evidence of active involvement in The IIA and other relevant professional organizations, such as volunteer service.

## 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 skepticism to critically assess and evaluate information.

Due professional care requires planning and performing internal audit services with the diligence, judgment, and skepticism 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

#### Requirements

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 requirements issued by other authoritative bodies, internal audit communications must also cite the use of the other requirements, as appropriate.

If laws or regulations prohibit internal auditors or the internal audit function 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 nonconformance with the Standards are described in Standards 8.3 Quality, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication.

## Considerations for Implementation

The chief audit executive should review the Standards when changes occur and align the internal audit function's methodologies accordingly. If inconsistencies exist between the Standards and requirements issued by other authoritative bodies, internal auditors and the internal audit function may be required to or may choose to conform with the more stringent requirements.

The chief audit executive or a designated engagement supervisor should ensure that engagement work programs align with the requirements of the Standards and that internal audit engagements are conducted in accordance with the Standards' requirements.

While conformance with the requirements is expected, internal auditors or the internal audit function may occasionally be unable to conform with a requirement yet may take alternative actions to achieve the related principle. Such circumstances are usually related to specific sectors, industries, and jurisdictions. By documenting the circumstance, alternative actions taken, the impact, and the rationale, the chief audit executive provides information to support the external quality assessment such that the internal audit function may be able to achieve conformance with a principle, even when conformance with a standard is not possible.

If internal auditors are unable to conform with a standard when performing an internal audit engagement, they should discuss with the chief audit executive or a designated supervisor the reason for the nonconformance and the effect of the nonconformance on the engagement. The chief audit executive or supervisor should provide guidance regarding to whom and how to communicate the nonconformance. (See Standard 15.1 Final Engagement Communication.)

Additionally, laws, regulations, internal audit methodologies, and organizational policies may provide specifications for determining when and how nonconformance is to be disclosed.

## Examples of Evidence of Conformance

- Documentation of the internal audit function's methodologies and an indication of when they were last updated.
- If applicable, final engagement communications and communications with the board and senior management where nonconformance has been disclosed.

- Documentation referencing the laws and/or regulations with which internal auditors were required to comply that prevented their conformance with the Standards.
- Documentation referencing authoritative requirements to which the internal audit function adheres in addition to the Standards.
- Results of the quality assurance and improvement program.

## Standard 4.2 Due Professional Care

### Requirements

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

- The organization'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, noncompliance, and other risks that might affect objectives, operations, or resources.
- Use of appropriate techniques, tools, and technology.

### Considerations for Implementation

To perform services with due professional care requires that internal auditors consider and understand the Purpose of Internal Auditing and the nature of the internal audit services to be provided. Internal auditors should start by understanding the internal audit charter, the internal audit plan, and the factors that help determine which engagements are included in the plan. When planning and performing internal audit services, internal auditors also consider the interests of the organization's customers and other stakeholders (including the public) affected by the organization's actions. Such interests include stakeholders' expectations (such as fair and honest business practices), needs (such as safety), and potential exposure to underlying risks that may not be obviously related to the organization's strategy and objectives.

The considerations in due professional care comprise the circumstances and aspects of risk that the chief audit executive must consider when performing the risk assessment on which the internal audit plan is based. Relevant circumstances include the organization's strategy and objectives and the adequacy and effectiveness of the organization's governance, risk management, and control processes.

Additionally, internal auditors consider these circumstances relative to an activity under review during engagement planning, as described in Domain V: Performing Internal Audit Services. The complexity, materiality, and significance of risks being evaluated is relative. A risk may not be material or significant to the organization but may be material or significant in an engagement or to an activity under review.



Thus, understanding the complexity, materiality, and significance in context is necessary to properly assess relevant risks and determine which risks should be prioritized for further evaluation.

Due professional care also requires weighing the costs (such as resource requirements) of the internal audit services against the benefits that may result. For example, if the controls in an activity under review are not adequately designed, the benefits of fully evaluating the effectiveness of those controls are not likely to be worth the costs. Internal auditors seek to provide the most value or benefit for the organization's investment in internal audit services. Additionally, thorough planning requires internal auditors to consider the techniques, tools, technology, and extent and timeliness of work needed to achieve the engagement objectives most efficiently. Internal auditors, especially the chief audit executive, should consider the use of data analysis software and other technology that support the review and evaluation processes.

Proper engagement supervision and a quality assurance and improvement program promote due professional care. (See also Standards 8.3 Quality, 8.4 External Quality Assessment, and Principle 12 Enhance Quality and its standards.)

## Examples of Evidence of Conformance

- Planning notes documenting the strategy and objectives of the organization and activity under review.
- Documented assessments of governance, risk management, and control processes.
- Notes showing assessment of risks including errors, noncompliance, and fraud.
- Notes from meetings or discussions of the potential costs and benefits of internal audit services and the extent and timeliness of engagement work.
- Workpapers indicating supervisory review of engagements.
- Internal auditors' performance reviews.
- Notes from meetings, training, or other discussion of due professional care.
- Feedback from stakeholders solicited through surveys or other tools.
- Internal and external assessments performed as part of the internal audit function's quality assurance and improvement program.

## Standard 4.3 Professional Skepticism

### Requirements

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

To exercise professional skepticism, 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 judgment about information and statements that might be incomplete, inconsistent, false, or misleading.

### Considerations for Implementation

Professional skepticism enables internal auditors to make objective judgments based on facts, information, and logic, rather than trust or belief. Skepticism is the attitude of always questioning or doubting the validity and truthfulness of claims, statements, and other information. Internal auditors apply professional skepticism when they seek evidence to support and validate statements made by management, rather than simply trusting the information presented as true or genuine without question or doubt. Professional skepticism requires curiosity and the willingness to explore beyond the surface level of a given topic.

When gathering and analyzing information, internal auditors should apply professional skepticism to determine whether information is relevant, reliable, and sufficient. If internal auditors determine that information is incomplete, inconsistent, false, or misleading, they should perform additional analyses to identify the correct and complete information needed to support engagement results. Additional validation is provided by the review and approval of workpapers and/or engagement communications by the chief audit executive or a designated engagement supervisor.

Chief audit executives should help internal auditors build their competency related to professional skepticism. Workshops and other training opportunities can help internal auditors develop and learn to apply professional skepticism and understand the importance of avoiding bias and maintaining an open and curious mindset. Internal auditors can learn to recognize information that is inconsistent, incomplete, false, and/or misleading.

### Examples of Evidence of Conformance

- Records of relevant training planned and completed, including a list of participants.
- Workpapers identifying an internal auditor's approach to evaluate and validate information gathered during an engagement.
- Documentation that false or misleading information was handled as an engagement finding.
- Workpapers and engagement communications, reviewed and signed or initialed by the engagement supervisor.

## 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 fulfill the internal audit mandate, they often receive information that is confidential, proprietary, and/or personally identifiable. (See also Principle 6 Authorized 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 unauthorized access or disclosure, internally and externally.

### Standard 5.1 Use of Information

#### Requirements

Internal auditors must follow the 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 organization's legitimate and ethical objectives.

#### Considerations for Implementation

Internal auditors have unrestricted access to information to enable them to provide internal audit services without interference. However, using and handling information appropriately is the responsibility of every internal auditor. The inappropriate use and handling of information that is confidential, proprietary, and/or personally identifiable may have unintended consequences, such as reputational damage and fines for violating laws and/or regulations.

The policies and procedures of the organization and the internal audit function generally govern internal auditors' handling and use of information throughout its lifecycle, from its point of access to its collection, transfer, storage, and/or destruction. Additionally, internal auditors should be aware of and compliant with any policies and procedures related to the third-party information they may access.

The chief audit executive should discuss with internal auditors the policies, procedures, and expectations related to the appropriate use of information to which they have access. The chief audit executive may require internal auditors to acknowledge their understanding through signed attestations or other formats.

When handling sensitive and/or personal data, the internal audit function should apply appropriate digital security measures. Examples include automated controls such as passwords and encryption.

Examples of misusing information include using, selling, or releasing insider financial, strategic, or operational knowledge of the organization to inform decisions to purchase or sell stock or to create a competitive product.



## Examples of Evidence of Conformance

- Effectively designed and operating controls over access to and use of information.
- Documentation of relevant policies, procedures, and training related to the proper use of information.
- Minutes from meetings during which the appropriate use of information was discussed.
- Attendance records of training on use of information.
- Documentation by which internal auditors acknowledge their understanding of relevant policies, procedures, laws, and regulations.
- Performance reviews demonstrating that relevant policies, procedures, laws, and regulations have been followed.

## Standard 5.2 Protection of Information

### Requirements

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 organization 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.

## Considerations for Implementation

The information acquired, used, and produced by the internal audit function is protected by laws, regulations, and the policies and procedures of the organization and the internal audit function and generally cover physical and digital security and access, retention, and disposal of information.



The chief audit executive should consult with legal counsel to better understand the impact of legal and/or regulatory requirements and protections (for example, legal privilege or attorney-client privilege). The organization's policies and procedures may require that specific authorities review and approve business information before external release.

Information access may be monitored to verify whether methodologies are followed. Information may be protected from intentional or unintentional disclosure through controls such as data encryption, password protection, email distribution, restrictions on the use of social media, and restrictions on physical access. When internal auditors no longer need access to the data, digital permissions should be revoked and printed copies should be handled according to established methodologies.

Examples of confidential information that may be protected from disclosure include individual salaries and records of personnel issues.

The chief audit executive should periodically assess and confirm internal auditors' needs for access to information and whether access controls are working effectively.

## Examples of Evidence of Conformance

- Documentation demonstrating application of relevant methodologies.
- Documentation regarding the implementation of mechanisms that restrict information access and mitigate the risk of circumventing prevailing controls.
- Attendance records of training on protection of information.
- Documentation by which internal auditors acknowledge their understanding of relevant policies, procedures, laws, and regulations.
- Documentation of restrictions on the distribution of workpapers and final communication.
- Documentation of authorized disclosures and distribution.
- Records of disclosures required by law or approved by legal counsel, if applicable, and/or the board and senior management.
- Signed agreements to confidentiality or nondisclosure of information.
- Performance reviews demonstrating that policies and procedures related to the protection and disclosure of information have been followed.

## Domain III: Governing the Internal Audit Function



**Appropriate governance arrangements** are essential to enable the internal audit function to be effective. This domain outlines the requirements for chief audit executives to work closely with the board to establish the internal audit function, position it independently, and oversee its performance. This domain also outlines senior management's responsibilities that support the board's responsibilities and promote strong governance of the internal audit function.

While the chief audit executive is responsible for the requirements in this domain, activities of the board and senior management are essential to the internal audit function's ability to fulfill the Purpose of Internal Auditing. These activities are identified as "essential conditions" in each standard and establish a necessary foundation for an effective dialogue between the board, senior management, and the chief audit executive, ultimately enabling an effective internal audit function.

### Meeting with the Board and Senior Management

The chief audit executive must discuss this domain with the board and senior management. The discussions should focus on:

- The Purpose of Internal Auditing as articulated in Domain I: Purpose of Internal Auditing.
- The essential conditions outlined under each of the standards in Domain III: Governing the Internal Audit Function.
- The potential impact on the effectiveness of the internal audit function if the board or senior management does not provide the support outlined in the essential conditions.

The discussions are needed to inform the board and senior management about the importance of the essential conditions and to gain alignment among their respective responsibilities.

The nature and frequency of these discussions depend on the circumstances and changes in the organization. For example, the chief audit executive should discuss these essential conditions with the board and senior management if:

- The Standards change significantly or a new internal audit function is created.
- The chief audit executive is new to the role or organization.
- There are significant changes in the relationship between the board and the chief audit executive, such as a new chairperson to whom the chief audit executive reports or a change in the structure or composition of the board that affects this reporting relationship.
- There are significant changes in the structure or composition of senior management that affect the chief audit executive's positioning within the organization.

It is important for the chief audit executive to receive input from both the board and senior management. While the board may have the ultimate responsibility to approve the internal audit mandate, charter, and other requirements outlined in this domain, senior management typically has a key role in providing input to the board and the chief audit executive. Senior management's perspective is valuable and helps support the internal audit function's positioning and authority in the organization.

### **Disagreements on Essential Conditions**

If either the board or senior management disagrees with one or more of these essential conditions, the chief audit executive must emphasize - with examples - how absence of the condition(s) may affect the internal audit function's ability to fulfill its purpose or conform with specific standards. The chief audit executive should also discuss alternatives to the essential conditions that may provide the same results.

The chief audit executive may 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.

If the chief audit executive position is open for any reason, the board should appoint one or more individuals in the interim.

### **Definition of Board**

The glossary to the Global Internal Audit Standards defines the term "board" as the highest-level body charged with governance, such as:

- A board of directors.
- An audit committee.
- A board of governors or trustees.
- A group of elected officials or political appointees.
- Another body that has authority over the relevant governance functions.

In an organization that has more than one governing body, "board" refers to the body or bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities.

If none of the above exists, "board" should be read as referring to the group or person that acts as the organization's highest-level governing body. Examples include the head of the organization and senior management.



If the nature of the board varies from the definition provided in the glossary, the chief audit executive should document the governing structure to which the internal audit function reports and how this structure is consistent with the definition of board. This may include environments where multiple boards exist, sometimes found in multi-national organizations or the public sector, or where a multi-tiered structure is in place.

### **Application of this Domain**

The Standards apply to individuals and functions that provide internal audit services. Internal audit services may be provided by persons within or outside the organization for organizations that vary in purpose, size, complexity, and structure. The Standards apply whether an organization employs internal auditors directly, contracts them through an external service provider, or both. The chief audit executive's responsibilities are performed by one or more individuals designated by the board. The chief audit executive, whether employed directly by the organization or through an external service provider, is responsible for conformance with the Standards as demonstrated through the quality assurance and improvement program. In all cases, the board retains the responsibility to support and oversee the internal audit function.

## Principle 6 Authorized by the Board

**The board establishes, approves, and supports the mandate of the internal audit function.**

The internal audit function receives its mandate from the board (or applicable law in certain public sector environments). The mandate specifies the authority, role, and responsibilities of the internal audit function and is documented in the internal audit charter. The mandate empowers the internal audit function to provide the board and senior management with objective assurance, advice, insight, and foresight. The internal audit function carries out the mandate by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes throughout the organization.

### Standard 6.1 Internal Audit Mandate

#### Requirements

The chief audit executive must provide the board and senior management with the information necessary to establish the internal audit mandate. In those jurisdictions and industries where the internal audit function's mandate is prescribed wholly or partially in laws or regulations, the internal audit charter must include the legal requirements of the mandate. (See also Standard 6.2 Internal Audit Charter and "Applying the Global Internal Audit Standards in the Public Sector.")

To help the board and senior management determine the scope and types of internal audit services, the chief audit executive must coordinate with other internal and external assurance providers to gain an understanding of each other's roles and responsibilities. (See also Standard 9.5 Coordination and Reliance.)



The chief audit executive must document or reference the mandate in the internal audit charter, which is approved by the board. (See also Standard 6.2 Internal Audit Charter.)

Periodically, the chief audit executive must assess whether changes in circumstances justify a discussion with the board and senior management about the internal audit mandate. If so, the chief audit executive must discuss the internal audit mandate with the board and senior management to assess whether the authority, role, and responsibilities continue to enable the internal audit function to achieve its strategy and accomplish its objectives.

## Essential Conditions

### Board

- Discuss with the chief audit executive and senior management the appropriate authority, role, and responsibilities of the internal audit function.
- Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.

### Senior Management

- Participate in discussions with the board and chief audit executive and provide input on expectations for the internal audit function that the board should consider when establishing the internal audit mandate.
- Support the internal audit mandate throughout the organization and promote the authority granted to the internal audit function.

## Considerations for Implementation

The chief audit executive informs the board and senior management about the characteristics of an effective internal audit function by sharing knowledge about the Standards, relevant laws and/or regulations, and the results of research into leading practices of internal audit functions.

The chief audit executive should discuss with the board and senior management the internal audit mandate and other key considerations in the internal audit charter, focusing on helping the board and senior management to understand:

- **Authority** – The internal audit function’s authority is created by its direct reporting relationship to the board. Such authority allows for free and unrestricted access to the board, as well as all activities across the organization (for example, records, personnel, and physical property).
- **Role(s)** – The primary role of the internal audit function is to conduct internal audit activities and deliver internal audit services. There may be situations where roles beyond internal auditing are part of the chief audit executive’s responsibilities, such as risk management or compliance. These nonaudit roles are discussed further in Standard 7.1 Organizational Independence.
- **Responsibilities** – An internal audit function’s responsibilities comprise its accountability and obligations to carry out its role(s), as well as the specific expectations of key stakeholders. For example, responsibilities typically include expectations regarding performance of audit services; communications; compliance with laws, regulations, and policies; conformance with the Global Internal Audit Standards; and other activities incumbent in the role.

- **Scope** - The scope of internal audit services covers the entire breadth of the organization for which the internal audit function is responsible for providing services. This may include all activities, assets, and personnel of the organization or may be restricted to a subset according to geography or other division. The scope may specify the nature of internal audit services (for example, assurance only or assurance and advisory, focus on financial statements, compliance with laws and/or regulations), or may specify other limitations on the coverage of internal audit services.
- **Internal audit services** - Internal audit services may simply be defined as assurance and advisory services or may be more specifically defined, such as performance auditing, assurance regarding internal controls over financial reporting, and investigations.

Circumstances may justify a follow-up discussion with the board and senior management on the internal audit mandate or other aspects of the internal audit charter. These conditions may include, but are not limited to:

- A notable change in the Global Internal Audit Standards.
- A significant acquisition or reorganization within the organization.
- Significant changes in the board and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which it operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

These conditions may arise at any point during the year. However, the chief audit executive should formally consider any such changes at least annually.

The chief audit executive coordinates with the organization's assurance providers and advises the board regarding how other functions may contribute to the internal audit mandate. By helping the board understand the roles and responsibilities of other internal and external assurance providers and regulators, the chief audit executive may provide clarity about an appropriate internal audit mandate. (See also Standard 9.5 Coordination and Reliance.)

## Examples of Evidence of Conformance

- Minutes of board meetings where the mandate was discussed, which may be part of the broader approval of the internal audit charter.
- Minutes of board meetings during which any changes to the internal audit charter are discussed and approved by the board.



## Standard 6.2 Internal Audit Charter

### Requirements

The chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:

- Purpose of Internal Auditing,
- Commitment to adhering to the Global Internal Audit Standards.
- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function. (See also Standard 6.1 Internal Audit Mandate.)
- Organizational position and reporting relationships. (See also Standard 7.1 Organizational Independence.)

The chief audit executive must discuss the proposed charter with the board and senior management to confirm that it accurately reflects their understanding and expectations of the internal audit function.

### Essential Conditions

#### Board

- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function.
- Approve the internal audit charter.
- Review the internal audit charter with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization.

#### Senior Management

- Communicate with the board and chief audit executive about management's expectations that should be considered for inclusion in the internal audit charter.

## Considerations for Implementation

Key requirements for the internal audit charter are outlined in Standards 6.1 Internal Audit Mandate and 7.1 Organizational Independence.

The internal audit charter should describe administrative reporting responsibilities, such as the processes for:

- Approving the internal audit function's human resources administration and budgets.
- Approving the chief audit executive's expenses.
- Reviewing the chief audit executive's performance.

Where laws or regulations specify the reporting relationship, references to such documents should be included in the charter. If laws and/or regulations comprehensively cover the requirements for a charter, they may be substituted for the formal charter.

The format of an internal audit charter may vary from one organization to another. While there are models for an internal audit charter, the chief audit executive should customize the internal audit charter to address the unique organizational aspects that may affect the internal audit mandate, scope, and internal audit services.

The chief audit executive typically presents a final draft of the internal audit charter during a board meeting to be discussed and approved.

The chief audit executive and the board should also agree on the frequency with which to review and reaffirm whether the charter's provisions continue to enable the internal audit function to accomplish its objectives. A leading practice is to review the charter periodically, reference it when questions about the internal audit mandate arise, and update it as needed.

Other topics for consideration in the internal audit charter include:

- Safeguards to objectivity and independence, including processes for addressing potential impairments, and the frequency with which those safeguards are re-evaluated to ensure they are achieving the desired result. (See also Standard 7.1 Organizational Independence.)
- Unrestricted access, including how the internal audit function accesses the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.
- Communications, including the nature and timing of communicating with the board and senior management.
- Audit process, including any expectations regarding communications with management in the area under review (before, during, and after an engagement) and how disagreements with management are handled.
- Quality assurance and improvement, including expectations for developing and conducting internal and external assessments of the internal audit function and communicating the results of the assessments. (See also Standards 8.3 Quality and 8.4 External Quality Assessment, and Principle 12 Enhance Quality and its standards.)
- Approvals, including any circumstances specified by the board and senior management.

## Examples of Evidence of Conformance

- Minutes of the board meetings during which the internal audit charter was discussed and approved.
- The approved charter and the date approved.
- Minutes of board meetings that include evidence that the chief audit executive periodically reviews the internal audit charter with the board and senior management.



## Standard 6.3 Board and Senior Management Support

### Requirements

The chief audit executive must provide the board and senior management with the information needed to support and promote recognition of the internal audit function throughout the organization.

The chief audit executive must coordinate the internal audit function's board communications with senior management to support the board's ability to fulfill its requirements.

### Essential Conditions

#### Board

- Champion the internal audit function to enable it to fulfill the Purpose of Internal Auditing and pursue its strategy and objectives.
- Work with senior management to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.
- Support the chief audit executive through regular, direct communications.
- Demonstrate support by:
  - Specifying that the chief audit executive reports to a level within the organization that allows the internal audit function to fulfill the internal audit mandate.
  - Approving the internal audit charter, internal audit plan, budget, and resource plan.
  - Making appropriate inquiries of senior management and the chief audit executive to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.
  - Meeting periodically with the chief audit executive in sessions without senior management present.

#### Senior Management

- Support recognition of the internal audit function throughout the organization.
- Work with the board and management throughout the organization to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.

## Considerations for Implementation

The board and the chief audit executive should meet at least annually without management present. Holding such meetings quarterly is considered a leading governance practice. Such meetings often occur as a private or closed session following a normally scheduled board meeting.

The chief audit executive should also have other interactions with the board between official meetings to keep the board apprised of the internal audit function's progress. The types of information and the level of detail to be communicated by the chief audit executive to the board should be agreed upon by both parties.

As discussed in Standard 7.1 Organizational Independence, it is important that the chief audit executive report administratively to an individual in the organization who can support the internal audit function's pursuit of the internal audit mandate. A leading practice is for the chief audit executive to report to the chief executive officer or equivalent.

While it is critical for the chief audit executive to meet privately with the board, the chief audit executive should inform senior management of such discussions, unless doing so is inappropriate (for example, if a private conversation relates to an impropriety by a member of senior management).

The chief audit executive should work with senior management to understand each other's reporting requirements to the board to help enable timely, clear, and transparent reporting that is not redundant or conflicting. This helps the board exercise its oversight responsibilities and enables a collaborative working relationship between the chief audit executive and senior management.

The board's approval of the internal audit budget and resource plan is important as these demonstrate that the internal audit function has the resources necessary to complete its planned audit activities. The details provided to the board are subject to the judgment of the chief audit executive.

## Examples of Evidence of Conformance

- Minutes of board meetings indicating board review and approval of the internal audit plan, internal audit budget, and resource plan.
- Minutes or other documentation of communication between the board and senior management in which the internal audit function's unrestricted access was discussed.
- An agreed-upon matrix or similar documentation showing what information should be communicated by the chief audit executive to the board and senior management and the expected frequency.

## Principle 7 Positioned Independently

***The board establishes and protects the internal audit function's independence and qualifications.***

The board is responsible for enabling the independence of the internal audit function. Independence is defined as the freedom from conditions that impair the internal audit function's ability to carry out its responsibilities in an unbiased manner. The internal audit function is only able to fulfill the Purpose of Internal Auditing when the chief audit executive reports directly to the board, is qualified, and is positioned at a level within the organization that enables the internal audit function to discharge its services and responsibilities without interference.



## Standard 7.1 Organizational Independence

### Requirements

The chief audit executive must confirm to the board the organizational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired and the actions or safeguards employed to address the impairment.

The chief audit executive must document in the internal audit charter the reporting relationships and organizational positioning of the internal audit function, as determined by the board. (See also Standard 6.2 Internal Audit Charter.)

The chief audit executive must discuss with the board and senior management any current or proposed roles and responsibilities that have the potential to impair the internal audit function's independence, either in fact or appearance. The chief audit executive must advise the board and senior management of the types of safeguards to manage actual, potential, or perceived impairments.

When the chief audit executive has one or more ongoing roles beyond internal auditing, the responsibilities, nature of work, and established safeguards must be documented in the internal audit charter. If those areas of responsibility are subject to internal auditing, alternative processes to obtain assurance must be established, such as contracting with an objective, competent external assurance provider that reports independently to the board.

When the chief audit executive's nonaudit responsibilities are temporary, assurance for those areas must be provided by an independent third party during the temporary assignment and for the subsequent 12 months. Also, the chief audit executive must establish a plan to transition those responsibilities to management.

If the governing structure does not support organizational independence, the chief audit executive must document the characteristics of the governing structure limiting independence and any safeguards that may be employed to achieve this principle.

### Essential Conditions

#### Board

- Establish a direct reporting relationship with the chief audit executive and the internal audit function to enable the internal audit function to fulfill its mandate.
- Authorize the appointment and removal of the chief audit executive.
- Provide input to senior management to support the performance evaluation and remuneration of the chief audit executive.
- Provide the chief audit executive with opportunities to discuss significant and sensitive matters with the board, including meetings without senior management present.

