

Friday 1 August 2025

Dame Melanie Dawes
Chief Executive Officer
Office of Communications (Ofcom)
Riverside House, 2a Southwark Bridge Road
London
SE1 9HA

Dear Melanie,

I am writing to highlight concerns about the absence of internal audit functions across several major broadband companies. Given the role these companies play in maintaining parts of the UK's digital infrastructure and providing essential broadband services to millions of customers, their resilience is vital to the functioning of modern society and a growing digital economy. The absence of internal audit functions within some of these companies raises concerns about whether they have the necessary independent assurance over their ability to identify, manage, and mitigate risks effectively. In response to our findings, we urge Ofcom to introduce a clear regulatory expectation for broadband companies to maintain a dedicated internal audit function, aligning with expectations already established in other regulated sectors.

To give you some background, the Chartered Institute of Internal Auditors (Chartered IIA) is the professional body for internal auditors, representing over 10,000 professionals across the UK and Ireland. We advocate for good corporate governance, strong risk management and a rigorous control environment, leading to the long-term success of organisations and the contribution internal audit makes to these aims.

A robust broadband infrastructure and fast and reliable internet services are now a fundamental necessity that underpin almost every aspect of modern society and the digital economy. They are vital for the daily activities of millions of individuals and businesses across the UK, including office and remote working, online education, healthcare services, financial transactions, online purchasing and social connectivity — all of which contribute to productivity, innovation and support long-term economic growth.

Our research has identified six major broadband companies that, as far as we can tell, currently operate without an internal audit function: Community Fibre, Hyperoptic, Utility Warehouse, YouFibre, Glide and CityFibre. Collectively, these companies serve around two million customers. Some of these companies not only provide essential internet services to thousands of customers but also develop and maintain their own infrastructure networks. For example, CityFibre, the third-largest ISP infrastructure provider in the UK, supports major ISPs such as Vodafone, TalkTalk, and Zen Internet. While many other large broadband companies benefit from fully established internal audit functions, it is currently unclear whether CityFibre has a dedicated internal audit function that provides independent assurance over its risk, governance and internal control processes.

We recognise that these companies are subject to legal duties under the **Telecommunications (Security) Act 2021**, which is aimed at protecting the security and resilience of networks and services. These duties, along with the accompanying **Telecommunications Security Code of Practice**, focus

primarily on technical and cyber risks. However, as far as we can tell, no Ofcom requirements or guidance reflect the critical role of internal audit in good governance, nor set expectations around internal controls or effective board leadership.

Internal audit provides vital independent assurance to an organisation's board and senior management. Without it, they may not receive adequate assessments of their operational, financial, liquidity and cybersecurity risks. Internal audit can play a role in assessing the effectiveness of governance and internal controls related to technology, digital transformation, cloud services, data management, and emerging technologies such as artificial intelligence. Internal audit can also be harnessed to assess the effectiveness of scenario planning and stress testing, as seen in regulated sectors such as financial services, helping organisations prepare for economic and financial shocks, as well as other crisis events, such as major cyberattacks.

Other regulators have set clear regulatory expectations regarding the need for internal audit in sectors that provide essential services and maintain critical national infrastructure. The energy regulator Ofgem has introduced principles-based requirements for suppliers to report on their internal audit capability following concerns about financial resilience in the sector. Similarly, the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) set clear expectations for regulated financial services companies to establish and maintain an internal audit function. The recent Cyber Security and Resilience Bill reflects the government's continued focus on strengthening the laws and regulations that underpin the security and resilience of the UK's critical national infrastructure, including digital networks provided by broadband providers. Given the strategic role that broadband companies play in supporting the Government's economic growth objectives and digital infrastructure, Ofcom should adopt an approach consistent with other regulators by setting a clear regulatory expectation that it is best practice for broadband companies to have an internal audit capability proportionate to the nature, scale and complexity of their business.

While internal audit is not a panacea for governance and operational challenges, its role is vital for supporting organisations and their boards to manage and mitigate their business-critical risks effectively. Setting a clear regulatory expectation for broadband companies to have appropriate internal audit arrangements would strengthen independent oversight of how key risks are managed, improve organisational resilience, build investor confidence, and support the growth of the UK's digital economy.

We would welcome the opportunity to discuss this matter further in person and explore how Ofcom could set clear regulatory expectations around the need for broadband companies to have internal audit.

Thank you for considering this important issue. I look forward to your response.

Yours sincerely,



Anne Kiem OBE
Chief Executive