

TITLE: Internal Audit External Quality Assessment 2025

Committee: Audit Committee

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1.0 Issue

- 1.1. To advise the Committee of the outcome of the external quality assessment of the Internal Audit service.

2.0 Recommendations

- 2.1. That the Committee considers and notes the outcome of the external quality assessment and action plans.

3.0 Background/Options

- 3.1. The role of Internal Audit is to provide the Audit Committee, and management, with independent assurance on the effectiveness of the internal control environment. Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve its objectives.
- 3.2. Under the Public Sector Internal Audit Standards (PSIAS) and the new Global Internal Audit Standards (GIAS), which came into effect for local government in April 2025, the Internal Audit service must be subject to an external quality assessment at least once every five years. The assessment must be conducted by a suitably qualified and experienced assessor.
- 3.3. The North Northamptonshire Council internal audit service was established on 1st April 2022 and East Cambridgeshire District Council's internal audit service provision was delegated to be delivered by this service, along with a number of other local authorities. Since this time, annual self-assessments have been completed by the Chief Internal Auditor and an evidence base has been actively collected to inform the first external quality assessment.
- 3.4. The new Global Internal Audit Standards come into force for local government in April 2025. As such, an assessment in February 2025 provided an opportunity to confirm compliance with the relevant standards during the 2024/25 financial year but also to pro-actively seek external, professional insight into areas for further development to align with the new standards for 2025/26.

Form of assessment

- 3.5. External assessments can be in the form of a full external assessment, or a self-assessment with independent validation:

- Full assessment involves the assessment team undertaking a full review against each of the PSIAS attributes.
 - Validated self-assessment requires the Chief Audit Executive (Chief Internal Auditor) to prepare a self-assessment against the PSIAS attributes, which the assessment team independently validate.
- 3.6. Following consultation with the Executive Director of Finance and the Chair of the Audit and Governance Committee at North Northamptonshire Council, it was agreed that an External Quality Assessment should be commissioned in the form of a self-assessment validation, using an independent and experienced assessor through an external provider, supplemented by additional support on aligning against the new Global Internal Audit Standards.
- 3.7. Since the Internal Audit service was established in April 2022, annual self-assessments have been completed by the Chief Internal Auditor which has allowed the team to assess and gather evidence of their compliance against the standards. This evidence was presented to the assessor to supplement the assessor's own review of files and feedback sought from stakeholders.
- 3.8. An external assessor was selected, following requests for quotations in accordance with the Council's Contract Procedure Rules, based on experience, qualifications and price.

The assessor

- 3.9. The external assessment was conducted by Business Risk Solutions, which was established in 2019 delivering 'risk and assurance-based services to those requiring assistance with internal audit, risk management, and governance at a strategic governance level or within operational service activity'.
- 3.10. The assessor was Robin Pritchard who has 45 years internal audit experience and is an experienced External Quality Assessor (EQA) who was an appointed member of the Institute of Internal Auditors (IIA) Expert Panel. Robin is an Associate Member of the IIA (AIIA) and CIPFA qualified. Robin has delivered assessments to a wide range of public and private sector internal audit teams. The range of organisations to which Robin has provided EQA assessments to includes:

Sector	Number
Private and financial services	11
Housing	2
Education	1
Local government	56
Central government	4

The assessment

- 3.11. The assessor was provided with a copy of the Chief Internal Auditor's latest self-assessment document, together with the supporting evidence, to inform the review. This evidence included a copy of the Audit Manual, evidence of reporting mechanisms, customer feedback, performance measures, client engagement and promotion of the service, training and continuous professional development records

for team members, staff supervision records and the Quality Assurance and Improvement Plan.

- 3.12. The assessor selected and reviewed a sample of audit files for assignments covering all clients, to assess compliance with the Standards and consistent application of the Audit Manual. Feedback was also sought directly by the assessor from all five audit committee chairs, Chief Executives, Directors responsible for Internal Audit, wider Directors and a range of audit clients.

Outcome of the assessment

- 3.13. The conclusion of the assessment is that 'The North Northamptonshire Council internal audit service (NNCIAS) is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards'. This is the highest rating given from the assessments and all areas were assessed as either 'established' or 'excelling'.
- 3.14. Benchmarking across all sectors within the report indicates that the service has been scored higher than the average internal audit service reviewed by the assessor in local government, housing and the private sector for both competency and delivery. Furthermore, the scoring given is the highest in all areas on the industry benchmarking against the average local government internal audit services.
- 3.15. The report summarises a number of areas of good practice noted and a strong level of satisfaction based on stakeholder feedback received by the assessor.
- 3.16. The report helpfully provides a number of recommendations for further development, particularly to ensure alignment with the new Global Internal Audit Standards requirements. These will be taken forward by the Chief Internal Auditor as part of the Quality Assurance and Improvement Programme and responses are captured in Appendix 2 and Appendix 3 to this report.

4.0 Arguments/Conclusions

- 4.1. The attached report (Appendix 1) informs the Committee on the outcome of the assessment.

5.0 Additional Implications Assessment

- 5.1 In the table below, please put Yes or No in each box:

Financial Implications No	Legal Implications No	Human Resources (HR) Implications No
Equality Impact Assessment (EIA) No	Carbon Impact Assessment (CIA) No	Data Protection Impact Assessment (DPIA) No

6.0 Appendices

Appendix 1: External Quality Assessment
Appendix 2: Action plan
Appendix 3: Areas for enhancement

7.0 Background documents

None