- Require that the chief audit executive be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the board when necessary.
- Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the chief audit executive that are beyond the scope of internal auditing.
- Engage with senior management and the chief audit executive to establish appropriate safeguards if chief audit executive roles and responsibilities impair or appear to impair the internal audit function's independence.
- Engage with senior management to ensure that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.

### Senior Management

- Position the internal audit function at a level within the organization that enables it to perform its services and responsibilities without interference, as directed by the board.
- Recognize the chief audit executive's direct reporting relationship with the board.
- Engage with the board and the chief audit executive to understand any potential impairments to the internal audit function's independence caused by nonaudit roles or other circumstances and support the implementation of appropriate safeguards to manage such impairments.
- Provide input to the board on the appointment and removal of the chief audit executive.
- Solicit input from the board on the performance evaluation and remuneration of the chief audit executive.

## Considerations for Implementation

Internal auditing is most effective when the internal audit function is directly accountable to the board (also known as "functionally reporting to the board"), rather than directly accountable to management for the activities over which it provides assurance and advice. A direct reporting relationship between the board and the chief audit executive enables the internal audit function to perform internal audit services and communicate engagement results without interference or undue limitations. Examples of interference include management failing to provide requested information in a timely manner and restricting access to information, personnel, or physical properties. Limiting budgets or resources in a way that interferes with the internal audit function's ability to operate effectively is an example of undue limitation. (See also Standard 11.3 Communicating Results.)

While the chief audit executive reports functionally to the board, the administrative reporting relationship is often to a member of management. This enables access to senior management and the authority to challenge management's perspectives. To achieve this authority, it is leading practice for the chief audit executive to report administratively to the chief executive officer or equivalent, although reporting to



another senior officer may achieve the same objective if appropriate safeguards are implemented. Subsidiary, branch, and divisional heads of the internal audit function should be able to communicate directly with the senior management responsible for those areas.

When evaluating whether independence is impaired, the chief audit executive should consider reporting relationships, roles, and responsibilities to determine whether actual, potential, or perceived impairments exist. Additionally, through discussions with the concerned parties, the chief audit executive may be able to resolve any situations of perceived impairments that do not in fact affect the internal audit function's ability to perform its responsibilities independently.

Situations that may introduce impairments to independence include:

- The chief audit executive lacks direct communication or interaction with the board.
- Management attempts to limit the scope of the internal audit services that were previously approved by the board and documented in the internal audit charter.
- Management attempts to restrict access to the data, records, information, personnel, and physical properties required to perform the internal audit services.
- Management pressures internal auditors to suppress or change internal audit findings.
- The budget for the internal audit function is reduced to a level that leaves the function unable to fulfill its responsibilities as outlined in the internal audit charter.
- An assurance engagement is performed by the internal audit function or supervised by the chief audit executive in a functional area for which the chief audit executive is responsible, has oversight, or is otherwise able to exert significant influence.
- The internal audit function performs, or the chief audit executive supervises, assurance services related to an activity that is managed by a senior executive (non-CEO) to which the chief audit executive reports administratively. For example, the chief audit executive reports to the chief financial officer and is responsible for auditing treasury, a function that also reports to the chief financial officer.

In addition to the responsibilities of managing the internal audit function, the chief audit executive is sometimes asked to take on nonaudit roles that may impair or appear to impair the internal audit function's independence. Examples include situations such as:

- A new regulatory requirement prompts an immediate need to develop controls and other risk management activities to ensure compliance.
- The chief audit executive has the most appropriate expertise to adapt existing risk management activities to a new business segment or geographic market.
- The organization's resources are too constrained or the organization is too small to afford a separate compliance function.

When discussing nonaudit roles and responsibilities with the board and senior management, the chief audit executive should identify appropriate safeguards depending on whether the roles are permanent or temporary and intended to be transferred to management.

When the board agrees that an impairment has occurred, the chief audit executive should suggest to the board and senior management potential safeguards to manage the risks. It is also important to specify a timeline for transitioning temporary nonaudit responsibilities to management.

The requirement is to have assurance activities overseen by an independent third party for the subsequent 12 months after the chief audit executive completes temporary responsibilities in that area. However, judgment should be used as there may be circumstances whereby the perception of impairment may exist beyond 12 months. The chief audit executive should discuss with the board and senior management whether 12 months is appropriate or not.

To determine the other parties to which disclosure of existing impairments must be made, the chief audit executive should consider the nature of the impairment, the impairment's impact on the reliability of the results of internal audit services, and the expectations of relevant stakeholders. If a potential impairment of the internal audit function's independence is discovered after an engagement has been completed that may affect the reliability or perceived reliability of the engagement findings, recommendations, and/or conclusions, the chief audit executive should discuss the concern 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 situation. (See also Standards 2.3 Disclosing Impairments to Objectivity and 11.4 Errors and Omissions.)

Before a chief audit executive is hired, the board should be involved in the recruitment and appointment process. For example, the board may discuss the qualifications and competencies necessary to lead the internal audit function and perform any additional roles and responsibilities expected by the organization. Additionally, the board should consider reviewing candidates' résumés and participating in interviews before a candidate is selected.

## Examples of Evidence of Conformance

- The internal audit charter, which documents the internal audit function's reporting relationships.
- Meeting minutes or other evidence of the chief audit executive's direct communication with the board and senior management regarding potential impairments to independence and planned safeguards.
- Board meeting minutes or other documentation showing that the chief audit executive confirmed with the board the ongoing independence of the internal audit function or discussed impairments affecting the internal audit function's ability to fulfill its mandate and the safeguards to manage the impairments.
- The internal audit charter documenting board approval of long-term nonaudit roles and responsibilities and corresponding safeguards to independence, including the expected duration of the roles, responsibilities, and safeguards and how the effectiveness of the safeguards will be evaluated periodically.
- Documented methodologies to be followed when an impairment is suspected or identified.
- Formal action plans that outline specific safeguards to address independence concerns.
- Documentation of assurance services to be provided by other internal or external providers as a safeguard to independence.
- Minutes or other documentation evidencing the board's approval of the appointment or removal of the chief audit executive.



## Standard 7.2 Chief Audit Executive Qualifications

### Requirements

The chief audit executive must help the board understand the qualifications and competencies of a chief audit executive that are necessary to manage the internal audit function. The chief audit executive facilitates this understanding by providing information and examples of common and leading qualifications and competencies.

The chief audit executive must maintain and enhance the qualifications and competencies necessary to fulfill the roles and responsibilities expected by the board. (See also Principle 3 Demonstrate Competency and its standards.)

### Essential Conditions

#### Board

- Review the requirements necessary for the chief audit executive to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function.
- Approve the chief audit executive's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.
- Engage with senior management to appoint a chief audit executive with the qualifications and competencies necessary to manage the internal audit function effectively and ensure the quality performance of internal audit services.

#### Senior Management

- Engage with the board to determine the chief audit executive's qualifications, experience, and competencies.
- Enable the appointment, development, and remuneration of the chief audit executive through the organization's human resources processes.

## Considerations for Implementation

The board collaborates with senior management to determine which competencies and qualifications the organization expects in a chief audit executive. The competencies may vary according to the internal audit mandate, the complexity and specific needs of the organization, the organization's risk profile, and the industry and jurisdiction within which the organization operates, among other factors. The desired competencies and qualifications are typically documented in a job description and include:

- A comprehensive understanding of the Global Internal Audit Standards and leading internal audit practices.
- Experience building and managing an effective internal audit function by recruiting, hiring, and training internal auditors and helping them develop relevant competencies.
- Certified Internal Auditor® designation or other relevant professional education, certifications, and credentials.
- Leadership experience.
- Industry or sector experience.

While this list includes ideal competencies and qualifications, the chief audit executive may be selected for other qualities or areas of expertise that are supplemented by the competencies of other members of the internal audit function, especially when the chief audit executive has entered the position from a different role, industry, or sector. In such cases, the chief audit executive should work collaboratively with knowledgeable members of the internal audit function and network with others in the profession to gain relevant experience.

The board may review and approve the job description for the chief audit executive to ensure it reflects the expected qualifications and competencies.

The board should encourage the chief audit executive to pursue continuing professional education, membership in professional associations, professional certifications, and other opportunities for professional development. (See also Principle 3 Demonstrate Competency and its standards.)

Given the importance of the chief audit executive role, a succession plan should be developed to identify internal or external candidates for replacing the chief audit executive. Such plans should be aligned with the organization's overall succession-planning process and be shared with the board and senior management.

## Examples of Evidence of Conformance

- Documented approval by the board of the chief audit executive's job description and/or appointment or other evidence that the board evaluated the qualifications and competencies required for the chief audit executive's role.
- The chief audit executive's professional education plans and evidence of completion.
- Documented participation in professional associations.
- Documented succession-planning conversations with the board, senior management, and/or the organization's human resources function.

## Principle 8 Overseen by the Board

***The board oversees the internal audit function to ensure the function's effectiveness.***

Board oversight is essential to enable the overall effectiveness of the internal audit function. Achieving this principle requires collaborative and interactive communication between the board and the chief audit executive as well as the board's support in ensuring the internal audit function obtains sufficient resources to fulfill the internal audit mandate. Additionally, the board receives assurance about the quality of the performance of the chief audit executive and the internal audit function through the quality assessment and improvement program, including the board's direct review of the results of the external quality assessment.



## Standard 8.1 Board Interaction

### Requirements

The chief audit executive must provide the board with the information needed to conduct its oversight responsibilities. This information may be specifically requested by the board or may be, in the judgment of the chief audit executive, valuable for the board to exercise its oversight responsibilities.

The chief audit executive must report to the board and senior management:

- The internal audit plan and budget and subsequent significant revisions to them. (See also Standards 6.3 Board and Senior Management Support and 9.4 Internal Audit Plan.)
- Changes potentially affecting the mandate or charter. (See also Standards 6.1 Internal Audit Mandate and 6.2 Internal Audit Charter.)
- Potential impairments to independence. (See also Standard 7.1 Organizational Independence.)
- Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results. (See also Standards 11.3 Communicating Results, 14.5 Engagement Conclusions, and 15.2 Confirming the Implementation of Recommendations or Action Plans.)
- Results from the quality assurance and improvement program. (See also Standards 8.3 Quality, 8.4 External Quality Assessment, 12.1 Internal Quality Assessment, and 12.2 Performance Measurement.)

There may be instances when the chief audit executive disagrees with senior management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities. In such cases, the chief audit executive must provide the board with the facts and circumstances to allow the board to consider whether, in its oversight role, it should intervene with senior management or other stakeholders.

### Essential Conditions

#### Board

- Communicate with the chief audit executive to understand how the internal audit function is fulfilling its mandate.
- Communicate the board's perspective on the organization's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.
- Set expectations with the chief audit executive for:
  - The frequency with which the board wants to receive communications from the chief audit executive.
  - The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board's risk tolerance.

- The process for escalating matters of importance to the board.
- Gain an understanding of the effectiveness of the organization's governance, risk management, and control processes based on the results of internal audit engagements and discussions with senior management.
- Discuss with the chief audit executive disagreements with senior management or other stakeholders and provide support as necessary to enable the chief audit executive to perform the responsibilities outlined in the internal audit mandate.

### Senior Management

- Communicate senior management's perspective on the organization's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.
- Assist the board in understanding the effectiveness of the organization's governance, risk management, and control processes.
- Work with the board and the chief audit executive on the process for escalating matters of importance to the board.

## Considerations for Implementation

To provide the board with the information needed to exercise its oversight responsibilities, two-way communication is needed. The chief audit executive may use a variety of communication methods such as written and oral reports and presentations, formal meetings, and informal discussions. The chief audit executive may document the board's expectations formally in the internal audit methodologies. Periodically, the chief audit executive should confirm with the board that the frequency, nature, and content of communications meet the board's expectations and help the board achieve its oversight responsibilities.

The frequency of communication between the board and the chief audit executive should consider the need for timely communication about significant issues. The chief audit executive should seek information from the board about its perspectives and expectations related to understanding and oversight of not just financial risk management but also a broad range of nonfinancial governance and risk management concerns including, for example, strategic initiatives, cybersecurity, health and safety, sustainability, business resilience, and reputation.

To identify the issues the chief audit executive escalates beyond senior management, criteria may be established outlining the significance or materiality that exceeds the risk tolerance. The criteria should be linked to a process for the chief audit executive to follow to escalate communications from management to the board. Typically, disagreements between the chief audit executive and senior management should be discussed with senior management to ensure the information presented to the board is accurate and reflects management's perspective.

Typically, formal board meetings allow formal communication at least quarterly. Additionally, the chief audit executive and board members often communicate between meetings as needed, sometimes informally.



## Examples of Evidence of Conformance

- Board agendas and meeting minutes documenting the nature, topics, and frequency of discussions with the chief audit executive.
- Presentations made by the chief audit executive to the board.
- Internal audit communications to board members.
- Documentation of the criteria for identifying issues to be brought to the attention of the board and a process for communicating or escalating such issues.

## Standard 8.2 Resources

### Requirements

The chief audit executive must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the chief audit executive must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how any resource shortfalls will be addressed.

### Essential Conditions

#### Board

- Collaborate with senior management to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Discuss with the chief audit executive, at least annually, the sufficiency, both in numbers and capabilities, of internal audit resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Consider the impact of insufficient resources on the internal audit mandate and plan.
- Engage with senior management and the chief audit executive on remedying the situation if the resources are determined to be insufficient.

#### Senior Management

- Engage with the board to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan.
- Engage with the board and the chief audit executive on any issues of insufficient resources and how to remedy the situation.

## Considerations for Implementation

To analyze the sufficiency of the resources necessary to fulfill the internal audit mandate and achieve the plan, the chief audit executive may perform a gap analysis between the resources available within the internal audit function and those needed to perform internal audit services. (See also Principle 10 Manages Resources and its standards.) The chief audit executive's strategy should provide a resource plan, which may include a budget request, and should consider options for staffing the internal audit function and using technology to perform services. This plan may also include a cost-benefit analysis of the various approaches to present to the board.

Although a discussion of resources between the board and the chief audit executive typically occurs at least annually in connection with presentation of the internal audit plan, having a quarterly discussion is a leading practice. The discussion should include considering the options to achieve the desired internal audit coverage, including outsourcing or using guest auditors, as well as implementing technology to improve the internal audit function's efficiency and effectiveness.

## Examples of Evidence of Conformance

- Agendas, meeting minutes, and communications between the chief audit executive and the board and/or senior management, documenting discussions of the sufficiency of internal audit resources.
- Internal audit resource plans indicating the sufficiency of resources needed to achieve the internal audit plan.
- Budget requests pertaining to internal audit resources.
- Documentation of gap analyses between the internal audit plan and available resources.
- Documentation of a cost-benefit analysis.
- Documentation of the chief audit executive's resourcing strategy.

## Standard 8.3 Quality

### Requirements

The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments:

- External assessments. (See also Standard 8.4 External Quality Assessment.)
- Internal assessments. (See also Standard 12.1 Internal Quality Assessment.)

At least annually, the chief audit executive must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include:

- The internal audit function's conformance with the Standards and achievement of performance objectives.
- If applicable, compliance with laws and/or regulations relevant to internal auditing.
- If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.

### Essential Conditions

#### Board

- Discuss with the chief audit executive the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function.
- Approve the internal audit function's performance objectives at least annually. (See also Standard 12.2 Performance Management.)



- Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes:
  - Reviewing the internal audit function's performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal audit mandate; and progress towards completion of the internal audit plan.
  - Considering the results of the internal audit function's quality assurance and improvement program.
  - Determining the extent to which the internal audit function's performance objectives are being met.

#### **Senior Management**

- Provide input on the internal audit function's performance objectives.
- Participate with the board in an annual assessment of the chief audit executive and internal audit function.

## Considerations for Implementation

The chief audit executive's communications to the board and senior management regarding the internal audit function's quality assurance and improvement program should include:

- The scope, frequency, and results of internal and external quality assessments conducted under the direction of, or with the assistance of, the chief audit executive.
- Action plans that address deficiencies and opportunities for improvement. Actions should be agreed upon with the board.
- Progress toward completing the agreed-upon actions.

An assessment of the internal audit function's quality may consider:

- The level of contribution to the improvement of governance, risk management, and control processes.
- Productivity of internal audit staff (for example, planned hours compared to actual hours on projects or time used on audit projects compared to administrative time).
- Compliance with internal audit laws and/or regulations.
- Cost efficiency of the internal audit processes.
- Strength of relationships with senior management and other key stakeholders.
- Other performance measures. (See also Standard 12.2 Performance Measurement.)

## Examples of Evidence of Conformance

- Agendas and minutes from board meetings documenting discussions with the chief audit executive about the internal audit function's quality assurance and improvement program.
- Chief audit executive presentations and other communications covering the results of the quality assessments and status of action plans to address any opportunities for improvement.
- Quality assurance and improvement program workpapers or other evidence demonstrating the completion of related activities.

## Standard 8.4 External Quality Assessment

### Requirements

The chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation.

When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor® designation.

### Essential Conditions

#### Board

- Discuss with the chief audit executive the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team.
- Collaborate with senior management and the chief audit executive to determine the scope and frequency of the external quality assessment.
- Consider the responsibilities and regulatory requirements of the internal audit function and the chief audit executive, as described in the internal audit charter, when defining the scope of the external quality assessment.
- Review and approve the chief audit executive's plan for the performance of an external quality assessment. Such approval should cover, at a minimum:
  - The scope and frequency of assessments.
  - The competencies and independence of the external assessor or assessment team.
  - The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
- Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.
- Review and approve the chief audit executive's action plans to address identified deficiencies and opportunities for improvement, if applicable.
- Approve a timeline for completion of the action plans and monitor the chief audit executive's progress.



### Senior Management

- Collaborate with the board and the chief audit executive to determine the scope and frequency of the external quality assessment.
- Review the results of the external quality assessment, collaborate with the chief audit executive and board to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.

## Considerations for Implementation

The board and chief audit executive may determine that it is appropriate to conduct an external assessment more frequently than every five years. There are several reasons to consider a more frequent review, including changes in leadership (for example, senior management or the chief audit executive), significant changes in internal audit methodologies, the merger of two or more internal audit functions, or significant staff turnover. Additionally, some organizations, such as those in highly regulated industries may prefer or be required to increase the frequency or scope of the external quality assessments.

The external quality assessment should include a comprehensive review of the adequacy of the internal audit function's:

- Conformance with the Global Internal Audit Standards.
- Mandate, charter, strategy, methodologies, processes, risk assessment, and internal audit plan.
- Compliance with applicable laws and/or regulations.
- Performance criteria and measures as well as assessment results.
- Competencies and due professional care, including the sufficient use of tools and techniques; and focus on continual development.
- Qualifications and competencies, including those of the chief audit executive role, as defined by the organization's job description and hiring profile.
- Integration into the organization's governance processes, including the relationships among those involved in positioning the internal audit function to operate independently.
- Contribution to the organization's governance, risk management, and control processes.
- Contribution to the improvement of the organization's operations and ability to attain its objectives.
- Ability to meet expectations articulated by the board, senior management, and stakeholders.

In addition to the requirement that at least one member of the external assessment team be a Certified Internal Auditor<sup>®</sup>, other important qualifications of the assessment team to consider include:

- Experience with and knowledge of the Standards and leading internal audit practices.
- Experience as a chief audit executive or comparable senior level of internal audit management.
- Experience in the organization's industry or sector.
- Previous experience performing external quality assessments.
- Completion of external quality assessment training recognized by The Institute of Internal Auditors.
- Attestation by assessment team members that they have no conflicts of interest, in fact or appearance.

The chief audit executive should consider potential impairments to the independence of assessors driven by past, present, or anticipated future relationships with the organization, its personnel, or its internal audit function. If a potential assessor is a former employee of the organization, the length of time the assessor has been independent should be evaluated. Examples of potential impairments include:

- External audits of financial statements.
- Assistance to the internal audit function.
- Personal relationships.
- Previous or planned participation in internal quality assessments.
- Advisory services in governance, risk management, and control processes; financial reporting; or other areas.

Individuals from another department of the organization, although organizationally separate from the internal audit function, are not considered independent for the purpose of conducting an external assessment. Likewise, individuals from a related organization (for example, a parent organization, an affiliate in the same group of entities, or an entity with regular oversight, supervision, or quality assurance responsibilities with respect to the subject organization) are not considered independent. In the public sector, internal audit functions in separate entities within the same tier of government are not considered independent if they report to the same chief audit executive.

Reciprocal peer assessments between two organizations are not considered independent. However, assessments rotated among three or more peer organizations – organizations within the same industry, regional association, or other affinity group – may be considered independent. Care should be exercised to ensure that independence and objectivity are not impaired and that all team members are able to exercise their responsibilities fully.

A self-assessment with independent validation typically includes:

- A comprehensive and fully documented internal assessment that emulates the external quality assessment process in terms of evaluating the internal audit function's conformance with the Standards.
- Validation by a qualified, independent external quality assessor or assessment team. The independent validation should determine that the internal assessment was conducted completely and accurately.
- Benchmarking, leading practices, and interviews with key stakeholders, such as board members, senior management, and operational management.

## Examples of Evidence of Conformance

- Board meeting minutes where the chief audit executive's external quality assessment plan is discussed and approved by the board.
- Formal external quality assessment report prepared and validated by a qualified, independent assessor.
- Presentations to the board by external assessors covering the results of the external quality assessment.
- Chief audit executive presentations to the board covering external assessment results and action plans, as appropriate.



## Domain IV: Managing the Internal Audit Function



**The chief audit executive** is responsible for managing the internal audit function in accordance with the internal audit charter and Global Internal Audit Standards. This responsibility includes strategic planning, obtaining and deploying resources, building relationships, communicating with stakeholders, and ensuring and enhancing the performance of the function.

The individual responsible for managing the internal audit function is expected to conform with the Standards including performing the responsibilities described in this domain whether the individual is directly employed by the organization or contracted through an external service provider. The specific job title and responsibilities may vary across organizations.

The chief audit executive may delegate appropriate responsibilities to other qualified professionals in the internal audit function but retains ultimate accountability.

The direct reporting relationship between the board and the chief audit executive enables the internal audit function to fulfill its mandate. (See also Standard 7.1 Organizational Independence.) In addition, the chief audit executive typically has an administrative reporting line to the highest-ranking person in senior management, such as the chief executive officer, to support day-to-day activities and establish the status and authority necessary to ensure the results of the internal audit services are given due consideration.

### Principle 9 Plan Strategically

**The chief audit executive plans strategically to position the internal audit function to fulfill its mandate and achieve long-term success.**

Planning strategically requires the chief audit executive to understand the internal audit mandate and the organization's governance, risk management, and control processes. A properly resourced and positioned internal audit function develops and implements a strategy to support the organization's success. In addition, the chief audit executive creates and implements methodologies to guide the internal audit function and develop the internal audit plan.

## Standard 9.1 Understanding Governance, Risk Management, and Control Processes

### Requirements

To develop an effective internal audit strategy and plan, the chief audit executive must understand the organization's governance, risk management, and control processes.

To understand governance processes, the chief audit executive must consider how the organization:

- Establishes strategic objectives and makes strategic and operational decisions.
- Oversees risk management and control.
- Promotes an ethical culture.
- Delivers effective performance management and accountability.
- Structures its management and operating functions.
- Communicates risk and control information throughout the organization.
- Coordinates activities and communications among the board, internal and external providers of assurance services, and management.

To understand risk management and control processes, the chief audit executive must consider how the organization identifies and assesses significant risks and selects appropriate control processes. This includes understanding how the organization identifies and manages the following key risk areas:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws and/or regulations.

### Considerations for Implementation

The chief audit executive's understanding is developed by gathering information broadly and viewing it comprehensively. Sources of information include discussions with the board and senior management, reviews of board and senior management minutes and presentations, communications and workpapers from internal audit engagements, and assessments and reports completed by other providers of assurance and advisory services.

#### **Understanding Governance Processes**

The chief audit executive should be well informed about leading governance principles, globally accepted governance frameworks and models, and professional guidance specific to the industry and sector within which the organization operates. Based on this knowledge, the chief audit executive should identify whether any of these have been implemented in the organization and should gauge the maturity of the organization's governance processes. The organization's governance structure, processes, and practices may be affected by unique organizational characteristics such as its type, size, complexity, structure, and process maturity as well as the legal and/or regulatory requirements to which the organization is subject.



The chief audit executive may review board and committee charters and agendas and minutes from their meetings to gain additional insight into the role the board plays in the organization's governance, especially regarding strategic and operational decision-making.

The chief audit executive may speak with individuals in key governance roles (for example, the board chair, top elected or appointed official in a governmental organization, chief ethics officer, human resources officer, chief compliance officer, and chief risk officer) to gain a clearer understanding of the organization's processes and assurance activities. The chief audit executive may review the reports and/or results of previously completed governance reviews, paying particular attention to any identified concerns.

### **Understanding Risk Management Processes**

The chief audit executive should understand globally accepted risk management principles, frameworks, and models as well as professional guidance specific to the industry and sector within which the organization operates. The chief audit executive should gather information to assess the maturity of the organization's risk management processes, including identifying whether the organization has defined its risk appetite and implemented a risk management strategy and/or framework. Discussions with the board and senior management help the chief audit executive understand their perspectives and priorities related to the organization's risk management.

To gather risk information, the chief audit executive should review recently completed risk assessments and related communications issued by senior and operational management, those charged with risk management, external auditors, regulators, and other internal and external providers of assurance services.

