

INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT OUTCOME

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| Head of Service: | Andrew Bircher, Assistant Director of Corporate Services |
| Report Author | Iona Bond, Deputy Head of Southern Internal Audit Partnership |
| Wards affected: | (All Wards); |
| Appendices (attached): | Appendix 1 – External Quality Assessment Final Report Appendix 2 – External Quality Assessment Action Plan |

Summary

The purpose of this paper is to provide the Audit and Scrutiny Committee with the outcome from the External Quality Assessment of the Southern Internal Audit Partnership against the new Global Internal Audit Standards in the UK Public Sector.

Recommendation (s)

The Committee is asked to:

- (1) Note the report of the External Assessor following the External Quality Assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector (Appendix 1), and the action plan developed against suggested opportunities for future development (Appendix 2).**

1 Reason for Recommendation

- 1.1 In accordance with the Global Internal Audit Standards in the UK Public Sector an external quality assessment is required every five years.

2 Background

- 2.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

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'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

- 2.2 From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements are referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).
- 2.3 The Standards (8.4) require that *'the Chief Internal Auditor must develop a plan for an external quality assessment and discuss the plan with the Audit and Scrutiny Committee. The external audit assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external assessment may also be met through a self-assessment with independent validation.'*

External Quality Assessment

- 2.4 An External Quality Assessment of the Southern Internal Audit Partnership was undertaken during September to December 2025. The scope was comprehensive including review of the Southern Internal Audit Partnership's:
- Conformance with the Global Internal Audit Standards in the UK Public Sector.
 - Mandate, charter, strategy, methodologies, processes, risk assessment and internal audit planning.
 - Performance measures and outcomes.
 - Qualifications and competencies including those of the Chief Internal Auditor.
 - Integration into the organisation's governance processes.
 - Contribution towards the organisation governance, risk management, and control processes.
 - Contribution to the organisations operations and ability to attain its objectives.
 - Ability to meet the expectations of stakeholders.

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- 2.5 The External Quality Assessment was undertaken by John Chesshire of JC Training Ltd who met all of the necessary requirements of the enhanced qualification and experience required of an external assessor in the public sector. John is also the current Chairman of the Internal Audit Standards and Advisory Board whose role includes oversight of the development and periodic revision of the Global Internal Audit Standards. As such John is ideally positioned to provide the most credible assessment of the Southern Internal Audit Partnership against the new Standards

External Quality Assessment Outcome

- 2.6 A full copy of the External Quality Assessment – Final Report is provided (Appendix A), in concluding their conformance opinion, the external assessor states:

'I undertook this EQA review to provide an independent, objective, examination of SIAP against the GIAS, the Application Note, and the expectations within the CIPFA Code, as well as considering the function's effectiveness and delivery compared with other internal audit functions, current and emerging good practice(s).

The GIAS comprises five Domains, 15 Principles and 52 Standards. For each Standard, there are Requirements, Considerations for Implementation and Examples of Evidence of Conformance to achieve.

SIAP has achieved an excellent result of 'generally achieves' in this EQA in relation to the GIAS and Application Note. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

I include a summary of SIAP's conformance to the GIAS, below. Overall, I believe that the team has achieved an excellent performance given its size, together with the breadth and depth of the benchmark established by the new GIAS.

I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards. There are no partial conformances, or areas where the team do not conform with any Standards.

I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and this result puts SIAP firmly within the top quartile and represents the highest level of achievement and conformance with the new GIAS that I have seen to date.'

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| Summary of IIA Conformance | Standards | Does not Conform | Partially Conforms/ Achieves | Generally Conforms/ Achieves | Fully Conforms/ Achieves | Total |
|---------------------------------------|-----------|------------------|------------------------------|------------------------------|--------------------------|-------|
| Purpose of Internal Auditing | N/A | | | | | N/A |
| Ethics and Professionalism | 13 | | | | 13 | 13 |
| Governing the Internal Audit Function | 9 | | | 3 | 6 | 9 |
| Managing the Internal Audit Function | 16 | | | 1 | 15 | 16 |
| Performing Internal Audit Services | 14 | | | 2 | 12 | 14 |
| | 52 | 0 | 0 | 6 | 46 | 52 |

2.7 In contextualising the overall assessment outcome, the external assessors clarify:

‘Given these results, you may ask why does SIAP not fully achieve/conform, overall, given this level of attainment? The reason is that the IIA have set an incredibly high, and some may say excessively high, benchmark for the ‘fully achieves’ level of attainment. To fully achieve or conform, the IIA state that “The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing.” To fully achieve each of the 15 Principles, an internal audit function must fully conform with each of the 52 Standards.

Given that the GIAS remains ‘comply or explain’ in nature, an internal audit function can reasonably decide that some elements are not necessary to fully adopt, given the team’s nature, size, sector, cost/benefit, value for money considerations, or target maturity level. Not everything must be platinum-plated, and a level of common sense, judgement and proportionality is important.’

Opportunities for Improvement

2.8 It is important to note that the external assessor in their final report clearly states ‘I do not make any formal recommendations in this report. To aid continuous improvement however, I do make a small number of suggestions for future development’.

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- 2.9 Whilst there is no obligation on the Southern Internal Audit Partnership to address the highlighted areas of improvement, our culture as a learning organisation seeks continual development in ensuring our service is future proofed, lean, efficient, and effective. Consequently, an Action Plan (Appendix B) has been compiled to consider each of the suggested future development opportunities.

Conclusion

- 2.10 The decision to undertake an early external quality assessment and the resulting outcome provides assurance to the Council that the Southern Internal Audit Partnership are operating in general conformance with the Global Internal Audit Standards in the UK Public Sector and remain well positioned as your internal audit provider.

3 Risk Assessment

Legal or other duties

3.1 Equality Impact Assessment

- 3.1.1 None for the purposes of this report.

3.2 Crime & Disorder

- 3.2.1 None for the purposes of this report.

3.3 Safeguarding

- 3.3.1 None for the purposes of this report.

3.4 Dependencies

- 3.4.1 None for the purposes of this report.

3.5 Other

- 3.5.1 None for the purposes of this report.

4 Financial Implications

- 4.1 There are no financial implications in this report.

Section 151 Officer's comments: None arising from the contents of this report.

5 Legal Implications

- 5.1 There are no legal implications arising from this report.

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- 5.2 **Legal Officer's comments:** The council is required by statute (under the Regulations 3 & 5 of the Accounts and Audit Regulations 2015 and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function. Regulation 3 of the Accounts and Audit Regulations 2015 requires the council to ensure that it has a sound system of internal control which (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk. Regulation 5 of the Accounts and Audit Regulations 2015 requires the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

6 Policies, Plans & Partnerships

- 6.1 **Council's Key Priorities:** The following Key Priorities are engaged:
- 6.1.1 Effective Council: Engaging, responsive and resilient Council.
- 6.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.
- 6.3 **Climate & Environmental Impact of recommendations:** not applicable.
- 6.4 **Sustainability Policy & Community Safety Implications:** not applicable.
- 6.5 **Partnerships:** not applicable.
- 6.6 **Local Government Reorganisation Implications:** not applicable.

7 Background papers

- 7.1 None.