### **Understanding Control Processes**

The chief audit executive should become familiar with globally accepted control frameworks and consider those used by the organization. For each identified organizational objective, the chief audit executive should develop and maintain a broad understanding of the organization's control processes and their effectiveness. The chief audit executive may develop an organizationwide risk and control matrix to:

- Document identified risks that may affect the ability to achieve organizational objectives.
- Indicate the relative significance of risks.
- Understand key controls in organizational processes.
- Understand which controls have been reviewed for design adequacy and deemed to be operating as intended.

A thorough understanding of the organization's governance, risk management, and control processes enables the chief audit executive to identify and prioritize opportunities to provide internal audit services that may enhance the organization's success. The identified opportunities form the basis of internal audit strategy and plan.

## **Examples of Evidence of Conformance**

- Documentation of the chief audit executive's inquiry, gathering, review, and consideration of the governance, risk management, and control frameworks and processes used by the organization, including:
  - The organization's board and committee charters, which outline the governance expectations of the organization.
  - Assessment of laws, regulations, and other requirements related to governance, risk management, and control processes.

- Review of the agendas and minutes from board meetings documenting discussion of the organization's governance, risk management, and control processes, including the strategies, approaches, and oversight of each.
- Meeting minutes or notes from discussions between the chief audit executive and those in the organization with roles in governance and risk management.
- Review of the organization's risk appetite statement or documented communication with the board and senior management regarding the organization's risk appetite and risk tolerance.
- Documentation of orientation or training provided to internal audit staff regarding the organization's governance, risk management, and control processes.
- Review of business strategies and business plans.
- Review of communications received from regulators.
- Demonstrated understanding of the organization's risk and control matrix.

## Standard 9.2 Internal Audit Strategy

### Requirements

The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.

An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfillment of the internal audit mandate.

The chief audit executive must review the internal audit strategy with the board and senior management periodically.

### Considerations for Implementation

To develop the vision and strategic objectives of the internal audit strategy, the chief audit executive should start by considering the organization's strategy and objectives and the expectations of the board and senior management. The chief audit executive also may consider the types of services to be performed and the expectations of other stakeholders served by the internal audit function, as agreed in the internal audit charter.

The vision describes the desired future state – in the next three to five years, for example – of the internal audit function and provides direction to help the function fulfill its mandate. The vision is also designed to inspire internal auditors to continuously improve. The strategic objectives define achievable targets to attain the vision. The supporting initiatives outline more specific tactics and steps for achieving each strategic objective.



One approach to developing a strategy is to identify and analyze the internal audit function's strengths, weaknesses, opportunities, and threats – an exercise designed to determine ways to improve the function. Another approach is to perform a gap analysis between the current and the desired states of the internal audit function.

The initiatives supporting the strategy should include:

- Opportunities to help internal auditors develop their competencies.
- The introduction and application of technology when it improves the internal audit function's efficiency and effectiveness.
- Opportunities to improve the internal audit function as a whole.

When the chief audit executive determines the strategic objectives and supporting initiatives, the actions to be taken should be prioritized and assigned target dates.

The internal audit strategy should be adjusted whenever changes occur in the organization's strategic objectives or stakeholders' expectations. Factors that may prompt a more frequent review of the internal audit strategy include:

- Changes in the organization's strategy or the maturity of its governance, risk management, and control processes.
- Changes in the organization's policies and procedures or the laws and/or regulations to which the organization is subject.
- Changes in members of the board, senior management, or the chief audit executive.
- Results of internal and external assessments of the internal audit function.

The chief audit executive may design a timeline for implementation of the internal audit strategy and related performance measures. (See also Standard 12.2 Performance Measurement.) A periodic review of the internal audit strategy should include a discussion of the internal audit function's progress on initiatives with the board and senior management.

## Examples of Evidence of Conformance

- Documented internal audit strategy, including vision, strategic objectives, and supporting initiatives.
- Minutes or correspondence from meetings with the board, senior management, and/or other stakeholders where expectations were discussed.
- Notes showing the information and analyses that informed the strategy.
- Internal audit methodologies for producing and reviewing the internal audit strategy and monitoring its implementation.
- Results of periodic self-assessments or other reviews of the progress on initiatives.

## Standard 9.3 Methodologies

### Requirements

The chief audit executive must establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards. The chief audit executive must evaluate the effectiveness of the methodologies and update them as necessary to improve the internal audit function and respond to significant changes that affect the function. The chief audit executive must provide internal auditors with training on the methodologies. (See also Principles 13 Plan Engagements Effectively, 14 Conduct Engagement Work, and 15 Communicate Engagement Results and Monitor Action Plans, and their standards.)

### Considerations for Implementation

The form, content, level of detail, and degree of documentation of methodologies may differ based on the size, structure, complexity, industry/regulatory expectations, and maturity of the organization and the internal audit function. Methodologies may exist as individual documents (such as standard operating procedures) or may be collected into an internal audit manual or integrated into internal audit management software. Internal audit methodologies supplement the Standards by providing specific instructions and criteria that help internal auditors implement the Standards and perform services with quality. Additionally, internal audit methodologies describe processes and procedures for communicating, handling operational and administrative matters, and overseeing the internal audit function. (See also Standards 14.3 Evaluation of Findings, 14.5 Engagement Conclusions, and 15.2 Confirming the Implementation of Recommendations or Action Plans.)

Documented methodologies that are most likely to be necessary to implement the strategy, achieve the internal audit plan, and conform with Standards include the internal audit function's approach to:

- Assessing risks for the organization and for each engagement.
- Developing and updating the internal audit plan.
- Determining the balance between assurance and advisory engagements.
- Coordinating with internal and external assurance providers.
- Managing external service providers, when used.
- Performing internal audit engagements.
- Communicating throughout internal audit services.
- Retaining and releasing engagement records and other information, consistent with the organization's guidelines and pertinent regulatory or other requirements.
- Monitoring and confirming the implementation of internal auditors' recommendations or management's action plans.
- Assuring the quality and improvement of the internal audit function.
- Developing performance measurements to assess progress toward meeting objectives.
- Performing additional services identified in the internal audit mandate.



The effectiveness of the internal audit methodologies should be reviewed during assessments of the internal audit function's quality. Reasons for updating established methodologies include significant changes in professional internal audit standards and guidance, legal and/or regulatory requirements, technology, and department size or composition. A change of the chief audit executive or board chairman may also warrant the review and revision of internal audit methodologies.

## Examples of Evidence of Conformance

- Documentation of software program incorporating methodologies.
- Meeting agendas and minutes, emails, signed acknowledgments, training schedules, or similar documentation evidencing communications to internal audit personnel about internal audit methodologies.
- Documentation of quality reviews of audit work demonstrating that methodologies are followed.
- Footnotes or endnotes within the methodologies or internal audit manual citing the standard that the content is addressing.
- Documentation of updates to the methodologies.

## Standard 9.4 Internal Audit Plan

### Requirements

The chief audit executive must create an internal audit plan that supports the achievement of the organization's objectives.

The chief audit executive must base the internal audit plan on a documented assessment of the organization's strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive's understanding of the organization's governance, risk management, and control processes. The assessment must be performed at least annually.

The internal audit plan must:

- Consider the internal audit mandate and the full range of agreed-to internal audit services.
- Specify internal audit services that support the evaluation and improvement of the organization's governance, risk management, and control processes.
- Consider coverage of information technology governance, fraud risk, the effectiveness of the organization's compliance and ethics programs, and other high-risk areas.
- Identify the necessary human, financial, and technological resources necessary to complete the plan.
- Be dynamic and updated timely in response to changes in the organization's business, risks operations, programs, systems, controls, and organizational culture.



The chief audit executive must review and revise the internal audit plan as necessary and communicate timely to the board and senior management:

- The impact of any resource limitations on internal audit coverage.
- The rationale for not including an assurance engagement in a high-risk area or activity in the plan.
- Conflicting demands for services between major stakeholders, such as high-priority requests based on emerging risks and requests to replace planned assurance engagements with advisory engagements.
- Limitations on scope or restrictions on access to information.

The chief audit executive must discuss the internal audit plan, including significant interim changes, with the board and senior management. The plan and significant changes to the plan must be approved by the board.

## Considerations for Implementation

This standard requires an organizationwide risk assessment to be completed at least annually as the basis for the plan. However, the chief audit executive should keep continuously apprised of risk information, updating the risk assessment and internal audit plan accordingly. If the organization's environment is dynamic, the internal audit plan may need to be updated as frequently as every six months, quarterly, or even monthly. The size, complexity, and type of changes occurring in the organization relative to the maturity of the organization's governance, risk management, and control processes should be considered when determining the appropriate level of effort to update the risk assessment.

One approach to preparing the internal audit plan is to organize potentially auditable units within the organization into an audit universe to facilitate the identification and assessment of risks. An audit universe is most useful when it is based on an understanding of the organization's objectives and strategic initiatives and aligned with the organization's structure or risk framework. Auditable units may include business units, processes, programs, and systems. The chief audit executive can link those organizational units to key risks in preparation for a comprehensive risk assessment and the identification of assurance coverage throughout the organization. This process enables the chief audit executive to prioritize the risks to be evaluated further during internal audit engagements.

To strive to ensure that the audit universe and risk assessment cover the organization's key risks, the internal audit function should independently review and validate the key risks that were identified within the organization's risk management system. The internal audit function should only rely on management's information about risks if it has concluded that the organization's risk management processes are effective.

To complete the organizationwide risk assessment, the chief audit executive should consider objectives and strategies not just at the broad organizational level but also at the level of specific auditable units. Additionally, the chief audit executive should give due consideration to risks – such as those related to ethics, fraud, information technology, third-party relationships, and noncompliance with regulatory requirements – that may be tied to more than one business unit or process and may require more complex evaluation.

To support this risk assessment, the chief audit executive may gather information from recently completed internal audit engagements as well as discussions with members of the board and senior management. (See also Standards 9.1 Understanding Governance, Risk Management, and Control Processes and 11.3 Communicating Results.) The chief audit executive may implement a methodology for continuously assessing risks. Risks should be considered not only in terms of negative effects and barriers to achieving objectives but also in terms of opportunities that enhance the organization's ability to achieve its objectives.

The chief audit executive should develop a process to identify and assess significant, new, and emerging risks that should be considered for coverage in the audit plan. For example, resource limitations may make it impossible for the internal audit function to assess every risk in the audit universe annually. In such cases, the chief audit executive may need to increase reliance on sources of risk information such as management's risk assessments, meetings with the board and senior management, and the results of previous engagements and other audit work.

To create the internal audit plan, the chief audit executive considers the level of risk identified across each of the auditable units relative to the known level of control effectiveness. Also influencing the internal audit plan are requests made by the board and senior management, the assurance coverage expected throughout the organization, engagements required by laws or regulations, and the internal audit function's ability to rely on the work of other assurance providers. The chief audit executive should plan to reevaluate reliance periodically.

When developing the internal audit plan, the chief audit executive should consider the following:

- Engagements required by laws or regulations.
- Engagements critical to the organization's mission or strategy.
- Areas and activities with significant levels of risk.
- Whether all significant risks have sufficient coverage by assurance providers.
- Advisory and ad hoc requests.
- The time and resources required for each potential engagement.
- Each engagement's potential benefits to the organization, such as the engagement's potential to contribute to the improvement of the organization's governance, risk management, and control processes.

To schedule internal audit engagements, the chief audit executive should consider:

- The organization's operational priorities.
- Schedule of external audit engagements and regulatory reviews.
- Competencies and availability of internal auditors.
- Ability to access the activity under review.

The proposed internal audit plan should include:

- The resources and hours available for engagements compared to other administrative and nonaudit activities or initiatives focused on improving the internal audit function.
- The list of proposed engagements and related analysis, specifying the degree to which the engagements are:
  - Assurance or advisory.
  - Focused on certain departments, units, or objectives of the organization.
  - Predominately addressing financial, compliance, operational, cybersecurity, or other objectives.



- The rationale for selecting each proposed engagement; for example, significance of risk, organizational theme or trend (root cause), regulatory requirement, or time since last engagement.
- General purpose and preliminary scope of each proposed engagement.
- A percentage of hours to be reserved for contingencies and ad hoc requests.
- The next set of engagements that would have been performed if additional resources were available. Discussion regarding these engagements may help the board assess the adequacy of resources available to the internal audit function.

The chief audit executive, the board, and senior management should agree upon the criteria that define the significant changes that require a revision of the audit plan. The agreed-upon criteria and protocol should be incorporated into the internal audit function's methodologies. Examples of significant changes include canceling or postponing engagements related to significant risks or critical strategic objectives. If risks arise that necessitate revisions to the plan before a formal discussion with the board can be scheduled, the board should be informed of the changes immediately, and a formal approval should occur as soon as possible.

## Examples of Evidence of Conformance

- Approved internal audit plan.
- Documented risk assessment and prioritization, including the inputs upon which the plan is based.
- Minutes of meetings in which the chief audit executive discussed with the board and senior management the audit universe, organizationwide risk assessment, internal audit plan, and the criteria and protocol for handling significant changes to the plan.
- Notes documenting discussions to gather information to inform the organizationwide risk assessment and internal audit plan.
- Documented list of those to whom the internal audit plan was distributed.
- Documented methodologies for organizationwide risk assessment and protocol for handling significant changes.

## Standard 9.5 Coordination and Reliance

### Requirements

The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers.

If unable to achieve an appropriate level of coordination, the chief audit executive must raise any concerns with senior management and, if necessary, the board.

When the internal audit function relies on the work of other assurance service providers, the chief audit executive must document the basis for that reliance and is still responsible for the conclusions reached by the internal audit function.



## Considerations for Implementation

The chief audit executive should develop a methodology for evaluating other providers of assurance and advisory services that includes a basis for relying upon their work. The evaluation should consider the providers' roles, responsibilities, organizational independence, competency, and objectivity, as well as the due professional care applied to their work. The chief audit executive should understand the objectives, scope, and results of the work performed.

The chief audit executive should identify the organization's assurance and advisory service providers by communicating with senior management and reviewing the organizational reporting structure and board meeting agendas or minutes. Internal providers of assurance and advice include functions that may report to or be part of senior management, such as compliance, environmental, financial control, health and safety, information security, legal, risk management, and quality assurance. External assurance providers may report to senior management, external stakeholders, or the chief audit executive.

Examples of coordination include:

- Synchronizing the nature, extent, and timing of planned work.
- Establishing a common understanding of assurance techniques, methods, and terminology.
- Providing access to one another's work programs and reports.
- Using management's risk management information to provide joint risk assessments.
- Creating a shared risk register or list of risks.
- Combining results for joint reporting.

The process of coordinating assurance activities varies by organization, from informal in small organizations to formal and complex in large or heavily regulated organizations. The chief audit executive considers the organization's confidentiality requirements before meeting with the various providers to gather the information necessary to coordinate services. Frequently, the providers share the objectives, scope, and timing of upcoming engagements and the results of prior engagements. The providers also discuss the potential for relying on one another's work.

One method to coordinate assurance coverage is to create an assurance map, or a matrix of the organization's risks and the internal and external providers of assurance services that cover those risks. The assurance map links identified significant risk categories with relevant sources of assurance and provides an evaluation of the level of assurance for each risk category. Because the map is comprehensive, it exposes gaps and duplications in assurance coverage, enabling the chief audit executive to evaluate the sufficiency of assurance services in each risk area. The results can be discussed with the other assurance providers so that the parties may reach an agreement about how to coordinate activities. In a combined assurance approach, the chief audit executive coordinates the internal audit function's assurance engagements with other assurance providers to reduce the frequency and redundancy of engagements, maximizing the efficiency of assurance coverage.

The chief audit executive may choose to rely on the work of other providers for various reasons, such as to assess specialty areas outside the internal audit function's expertise, to decrease the amount of testing needed to complete an engagement, and to enhance risk coverage beyond the resources of the internal audit function.

To determine whether the internal audit function may rely on the work of another provider, the methodology should consider the provider's:

- Potential or actual conflicts of interest and whether disclosures were made.
- Reporting relationships and the potential impacts of this arrangement.
- Relevance and validity of professional experience, qualifications, and certifications.
- Methodology and the due professional care applied in planning, supervising, documenting, and reviewing the work.
- Findings and conclusions and whether they are reasonable, based on sufficient, reliable, and relevant evidence.

After evaluating the work of another assurance provider, the chief audit executive may determine that the internal audit function cannot rely upon the work. Internal auditors may either retest the work and gather additional information or independently perform assurance services.

If the internal audit function intends to rely upon the work of another assurance provider on an ongoing or long-term basis, the parties should document the agreed-upon relationship and specifications for the assurance to be provided and the testing and evidence required to support the assurance.

## Examples of Evidence of Conformance

- Communications regarding distinct assurance and advisory roles and responsibilities, which may be documented in the notes from meetings with individual providers of assurance and advisory services or in minutes of meetings with the board and senior management.
- Assurance maps and/or combined assurance plans that identify which provider is responsible for assurance services in each area.
- Documentation and implementation of the methodology to determine whether to rely on a provider's work.
- Documented agreements with other assurance providers confirming the specifications of the assurance work they will perform.

## Principle 10 Manage Resources

**The chief audit executive manages resources to implement the internal audit function's strategy and achieve its plan and mandate.**

Managing resources requires obtaining and deploying financial, human, and technological resources effectively. The chief audit executive needs to obtain the resources required to perform internal audit responsibilities and deploy the resources according to the methodologies established for the internal audit function.



## Standard 10.1 Financial Resource Management

### Requirements

The chief audit executive must manage the internal audit function's financial resources.

The chief audit executive must develop a budget that enables the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and acquisition of technology and tools. The chief audit executive must manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

The chief audit executive must seek budget approval from the board. The chief audit executive must communicate promptly the impact of insufficient financial resources to the board and senior management.

### Considerations for Implementation

The chief audit executive should follow the budget processes established by the organization. Whether the internal audit function is insourced or outsourced, an adequate budget should still be approved by the board.

Periodically, the chief audit executive should review the planned budget compared to the actual budget and analyze significant variances to determine whether adjustments are needed. The budget may include reserves for unexpected but necessary changes to the internal audit plan. If an audit function's budget is established within a larger budget managed by another department, business unit, or authority, the chief audit executive still should understand the funds allocated to the internal audit function, track spending, and monitor the sufficiency of the financial resources deployed in the internal audit function.

If significant additional resources are needed due to unforeseen circumstances, the chief audit executive should discuss the circumstances with the board and senior management promptly.

### Examples of Evidence of Conformance

- Documentation of the internal audit plan against the budget, forecast, and actual expenses.
- Minutes of meetings in which the chief audit executive discussed the internal audit budget with the board and senior management.
- Board meeting minutes discussing the internal audit function's budget and approval.



## Standard 10.2 Human Resources Management

### Requirements

The chief audit executive must establish an approach to recruit, develop, and retain internal auditors who are qualified to successfully implement the internal audit strategy and achieve the internal audit plan.

The chief audit executive must strive to ensure that human resources are appropriate, sufficient, and effectively deployed to achieve the approved internal audit plan. *Appropriate* refers to the mix of knowledge, skills, and abilities; *sufficient* refers to the quantity of resources; and *effective deployment* refers to assigning resources in a way that optimizes the achievement of the internal audit plan.

The chief audit executive must communicate with the board and senior management regarding the appropriateness and sufficiency of the internal audit function's human resources. If the function lacks appropriate and sufficient human resources to achieve the internal audit plan, the chief audit executive must determine how to obtain the resources or communicate timely to the board and senior management the impact of the limitations. (See also Standard 8.2 Resources.)

The chief audit executive must evaluate the competencies of individual internal auditors within the internal audit function and encourage professional development. The chief audit executive must collaborate with internal auditors to help them develop their individual competencies through training, supervisory feedback, and/or mentoring. (See also Standard 3.1 Competency.)

### Considerations for Implementation

The structure and approach to resourcing the internal audit function should align with the internal audit charter and support the achievement of the internal audit function's strategy and implementation of the internal audit plan.

In formulating an approach for managing the internal audit function's human resources, the chief audit executive should:

- Consider organizational characteristics, such as structure and complexity, geographic complexities, diversity of cultures and languages, and volatility of the risk environment in which the organization operates.
- Consider the internal audit budget and the cost effectiveness and flexibility of various staffing approaches (for example, hiring an employee or contracting with an external service provider).
- Understand the options for obtaining the human resources needed to fulfill the internal audit charter and achieve the internal audit plan.
- Communicate with the board and senior management to agree upon an approach.
- Consider succession planning for the chief audit executive position including discussions with the board.

To support an approach for recruiting competent internal auditors, the chief audit executive should:

- Collaborate with the human resources function to develop job specifications or descriptions that align with Standard 3.1 Competency and relevant professional competency frameworks.
- Consider the benefits of recruiting internal auditors with diverse backgrounds, experiences, and perspectives and creating an inclusive work environment that allows for effective collaboration and sharing of diverse views.
- Participate in recruitment activities, such as job fairs, student events, professional networking opportunities, and interviews with prospective candidates for hire.

To develop and retain internal auditors, the chief audit executive should:

- Implement compensation, promotion, and recognition activities that support the achievement of the internal audit function's strategic objectives.
- Implement methodologies for training, evaluating performance, improving competencies, and promoting the professional development of internal auditors.
- Consider the human resources objectives of the internal audit function and the organization, such as cross-functional sharing of knowledge and succession planning.
- Cultivate an ethical, professional environment in which internal auditors are trained adequately and collaborate effectively. (See also Domain II: Ethics and Professionalism.)

To evaluate whether the human resources are appropriate and sufficient to achieve the internal audit plan, the chief audit executive should consider:

- The competencies of the internal auditors and the competencies needed to perform internal audit services.
- The nature and complexity of the services.
- The number of internal auditors and productive work hours available.
- Scheduling constraints, including the availability of internal auditors and the organization's information, people, and properties.
- The ability to rely on the work of other assurance providers. (See also Standard 9.5 Coordination and Reliance.)

In addition to competencies, the chief audit executive considers the timing or schedule of internal audit engagements, based on the schedules of individual internal auditors and the availability of staff responsible for the activity under review. If an engagement is scheduled to occur at a specific time, then the resources needed to complete that engagement should be available at that time.

If the resources are insufficient to cover the planned engagements, the chief audit executive may provide training for existing staff, request an expert from within the organization to serve as a guest auditor, hire additional staff, rely on other assurance providers, develop a rotational auditing program, or contract with an external service provider. External service providers may provide specialized skills, complete special projects, or perform engagements.

When the internal audit function is sourced internally, internal audit staffing may be supplemented by a rotational staffing model, whereby employees from other business units join the internal audit function temporarily and later return to the business unit. Employees transferring into the internal audit function may provide specialized skills and knowledge as well as unique perspectives and insights. Additionally, when employees transfer back into business units, their internal audit experiences contribute to a deeper understanding of the organization's governance, risk management, and control processes. When a rotational



model is used, the chief audit executive should be aware of potential impairments to objectivity and should implement related safeguards. (See also Standard 2.2 Safeguarding Objectivity.)

The internal audit methodology for supervising engagements should include sufficient opportunities for internal auditors to receive constructive feedback from more experienced internal auditors in supervisory roles; such feedback may be provided through written or oral comments in the supervisory reviews of workpapers and other communications. Mentorship programs offer on-the-job experiences through which less experienced internal auditors can follow and directly observe knowledgeable staff performing engagements. The ongoing monitoring and periodic self-evaluations that comprise the internal audit function's internal quality assessments provide additional opportunities for internal auditors to receive feedback and suggestions to increase their effectiveness. (See also Standard 12.1 Internal Quality Assessment.) Individual performance evaluations carried out at regular intervals, such as annually, are another source of input that can contribute to internal auditors' professional development.

The chief audit executive should follow the organization's human resources policies or, as in the public sector, follow regulatory or contractually driven human resources frameworks. In these cases, the chief audit executive should work to thoroughly understand the frameworks and optimize the job classifications, assessment processes, and other mandated human resources frameworks to support the internal audit function. The board and senior management should be advised when these mandated frameworks diminish the ability to fulfill the human resources needs of the internal audit function.

## Examples of Evidence of Conformance

- Documented analysis of gaps between competencies of internal auditors on staff and those required.
- Job descriptions.
- Résumés of internal auditors employed by the organization.
- Documented training plans and evidence of completed training.
- External service provider contracts and résumés of internal auditors assigned by the provider.
- The internal audit plan, with the estimated schedule of engagements and resources allocated.
- Meeting minutes documenting discussions regarding the internal audit budget.
- Post-engagement comparison of budgeted work hours to actual hours.
- Assessments of the performance of the internal audit function and individual internal auditors.



## Standard 10.3 Technological Resources

### Requirements

The chief audit executive must strive to ensure that the internal audit function has technology to support the internal audit process. The chief audit executive must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency.

When implementing new technology, the chief audit executive must implement appropriate training for internal auditors in the effective use of technological resources. The chief audit executive must collaborate with the organization's information technology and information security functions to implement technological resources properly.

The chief audit executive must communicate the impact of technology limitations on the effectiveness or efficiency of the internal audit function to the board and senior management.

### Considerations for Implementation

The internal audit function should use technology to improve its effectiveness and efficiency. Examples of such technology include:

- Audit management systems.
- Governance, risk management, and control process mapping applications.
- Tools that assist with data science and analytics.
- Tools that assist with communication and collaboration.

To evaluate whether the internal audit function has technological resources to perform its responsibilities, the chief audit executive should:

- Assess the feasibility of acquiring and implementing technology-enabled enhancements across the internal audit function's processes.
- Collaborate with other departments on shared governance, risk, and control management systems.
- Present sufficiently supported technology funding requests to the board and senior management for approval.
- Develop and implement plans to introduce approved technologies. Plans should include training internal auditors and demonstrating the realized benefits to the board and senior management.
- Identify and respond to the risks that arise from technology use, including those related to information security and privacy of individual data.

### Examples of Evidence of Conformance

- Sections of the internal audit strategy describing current or planned initiatives for using technology to advance the internal audit function's objectives.
- Documented discussions or plans related to requests for and implementation of technologies.

- Records of technology implementation, training, and use, including workpapers evidencing use of technology during engagements.
- The names of internal auditors and their technology-related certifications and qualifications.
- Information security, records management, and other policies and procedures relevant to the internal audit function's use of technological resources.

## Principle 11 Communicate Effectively

**The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.**

Effective communication requires building relationships, establishing trust, and enabling stakeholders to benefit from the results of internal audit services. The chief audit executive is responsible for helping the internal audit function establish ongoing communication with stakeholders to build trust and foster relationships. Additionally, the chief audit executive oversees the internal audit function's formal communications with the board and senior management to enable quality and provide insights based on the results of internal audit services.

### Standard 11.1 Building Relationships and Communicating with Stakeholders

#### Requirements

The chief audit executive must develop an approach for the internal audit function to build relationships and trust with key stakeholders, including the board, senior management, operational management, regulators, and internal and external assurance providers and other consultants.

The chief audit executive must promote formal and informal communication between the internal audit function and stakeholders, contributing to the mutual understanding of:

- Organizational interests and concerns.
- Approaches for identifying and managing risks and providing assurance.
- Roles and responsibilities of relevant parties and opportunities for collaboration.
- Relevant regulatory requirements.
- Significant organizational processes, including financial reporting.

#### Considerations for Implementation

Regular, ongoing communication among the board, senior management, and the internal audit function contributes to a common understanding of the organization's risks and assurance priorities and promotes adaptability to changes. The chief audit executive should be included in the organization's communication channels to keep current with major developments and planned activities that could affect the objectives



and risks of the organization. The chief audit executive also should attend meetings with the board and key governance committees, as well as senior management and groups that report directly to senior management, such as compliance, risk management, and quality control.

In addition, the chief audit executive should discuss a methodology for communication with the board and senior management to determine the criteria defining significant issues requiring formal communication, the format and content of formal communication, and the frequency with which such communication should occur.

Meeting independently with individual senior executives and members of the board allows the chief audit executive to build relationships with them and learn about their concerns and perspectives. To better understand business objectives and processes, internal auditors should meet with key members of operational management, such as the heads of business units and employees who perform operational tasks. In certain highly regulated industries or sectors, meetings between the chief audit executive and external auditors and regulators may be appropriate.

The chief audit executive and internal auditors may initiate discussions with management and the board about strategies, objectives, and risks as well as industry news, trends, and regulatory changes. Such discussions, along with surveys, interviews, and group workshops, are useful tools for obtaining input, especially on fraud and emerging risks. Websites, newsletters, presentations, and other forms of communication can be effective methods for sharing the internal audit function's role and benefits with employees and other stakeholders.

The chief audit executive may delegate individual internal auditors to be responsible for maintaining ongoing communication with the management of key functions such as business segment leaders, global operations, information technology, finance, compliance, and human resources. (See also Standard 9.5 Coordination and Reliance.)

Communication should include opportunities for ongoing, informal interaction between internal auditors and the organization's employees. When informal interactions occur consistently, employees gain trust in internal auditors, increasing the likelihood of candid discussions that may not occur in formal meetings. As a part of relationship-building, informal interaction may enhance internal auditors' comprehensive understanding of the organization and its control environment. Rotating internal auditors into and out of assignments in specific business units or locations may balance the benefits of informal communication against the need to protect internal auditors' objectivity.

## Examples of Evidence of Conformance

- Documentation of the internal audit function's plan for managing stakeholder relationships.
- Agendas or minutes from meetings among members of the internal audit function and stakeholders.
- Surveys, interviews, and group workshops through which internal auditors solicit input from internal stakeholders.
- Websites or web pages, newsletters, presentations, and other outlets through which the internal audit function communicates with stakeholders in the organization.



## Standard 11.2 Effective Communication

### Requirements

The chief audit executive must establish and implement methodologies to promote accurate, objective, clear, concise, constructive, complete, and timely internal audit communications.

### Considerations for Implementation

Methodologies may include policies, criteria, style guides, and procedures to guide the internal audit function's communications and achieve consistency. Communication methodologies should consider the expectations of the board, senior management, and other relevant stakeholders. (See also Standards 9.3 Methodologies and 15.1 Final Engagement Communication.) The chief audit executive may provide communications training to internal auditors, such as training in writing or preparing presentations of final communications.

Methodologies, such as supervisory reviews, should enhance the degree to which engagement communications are:

- **Accurate** - free from errors and distortions and faithful to the underlying facts. When communicating, internal auditors should use precise terms and descriptions, supported by information gathered. Internal auditors also should consider other standards related to accuracy, including Standard 11.4 Errors and Omissions.
- **Objective** - impartial, unbiased, and the result of a fair and balanced assessment of all relevant facts and circumstances. Findings, conclusions, recommendations and/or action plans, and other results of internal audit services should be based on balanced assessments of relevant circumstances. Communications should focus on identifying factual information and linking the information to objectives. Internal auditors should avoid terms that may be perceived as biased. (See also Principle 2 Maintain Objectivity and its standards.)
- **Clear** - logical and easily understood by relevant stakeholders, avoiding unnecessary technical language. Clarity is increased when internal auditors use language that is consistent with terminology used in the organization and easily understood by the intended audience. Internal auditors should avoid unnecessary technical language and define important terms that are uncommon or used in a way that is specific or unique to the communication or presentation. Internal auditors improve the clarity of their communications by including significant details that support findings, conclusions, recommendations and/or action plans.
- **Concise** - succinct and free from unnecessary detail and wordiness. Internal auditors should avoid redundancies and exclude information that is unnecessary, insignificant, or unrelated to the engagement or service.
- **Constructive** - helpful to stakeholders and the organization and enabling improvement where needed. Internal auditors should express information with a cooperative and helpful tone that facilitates collaboration with the activity under review to determine opportunities for improvement.
- **Complete** - relevant, reliable, and sufficient information and evidence to support the results of internal audit services. Completeness enables the reader to reach the same conclusions as those reached by internal auditors. Internal auditors should adapt communications to meet the needs

of various recipients and consider the information they need to take the actions for which they are responsible. For example, communications to the board and senior management may differ from those delivered to the management of an activity under review.

- Timely - appropriately timed, according to the significance of the issue, allowing management to take corrective action. Timeliness may be different for each organization and depend upon the nature of the engagement.

The chief audit executive may establish key performance measures to monitor the effectiveness of internal audit communication, which can be used as part of the function's quality assurance and improvement program. (See also Standard 8.3 Quality, and Principle 12 Enhance Quality and its standards.)

## Examples of Evidence of Conformance

- Style guides, templates, and other documented methodologies for effective communication.
- Records of participation in training or meetings on effective communication skills.
- Final communications and other documents approved by the chief audit executive, as well as supporting documents that demonstrate the characteristics of effective communications.
- Presentation slides or meeting minutes that demonstrate the characteristics of effective communications.
- Records demonstrating the timeliness of communications.
- Workpapers that demonstrate the characteristics of effective communications.
- Workpapers with supervisory review notes on improving communication effectiveness.
- Results of stakeholder surveys regarding the quality of internal audit communications.
- Results of quality assurance and improvement program.

## Standard 11.3 Communicating Results

### Requirements

The chief audit executive must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate. The chief audit executive must understand the expectations of the board and senior management regarding the nature and timing of communications.

The results of internal audit services can include:

- Engagement conclusions.
- Themes such as effective practices or root causes.
- Conclusions at the level of the business unit or organization.



**Engagement Conclusions**

The chief audit executive must review and approve final engagement communications, which include engagement conclusions, and decide to whom and how they will be disseminated before they are issued. If these duties are delegated to other internal auditors, the chief audit executive retains overall responsibility. The chief audit executive must seek the advice of legal counsel and/or senior management as required before releasing final communications to parties outside the organization, unless otherwise required or restricted by laws and/or regulations. (See also Standards 11.4 Errors and Omissions, 11.5 Communicating the Acceptance of Risks, and 15.1 Final Engagement Communication.)

**Themes**

The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the chief audit executive identifies themes related to the organization's governance, risk management, and control processes, the themes must be communicated timely, along with insights, advice, and/or conclusions, to the board and senior management.

**Conclusions at the Level of the Business Unit or Organization**

The chief audit executive may be required to make a conclusion at the level of the business unit or organization about the effectiveness of governance, risk management, and/or control processes, due to industry requirements, laws and/or regulations, or the expectations of the board, senior management, and/or other stakeholders. Such a conclusion reflects the professional judgment of the chief audit executive based on multiple engagements and must be supported by relevant, reliable, and sufficient information.

When communicating such a conclusion to the board or senior management, the chief audit executive must include:

- A summary of the request.
- The criteria used as a basis for the conclusion, for example a governance framework or risk and control framework.
- The scope, including limitations and the period to which the conclusion pertains.
- A summary of the information that supports the conclusion.
- A disclosure of reliance on the work of other assurance providers, if any.

## Considerations for Implementation

The results of internal audit services may be based on individual engagements, multiple engagements, and interactions with the board and senior management over time.

**Engagement Conclusions**

While Standard 13.1 Engagement Communication requires internal auditors to communicate throughout an engagement with those responsible for the activity under review, the chief audit executive is responsible for the dissemination of final engagement communications to the appropriate parties. Appropriate parties may include the board, senior management, and/or those responsible for developing and implementing management's action plans. (See also Standard 15.1 Final Engagement Communication.)



The chief audit executive should encourage internal auditors to acknowledge satisfactory and positive performance in engagement communications. Examples of good practices identified across engagements may be transferable to other parts of the organization or serve as a benchmark throughout the organization.

### Themes

Tracking the findings and conclusions of multiple engagements may enable the identification of trends, such as the improvement or worsening of conditions compared to criteria, a root cause underlying the conditions, or an opportunity to share a practice that increases effectiveness or efficiency. Such trends also may lead to additional engagements that focus on the theme across the organization.

Communications to the board and senior management should include:

- Significant control weaknesses and robust root cause analysis.
- Thematic or systemic issues, actions, or progress across multiple engagements or business units.

Insights obtained from other assurance providers should be considered when identifying themes. (See also Standard 9.5 Coordination and Reliance.)

### Conclusions at the Level of the Business Unit or Organization

When communicating conclusions at the levels of the business unit or organization overall, the chief audit executive should consider how a conclusion relates to the strategies, objectives, and risks of the organization. The chief audit executive also should consider whether the conclusion solves a problem, adds value, and/or provides management or other stakeholders with confidence regarding an overall theme or condition.

The chief audit executive also considers the time period to which the conclusion relates and any scope limitations to determine which engagements would be relevant to the overall conclusion. All related engagements or projects are considered, including those completed by other internal and external assurance providers. (See also Standard 9.5 Coordination and Reliance.)

For example, an overall conclusion may be based on aggregate engagement conclusions at the organization's local, regional, and national levels, along with results reported from outside entities such as independent third parties or regulators. The scope statement provides context for the overall conclusion by specifying the time period, activities, limitations, and other variables that describe the conclusion's boundaries.

The chief audit executive should summarize the information on which the overall conclusion is based and identify the relevant risk or control frameworks or other criteria used as a basis for the overall conclusion. The chief audit executive should articulate how the overall conclusion relates to the strategies, objectives, and risks of the organization. Overall conclusions are usually communicated in writing but also may be provided orally.

## Examples of Evidence of Conformance

- Final engagement communications, including engagement findings, recommendations, and conclusions.
- The chief audit executive's outline, meeting minutes, speaking notes, slides, or documents indicating communication with the board and senior management.
- Analyses including data reports, diagrams, and graphs showing trends.
- Relevant risk or control frameworks or other criteria used as a basis for the overall conclusion.

## Standard 11.4 Errors and Omissions

### Requirements

If a final engagement communication contains a significant error or omission, the chief audit executive must communicate corrected information promptly to all parties who received the original communication.

Significance is determined according to criteria agreed upon with the board.

### Considerations for Implementation

The chief audit executive and the board should agree on a protocol for communicating the correction. To determine the significance, the chief audit executive should evaluate whether the mistaken or omitted information could have legal or regulatory consequences or change the findings, conclusions, recommendations, or management's action plans.

The chief audit executive determines the most appropriate method of communication so that the corrected information is received by all parties who received the original communication. In addition to communicating the corrected information, the chief audit executive should identify the cause of the error or omission and take corrective action to prevent a similar situation from occurring in the future.

### Examples of Evidence of Conformance

- Internal audit methodologies for handling errors and omissions.
- Criteria agreed upon with the board and used by the chief audit executive to determine the level of significance.
- Correspondence and other records showing how the chief audit executive determined the significance and cause of the error or omission.
- The chief audit executive's calendar, board or other meeting minutes, memos, and email correspondence where an error or omission was discussed.
- The original and corrected final communication documents.
- Documentation that relevant parties received the corrected communications.



## Standard 11.5 Communicating the Acceptance of Risks

### Requirements

The chief audit executive must communicate unacceptable levels of risk.

When the chief audit executive concludes that management has accepted a level of risk that exceeds the organization's risk appetite or risk tolerance, the matter must be discussed with senior management. If the chief audit executive determines that the matter has not been resolved by senior management, the matter must be escalated to the board. It is not the responsibility of the chief audit executive to resolve the risk.

### Considerations for Implementation

The chief audit executive gains an understanding of the organization's risks and risk tolerance through discussions with the board and senior management, relationships and ongoing communication with stakeholders, and the results of internal audit services. (See also Standards 8.1 Board Interaction; 9.1 Understanding Governance, Risk Management, and Control Processes; and 11.1 Building Relationships and Communicating with Stakeholders.) This understanding provides the chief audit executive with perspective about the level of risk the organization considers acceptable. If the organization has a formal risk management process, the chief audit executive should understand management's policies for acceptance of risk.

The chief audit executive may discuss and seek the board's agreement on methodologies for documenting and communicating the acceptance of risks that exceed the risk appetite or risk tolerance. In addition to the requirements in the Standards, methodologies should consider the organization's risk management process, policies, and procedures. The risk management process may include a preferred approach to communicating significant risk issues. Specifications may include the timeliness of communicating, the hierarchy of reporting, and requirements for consultation with the organization's legal counsel or head of compliance. The internal audit methodology also should include procedures for documenting the discussions and actions taken, including a description of risk, the reason for concern, management's reason for not implementing internal auditors' recommendations or other actions, the name of the individual responsible for accepting the risk, and the date of discussion.

The chief audit executive may become aware that management has accepted a risk by reviewing management's response to engagement findings and monitoring management's progress to implement recommendations and action plans. Building relationships and maintaining communication with stakeholders are additional means of remaining apprised of risk management activities including management's acceptance of risk.

When risks exceed the risk appetite, impacts may include:

- Harm to the organization's reputation.
- Harm to the organization's employees or other stakeholders.
- Significant regulatory fines, limitations on business conduct, or other financial or contractual penalties.
- Material misstatements.
- Conflicts of interest, fraud, or other illegal acts.
- Significant impediments to achieving strategic objectives.



The chief audit executive's professional judgment contributes to the determination of whether management has accepted a level of risk that exceeds the risk appetite or risk tolerance. For example, if management has made insufficient progress on action plans, the chief audit executive may conclude that management has accepted a level of risk that exceeds the risk appetite or risk tolerance. Before escalating a concern to the board and/or senior management, the chief audit executive should address the issue directly with the management responsible for the risk area to share concerns, understand management's perspective, and agree on an updated action plan.

The requirements of this standard are only implemented when the chief audit executive cannot reach agreement with the management responsible for managing the risk. If the risk identified as unacceptable remains unresolved after a discussion with senior management, the chief audit executive escalates the concern to the board. The board is responsible for deciding how to address the concern with management.

## Examples of Evidence of Conformance

- Documentation of discussions and agreement with the board on methodologies for communicating risk concerns.
- Documentation of discussions about the risk and actions recommended to operational management and senior management, including minutes of meetings.
- Documentation explaining the risk concern and internal audit actions taken to address the concern, including the process of escalating the discussion from operational management to senior management.
- Documentation from meetings with the board, including private or closed sessions during which the concern was escalated to the board.

## Principle 12 Enhance Quality

***The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.***

Quality is a combined measure of conformance with the Global Internal Audit Standards and the achievement of the internal audit function's performance objectives. Therefore, a quality assurance and improvement program is designed to evaluate and promote the internal audit function's conformance with the Standards, achievement of performance objectives, and pursuit of continuous improvement. The program includes internal and external assessments. (See also Standards 8.3 Quality and 8.4 External Quality Assessment.)

The chief audit executive is responsible for ensuring that the internal audit function is continuously seeking improvement. This requires developing measures to assess the performance of internal audit engagements, internal auditors, and the internal audit function. These measures form the basis for evaluating progress toward performance objectives including continuous improvement.

## Standard 12.1 Internal Quality Assessment

### Requirements

The chief audit executive must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress toward performance objectives.

The chief audit executive must establish a methodology for internal assessments, as described in Standard 8.3 Quality, that includes:

- Ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards.
- Communication with the board and senior management about the results of internal assessments.

Based on the results of periodic self-assessments, the chief audit executive must develop action plans to address instances of nonconformance with the Standards and opportunities for improvement, including a proposed timeline for actions. The chief audit executive must communicate the results of periodic self-assessments and action plans to the board and senior management. (See also Standards 8.1 Board Interaction, 8.3 Quality, and 9.3 Methodologies.)

Internal assessments must be documented and included in the evaluation conducted by an independent third party as part of the organization's external quality assessment. (See also Standard 8.4 External Quality Assessment.)

If nonconformance with the Standards affects the overall scope or operation of the internal audit function, the chief audit executive must disclose to the board and senior management the nonconformance and its impact.

## Considerations for Implementation

### Ongoing Monitoring

Ongoing monitoring involves the day-to-day supervision, review, and measurement of the internal audit function. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit function and includes the processes, tools, and information necessary to evaluate conformance with the Standards.

The internal audit function's progress toward performance objectives and conformance with the Standards is monitored primarily through methodologies such as supervisory reviews of engagement planning, workpapers, and final communications. These methodologies enable the identification of weaknesses or areas in need of improvement and action plans to address them. The chief audit executive may develop templates or automated workpapers for internal auditors to use throughout engagements to promote standardization and consistency in the application of the work practices.



Adequate engagement supervision is a fundamental element of a quality assurance and improvement program. Supervision begins with planning and continues throughout the engagement. Supervision may include setting expectations, encouraging communications among team members throughout the engagement, and reviewing and signing off on workpapers timely. (See also Standard 12.3 *Oversee and Improve Engagement Performance*.)

Additional mechanisms commonly used for ongoing monitoring include:

- Checklists or automated tools to provide assurance on internal auditors' compliance with established methodologies and to facilitate consistent performance of internal audit services in conformance with the Standards. These may be especially important for use in internal audit functions with limited staff resources for supervision.
- Feedback from internal audit stakeholders regarding the efficiency and effectiveness of the internal audit team. Feedback may be solicited immediately after the engagement or periodically (for example, semi-annually or annually) through survey tools or discussions between the chief audit executive and management.
- Other measurements that may be valuable in determining the efficiency and effectiveness of the internal audit function include metrics indicating the adequacy of resource allocation (such as budget-to-actual variance), the timeliness of engagement completion, the achievement of the internal audit plan, and surveys of stakeholder satisfaction.

In addition to validating conformance with the Standards, ongoing monitoring may identify opportunities to improve the internal audit function. In such cases, the chief audit executive may address these opportunities by developing an action plan.

### **Periodic Self-assessments**

Periodic self-assessments provide a more holistic, comprehensive review of the Standards and the internal audit function. Periodic self-assessments address conformance with every standard, whereas ongoing monitoring may focus on the standards relevant to performing engagements. Periodic self-assessments may be conducted by senior members of the internal audit function, a dedicated quality assurance team, individuals within the internal audit function who have attained the Certified Internal Auditor® designation or have extensive experience with the Standards, or individuals with audit competencies from elsewhere in the organization. The chief audit executive should consider including internal auditors in the periodic self-assessment process to improve their understanding of the Standards.

Periodic self-assessments enable the internal audit function to validate its conformance with the Standards. When a periodic self-assessment is performed shortly before an external assessment, the time and effort required to complete the external assessment may be reduced.

Periodic self-assessments evaluate:

- The adequacy of the internal audit function's methodologies.
- How well the internal audit function supports the achievement of the organization's objectives.
- The quality of internal audit services performed and supervision provided.
- The degree to which stakeholder expectations are met and performance objectives are achieved.

The individual or team conducting the periodic self-assessment evaluates the internal audit function's conformance against each standard and may interview and survey the internal audit function's stakeholders. Through this process, the chief audit executive can assess the quality of and adherence to the internal audit function's methodologies.



## Examples of Evidence of Conformance

- Completed checklists that support workpaper reviews, survey results, and performance measures related to the efficiency and effectiveness of the internal audit function.
- Documentation of completed periodic assessments including the plan, workpapers, and communications.
- Presentations to the board and management and meeting minutes covering the results of internal assessments.
- Documented results of ongoing monitoring and periodic self-assessments, including corrective action plans.
- Actions taken to improve the internal audit function's efficiency, effectiveness, and conformance with the Standards.

## Standard 12.2 Performance Measurement

### Requirements

The chief audit executive must develop objectives to evaluate the internal audit function's performance. The chief audit executive must consider the input and expectations of the board and senior management when developing the performance objectives.

The chief audit executive must develop a performance measurement methodology to assess progress toward achieving the function's objectives and to promote the continuous improvement of the internal audit function.

When assessing the internal audit function's performance, the chief audit executive must solicit feedback from the board and senior management as appropriate.

The chief audit executive must develop an action plan to address issues and opportunities for improvement.

## Considerations for Implementation

The establishment of performance objectives is critical to determining whether an internal audit function is fulfilling its mandate in conformance with the Standards and achieving improvement in accordance with the function's strategy.

Establishment of performance objectives should take into consideration the desired outcomes articulated within:

- The Principles of the Global Internal Audit Standards.
- The internal audit charter.
- The internal audit function's strategy.

The chief audit executive may identify a set of focused performance objectives that are reported to the board and senior management while maintaining a more comprehensive set of performance objectives for managing the internal audit function. Care should be taken to identify performance objectives that advance desired outcomes and are balanced across outcome areas: stakeholder expectations, extent of business unit or organization conclusions, human resources needs, financial and operational efficiency, and learning and development.

After identifying the performance objectives, the chief audit executive should establish targets, both quantitative and qualitative, to track progress toward meeting the performance objectives. The chief audit executive should have a methodology in place to periodically validate the accuracy of the measures being reported and raise performance expectations.

The action plans to address issues and opportunities to achieve performance objectives should be tracked by the chief audit executive and communicated with the board and senior management. Examples of performance categories to consider when establishing performance objectives and measures may include:

- Coverage of engagement objectives expected to be reviewed according to the internal audit mandate.
- The extent to which the internal audit conclusions at the level of the business unit or organization address significant objectives of the organization. (See also Standard 11.3 Communicating Results.)
- The percentage of recommendations or action plans completed by management that result in desired outcomes, as monitored by the internal audit function. This measure is not exclusively a reflection of the internal audit function's performance. While internal audit functions may track the implementation of recommendations or action plans, management is responsible for completing such actions and ensuring that desired outcomes are achieved. (See also Standard 15.2 Confirming the Implementation of Recommendations or Action Plans.)
- Percentage of the organization's key risks and controls reviewed.
- Stakeholder satisfaction regarding understanding of engagement objectives, timeliness of engagement work, and clarity of engagement conclusions.
- Percentage of internal audit plan (as adjusted and approved) completed on time.
- Balance of assurance and advisory engagements in the internal audit plan relative to the internal audit strategy.
- External quality assurance reviews confirming internal audit function conformance with the Standards.
- Quality assurance reviews confirming that adequate competencies are in place to perform the scheduled internal audit engagements.
- Internal auditor learning and development plans linked to the internal audit strategy and the organization's developing risks.
- Staff holding at least one recognizable professional certification relevant to internal auditing.

## Examples of Evidence of Conformance

- Performance objectives identified as most impactful to the internal audit function fulfilling the Principles of the Standards, the internal audit charter, and the internal audit function's strategy.
- Performance measures that address the tracked performance objectives and respective targets for those measures.
- Action plans for identified issues and opportunities to achieve the identified performance objectives.



## Standard 12.3 Oversee and Improve Engagement Performance

### Requirements

The chief audit executive must establish and implement methodologies for engagement supervision, quality assurance, and the development of competencies.

- The chief audit executive or an engagement supervisor must provide internal auditors with guidance throughout the engagement, verify work programs are complete, and confirm engagement workpapers adequately support findings, conclusions, and recommendations.
- To assure quality, the chief audit executive must verify whether engagements are performed in conformance with the Standards and the internal audit function's methodologies.
- To develop competencies, the chief audit executive must provide internal auditors with feedback about their performance and opportunities for improvement.

The extent of supervision required depends on the maturity of the internal audit function, the proficiency and experience of internal auditors, and the complexity of engagements.

The chief audit executive is responsible for supervising engagements, whether the engagement work is performed by the internal audit staff or by other service providers. Supervisory responsibilities may be delegated to appropriate and qualified individuals, but the chief audit executive retains ultimate responsibility.

The chief audit executive must ensure that evidence of supervision is documented and retained, according to the internal audit function's established methodologies.

### Considerations for Implementation

When planning engagements, the chief audit executive or a designated engagement supervisor should review the engagement objectives. Supervision may include opportunities for staff development, such as post-engagement meetings between the internal auditors who performed the engagement and the chief audit executive.

Assessing the skills of the internal audit staff is an ongoing process extending beyond reviewing engagement workpapers. Based on the results of skill assessments, the chief audit executive may identify which internal auditors are qualified to supervise engagements and assign tasks accordingly.

During the planning phase, the engagement supervisor approves the engagement work program and may assume responsibility for other aspects of the engagement. (See also Principle 13 Plan Engagements Effectively and its standards.)

The primary criterion for approval of the work program is whether it achieves the engagement objectives efficiently. The work program includes procedures for identifying, analyzing, evaluating, and documenting engagement information. Engagement supervision also involves monitoring that the work program is completed and approving changes to the work program.



The engagement supervisor should maintain ongoing communication with the internal auditors assigned to perform the engagement and the management of the activity under review. The engagement supervisor reviews the engagement workpapers, which describe the audit procedures performed, the information identified, and the findings and preliminary conclusions made during the engagement. The supervisor evaluates whether the information, testing, and resulting evidence are relevant, reliable, and sufficient to achieve the engagement objectives and support the engagement conclusions. In internal audit functions that do not have individual auditors for supervision and ongoing monitoring, the chief audit executive may consider the use of tools such as checklists or other automated tools to assist in overseeing conformance with the Standards in each engagement.

Standard 11.2 Effective Communication requires that engagement communications be accurate, objective, clear, concise, constructive, complete, and timely. An engagement supervisor reviews engagement communications and workpapers for these elements because workpapers provide the primary support for engagement communications.

Throughout the engagement, the engagement supervisor and/or chief audit executive meet with the internal auditors assigned to perform the engagement and discuss the engagement process, which provides opportunities to train, develop, and evaluate the internal auditors. A supervisor may ask for additional evidence or clarification when reviewing the engagement communications and workpapers. Internal auditors may be able to improve their work by answering questions posed by the engagement supervisor.

Usually, the supervisor's review notes are cleared from the final documentation once adequate evidence has been provided or workpapers have been amended with additional information that addresses the supervisor's concerns and questions. Alternatively, the internal audit function may retain a separate record of the supervisor's review notes, the steps taken to resolve them, and the results of those steps.

The chief audit executive is responsible for all internal audit engagements and significant professional judgments made throughout the engagements, regardless of whether the work was performed by the internal audit function or other assurance providers. The chief audit executive develops methodologies to minimize the risk that internal auditors will make judgments or take actions that are inconsistent with the chief audit executive's professional judgment and may adversely affect the engagement. The chief audit executive establishes a means to resolve any professional judgment differences. This may include discussing pertinent facts, pursuing additional inquiry or research, and documenting differing viewpoints in engagement workpapers as well as any conclusions. If there is a difference in professional judgment over an ethical issue, the issue may be referred to individuals in the organization who are responsible for ethical matters.

## Examples of Evidence of Conformance

- Engagement workpapers with documentation of supervision.
- Completed checklists that support workpaper reviews.
- Interview and survey results that include feedback about the engagement experience from internal auditors and other individuals directly involved with the engagement.
- Documentation of communication between engagement supervisor and staff internal auditors regarding the engagement work.

## Domain V: Performing Internal Audit Services



**Performing internal audit services** requires internal auditors to effectively plan engagements, conduct the engagement work to develop findings and conclusions, collaborate with management to identify recommendations and/or action plans that address the findings, and communicate with management and the employees responsible for the activity under review throughout the engagement and after it closes.

Although the standards for performing engagements are presented in a sequence, the steps in performing engagements are not always distinct, linear, and sequential. In practice, the order in which steps are performed may vary by engagement and have overlapping and iterative aspects. For example, engagement planning includes gathering information and assessing risks, which may continue throughout the engagement. Each step may affect another or the engagement as a whole. Therefore, internal auditors should review and understand all standards in this domain before beginning an engagement.

Internal audit services involve providing assurance, advice, or both. Internal auditors are expected to apply and conform with the Standards when performing engagements, whether they are providing assurance or advice, except when otherwise specified in individual standards.

Assurance services are intended to provide confidence about governance, risk management, and control processes to the organization's stakeholders, especially the board, senior management, and the management of the activity under review. Through assurance services, internal auditors provide objective assessments of the differences between the existing conditions of an activity under review and a set of evaluation criteria. Internal auditors evaluate the differences to determine whether there are reportable findings and to provide a conclusion about the engagement results, including reporting when processes are effective.

Internal auditors may initiate advisory services or perform them at the request of the board, senior management, or the management of an activity. The nature and scope of advisory services may be subject to agreement with the party requesting the services. Examples of advisory services include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. When performing advisory services, internal auditors are expected to maintain objectivity by not taking on management responsibility. For example, internal auditors may perform advisory services as individual engagements, but if the chief audit executive takes on responsibilities beyond internal auditing, then appropriate safeguards must be implemented to maintain the internal audit function's independence. (See also Standard 7.1 Organizational Independence.)

Internal audit services are performed as described in the chief audit executive's established methodologies. (See also Standard 9.3 Methodologies.) The chief audit executive may delegate appropriate responsibility to other qualified professionals in the internal audit function but retains ultimate accountability.



## Principle 13 Plan Engagements Effectively

**Internal auditors plan each engagement using a systematic, disciplined approach.**

The Global Internal Audit Standards, along with the methodologies established by the chief audit executive, form the foundation of internal auditors' systematic, disciplined approach to planning engagements. Internal auditors are responsible for effectively communicating at all stages of the engagement.

Engagement planning starts with understanding the initial expectations for the engagement and the reason the engagement was included in the internal audit plan. When planning engagements, internal auditors gather the information that enables them to understand the organization and the activity under review and to assess the risks relevant to the activity. The engagement risk assessment allows internal auditors to identify and prioritize the risks to determine the engagement objectives and scope. Internal auditors also identify the criteria and resources needed to perform the engagement and develop an engagement work program, which describes the specific engagement steps to be performed.

### Standard 13.1 Engagement Communication

#### Requirements

Internal auditors must communicate effectively throughout the engagement. (See also Principle 11 Communicate Effectively and its related standards and Standard 15.1 Final Engagement Communication.)

Internal auditors must communicate the objectives, scope, and timing of the engagement with management. Subsequent changes must be communicated with management timely. (See also Standard 13.3 Engagement Objectives and Scope.)

At the end of an engagement, if internal auditors and management do not agree on the engagement results, internal auditors must discuss and try to reach a mutual understanding of the issue with the management of the activity under review. If a mutual understanding cannot be reached, internal auditors must not be obligated to change any portion of the engagement results unless there is a valid reason to do so. Internal auditors must follow an established methodology to allow both parties to express their positions regarding the content of the final engagement communication and the reasons for any differences of opinion regarding the engagement results. (See also Standards 9.3 Methodologies and 14.4 Recommendations and Action Plans.)

### Considerations for Implementation

Engagement communications may include initial, ongoing, closing, and final communications with the management of the activity under review. The type of engagement may affect the communications needed. To ensure effective communication, a variety of methods should be used: formal, informal, written, and oral. Engagement communications may occur through scheduled meetings, presentations, emails and other



documents, and informal discussions. Requirements for the quality and content of engagement communications should be established by the chief audit executive in alignment with the expectations of the board and senior management and documented in internal audit methodologies. (See also Standards 9.3 Methodologies and 11.2 Effective Communication.)

The extent of ongoing communication depends upon the nature and length of the engagement and may include:

- Announcing the engagement.
- Discussing the engagement risk assessment, objectives, scope, and timing.
- Requesting the information and resources necessary to perform the engagement.
- Setting expectations for additional engagement communications.
- Providing updates about the engagement progress, including governance, risk management, or control issues that require immediate attention and changes to the scope, objectives, timing, or length of the engagement.
- The engagement results, including findings, recommendations, and/or management's action plans to address the findings.
- The timing of and owner responsible for implementing recommendations and/or action plans.

Internal auditors should give advance notice of the engagement to the appropriate stakeholders, typically including management and relevant staff, to set the foundation for cooperation and open dialogue. Internal auditors should follow the policy established by the chief audit executive to determine the timing and type of notice given. The announcement should inform management about the reason for the review. It should also inform management of the proposed starting time and the approximate duration of the engagement to plan a schedule that does not conflict with other significant events occurring in the activity under review. Additionally, internal auditors should request the information and documentation needed to assess risks and begin developing the work program.

Another common initial communication is an opening or entrance meeting. When internal auditors have conducted an engagement risk assessment, they should communicate the results to the management of the activity under review. They also should communicate the initial engagement objectives and scope, preferably in a meeting. This discussion provides an opportunity for internal auditors to confirm that the management of the activity under review understands and supports the objectives, scope, and timing of the engagement. The discussion allows the parties to make any necessary adjustments to the engagement approach and establish the expectations for additional communication, including the frequency of communication and who will receive the final communication. Internal auditors should document this discussion in the engagement workpapers.

Ongoing communication throughout the engagement between internal auditors and the management of the activity under review is essential for transmitting information that requires immediate attention and updating relevant parties about engagement progress or changes to the objectives or scope. This ongoing communication provides transparency and helps internal auditors and the management of the activity identify and resolve any misunderstandings or differences.

Depending on the type of engagement, internal auditors may have a closing communication (also called an "exit conference"), which is an opportunity for internal auditors, the management of the activity under review, and relevant staff to finalize the engagement results before issuing a final communication. The closing communication provides an opportunity for management and internal auditors to discuss any differences or disagreements about the engagement results with a goal of reaching agreement.

Discussing the feasibility of internal auditors' recommendations or management's action plans may include weighing the costs, such as the severity of the risk compared to the benefits of implementing the recommendations or action plans. (See also Standard 14.4 Recommendations and Action Plans.) Management action plans may not be fully developed before the closing communication, but management may have ideas about the actions it will take to address the findings. Even if management has not completely developed action plans, ideas can be discussed and evaluated. After the discussion, management can confirm its action plans, the expected timing of implementation, and the personnel responsible for implementing the actions.

## Examples of Evidence of Conformance

- Documentation (emails, meeting minutes, notes, or memos) showing that the required communications occurred throughout the engagement.
- Documentation of feedback received (such as through surveys) from the management of the activity under review.

## Standard 13.2 Engagement Risk Assessment

### Requirements

Internal auditors must develop an understanding of the activity under review to assess the relevant risks. For advisory services, a formal, documented risk assessment may not be necessary, depending on the agreement with relevant stakeholders.

To develop an adequate understanding, internal auditors must identify and gather reliable, relevant, and sufficient information regarding:

- The organization's strategies, objectives, and risks relevant to the activity under review.
- The organization's risk tolerance, if established.
- The risk assessment supporting the internal audit plan.
- The governance, risk management, and control processes of the activity under review.
- Applicable frameworks, guidance, and other criteria that can be used to evaluate the effectiveness of those processes.

Internal auditors must review the gathered information to understand how processes are intended to operate.

Internal auditors must identify the risks to review by:

- Identifying the potentially significant risks to the objectives of the activity under review.
- Considering specific risks related to fraud.
- Evaluating the significance of the risks and prioritizing them for review.

Internal auditors must identify the criteria that management uses to measure whether the activity is achieving its objectives.

When internal auditors have identified the relevant risks for an activity under review in past engagements, only a review and update of the previous engagement risk assessment is required.



## Considerations for Implementation

Internal auditors should consult with the engagement supervisor while planning.

To develop an understanding of the activity under review and assess relevant risks, internal auditors should start by understanding the internal audit plan, the discussions that led to its development, and the reason the engagement was included. Engagements included in the internal audit plan may arise from the internal audit function's organizationwide risk assessment or from stakeholder requests.

When internal auditors begin an engagement, they should consider the risks applicable to the engagement and inquire whether any changes have occurred since the internal audit plan was developed. Reviewing the organizationwide risk assessment and any other risk assessments recently conducted (such as those completed by management) may help internal auditors identify risks relevant to the activity under review. Internal auditors should understand any stakeholder expectations that exist regarding the purpose, objectives, and scope of the engagement.

Internal auditors should examine the alignment between the organization and the activity under review. Internal auditors gather and consider the information about the organization's strategies and processes for governance, risk management, and control processes, as well as the organization's objectives, policies, and procedures. Internal auditors should consider how these aspects of the organization relate to the activity under review and to the engagement as they begin to develop the engagement risk assessment.

To gather information, internal auditors may:

- Review risk assessments recently conducted by the internal audit function, management, or external service providers. The objectives considered should include those related to compliance, financial reporting, operations or performance, fraud, information technology, strategy, and internal audit plans.
- Review communications of engagements previously performed by the internal audit function and other assurance and advisory service providers, such as financial, environmental, social responsibility, and governance.
- Review workpapers from previous engagements.
- Review reference materials, including authoritative guidance from The IIA and other bodies, laws, and regulations relevant to the organization's sector, industry, and jurisdiction.
- Consider the relevant risk categories of the organization, including strategic, operational, financial, and compliance.
- Consider the risk tolerance, if it has been defined.
- Use organizational charts and job descriptions to determine who is responsible for relevant information, processes, and other aspects of the activity under review.
- Inspect physical property of the activity under review.
- Examine documentation from the information owner or outside sources, including management's policies, procedures, flowcharts, and reports.
- Examine websites, databases, and systems.
- Inquire through interviews, discussions, or surveys.
- Observe a process in action.
- Meet with other assurance and advisory service providers.

Surveys, interviews, physical inspections, and process walk-throughs allow internal auditors to observe the current conditions in the activity under review.



To perform the engagement risk assessment, internal auditors use the gathered information to understand and document the objectives of the activity under review, the risks that could affect the achievement of each objective, and the controls intended to manage each risk. (See also Standard 14.6 Engagement Documentation.)

Internal auditors may create a chart, spreadsheet, risk and control matrix, process narrative, or other tool to document the risks and the controls designed to manage these risks. Such documentation enables internal auditors to apply professional judgment, experience, and logic to consider the information gathered in the context of the activity under review and to estimate the significance of the risks in terms of a combination of impact, likelihood, and possibly other risk factors.

Determining the significance of risks requires internal auditors to apply their knowledge, experience, and critical thinking to make judgments about the organization, the activity under review, and the engagement purpose and context. As part of due professional care, internal auditors should consider input from the management of the activity under review to gain insight into the business objectives, significant risks, and controls. Establishing a mutual understanding of the risks of the activity under review increases the usefulness of the engagement risk assessment.

The risks to be addressed during the engagement should be prioritized according to significance. This is often illustrated by plotting the risks on a graph, such as a heat map, based on the likelihood of the risk occurring and its potential impact. Such documentation should be retained as part of the engagement workpapers. For the most significant risks, assessing the adequacy of the design of the controls helps internal auditors determine which controls to continue testing for operating effectiveness.

When used, a risk and control matrix is typically developed throughout the engagement. As the engagement progresses through the testing phase, the matrix may be used to document the risk event, control and its type (that is, preventive, detective, directive, or corrective), cause, effect (consequence), and assessment of residual risk.

## Examples of Evidence of Conformance

Workpapers documenting:

- Relevant organizational strategies, objectives, and risks of the organization.
- Objectives of the activity being reviewed.
- Governance, risk management, and control processes of the activity under review.
- Organizational charts and job descriptions.
- Notes and/or photographs from direct observation or inspection.
- Policies and procedures for the activity.
- Relevant laws and/or regulations and documented compliance assessments.
- Relevant information gathered from websites, databases, and systems.
- Notes from interviews, discussions, or surveys.
- Relevant information from previously completed risk assessments and engagements and the work of other assurance providers.
- Each risk's significance and the adequacy of the control design.

## Standard 13.3 Engagement Objectives and Scope

### Requirements

Internal auditors must establish and document the objectives and scope for each engagement.

The engagement objectives must articulate the purpose of the engagement and describe the specific goals to be achieved, including those mandated by laws and/or regulations.

The scope must establish the engagement's focus and boundaries by specifying the activities, locations, processes, systems, components, time period to be covered in the engagement, and other elements to be reviewed, and be sufficient to achieve the engagement objectives.

Internal auditors must consider whether the engagement is intended to provide assurance or advisory services because stakeholder expectations and the requirements of the Standards differ depending on the type of engagement.

Scope limitations must be discussed with management when identified, with a goal of achieving resolution. Scope limitations are assurance engagement conditions, such as resource constraints or restrictions on access to personnel, facilities, data, and information, that prevent internal auditors from performing the work as expected in the audit work program. (See also Standard 13.5 Engagement Resources.)

If a resolution cannot be achieved with management, the chief audit executive must elevate the scope limitation issue to the board according to an established methodology.

Internal auditors must have the flexibility to make changes to the engagement objectives and scope when audit work identifies the need to do so as the engagement progresses.

The chief audit executive must approve the engagement objectives and scope and any changes that occur during the engagement.

### Considerations for Implementation

The objectives and scope for assurance engagements are determined primarily by the internal auditors, whereas the objectives and scope for advisory engagements are typically jointly established by the internal auditors and the management of the activity under review.

Internal auditors should align the engagement objectives with the business objectives of the activity under review, as well as with those of the organization. Properly defining engagement objectives and scope before the engagement starts enables internal auditors to:

- Focus efforts on the risks relevant to the activity under review based on the results of the engagement risk assessment. (See also Standard 13.2 Engagement Risk Assessment.)
- Develop the engagement work program.
- Avoid duplicating efforts or performing work that does not add value.



- Determine the engagement timeline.
- Allocate appropriate and sufficient resources to complete the engagement. (See also Standard 13.5 Engagement Resources.)
- Communicate clearly with management and the board.

Assurance engagements focus on providing assurance that the controls in place are adequately designed and operating to manage the risks that could prevent the activity under review from achieving its business objectives. The objectives of these engagements direct the priorities for testing the controls of processes and systems during the engagement. These include controls designed to manage risks related to:

- Assignment of authority and responsibility.
- Compliance with policies, plans, procedures, laws, and regulations.
- Reporting accurate, reliable information.
- Effectively and efficiently using resources.
- Safeguarding assets.

Once the engagement objectives have been established, internal auditors should use professional judgment and consult with the engagement supervisor as necessary to determine the scope of engagement work. The scope should be broad enough to achieve the engagement objectives. When determining the scope, internal auditors should consider each engagement objective independently to ensure that it can be accomplished within the scope.

Internal auditors should consider whether requests from the engagement stakeholders for items to be included in or excluded from the scope, or restrictions on the length of the engagement, constitute a scope limitation.

## Examples of Evidence of Conformance

- Engagement planning memorandum.
- Engagement workpapers documenting
  - Alignment of objectives and the engagement risk assessment.
  - Scope that achieves the engagement objectives.
  - Approved engagement work program containing the engagement objectives and scope.
  - Minutes from meetings with stakeholders about the engagement objectives and scope.
  - Scope limitations and requests from engagement stakeholders for items to be included or excluded.
  - Final engagement communication.



## Standard 13.4 Evaluation Criteria

### Requirements

Internal auditors must identify the most relevant criteria to be used to evaluate the aspects of the activity under review defined in the engagement objectives and scope. For advisory services, the identification of evaluation criteria may not be necessary, depending on the agreement with relevant stakeholders.

Internal auditors must assess the extent to which the board and senior management have established adequate criteria to determine whether the activity under review has accomplished its objectives and goals. If such criteria are adequate, internal auditors must use them for the evaluation. If the criteria are inadequate, internal auditors must identify appropriate criteria through discussion with the board and/or senior management.

### Considerations for Implementation

As part of gathering information and planning the engagement, internal auditors identify the criteria used by the organization to evaluate the effectiveness and efficiency of the governance, risk management, and control processes of the activity under review. Internal auditors should focus on the evaluation criteria most relevant to the engagement. Such criteria should represent the desired state of the activity and be specific and practical. Internal auditors compare the criteria against the existing state (condition). For example, if an engagement objective is to assess the effectiveness of the control processes in the activity under review, the criteria could be the expected results or outcomes of the activity's control processes, while the condition is revealed by the actual outcomes.

Adequate criteria are essential for identifying a difference between the desired state and the condition, which represents potential findings. Additionally, adequate criteria are necessary for determining the significance of the findings and reaching meaningful conclusions. Internal auditors use professional judgment to determine whether the organization's criteria are adequate. Adequate criteria are relevant, aligned with the objectives of the organization and the activity under review, and produce reliable comparisons. Examples of adequate criteria include:

- Internal (policies, procedures, key performance indicators, or targets for the activity).
- External (laws, regulations, and contractual obligations).
- Authoritative practices (frameworks, standards, guidance, and benchmarks specific to an industry, activity, or profession).
- Established organizational practices.
- Expectations based on the design of a control.
- Procedures that may not be formally documented.

When evaluating the adequacy of the criteria, internal auditors should determine whether the organization has established basic principles to define appropriate governance, risk management, and control processes. Internal auditors should consider whether the organization has developed and clearly articulated its risk tolerance, including materiality thresholds for various business units, functions, or processes. Internal auditors should ascertain whether the organization has adopted or clearly articulated a satisfactory level of control.

For example, satisfactory could mean that a certain percentage of transactions within one control objective are conducted in accordance with established control procedures or that a certain percentage of controls overall are working as intended.

Additionally, internal auditors should research recommended practices and compare management's criteria to those used by other organizations. Determining the criteria that are best for achieving the engagement objectives requires internal auditors to apply professional judgment. Internal auditors may determine that the documented policies, procedures, and/or other criteria lack detail or are otherwise inadequate. Internal auditors may assist management in determining adequate criteria or may seek input from experts to help identify or develop relevant criteria. Management's criteria may appear adequate generally, but internal auditors may suggest better criteria for the engagement.

When the criteria used by the activity under review are inadequate or nonexistent, internal auditors may recommend that management implement the criteria identified by the internal auditors. The discussion about the lack of adequate criteria may lead to a decision to provide advisory services.

Internal auditors should inform the management of the activity under review of the criteria to be used during the engagement. The agreed-upon criteria should be documented to preclude misinterpretation or challenge by the management of the activity under review.

## Examples of Evidence of Conformance

- Workpapers documenting the sources of criteria considered and the process used to determine the adequacy of the criteria used.
- Documentation, such as meeting minutes, a planning memorandum, or an email, indicating internal auditors' discussion of criteria with the management of the activity under review and/or the board.

## Standard 13.5 Engagement Resources

### Requirements

When planning an engagement, internal auditors must identify the types and quantity of resources necessary to achieve the engagement objectives.

Internal auditors must consider:

- The nature and complexity of the engagement.
- The time frame within which the engagement is to be completed.
- Whether the available financial, human, and technological resources are appropriate and sufficient to achieve the engagement objectives.

If the available resources are inappropriate or insufficient, internal auditors must discuss the concerns with the chief audit executive to obtain the resources.



## Considerations for Implementation

Identifying and assigning resources when planning an engagement is typically handled by an internal auditor designated to lead and supervise the engagement. To determine the type and quantity of resources needed for an engagement, the engagement supervisor should understand the information gathered and developed throughout engagement planning, paying special attention to the nature and complexity of work to be performed. The supervisor applies professional judgment to assign resources based on the steps identified in the work program to achieve the engagement objectives and the time that each step is expected to take. (See Standard 13.6 Work Program.) It is also important to consider constraints that may affect the engagement's performance, such as the number of hours budgeted, timing, logistics, and communications in multiple languages.

When planning engagements, internal auditors should consider the most efficient and effective application of available financial, human, and technological resources. The engagement supervisor may have access to the chief audit executive's information about the specialized competencies held by members of the internal audit function, which can help inform how to assign staff. Planning the engagement requires determining whether the available resources are appropriate and sufficient or additional resources are necessary to complete the engagement.

When resource limitations interfere with the internal audit function's ability to achieve the engagement objectives, the engagement supervisor is responsible for escalating the concern to the chief audit executive. The chief audit executive is responsible for discussing with senior management and the board the implications of resource limitations and determining the course of action to take. For example, when the chief audit executive is unable to obtain the necessary resources, the engagement scope may need to be reduced. (See also Principle 10 Manage Resources and its standards.)

To improve the effective implementation of resources, internal auditors may document the actual time spent performing the engagement against the budgeted time. The documentation can be reviewed to improve future resource planning.

## Examples of Evidence of Conformance

- Approved engagement work program showing utilization of appropriate and sufficient resources.
- Planning documentation analyzing the engagement's resourcing needs and assignment of resources.
- Post-engagement survey of the management of the activity under review inquiring about timeliness and resource adequacy.
- Contracts and/or relationships with external service providers.



## Standard 13.6 Work Program

### Requirements

Internal auditors must develop and document an engagement work program to achieve the engagement objectives.

The engagement work program must be based on the information obtained during engagement planning, including, when applicable, the results of the engagement risk assessment.

The engagement work program must identify:

- Criteria to be used to evaluate each objective.
- Tasks to achieve the engagement objectives.
- Methodologies, including the analytical procedures to be used, and tools to perform the tasks.
- Internal auditors assigned to perform each task.

The chief audit executive must review and approve the engagement work program before it is implemented and promptly when any subsequent changes are made.

### Considerations for Implementation

When planning an engagement, internal auditors collect and organize information to create a work program. The engagement work program builds on the information gathered and developed during engagement planning and details the tasks and methodologies that will be used to achieve the engagement objectives and analyze and evaluate information as internal auditors develop engagement findings, recommendations, and conclusions. For advisory services, the work program should be developed in collaboration with the stakeholders who requested the service.

Work performed during the planning phase should be documented in workpapers and referenced in the work program. (See also Standard 14.6 Engagement Documentation.) Work programs should include a place to add the name of the internal auditor who completed the work, the date the work was completed, and an indication of review and approval of the various tasks completed as the work is completed.

Internal auditors may develop the work program by linking the risks and controls identified during the engagement risk assessment with a testing approach to be implemented. As analyses and evaluations are conducted, internal auditors may link the risks and controls to the findings and conclusions.

The level of analysis and detail applied during the planning phase varies by internal audit function and engagement. When sampling is used, the work program should include the sampling methodology, population, sample size, and whether the results can be projected to the population.

Evaluating the adequacy of the control design may be completed as part of engagement planning, because it helps internal auditors clearly identify key controls to be further tested for effectiveness. The evaluation of the adequacy of the control design should be documented in either the work program or a separate workpaper. (See also Standard 14.6 Engagement Documentation.) However, the most appropriate time to

perform this evaluation depends on the nature of the engagement. If it is not completed during planning, the control design evaluation may occur as a specific stage of engagement performance, or internal auditors may evaluate the control design while performing tests of the effectiveness of the controls.

## Examples of Evidence of Conformance

Workpapers supporting the development of the work program, such as:

- Risk and control matrix with testing approach.
- Maps or descriptions of control processes.
- Notes on evaluation of the adequacy of the control design.
- Plan for additional testing.
- Minutes, notes, or documentation from planning meetings during which tasks and procedures were determined.
- Complete engagement work program with documented approval.
- Documented approval of changes to the work program.

## Principle 14 Conduct Engagement Work

**Internal auditors implement the engagement work program to achieve the engagement objectives.**

To implement the engagement work program, internal auditors gather information and perform analyses and evaluations to produce evidence. These steps enable internal auditors to:

- Provide assurance and identify potential findings.
- Determine the causes, effects, and significance of the findings.
- Develop recommendations and/or collaborate with management to develop action plans.
- Develop conclusions.

## Standard 14.1 Gathering Information for Analyses and Evaluation

### Requirements

To perform analyses and evaluations, internal auditors must gather information that is:

- Relevant – consistent with engagement objectives, within the scope of the engagement, and contributes to the development of engagement results.
- Reliable – factual and current. Internal auditors use professional skepticism to evaluate whether information is reliable. Reliability is strengthened when the information is:
  - Obtained directly by an internal auditor or from an independent source.
  - Corroborated.
  - Gathered from a system with effective governance, risk management, and control processes.



- Sufficient - when it enables internal auditors to perform analyses and complete evaluations and can enable a prudent, informed, and competent person to repeat the engagement work program and reach the same conclusions as the internal auditor.

Internal auditors must evaluate whether the information is relevant and reliable and whether it is sufficient such that analyses provide a reasonable basis upon which to formulate potential engagement findings and conclusions. (See also Standard 14.2 Analyses and Potential Engagement Findings.)

Internal auditors must determine whether to gather additional information for analyses and evaluation when evidence is not relevant, reliable, or sufficient to support engagement findings. If relevant evidence cannot be obtained, internal auditors must determine whether to identify that as a finding.

## Considerations for Implementation

When gathering information to complete each step in the engagement work program, internal auditors focus on the information that is relevant to the engagement objectives and within the engagement scope. In applying professional skepticism, internal auditors should critically assess whether the information is factual, current, and obtained directly (such as by observation) or from a source independent of those responsible for an activity under review. Corroborating the information by comparing it against more than a single source is another way to increase reliability.

Procedures to gather information for analyses may include:

- Interviewing or surveying individuals involved in the activity.
- Directly observing a process, also known as performing a walk-through.
- Obtaining confirmation or verification of information from an individual who is independent of the activity under review.
- Inspecting or examining physical evidence such as documentation, inventory, or equipment.
- Directly accessing organizational systems to observe or extract data.
- Working with system users and administrators to obtain data.

When gathering information, internal auditors should consider whether to test a complete data population or a representative sample. Using data analysis software facilitates the ability to test complete or targeted data populations. If internal auditors choose to select a sample, they should apply methods to ensure that the sample is as representative of the entire population as possible.

## Examples of Evidence of Conformance

- Engagement work program, which includes procedures for gathering data relevant to the engagement objectives.
- Description of information gathered, including its source, the date it was gathered, and the period to which it pertains.
- Documented explanation of how the internal auditor determined that the information gathered was sufficient to perform an analysis.



## Standard 14.2 Analyses and Potential Engagement Findings

### Requirements

Internal auditors must analyze relevant, reliable, and sufficient information to develop potential engagement findings. For advisory services, gathering evidence to develop findings may not be necessary, depending on the agreement with relevant stakeholders.

Internal auditors must analyze information to determine whether there is a difference between the evaluation criteria and the existing state of the activity under review, known as the "condition." (See also Standard 13.4 Evaluation Criteria.)

Internal auditors must determine the condition by using information and evidence gathered during the engagement.

A difference between the criteria and the condition indicates a potential engagement finding that must be noted and further evaluated. If initial analyses do not provide sufficient evidence to support a potential engagement finding, internal auditors must exercise due professional care to determine whether additional analyses are required.

If additional analyses are required, the work program must be adjusted accordingly and approved by the chief audit executive.

If internal auditors determine that no additional analyses are required and there is no difference between the criteria and the condition, the internal auditors must provide assurance in the engagement conclusion regarding the effectiveness of the activity's governance, risk management, and control processes.

### Considerations for Implementation

The engagement work program may include a list of specific analyses to be conducted, such as:

- Tests of the accuracy or effectiveness of a process or activity.
- Ratio, trend, and regression analyses.
- Comparisons between current period information and budgets, forecasts, or similar information from prior periods.
- Analyses of relationships among sets of information (for example, financial information, such as recorded payroll expenses, and nonfinancial information, such as changes in the average number of employees).
- Internal benchmarking, comparing information between different areas within the organization.
- External benchmarking, comparing information from similar organizations.

Internal auditors should understand and use technologies that improve the efficiency and effectiveness of analyses, such as software applications that enable testing of an entire population rather than just a sample.

The analyses should yield a meaningful comparison between the evaluation criteria and the condition. When the analyses indicate a difference between the criteria and the condition, subsequent engagement procedures should be applied to determine the cause and effect of the difference and significance of the potential findings. Common examples of potential engagement findings include errors, irregularities, illegal acts, and opportunities for improving efficiency or effectiveness.

Internal auditors exercise due professional care to determine the extent and type of additional procedures that should be used to evaluate the potential findings and determine their cause, effect, and significance. The chief audit executive and the internal audit methodologies may provide guidance for determining whether to perform additional analyses. Considerations include the:

- Results of the engagement risk assessment, including the adequacy of control processes.
- Significance of the activity under review and the potential findings.
- Extent to which the analyses support potential engagement findings.
- Availability and reliability of information for further evaluation.
- Costs compared to the benefits of performing additional analyses.

## Examples of Evidence of Conformance

- Workpapers that document the analyses performed, including data analytics programs or software used, test populations, sampling processes, and sampling methods.
- Workpapers cross-referenced in the work program and/or final communication.
- Documentation related to the final communication.
- Supervisory reviews of the engagement.

## Standard 14.3 Evaluation of Findings

### Requirements

Internal auditors must evaluate each potential engagement finding to determine its significance. When evaluating potential engagement findings, internal auditors must collaborate with management to identify the root causes when possible, determine the potential effects, and evaluate the significance of the issue.

To determine the significance of the risk, internal auditors must consider the likelihood of the risk occurring and the impact the risk may have on the organization's governance, risk management, or control processes.

If internal auditors determine that the organization is exposed to a significant risk, it must be documented and communicated as a finding.

Internal auditors must determine whether to report other risks as findings, based on the circumstances and established methodologies.

Internal auditors must prioritize each engagement finding based on its significance, using methodologies established by the chief audit executive.



## Considerations for Implementation

To develop engagement findings, internal auditors compare the established criteria to the existing condition in the activity under review. (See also Standard 14.2 Analyses and Potential Engagement Findings.) If there is a difference between the two, internal auditors are required to investigate the potential finding further. The evaluation should explore:

- The root cause of the difference, which often relates to a control deficiency and is a direct reason the condition exists. To the extent feasible, internal auditors should determine the root cause, which is an underlying or deeper issue that contributed to the condition. At its simplest, determining the root cause involves asking a series of questions about why the difference exists. Identifying the root cause involves collaboration with management, who may be in a better position to understand the underlying causes for the difference.
- How the impact of the difference may be quantified. In many cases, the extent of the exposure is an estimate informed by internal auditors' professional judgment with input from the management of the activity under review. (See also Principle 4 Exercise Due Professional Care and its standards.)

To determine the significance of a finding, internal auditors identify and evaluate existing controls for design adequacy and effectiveness, then determine the level of residual risk, which is the risk that remains despite having controls in place. Although internal auditors are required to communicate significant risks as findings, internal auditors may also communicate other risks as findings or in some other way.

Internal auditors prioritize findings based on the methodology established by the chief audit executive to provide consistency across all internal audit engagements. A rating or ranking can be an effective communication tool for describing the significance of each finding and may assist management with prioritizing its action plans. When determining the significance, internal auditors should consider:

- The impact and likelihood of the risk.
- The risk tolerance.
- Any additional factors important to the organization.

The chief audit executive may provide templates for internal auditors to use to document engagement findings, ensuring proper documentation of various elements such as the:

- Criteria.
- Condition.
- Root cause (when possible).
- Effect (risk or potential exposure).
- Significance and prioritization.

Findings should be written succinctly, in plain language, such that the management of the activity under review understands the internal auditors' evaluation. Findings should explain the difference between the conditions and the criteria and should provide documented evidence that supports the internal auditors' evaluation and judgment about the findings' significance.

## Examples of Evidence of Conformance

- Workpapers explaining the criteria used to evaluate the findings.
- Workpaper that lists the criteria, condition, root cause (when possible), effect (risk or potential exposure), and a prioritization of each finding.



- Workpaper or other documentation explaining the materiality, risk tolerance, and elements of any cost-benefit analysis used as the basis of the finding(s) analysis.
- Relevant internal audit methodologies, templates, and guidance.
- Documentation related to the final engagement communication.

## Standard 14.4 Recommendations and Action Plans

### Requirements

Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions to:

- Resolve the differences between the established criteria and the existing condition.
- Mitigate identified risks to an acceptable level.
- Address the root cause of the finding
- Enhance or improve the activity under review.

When developing recommendations, internal auditors must discuss the recommendations with the management of the activity under review.

If internal auditors and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both parties to express their positions and rationale and to determine a resolution. (See also Standard 9.3 Methodologies.)

### Considerations for Implementation

Internal auditors should promptly discuss the findings and potential recommendations or action plans with the management authorized to make and oversee changes to the activity under review. The chief audit executive may create a methodology to help internal auditors identify the appropriate management. For example, the methodology may require that only a given role or level (such as a manager, director, or vice president) has such authority.

If a specific corrective action is identified that addresses a finding, internal auditors may communicate it as a recommendation. Alternatively, internal auditors may present several options for management to consider. In some cases, internal auditors may suggest that management research options and determine the appropriate course of action. A single finding may have multiple recommendations or corrective actions.

If the internal auditor and the management of the activity under review disagree about the engagement results, the chief audit executive should work with senior management to facilitate a resolution. Additionally, a formal statement from each party may be attached to the final communication or made available upon request.

Internal auditors should evaluate and discuss with management the feasibility and reasonableness of the recommendations and/or action plans. The evaluation should include a cost-benefit analysis and determination of whether the recommendations and/or action plans address the risk satisfactorily in accordance with the organization's risk tolerance.

Although internal auditors must collaborate with management on how to address the engagement findings, it is management's responsibility to implement actions to address the findings. (See also Standard 15.1 Final Engagement Communication.)

## Examples of Evidence of Conformance

- Workpapers for each finding, with the criteria, condition, root cause (when possible), effect (risk or potential exposure), and recommendation(s) and/or action plans included.
- Notes, workpapers, or other documentation evidencing discussions with management regarding the findings and feasibility of recommendations and/or action plans.
- Documentation related to the final communication.

## Standard 14.5 Engagement Conclusions

### Requirements

Internal auditors must develop an engagement conclusion that summarizes the engagement results relative to the engagement objectives and management's objectives. The engagement conclusion must summarize the internal auditors' professional judgment about the overall significance of the aggregated engagement findings.

Assurance engagement conclusions must include the internal auditors' judgment regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgment of when processes are effective.

## Considerations for Implementation

The chief audit executive's methodologies for the internal audit function may provide a rating scale indicating whether reasonable assurance exists regarding the effectiveness of controls. For example, a scale may indicate satisfactory, partially satisfactory, needs improvement, or unsatisfactory depending on the internal auditors' assessments. (See also Standard 14.3 Evaluation of Findings.)

The conclusion may add context regarding the impacts of the findings within the activity under review and the organization. For example, some findings may have a significant impact on achieving goals or managing risks at an activity level, but not at an organizational level.

Advisory engagement conclusions should align with the objectives and scope.

## Examples of Evidence of Conformance

- A workpaper showing the basis for the overall engagement conclusion.
- A conclusion statement in the final communication.



## Standard 14.6 Engagement Documentation

### Requirements

Internal auditors must document information and evidence to support the engagement results. The analyses, evaluations, and supporting information relevant to an engagement must be documented such that an informed, prudent internal auditor, or similarly informed and competent person, could repeat the work and derive the same engagement results.

Internal auditors and the engagement supervisor must review the engagement documentation for accuracy, relevance, and completeness. The chief audit executive must review and approve the engagement documentation. Internal auditors must retain engagement documentation according to relevant laws and/or regulations as well as policies and procedures of the internal audit function and the organization.

### Considerations for Implementation

Documentation of the internal audit engagement through workpapers is an important part of a systematic and disciplined engagement process because it organizes engagement information in a way that enables reperformance of the work and supports engagement results. Documentation provides the basis for supervising individual internal auditors and allows the chief audit executive and others to evaluate the quality of the internal audit function's work. Documentation also serves to demonstrate the internal audit function's conformance with the Standards.

Engagement documentation should include:

- Date or period of the engagement
- Engagement risk assessment
- Engagement objectives and scope
- Work program
- Description of analyses, including details of procedures and source(s) of data
- Engagement results
- Names or initials of the individuals who performed and supervised the work
- Evidence of communication to appropriate parties

Workpapers may be organized according to the structure developed in the work program and cross-referenced to relevant pieces of information. Templates or software may be used for developing workpapers and creating a system for retaining the documentation. The result is a complete collection of documentation of the information obtained, procedures completed, engagement results, and the logical basis for each step. This documentation constitutes the primary source of support for internal auditors' communication with stakeholders, including the board, senior management, and the management of the activity under review. Most importantly, workpapers contain relevant, reliable, and sufficient information that enables a prudent, informed, and competent person, such as another internal auditor or an external auditor, to reach the same conclusions as those reached by the internal auditors who conducted the engagement.



Common workpapers include:

- Planning documentation.
- Process map, flowchart, or narrative descriptions of key processes.
- Summaries of interviews conducted, or surveys issued.
- Risk and control matrix.
- Details of tests conducted and analyses performed.
- Conclusions, including cross-referencing to the workpaper on audit findings.
- Proposed follow-up engagement work to be performed.
- Internal audit final communication with management responses.

A basic format for workpapers:

- Index or reference number.
- Title or heading that identifies the activity under review.
- Date or period of the engagement.
- Scope of work performed.
- Statement of purpose for obtaining and analyzing the data.
- Source(s) of data covered in the workpaper.
- Description of population evaluated, including sample size and method of selection used to analyze data (testing approach).
- Name of the internal auditor(s) who performed the engagement work.
- Review notes and name of the internal auditor(s) who reviewed the work.

## Examples of Evidence of Conformance

- Workpapers documenting the work performed in accordance with the established methodology.
- Results of internal quality assessment reviews validating conformance with workpaper and supervision policies.

## Principle 15 Communicate Engagement Results and Monitor Action Plans

***Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward the implementation of recommendations or action plans.***

Internal auditors are responsible for issuing a final communication after completing the engagement and communicating the engagement results to management. Internal auditors continue to communicate with the management of the activity under review to confirm that action plans are implemented.

## Standard 15.1 Final Engagement Communication

### Requirements

For each engagement, internal auditors must develop a final communication that includes the engagement's objectives, scope, recommendations and/or action plans if applicable, and conclusions.

The final communication for assurance engagements also must include:

- The findings and their significance and prioritization.
- An explanation of scope limitations, if any.
- A conclusion regarding the effectiveness of the governance, risk management, and control processes of the activity reviewed.

The final communication must specify the individuals responsible for addressing the findings and the planned date by which the actions should be completed.

When internal auditors become aware that management has initiated or completed actions to address a finding before the final communication, the actions must be acknowledged in the communication.

The final communication must be accurate, objective, clear, concise, constructive, complete, and timely, as described in Standard 11.2 Effective Communication.

Internal auditors must ensure the final communication is reviewed and approved by the chief audit executive before it is issued.

The chief audit executive must disseminate the final communication to parties who can ensure that the results are given due consideration. (See also Standard 11.3 Communicating Results.)

If the engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the following details about the nonconformance:

- Standard(s) with which conformance was not achieved.
- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement findings and conclusions.

### Considerations for Implementation

A statement that the engagement is conducted in conformance with the Global Internal Audit Standards should be included in the final engagement communication. Indicating that the internal audit engagement conformed with the Standards is appropriate only if supported by the results of engagement supervision and the quality assurance and improvement program.

The style and format of final engagement communication varies across organizations. The chief audit executive may provide templates and procedures.

Multiple versions of a final communication may be issued, with formats, content, and level of detail customized to address specific audiences, based upon how much they know about the activity under review, how the findings and conclusions affect them, and how they plan to use the information.

When issued as a report, the final communication may include the following components, in addition to the requirements:

- Title.
- Background (brief synopsis of the activity under review).
- Recognition (positive aspects of activity under review and/or appreciation of cooperation).
- Distribution list.

The review of the final communication should verify whether:

- The work performed and documented was consistent with the engagement objectives and scope and the Standards. (See also Standards 8.3 Quality and 12.1 Internal Quality Assessment.)
- The engagement results are clearly stated and supported by relevant, reliable, and sufficient information. (See also Standard 14.1 Gathering Information for Analyses and Evaluation.)
- The requirements for communicating with the management of the activity under review were met.

The chief audit executive determines how and to whom the final engagement communication is disseminated. Oral presentations are usually supported with a digital or printed copy of the presentation and/or a written report.

## Examples of Evidence of Conformance

- Written final communications.
- Slides and/or meeting notes of presentations when final communication is oral.
- Documentation indicating that the final communication was reviewed and approved.
- Documentation that requirements for communicating with the activity under review were met.

## Standard 15.2 Confirming the Implementation of Recommendations or Action Plans

### Requirements

Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes:

- Inquiring about progress on the implementation.
- Performing follow-up assessments using a risk-based approach.
- Updating the status of management's actions in a tracking system.



The extent of these procedures must consider the significance of the finding:

If management has not progressed in implementing the actions according to the established completion dates, internal auditors must obtain and document an explanation from management and discuss the issue with the chief audit executive. The chief audit executive is responsible for determining whether senior management, by delay or inaction, has accepted a risk that exceeds the risk tolerance. (See also Standard 11.5 Communicating the Acceptance of Risks.)

## Considerations for Implementation

Internal auditors may use a software program, spreadsheet, or system to track whether management's action plans are implemented according to the established timelines. The tracking system indicates whether action plans remain open or are past due and provides a useful tool for internal auditors to communicate with the board and senior management. In addition, a program or system may automate the workflow from risk assessment to action plan completion. For example, the workflow may include automated emails that notify the appropriate parties regarding action plans that are nearing their target completion dates.

The methodology for confirming the implementation of management's action plans should include criteria for determining when to perform follow-up assessments to confirm that management's action plans have effectively addressed findings. Follow-up assessments may be performed for completed action plans selectively, depending on the risk's significance. Under certain circumstances, regulators may require reporting on management's action plans.

If management decides on an alternative action plan and internal auditors agree that the alternative plan is satisfactory or better than the original action plan, then progress on the alternative plan should be tracked until completion.

## Examples of Evidence of Conformance

- A routinely updated tracking system (for example, a spreadsheet, database, or other tool) that contains the finding, associated corrective action plan, status, and internal audit's confirmation.
- Corrective action status reports prepared for the board and senior management.

# Applying the Global Internal Audit Standards in the Public Sector

**While the Global Internal Audit Standards** apply to all internal audit functions, internal auditors in the public sector work in a political environment under governance, organizational, and funding structures that may differ from those of the private sector. The nature of these structures and related conditions may be affected by the jurisdiction and level of government in which the internal audit function operates. Additionally, some terminology used in the public sector differs from that of the private sector. These differences may affect how internal audit functions in the public sector apply the Standards. For this reason, the external quality assessment of an internal audit function in the public sector should be performed by an assessment team knowledgeable about public sector activities and governance structures. (See also Standard 8.4 External Quality Assessment.)

The public sector is founded upon and governed under a legal framework that includes laws, regulations, administrative orders and rules, and other types of governing requirements specific to the jurisdiction(s) within which an organization operates. Throughout the Global Internal Audit Standards, the term "laws and/or regulations" is used to represent the legal framework. Laws and/or regulations may establish the mandate, organizational position, reporting relationship, scope of work, funding, and other requirements of the internal audit function.

Through such mandates, internal audit functions in the public sector are often required to focus on:

- Ensuring compliance with laws and/or regulations.
- Identifying opportunities to improve the efficiency, effectiveness, and economy of government processes and programs.
- Determining whether public resources are adequately safeguarded and used appropriately to provide services in an equitable manner.
- Assessing whether an organization's performance aligns with its strategic objectives and goals.

The following sections describe situations in which the application of the Standards may differ for internal auditors in the public sector.

## **Laws and/or Regulations**

The chief audit executive must be aware of the laws and/or regulations that affect the internal audit function's ability to fully conform with all provisions in the Standards. A charter or other documentation may be used to explain how the internal audit function is meeting the requirements of the laws and/or regulations as well as the intent of the Standards. When conformance is not possible, the chief audit executive must document the reason, make appropriate disclosures, and conform with all other requirements of the Standards. (See also Standards 4.1 Conformance with Global Internal Audit Standards, 6.1 Internal Audit Mandate, 6.2 Internal Audit Charter, 8.3 Quality, 8.4 External Quality Assessment, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication.)

The following list describes situations in which laws and/or regulations may affect the ability of internal audit functions in the public sector to conform with the Standards:



- When laws and/or regulations serve as the internal audit mandate and charter, the chief audit executive may not have the authority or ability to make amendments. Thus, the requirement in Standard 6.1 Internal Audit Mandate to periodically review the mandate for updates may not be warranted. However, the chief audit executive could periodically conduct and document a focused review of the mandate and charter to determine that the established path to legal and/or regulatory compliance is accurately defined.
- Public disclosure laws and/or regulations may govern the types of documents that are required to be released to the public and those that cannot be released to the public. The methodologies of internal audit functions in the public sector should include these requirements. (See also Standards 5.1 Use of Information and 5.2 Protection of Information.)
- Laws and/or regulations may limit the type of private discussions that the chief audit executive may have with the board. (See also the Glossary definition of “board” as well as Standards 6.3 Board and Senior Management Support and 7.1 Organizational Independence.)
- Laws and/or regulations may require internal audit functions in the public sector to present internal audit results at public meetings. Methodologies for the dissemination of final communications should adhere to these requirements. (See also Standards 11.2 Effective Communication and 15.1 Final Engagement Communication.)
- In the public sector the external assurance provider is often mandated. In some jurisdictions, the authority of a supreme audit institution may supersede that of the internal audit function and internal audit functions may be required to adhere to planning as stipulated and conduct joint work. In Standard 11.1 Building Relationships and Communicating with Stakeholders the internal audit function is required to coordinate with the external assurance provider, and this authority may supersede the coordination role. (See also Standards 6.1 Internal Audit Mandate and 9.5 Coordination and Reliance.)

Internal auditors in the public sector have a broad base of stakeholders, including the public within the jurisdiction as well as appointed and elected officials. The internal audit function may be legally required to be accountable and transparent to the public. To adequately serve their stakeholders, internal auditors may consider input from the public when planning and performing internal audit services. Public input may be provided by users of government services, such as utilities, public transit systems, parks and recreation facilities, building permitting processes, and others. (See also Standards 9.4 Internal Audit Plan, 11.1 Building Relationships and Communicating with Stakeholders, and 13.2 Engagement Risk Assessment.)

### **Governance and Organizational Structure**

Internal audit functions in the public sector are governed under a variety of structures. Some public sector organizations may be subject to multiple levels of governance, both within and outside the organization, which may complicate the reporting relationships of the chief audit executive as well as the oversight and funding of the function.

The Global Internal Audit Standards reference responsibilities related to the “board” and “senior management.” The glossary defines “board” using concepts that encompass various governance structures in the public sector. Because the board in the public sector may be a policy-setting body, it may not have authority over aspects of the chief audit executive and the internal audit function as described in the Standards. For example, such a body may not be able to appoint, remove, or set remuneration for the chief audit executive. In those situations, the board should still provide input to management regarding performance evaluations and decisions to appoint and remove the chief audit executive. In other public sector organizations, “senior management” may be defined differently than it is in the Standards. When the term is used to refer to the management of the activity under review, safeguards to independence must be implemented to mitigate the risk of interference with the internal audit function’s work.



The chief audit executive should avoid taking direction from elected officials without first consulting the board and senior management, who directly oversee the internal audit function, unless the officials have direct oversight responsibilities.

The examples below describe governance and organizational structures in which internal audit functions may need to adjust the application of some standards (the list is not exhaustive):

- Internal audit functions may be separate from other parts of the organization, and the chief audit executive reports directly to a legislative body that functions as a board.
- Internal audit functions may be placed at the highest level of the government organization, and the chief audit executive reports directly to the head of the organization.
- Internal audit functions may be placed within another component of the overall organization (such as a department or other unit within a government organization), and the chief audit executive reports to the head of the organization or a nonexecutive/supervisory board. This may occur when there is a tiered governance structure and where there is more than one governing body.
- Internal audit functions may be separate from other parts of the organization because the chief audit executive is elected and retained by the voters within a jurisdiction and does not report to any specific oversight body or person in the organization.
- Internal audit functions may be placed lower in the organization, and the chief audit executive reports to a single senior manager from that department.

While some of these situations do not meet the independence requirements in the Global Internal Audit Standards, establishing an audit committee comprising public members, independent of management, safeguards independence and provides ongoing oversight, advice, and feedback. (See also Standards 6.2 Internal Audit Charter and 6.3 Board and Senior Management Support, Principle 7 Positioned Independently and its standards, and Standard 8.1 Board Interaction.)

### **Funding**

The funding processes for internal audit functions vary widely in the public sector. Some governance and organizational structures do not give the board and senior management authority over the budget. These conditions prevent the chief audit executive from being able to seek budget approval from the board and senior management and limit the ability to seek or obtain additional funding due to other funding priorities within the organization.

For example, some internal audit functions within the public sector can submit independent budget requests to their board or legislative body for approval. Others' budgets are part of a larger organizational budget, and the allocation to the internal audit function is determined by the head of the organization and often approved by an outside legislative body. In either case, the chief audit executive could advocate to the board for the resources needed.

Even when the budget is set by laws and/or regulations, the chief audit executive must adhere to other requirements of the standards related to managing the budget. (See also Standards 6.3 Board and Senior Management Support, 7.1 Organizational Independence, 8.2 Resources, and 10.1 Financial Resource Management.)

The following public sector conditions may limit the way the chief audit executive may spend allocated funds:

- The position classification structure and/or labor agreements often establish pay ranges for each position classification based on the knowledge, skills, and responsibilities of the position that limit the authority of the chief audit executive or board to establish the remuneration for each employee. In such situations, the chief audit executive should collaborate with the human resources function, as described in Standard 10.2 Human Resources Management.

- The internal audit function may be required to use only software approved for the organization, which may limit the chief audit executive's ability to obtain technology to support the internal audit function. Internal audit functions in the public sector should engage their board as advocates for supporting their technology needs and may need to use software available to achieve the audit plan in the most efficient way possible while maintaining conformance with the Standards. (See also Standard 10.3 Technological Resources.)
- When funding limitations prevent the chief audit executive from obtaining adequate resources to conduct an external quality assessment, internal audit functions in the public sector may benefit from participating in peer programs to conduct the assessment. (See also Standards 8.4 External Quality Assessment and 10.1 Financial Resource Management.)
- When an outside authority or oversight body provides the funding for the internal audit function in the public sector, the chief audit executive may be required to provide final engagement communications to the funding authority. (See also Standards 11.1 Building Relationships and Communicating with Stakeholders, 11.2 Effective Communication, and 15.1 Final Engagement Communication.)

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#### About The IIA

The Institute of Internal Auditors (IIA) is a nonprofit international professional association that serves more than 245,000 global members and has awarded more than 190,000 Certified Internal Auditor® (CIA®) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit [theiia.org](https://theiia.org).

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## Application Note

# Global Internal Audit Standards in the UK Public Sector

Applicable from 1 April 2025

Issued by the Relevant Internal Audit Standard Setters:



In collaboration with:



December 2024

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## 1. Purpose

This document provides a framework for the practice of internal audit in the UK public sector when taken together with the Global Internal Audit Standards (GIAS) issued by the Institute of Internal Auditors (IIA).

It sets out interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector.

## 2. Scope

The requirements herein apply to all internal audit service providers, whether in-house, shared services or outsourced, which are operating within or providing internal audit services to the UK public sector.

All internal audit assurance and advisory services fall within the scope of this document.

## 3. Effective date

From 1 April 2025 the requirements of this Application Note and of the Global Internal Audit Standards apply to work on internal audit engagements commenced on or after this date.

## 4. Review process

This Application Note will periodically be reviewed by the IASAB on behalf of the RIASS. This review will include consideration of the applicability within the UK public sector of any Topical Requirements issued by the IIA.

## 5. Authority for setting standards

The authority for setting standards for internal audit in the UK public sector rests with the Relevant Internal Audit Standard Setters (RIASS). These are HM Treasury in respect of central government; the Scottish Government, the Department of Finance Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health and Social Care in respect of the health sector in England; and the Chartered Institute of Public Finance and Accountancy in respect of local government across the United Kingdom. To support the development process, the UK public sector Internal Audit Standards Advisory Board (IASAB) was created. This includes representation from each of the RIASS, audit committees, internal audit practitioners and the Chartered IIA. The role of the IASAB is to develop material to support UK public sector internal audit, to consult on that material, and based on that consultation to advise the RIASS on the standards to be used.



## 6. Application of standards in the UK public sector

Together the RIASS determine the standards and requirements applicable to the practice of internal auditing in the UK public sector as a whole. The RIASS have determined that the Global Internal Audit Standards (GIAS) issued by the Institute for Internal Auditors (IIA) are a suitable basis for the practice of internal auditing in the UK public sector, subject to interpretations and requirements set out in this note.

The GIAS include a section on *Applying the Global Internal Audit Standards in the Public Sector*, and recognise that differences in governance structures, regulations and funding in the public sector may sometimes demand different approaches to maintain appropriate quality, efficiency and effectiveness in delivering internal audit. While the appendix is welcome, it encompasses a broader scope of public sector circumstances internationally than those which are relevant to the UK. At the same time, it is not an exhaustive guide to public sector context either internationally or in relation to the UK.

This Application Note therefore provides UK public sector-specific context, interpretations of GIAS requirements in the specific circumstances expected to apply across the UK public sector and some additional requirements which the RIASS consider essential for the practice of internal audit in the UK public sector.

Each RIASS may provide guidance or set specific requirements applicable to the part of the public sector over which they have authority. Sub-sector specific material is not presented in this note.

## 7. Conformance

Auditors working in the UK public sector must follow the requirements of the GIAS subject to the interpretations and additional requirements set out in this Application Note. When expressing conformance with standards, auditors must be clear that they are conforming to the GIAS subject to the Application Note, and must refer to this as conformance with *Global Internal Audit Standards in the UK Public Sector*.

Auditors must confirm adherence to the Application Note alongside all other reports on conformance with the Global Internal Audit Standards such as Standard 12.1 on internal quality assessment. Auditors must also note any non-conformance with this Application Note alongside any other non-conformance reporting such as that described in Standard 4.1 (*Conformance with the Global Internal Audit Standards*).

External Quality Assessors working in the UK public sector under Standard 8.4 (*External Quality Assessment*) must also consider conformance with this Application Note as part of reporting their results.

## 8. Relevant internal audit standard setters in the UK

	Central government	Health sector	Local government*
	government departments and related public bodies, parliamentary bodies and counterpart bodies in the devolved government administrations	boards, trusts and authorities managed within NHS England, NHS Scotland, NHS Wales and Health and Social Care (Northern Ireland)	elected councils and combined authorities, police bodies, fire and emergency bodies, parks authorities, passenger transport authorities and partnerships and various other bodies
<b>UK wide bodies</b>	HM Treasury	–	–
<b>England</b>	HM Treasury	Department for Health and Social Care	CIPFA
<b>Scotland</b>	Scottish Government	Scottish Government	CIPFA
<b>Wales</b>	Welsh Government	Welsh Government	CIPFA

\*Internal audit functions in some smaller local government bodies may not be required to follow the global standards or this Application Note. While CIPFA is the standard setter for local government in England, some smaller authorities may instead follow guidance issued by the Joint Panel on Accountability and Governance (JPAG). Where internal audit is carried out using the Global Internal Audit Standards, it must also be carried out in conformance with the Application Note: *Global Internal Audit Standards in the UK Public Sector*.



## 9. General context for the UK public sector

### 9A. Ethics and standards in public life

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.

### 9B. Handling information

The GIAS set out the duty on internal auditors to be faithful custodians of the information they gather, sharing only in limited, defined and controlled ways. GIAS 5.2 (*Protection of Information*) describes the need for awareness of responsibilities in protecting information and demonstrating respect for the confidentiality, privacy and ownership of information.

While the duties under GIAS mainly relate to restricting the sharing of information, auditors working in the UK public sector must also be aware of circumstances under which sharing or publication of



information will be required. They must be aware of their organisation's policies and procedures for routine publication of certain information and where there are statutory obligations to share or publish information.

## 9C. Value for money

GIAS 9.1 (*Understanding Governance, Risk Management, and Control Processes*) describes the need for a chief audit executive to understand the organisation's governance, risk management and control processes to develop an effective strategy and plan. Alongside the listed requirements in the Standard, auditors in the UK public sector must be aware of the importance of securing value for money and the definitions which define that term in their part of the UK public sector.

Auditors must also be aware of the importance of value for money, alongside other key considerations, when determining appropriate evaluation criteria under GIAS 13.4 (*Evaluation Criteria*).

## 9D. The role of regulators

GIAS 9.5 (*Coordination and Reliance*) sets out a duty for chief audit executives to co-ordinate with other assurance providers. In the UK public sector, there are various relevant outside assurance providers whose authority flows from separate legal or regulatory sources beyond the control or influence of the chief audit executive. The chief audit executive may not have any ability to access the work of those assurance providers or gain insight into the scope and timing of their work. Under these circumstances the chief audit executive must consider whether it is possible or practical to co-ordinate. Where they do not co-ordinate, they must set out to the board the barriers which prevent effective co-ordination.

## 10. UK public sector-specific interpretations and requirements

### 10A. Resources

The GIAS section on *Applying the Global Internal Audit Standards in the Public Sector* notes that funding processes for internal audit functions vary, that some governance and organisational structures do not give boards authority over budget and that such conditions prevent the chief audit executive from being able to seek or obtain additional funding due to other funding priorities within the organisation. Chief audit executives may also be constrained in the way in which they use financial resources and manage human and technological resources.

The circumstances outlined above are relevant to most UK public sector internal audit functions and their associated audit committees, and interpretation is required to provide an appropriate basis for conformance, as follows:

- Boards may not have authority over budgets and this may prevent the chief audit executive from being able to seek or obtain additional funding due to other funding priorities within the organisation. In such circumstances to fulfil GIAS 8.2 (*Resources*) the chief audit executive must develop a resource strategy which suggests practical approaches for consideration by the board.
- The chief audit executive must inform the board of the impact of insufficient resources and any options available to mitigate that impact.
- The chief audit executive may have no ability to develop resource management approaches distinct from their organisation and tailored to the needs of the internal audit function. The chief audit executive's ability to develop a strategy to obtain sufficient resources and address shortfalls may also be constrained by their organisation's legal or regulatory obligations. Under these circumstances the chief audit executive will not be expected to follow the requirements of GIAS 10.1 to 10.3 (*Manage Resources*) if they cannot develop approaches that achieve the objectives of those standards. Instead, a chief audit executive must set out in the Charter what alternative approaches apply to the internal audit service, and then seek to manage financial, human and IT resources within those constraints.

The chief audit executive must also inform the board of any resource management arrangements at the organisation that may put at risk the ability of the internal audit service to fulfil its mandate.

### 10B. Overall conclusions and annual reporting

GIAS 11.3 (*Communicating Results*) references the possibility that a chief audit executive may be required to make a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control. In the UK public sector, a chief audit executive must prepare such an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.

The chief audit executive must also report annually on the results of quality assessment carried out under GIAS 12.1 (*Internal Quality Assessment*), including progress against action plans to address instances of non-conformance.

The requirement for an overall conclusion must also inform planning carried out under GIAS 9.4 (*Internal Audit Plan*). The requirement for an annual conclusion does not imply that planning needs to follow an annual cycle, but where planning is carried out in other timeframes it must still be clear to senior management and the board that this supports an annual conclusion.

## 10C. Chief audit executive qualifications

GIAS 7.2 (*Chief Audit Executive Qualifications*) sets out expectations relevant to the global practice of internal audit. The RIASS seek to maintain an expectation that chief audit executives in the public sector hold appropriate professional qualifications alongside relevant experience. Therefore, in considering whether a chief audit executive is suitably qualified, an organisation must be looking for:

- CMIIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and
- suitable internal audit experience.

## 10D. Selecting independent assessors

The RIASS have determined that the qualification requirement in GIAS 8.4 (*External Quality Assessment*) should be **replaced** by a different qualification requirement.

GIAS 8.4 sets out a requirement that when selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor designation. The RIASS have determined that this requirement is **replaced** by a requirement that at least one person have the characteristics outlined for chief audit executive qualification. The RIASS consider that such a person would normally have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector. These matters must be considered as part of the selection process.



## 11. Determining the essential conditions in relation to governance

GIAS Domain III (*Governing the Internal Audit Function*) explains that appropriate governance arrangements with boards and senior management are essential to fulfil the Purpose of Internal Audit. The individual standards within Domain III include baseline 'essential conditions' which need to be satisfied in order to achieve conformance. The GIAS allows that in some cases it may be appropriate to determine alternatives to the essential conditions that achieve the same results.

The GIAS section *Applying the Global Internal Audit Standards in the Public Sector* includes non-exhaustive material explaining that public sector governance and organisational structures may require internal audit functions to adjust the application of some standards. This is the case in many UK public sector bodies and in these cases it will be necessary to determine alternatives to the Domain III essential conditions that achieve the same results. These must be agreed with the board/audit committee and, if permanent, must be explained in the Audit Charter.

The barriers to achievement of the baseline essential conditions vary in extent and effect across different parts of the UK public sector. The RIASS for individual sectors<sup>1</sup> may choose to issue specific material for their sector, which internal auditors and quality assessors in the relevant sector must comply with. For this reason no material on alternative conditions is provided in this Application Note.

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<sup>1</sup> CIPFA as RIASS for local government has issued the *Code of Practice for the Governance of Internal Audit in UK Local Government* that among other things includes conditions, which, when applied in the local government internal audit context, will achieve the objectives of the GIAS conditions.



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Causeway Exchange  
1-7 Bedford Street  
BELFAST  
BT2 7EG  
Phone: 028 9082 9307  
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Chief Executive of each District Council  
Finance Officer of each District Council  
Other Interested Parties

Our ref.CO1-24-496  
09 December 2024

Dear Sir/Madam

**CIRCULAR LG 15/24 - CONSOLIDATED COUNCILLOR ALLOWANCES CIRCULAR  
(Updated December 2024)**

This Local Government Circular provides a consolidated record of all councillor allowances and supersedes Local Government Circular LG 23/23.

This consolidated circular is required to determine and reflect an increase in maximum rates for Basic and Special Responsibility Allowance from 1 April 2024 and an increase in Dependants' Carers' Allowance from 1 April 2025.

All determinations are made by the Department under section 31 of the Local Government Finance Act (Northern Ireland) 2011 and the Local Government (Payments to Councillors) Regulations (Northern Ireland) 2019.



If you have any queries on the content of this circular please contact Jeff Glass on 028 9082 3375 or Ian Lewis on 028 9082 3506 or by email [jeff.glass@communities-ni.gov.uk](mailto:jeff.glass@communities-ni.gov.uk) or [ian.lewis@communities-ni.gov.uk](mailto:ian.lewis@communities-ni.gov.uk) .

Yours faithfully,

**GERARD MURRAY**  
Director  
Local Government and Housing Regulation

## 1. Basic Allowance

- valid from 1 April 2024

<b>Basic Allowance</b>
Maximum £17,456 per annum ≠

≠ (The basic allowance includes an element for incidental and consumable costs incurred by councillors in their official capacity. In 2015/16 this element was £1,000 and each year this amount is uplifted in line with the increase applied to the basic allowance, therefore this element within the basic allowance is £1,229 from 1 April 2024.)

**2. Dependants' Carers' Allowance**

– valid from 1 April 2024 – 31 March 2025

The following table states the maximum rates for dependants' carers' allowance.

<b>Dependants' Carers' Allowance</b>	<b>Hourly Rate</b>	<b>Maximum Monthly Amount</b>
	<b>£</b>	<b>£</b>
Standard	11.44 <sup>^</sup>	595
Specialist	22.88	1,190

<sup>^</sup>(Based on national living wage)

– valid from 1 April 2025 – 31 March 2026

The following table states the maximum rates for dependants' carers' allowance.

<b>Dependants' Carers' Allowance</b>	<b>Hourly Rate</b>	<b>Maximum Monthly Amount</b>
	<b>£</b>	<b>£</b>
Standard	12.21 <sup>^</sup>	635
Specialist	24.42	1,270

<sup>^</sup>(Based on national living wage)



### 3. Travel Allowances

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– valid from 1 April 2017

The following table states the maximum rates for travel allowances.

Type of Vehicle	Rate per Mile	Rate per Mile Above 8,500 miles	Rate per Mile Above 10,000 miles
	Pence	Pence	Pence
A pedal cycle	20.0p	20.0p	20.0p
A motor cycle (all engine capacities)	24.0p	24.0p	24.0p
A motor car of cylinder capacity exceeding 450cc but not exceeding 999cc	46.9p	13.7p	13.7p
A motor car of cylinder capacity exceeding 999cc but not exceeding 1,199cc	52.2p	14.4p	14.4p
A motor car of cylinder capacity exceeding 1,199cc	65.0p	16.4p	16.4p
An electric car	45.0p	45.0p	25.0p
Passenger rate (per passenger)	5.0p	5.0p	5.0p

#### 4. Special Responsibility Allowance

– valid from 1 April 2024

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The following table states the maximum rate of Special Responsibility Allowance that a council may pay. The maximum rate is based on the size of the council population. Each council's population figures are updated each year by the Northern Ireland Statistics and Research Agency and it is the duty of each council to operate within the total maximum rate appropriate to its population band. For ease the maximum any councillor can receive, within each band, is also provided.

<b>Population of council</b>	<b>Maximum Special Responsibility Allowance  £</b>	<b>Maximum (1/5<sup>th</sup>) for individual councillor  £</b>
Less than 120,000	61,459	12,292
120,000 to 199,000	86,043	17,209
200,000 +	132,751	26,550

## 5. Subsistence Allowances

– valid from 1 April 2015

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The following table states the maximum rates for subsistence; however, where councils believe it is necessary there is flexibility for councils to increase these rates by applying a suitable measure of price inflation.

PERIOD/MEAL	British Isles Rates £	London Rates £
<b>Accommodation allowance</b> - An absence involving an overnight stay, away from the normal place of residence. This rate does not include any meal allowance.	100.70	122.45
<b>Breakfast allowance</b> - (more than 4 hours away from the normal place of residence or, where approved by the council, a lesser period before 11 am)	11.50	11.50
<b>Lunch allowance</b> - (more than 4 hours away from the normal place of residence or, where approved by the council, a lesser period including the period between 12 noon and 2pm)	13.50	13.50
<b>Tea allowance</b> - (more than 4 hours away from the normal place of residence or, where approved by the council, a lesser period including the period between 3pm and 6pm)	4.70	4.70
<b>Evening meal allowance</b> - (more than 4 hours away from the normal place of residence or, where approved by the council, a lesser period ending after 7pm)	20.95	20.95





# The National Fraud Initiative in Northern Ireland 2024



22 October 2024



# The National Fraud Initiative in Northern Ireland 2024

This report is being published under Article 4E of the Audit and Accountability (Northern Ireland) Order 2003

Dorinnia Carville  
Comptroller and Auditor General  
Northern Ireland Audit Office  
22 October 2024

The Comptroller and Auditor General is the head of the Northern Ireland Audit Office. She and the Northern Ireland Audit Office are totally independent of government. She certifies the accounts of all government departments and a wide range of other public bodies, and she has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

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# Foreword

Preventing and detecting fraud is a continuing challenge for all public sector organisations. Organisations must seek to minimise losses to fraud, in order to maximise the proper use of funding for public services. It is not possible to eradicate fraud but we must do all in our power to minimise its impact.

Since 2008, under statutory powers inserted in the Audit and Accountability (Northern Ireland) Order 2003 by the Serious Crime Act 2007, my Office has undertaken data matching exercises for the purpose of preventing and detecting fraud. The main data matching tool we use is the National Fraud Initiative (NFI), administered by colleagues in the Public Sector Fraud Authority.

This is the eighth NFI exercise to be undertaken in Northern Ireland. The cumulative outcomes from the NFI in Northern Ireland are over £48 million, representing current and past fraud and error stopped and potential future fraud and error averted. The low levels of outcomes in some datasets in this exercise, indicate how valuable the NFI exercise has been in making bodies more aware of fraud and encouraging them to put in place effective controls over fraud.

Nationally, outcomes from data matching through the NFI are now over £2.9 billion, demonstrating the continuing value of this cross-jurisdictional exercise. I will continue to work collaboratively with the Public Sector Fraud Authority, Audit Scotland, Audit Wales and participating organisations to ensure that the value and impact of the NFI is maximised.

These achievements would not be possible without the efforts of the 80+ participating organisations in Northern Ireland who review and investigate data matches in order to detect fraud and error. **I thank all those involved for continuing to support this important work.**

If your organisation does not already participate in the NFI, I would encourage you to join our collective effort. You can contact my Office at [nficoordinator@niauditoffice.gov.uk](mailto:nficoordinator@niauditoffice.gov.uk) for further information, or go to our [website](#).

**Dorinnia Carville**

Comptroller and Auditor General



# Key Facts 2022-24



**£48 million**

Cumulative value of NFI outcomes in Northern Ireland since 1 April 2008



**£3.7 million**

Total NFI outcomes in Northern Ireland in 2022-24 exercise



**£3.1 million**

The majority of savings continue to be identified from pensions matches



**£0.5 million**

There was a significant increase in rates outcomes in this exercise (compared to £57k in the previous exercise)



**82**

Public sector bodies in Northern Ireland participated in this NFI exercise

# Key Messages and Recommendations

## 1. Maximise the benefits

A number of organisations pay the NFI fee but are not effectively participating. In this exercise we identified three organisations that did not investigate any matches and five organisations that only completed minimal investigation work (see **Audit overview**). This represents poor value for money and minimal benefit to those organisations.

All organisations should maximise the benefits to be gained by actively participating and investigating NFI matches. This should include:

- Ensuring that an appropriate level of resource is available.
- Reviewing the guidance within the NFI secure web application, to help ensure the most effective use of limited resources when reviewing and investigating NFI matches.
- Prompt and timely review of matches.
- Prioritising high-risk matches.

We also encourage all organisations that have previously participated in pilot exercises to reflect on the benefits gained through successful pilots, for example through the GP registration data pilot exercise in 2018-20, and seek ways to staff and actively participate in these exercises on a regular basis.

## 2. Self-appraisal

Audit committees, senior management, and officers leading the NFI should review the NFI self-appraisal checklist. This two-part checklist is designed to assist audit committee members when reviewing, seeking assurance on, or challenging the effectiveness of their organisation's participation in the NFI; and for officers involved in planning and managing the NFI exercise. Audit committees and management should ensure they are sighted on their organisation's progress, and where necessary seek to understand reasons for low or nil outcomes.

## 3. Take improvement action

Where auditors recommend improving the timeliness and rigour with which NFI matches are reviewed, NFI participants should take appropriate action.



# Key Messages and Recommendations

## 4. Identify new datasets

Organisations are encouraged to consider if there are any other datasets, not currently included, where there are clear indications that fraud may exist, which could be progressed into a pilot. Given the preparatory work that needs to be done for new untested datasets, it is essential that these are notified to us at an early stage to allow us to consider their inclusion in the data matching exercise.

## 5. Voluntary participation

We encourage all organisations to consider the benefits the NFI could bring to them in the detection and prevention of fraud. In particular, we continue to encourage housing associations to sign up to the NFI. Following our 2013 report on Tackling Social Housing Tenancy Fraud, the Public Accounts Committee commented that it expects all housing associations to participate in the NFI. However, to date, only three housing associations have participated in past NFI exercises, with none taking part in the current exercise due to other priorities. We continue to engage with the housing associations and the Department for Communities to encourage participation.

## 6. NICS Fraud Forum

The NICS Fraud Forum acts as a Best Practice Liaison Forum. It is advisory in nature and aims to assist departments fulfil their responsibilities in respect of anti-fraud activity. We encourage the NICS fraud forum to meet regularly (at least twice a year in accordance with its terms of reference) and support and promote the NFI within the public sector.

## 7. Digital Economy Act (2017)

England, Scotland and Wales match data from His Majesty's Revenue and Customs (HMRC) using powers under the Digital Economy Act (2017). There are significant aspects of this legislation that have not been adopted in Northern Ireland therefore we are currently unable to match to HMRC data. The Department of Finance are leading discussions regarding the implementation of The Digital Economy Act in Northern Ireland, however to date progress has been slow. We encourage the Department of Finance to work with the Cabinet Office to expedite discussions and implementation in Northern Ireland.



# NFI Outcomes in Northern Ireland 2022-24

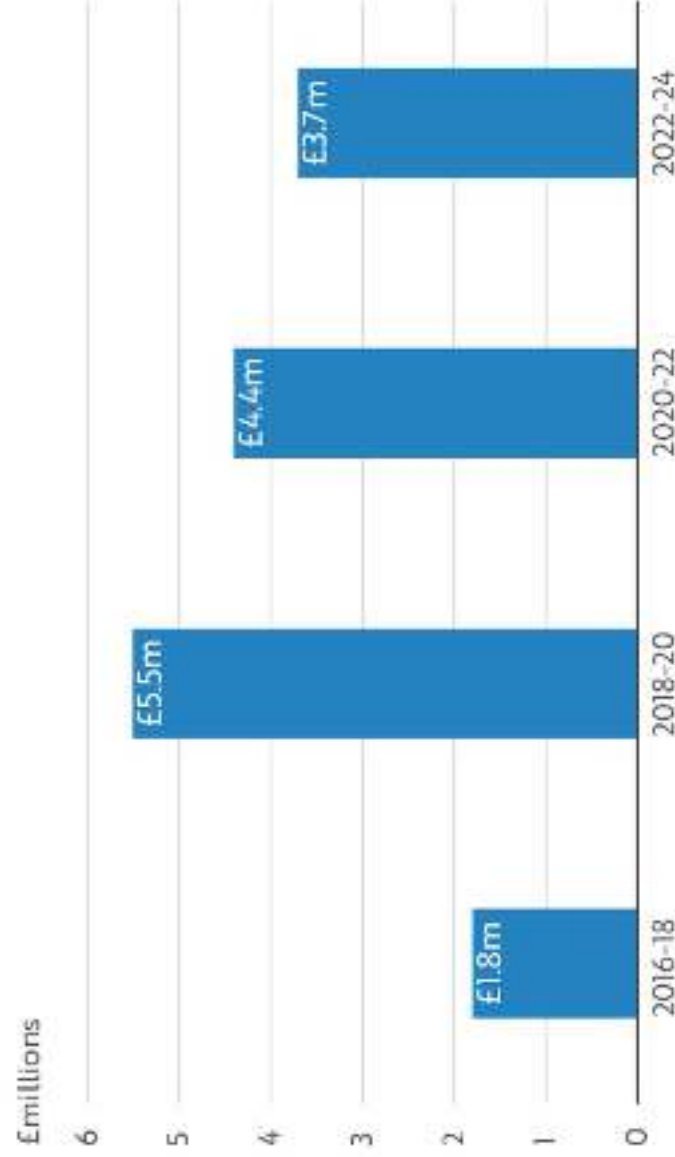
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The NFI is a major data matching exercise undertaken every two years which aims to prevent and detect fraud. **Appendix 1** provides an overview of the NFI process.

In Northern Ireland, 82 public sector bodies participated in the NFI. This includes all Councils, Health and Social Care sector bodies including Health Trusts, Further Education Colleges and all central government departments, and their arm's length bodies.

Between 1 April 2022 and 31 March 2024, outcomes for the NFI in Northern Ireland were £3.7 million, compared with £4.4 million in the previous reporting period (a decrease of 16 per cent). The total figure comprises actual outcomes of £0.55 million and estimated outcomes of £3.16 million. Total outcomes for the eight NFI exercises to date in Northern Ireland are over £48 million (see **Appendix 2**). An NFI outcome describes the overall amounts for fraud, overpayments and error that are detected by the NFI exercise and an estimate of future losses that it prevents (**Appendix 3**). **Figure 1** shows NFI outcomes for 2022-24 and the previous three exercises.

**Figure 1: NFI outcomes by exercise, 2016-18 to 2022-24**



Source: NFI web application

# NFI Outcomes in Northern Ireland 2022-24

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In this exercise, outcomes in all areas decreased when compared to the prior period, except for rates and creditors which had increased outcomes. Rates outcomes have increased significantly (777%) compared to the previous reporting period, due to renewed focus on data matches now that staff are no longer occupied on high priority COVID-19 related work.

**Figure 2: NFI outcomes in Northern Ireland compared to the previous exercise**

Dataset	Outcomes in previous exercise (2020-2022) £	Outcomes in current exercise (2022-2024) £	Change from previous year £	Change from previous year %
Rates	57,463	503,974	446,511	777%
Housing benefit	50,930	10,562	-40,368	-79%
Pensions	4,240,658	3,109,383	-1,131,275	-27%
Creditors	39,777	90,475	50,698	127%
Private supported care home residents	35,112	543	-34,569	-98%
Payroll	2,619	-	-2,619	-100%
COVID-19 grants	20,000	-	-20,000	-100%
<b>Total</b>	<b>4,446,559</b>	<b>3,714,937</b>	<b>-731,622</b>	<b>-16%</b>

Source: NFI web application

Note: COVID-19 grants data matching was a one-off exercise in the previous reporting period.



# Occupational Pensions



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## How is fraud and error identified?

- Occupational pension information is matched to deceased records (known as mortality screening) to detect where a pension paying authority has not been notified of the death of a pensioner and so a pension continues to be paid after the date of death.
- Eight Northern Ireland public sector pension paying authorities submitted pensions data for mortality screening as part of the main NFI exercise. In addition, one of these authorities later submitted data for interim mortality screening offered by the NFI, and outcomes from that are included in this report.
- Occupational pension records are also matched to payroll records to identify cases of pensioners returning to work without notifying the pension paying authority, thereby possibly avoiding a reduction (abatement) in pension.

## Outcomes

- 46 cases where pension remained in payment after the date of death of the pensioner, compared with 78 cases in the previous reporting period.
- £3.1 million\* of actual and estimated savings, compared with £4.2 million in the previous reporting period.
- One pension abatement case identified of £2,728 compared with no cases in the previous reporting period.

**\*Note:** The vast majority of pension outcomes are from a small number of cases where the pensioner died relatively young and was in receipt of a significant pension, leading to a large, estimated outcomes figure (see **Appendix 3** for calculation methodology).



## Case Examples

A pensioner died in September 2021 but the pension paying authority only became aware of the death via NFI data matches in February 2023. Overpayment of pension amounted to £14,108. The pension paying authority is pursuing recovery of the funds through contact with the deceased's personal representatives however, to date the full amount is still outstanding.

A pensioner died in September 2022 but the pension paying authority only became aware of the death via NFI data matches in February 2023. Overpayment of pension amounted to £14,990. The pension paying authority recovered the funds in full in October 2023.

A pensioner died in April 2022 but the pension paying authority only became aware of the death via NFI data matches in January 2023. Overpayment of pension amounted to £9,522. The pension paying authority recovered the funds in full in June 2023.





# Rates

## How is fraud and error identified?

- Rates records are matched to the electoral register to identify;
- properties where someone is registered to vote but the property is not on the Valuation List; and
- properties where someone is registered to vote but LPS have not yet identified the liable ratepayer on the rating system.
- Lone Pensioner Allowance (LPA) gives a 20 per cent rate rebate to people aged 70 or over who live alone. LPA records are matched to death records, electoral records and state pension records to determine whether the award of LPA is still valid.

## Outcomes

- 103 cases of rates avoidance detected, compared with 8 cases in the previous reporting period.
- £481,000 of actual and estimated savings, compared with £30,000 in the previous reporting period.
- 34 cases of incorrect award of LPA detected, compared with 50 cases in the previous reporting period.
- £23,113 of actual and estimated LPA savings, compared with £28,000 in the previous reporting period.
- Four national insurance number corrections within LPA records, helping to prevent future fraud and error.



## Case Examples

NFI data matching to the electoral register prompted investigation of property ownership on the Land Registry system. A property was identified which was recorded as 'pending ratepayer' on the rating system but at which someone was registered to vote. Outstanding rates dating back to 2020, amounting to £10,356, are now subject to normal billing and recovery processes.

In another case, a person was registered to vote at an address, but the property was not on the Valuation List for rates. When the property was added to the Valuation List, rate arrears dating back to April 2017 of £12,535 were billed and are now being paid through an agreed payment arrangement.

LPS was not informed of the death of a ratepayer, therefore LPA remained on a pensioner's rates account after the date of death. Once identified as part of the NFI exercise, the LPA award was cancelled effective from the date of death and £665 relief was removed from the rate account. All rates for this property have been paid in full.



# Trade creditors and procurement



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## How is fraud and error identified?

- Data matching suppliers information allows organisations to identify duplicate payments, and can also highlight cases where system improvements or "housekeeping" are required, for example the removal of duplicate creditor reference numbers
- NFI data matching between payroll, Companies House data and trade creditor records also helps organisations to detect links between staff on their payroll and companies with which they trade. Matches may reveal undeclared conflicts of interest which have resulted in a financial advantage to a staff member or someone with whom they are closely connected.

## Outcomes

- 28 duplicate payments identified, compared with 16 in the previous reporting period.
- £90,475 recovered from suppliers, compared with £40,000 in the previous reporting period.
- 19 cases where action has been taken to correct non-monetary errors (such as a duplicate creditor reference number), compared with 65 such cases in the previous exercise, thereby helping to prevent fraud and error occurring in the future.
- No cases of undeclared conflicts of interest detected, compared with two cases in the previous reporting period.



## Case Examples

A duplicate payment of £6,456.26 was identified due to the same invoice being keyed in twice in error. The invoice was keyed with uppercase letters for one payment and lowercase for the second. This meant the duplicate payment was not picked up internally. The overpayment was discovered in October 2023 as a result of the NFI exercise. The supplier was contacted and the amount was recovered in December 2023.

In another case, a duplicate payment of £23,167 was discovered in September 2023. The duplicate occurred because the invoice was provided twice by the supplier in error and on the second invoice a digit on the invoice reference was incorrectly captured. The supplier was contacted and the duplicate payment was recovered in November 2023.



# Housing benefit



## How is fraud and error identified?

- People on low incomes may receive housing benefit. Fraud and error can occur when calculations are based on inaccurate information, for example where:
  - the claimant does not declare a source of income; or
  - the claimant does not declare a change of circumstances, e.g. additional residents at the address.
- The NFI matches housing benefit records to a range of datasets, including public sector payroll and pensions, student loans, deceased records and housing tenancies, in order to detect inaccuracies.
- The Northern Ireland Housing Executive (NIHE) administers housing benefit for those who rent and who own their homes.

## Outcomes

- Four cases of housing benefit fraud, error and overpayment detected, compared with 13 cases in the previous reporting period.
- £10,600 of actual and estimated savings, compared with £51,000 in the previous reporting period.
- Housing benefit outcomes have reduced in recent exercises following the transfer of NIHE housing benefit fraud investigation to the Department for Communities (DfC) in 2017. The DfC uses Real Time Information from employers and pension providers as its main focus for housing benefit investigations. Therefore whilst there continue to be matches as part of the NFI exercise, many of these cases have already been identified by DfC and therefore do not count as NFI outcomes.



## Case Examples

A housing benefit claimant had not declared that they were in receipt of a student loan. This only became apparent via an NFI data match. Overpayment of housing benefit amounted to £1,812.10 for the period September 2022 to February 2023.

In a similar case, the claimant was overpaid £751.41 for the period October 2022 to February 2023.

In both cases, the housing benefit claim has been cancelled and recovery of the amount is in progress.





# Private supported care home residents

## How is fraud and error identified?

- Health Trusts may contribute to the care home fees of older people. If care homes fail to notify Trusts, either fraudulently or erroneously, that a resident has died, payments may continue after the date of death of the resident.
- The NFI matches Trusts' private supported care home payment records to death records, to help identify such cases.



## Case Example

A wrong date of death was recorded on the Abacus system which resulted in an overpayment of £542.88 to a care home. The date was corrected and the overpayment was recouped in April 2024.

## Outcomes

- One case of an erroneous payment to a care home detected, compared with two cases in the previous reporting period.
- £543 of actual and estimated savings, compared with £35,000 in the previous reporting period.

# Blue badges and concessionary travel passes



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## How is fraud and error identified?

- **Blue badges** are administered by the Department for Infrastructure (DfI). A blue badge entitles the holder to concessions such as use of parking spaces designated for blue badge holders and free on-street parking in “pay and display” areas. Matching blue badge holder records to death records helps to identify potential fraudulent use of a badge after the death of the registered badge holder. Northern Ireland blue badge data is also matched to data from England, Wales and Scotland, to identify cases where a person may be holding more than one badge.
- **Concessionary travel passes** are administered by Translink on behalf of DfI and are issued to a number of eligible groups, such as people aged 60 and over. Details of travel pass holders are matched to death records to identify cases where a pass is still in circulation, and could therefore be used fraudulently, after the death of the pass holder.

## Outcomes

- Data matching identified 2,537 **blue badges** still in circulation after the death of the badge holder, an 18 per cent increase on the previous exercise. DfI examined a 10 per cent sample of the matches and found that all 250 cases were already known to them and cancelled, based on General Register Office for Northern Ireland (GRONI) data. The Northern Ireland Blue Badge System is updated directly each month from a report from GRONI and marked as ‘not for automatic renewal’. No issues of fraud were found in the sample examined.
- Data matching identified 3,455 **travel passes** still active after the death of the pass holder (3,883 in the previous exercise). Only four of these had actual usage recorded, to the value of £58.77, after the date of death (16 cases and £349 in the previous exercise). Translink had already cancelled 1,655 of the passes, based on monthly information provided by the GRONI. It cancelled the remaining 1,800 passes by the end of March 2023.



## Payroll

### How is fraud and error identified?

- The NFI matches payroll data across all participating organisations to identify cases of employment fraud, for example:
  - employees working for one body while on long-term sick leave from another; or
  - employees with two jobs where shift patterns overlap, so that it would not be possible to cover both jobs.

## Outcomes

- No cases of payroll error, compared with two in the previous reporting period.
- Enil outcomes, compared with £2,270 in the previous reporting period.

## Social Housing

### How is fraud and error identified?

- In Northern Ireland, the majority of social housing (around 48,847 properties) is owned and managed by the Northern Ireland Housing Executive (NIHE). In addition, 19 registered housing associations own and manage around 43,000 properties. The NIHE is a mandatory participant in the NFI (see **Appendix 1**) but the housing associations can participate voluntarily. In this NFI reporting period, none of the housing associations opted to participate.
- The NFI matches local tenancy data to the tenancy data of other participating social housing providers across the UK, and also to housing benefit, to help detect tenancy fraud by identifying where a person appears to be resident at two properties and therefore may be subletting one property unlawfully. Housing tenants' data is also matched to death records to ensure proper reassignment of a tenancy on the death of a tenant.
- In addition, the Northern Ireland social housing waiting list, which is maintained by the NIHE, is matched to housing tenants, housing benefits and deceased records to detect undisclosed tenancies and undisclosed changes of circumstances.

## Outcomes

- No social housing outcomes have been recorded from data matching exercises completed in this NFI exercise.





# Making the NFI work for your organisation

The following tips will help you to get the best out of the NFI exercise:



## Roles and responsibilities

- The **Senior Responsible Officer (SRO)** should nominate an appropriate **Key Contact** who has the necessary time and influence to ensure NFI work is started and progressed effectively, in line with the suggested timetable.
- SRO and Key Contact should agree the approach and timeframe. The NFI recommends that key reports and high risk matches are prioritised. We would encourage sign-off of the proposed approach by the **Audit Committee**.
- **Users** nominated to investigate data matches must have a good knowledge of the business area they are investigating (payroll, creditors etc.).
- **Users** should familiarise themselves with the latest guidance to ensure effective working. Comprehensive guidance is available under the Help menu in the NFI web application. The Public Sector Fraud Authority publication **NFI Matters** (under help/documents) highlights relevant hints and tips to make the most effective use of the NFI web application.



## Investigating matches

- **Prioritise** key reports and higher risk matches.
- Use the **report comment facility** to record your intended approach.
- Follow up matches **promptly** so that fraud and error can be stopped at the earliest opportunity.
- Work within the secure web application – this streamlines the process, allows information to be shared easily and ensures data security. Exporting of data should be kept to a minimum.
- **Do NOT investigate every match.** Use a risk based approach.
- Periodically **review shared comments** from other organisations and respond appropriately to any queries.

# Making the NFI work for your organisation



## Recording and reporting

- Users should record **short but informative comments** on matches within the NFI web application; this allows the SRO, Key Contact, NFI Coordinator and auditors to determine progress.
- Use the **report comment facility** to record a comment for multiple matches where appropriate, rather than entering the same comment numerous times. This **saves time** and effort in processing matches.
- All **outcomes**, both quantitative and qualitative (e.g. national insurance number corrections), should be recorded in the comments and outcomes boxes. **Only** record outcomes that are a **direct result of the NFI exercise**.
- Use outcomes to make informed **system improvements** e.g. strengthening controls.
- SRO should **report progress** and outcomes (including nil outcomes) to senior management, the Board and the Audit Committee.
- Take **positive assurance** from having few matches and no monetary outcomes.
- Use the **NFI self-assessment checklist** to quality assure your approach to the NFI.
- Use the outcome of your NFI work to inform your **Annual Governance Statement**.



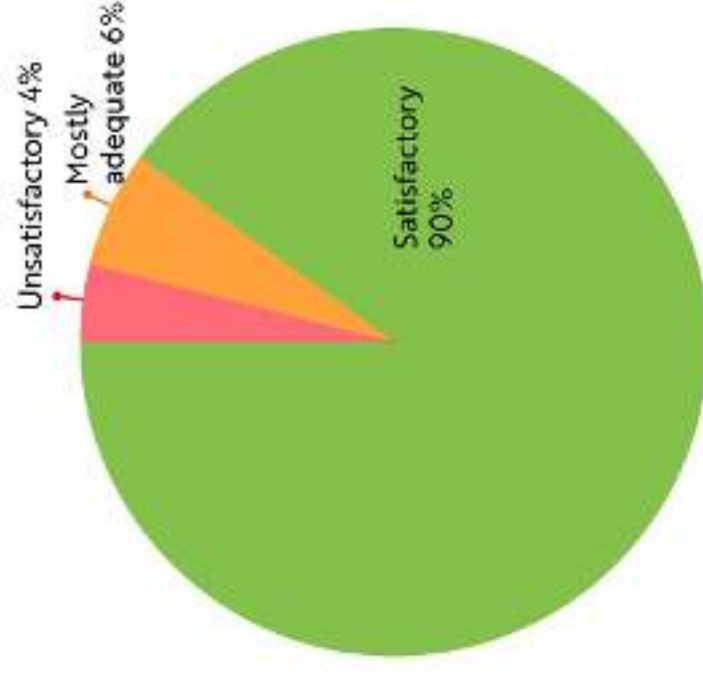


# Audit overview

Audit teams in the NIAO monitor progress by participating organisations, to help ensure they are getting the best out of the data matches provided and to encourage progress where necessary. We reviewed progress at the **end of December 2023**, 11 months after matches were released, and rated organisations' NFI approach as Green (satisfactory), Amber (mostly adequate) and Red (unsatisfactory) (see key below).

Overall performance had improved when compared to the previous exercise with 90 per cent of participating organisations rated as satisfactory (82 per cent in the previous exercise). Three organisations (4 per cent of total participants) had not looked at any data matches. Two of these organisations had been classified as unsatisfactory at the same point in the previous exercise. NIAO staff continued to monitor those organisations categorised as red or amber and by the end of March 2024, most had made further and sufficient progress. However, one organisation had not processed any of its data matches, attributing its lack of activity to 'staff shortages'.

<b>Unsatisfactory</b>
No reports opened or data matches processed 11 months after match release
No clear timetable in place to review and investigate matches
Internal issues in these organisations diverted time and resources away from the NFI
<b>Mostly adequate</b>
Not all key reports were opened 11 months after match release
Low number of matches processed
High risk matches not prioritised
Comments/queries from other organisations not being responded to
<b>Satisfactory</b>
Work commenced promptly
Key reports and higher risk matches prioritised
Clear and informative comments recorded
Outcomes clearly recorded
Report comment facility used appropriately
Shared comments from other organisations reviewed and responded to as appropriate
Clear arrangements for internal reporting of the NFI exercise





# Looking to the future

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The Public Sector Fraud Authority continues to develop the NFI and the NIAO continues to monitor how developments might be applied in Northern Ireland to extend the scope of the NFI through increased participation and additional data matches.

**Private landlords:** We are currently engaging with DfC and Public Sector Fraud Authority colleagues in relation to a pilot in Northern Ireland to match private landlord data with housing benefit and LPS landlord rates rebate data to identify any landlords who have not registered with NI Direct. It is hoped that this pilot will go ahead in Q4 2024/25.

**Housing tenancy fraud:** This pilot, launched in Autumn 2022 with a number of pilot bodies in England, combines public and private sector data to help detect subletting of social housing and unlawful succession. The second phase was launched in spring 2024 including matches from new data. To date the Northern Ireland Housing Executive and Northern Ireland housing associations have not been involved in the pilot but are keen to participate in future phases.

**Digital Economy Act (2017):** We will keep this in view and continue to seek updates on progress (see associated recommendation in **Key messages and recommendations**).

# Appendix 1 – Overview of the NFI

## What is the NFI?

The National Fraud Initiative (NFI) is a major data matching exercise, run by the Public Sector Fraud Authority (PSFA) every two years, which detects fraud and error. The PSFA was launched on 3 August 2022 as an integrated partnership between the Cabinet Office (CO) and HM Treasury (HMT). The PSFA engages with government departments and public bodies to understand and reduce the impact of fraud. The NFI compares data from over 1,200 organisations across England, Scotland, Wales and Northern Ireland, making it a powerful tool. The NIAO co-ordinates the exercise in Northern Ireland, with over 80 local public sector organisations participating. These include government departments, local councils and health bodies.

Governing legislation<sup>1</sup> states that organisations which are audited by the C&AG or a local government auditor may be required to participate in data matching exercises. These are known as mandatory participants. Other bodies may participate on a voluntary basis where the C&AG considers it appropriate. The purpose of data matching must be “to assist in the prevention and detection of fraud.”

## Key steps in the process

- Participating organisations submit the required datasets, e.g. payroll, pensions, domestic rates, to the secure NFI website.
- The NFI matches the data and identifies inconsistencies, which are returned to participants as ‘matches’ via the secure website. Examples of matches include:
  - Payroll to payroll – could indicate a person working elsewhere while off sick.
  - Pensions to deceased records – could indicate that a pensioner has died but the pension-paying authority has not been informed.
  - Rates to electoral register – could indicate a person is resident at a property which is not on the Valuation List for rates, or where a liable ratepayer has not yet been identified.
- Organisations have around 12 months to review and investigate their matches. **Organisations are not expected to investigate all matches** but should determine their approach based on their knowledge of key fraud risks and the risk scores applied to each match by the NFI system.
- Organisations record relevant comments and outcomes within the secure NFI website. Outcomes may be monetary (actual and estimated, see **Appendix 3**) or non-monetary (such as correction of national insurance numbers or duplicate creditor references).
- Organisations with few matches, or no fraud or error in the matches they investigate, can take positive assurance that their internal control environment is operating effectively, and use the NFI to inform their Annual Governance Statement.<sup>2</sup>
- The Public Sector Fraud Authority collates the total outcomes and the Comptroller and Auditor General (C&AG) reports on the outcomes for Northern Ireland.

<sup>1</sup> Audit and Accountability (Northern Ireland) Order 2003, articles 4A to 4H.

<sup>2</sup> All departments, agencies and arm’s length bodies must prepare an Annual Governance Statement. They bring together all disclosures relating to governance, risk and control.



# Appendix 1 – Overview of the NFI

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## Data protection and data security

Data protection and data security are fundamental to the NFI. The C&AG's Code of Data Matching Practice<sup>3</sup> and the NFI privacy notice ensure compliance with data protection legislation. They let individuals know why their data is being matched, the standards that apply and where they can find further information. The C&AG has statutory authority to data match and does not require the consent of the individuals concerned.

The NFI uses a secure web-based application for the transmission of data and for access to matches by the participating organisations. The NFI's systems are accredited to handle, store and process information up to the restricted classification level.

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<sup>3</sup> Prepared by the C&AG under Article 4G of the Audit and Accountability (Northern Ireland) Order 2003 and available at [www.niauditoffice.gov.uk/national-fraud-initiative](http://www.niauditoffice.gov.uk/national-fraud-initiative)



# Appendix 2 – Total NFI outcomes in Northern Ireland

Dataset	Outcomes in current exercise 1 April 2022 to 31 March 2024 £	Northern Ireland total outcomes 1 April 2008 to 31 March 2024 £
Rates	503,974	17,215,933
Housing benefit	10,562	9,498,084
Pensions	3,109,383	15,755,030
Creditors	90,475	953,634
Social housing	0	1,719,760
Private supported care home residents	543	127,804
Payroll and other	0	89,025
GP Registrations	0	2,736,913
COVID-19 grants	0	20,000
<b>Total</b>	<b>3,714,937</b>	<b>48,136,183</b>

## Notes:

The bulk of the outcomes for social housing (£1.6m) relate to a pilot exercise carried out in 2018-20, matching care home data with social housing data. This exercise was a one-off and not repeated.

GP registration data matching was a one-off pilot exercise carried out in 2018-20.

COVID-19 grants data matching was a one-off exercise in the previous reporting period.

# Appendix 3 – Calculating outcomes and estimated forward savings

A summary of the outcomes methodology calculations applied to the NFI datasets included in the 2022-24 exercise in Northern Ireland is set out in the table below.

Dataset	Basis of calculation
Rates	Value of fraud or error detected, plus forward savings calculated as the average annual rates bill (£1,000) multiplied by 2. For Lone Pensioner Allowance, the forward savings are (£1,000 x 2 x 20%) for each case, as LPA gives 20% relief
Housing benefit	Value of fraud or error detected, plus forward savings calculated as the weekly benefit reduction multiplied by 19 weeks
Pensions	Actual pension overpayment plus forward savings calculated as the annual pension multiplied by the number of years until the pensioner would have reached the age of 85
Creditors	Value of overpayments
Procurement	Value of any contract cancelled or non-valid payments prevented
Social housing waiting list	£1,440 per person removed from the list, based on the annual cost of temporary accommodation, the likelihood of future losses due to fraud and the period of time the fraud may have continued without NFI intervention
Private supported care home residents	Value of fraud or error detected, plus forward savings calculated as actual weekly cost of care x 14 weeks
Payroll	Value of overpayments, plus £5,000 per case where an employee is dismissed or resigns, or £12,000 per immigration case (estimated amounts based on future losses prevented where a fraudulent employee resigns or is removed from post)
Housing tenants	£51,460 per recovered property in NI, based on the annual cost of providing temporary accommodation for the displaced tenant, plus an estimate of other costs such as legal costs and the cost of restoring the property

22 October 2024

