

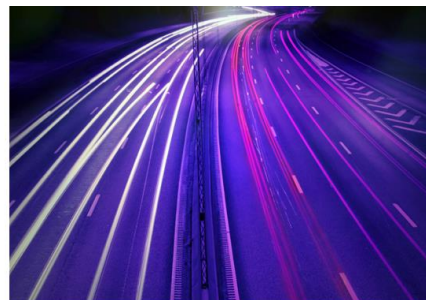
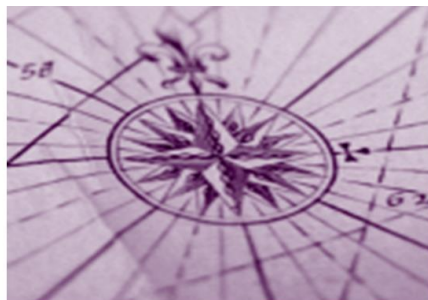


North
Northamptonshire
Council

External Quality Assessment

Internal Audit Services

Executive report – March 2025



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External Quality Assessment

North Northamptonshire Council

**BUSINESS
RISK
SOLUTIONS**

Opinion: The North Northamptonshire Council internal audit service is delivering to a standard that **generally conforms** with the Public Sector Internal Audit Standards.

Key matters arising from the review:

- Increasing integration of the use by internal audit of risk-based techniques with the risk impact definitions of each Council particularly in terms of planning at a strategic and engagement level would be mutually beneficial, particular as the team address the requirements of the new Global Internal Audit Standards.
- Enhance focus on identifying significant risk and key controls within the scope of the engagement
- Consideration should be given to the revision of the basis for expressing internal audit recommendations and opinions in line with risk impact definitions recognised by clients within risk management policies.
- Review the narrative used within the Annual Opinion in the Head of Internal Audit Annual Report to reflect continuous planning and knowledge of both significant risks and other sources of assurance that are available and upon which reliance has been/could be placed. This will need to enhance the existing recognition of assurance to reflect external and internal assurance including that documented with the risk management system, as a formal aspect of the internal audit approach.

Good Practice identified during the review

- An Internal Audit Charter setting out the role and responsibilities of Internal Audit is supported by a detailed Internal Audit Manual which guides delivery and establishes the basis of Internal Audit recommendations and the Annual Opinion.
- The service has developed a documented internal audit methodology and supporting templates using automated software that delivers and evidences a consistent service.
- Robust communication protocols exist throughout internal audit delivery and in terms of promoting the service.
- Routine reporting informs clients and the Audit & Governance Committee(s) regarding progress regarding completion of the internal audit plan, findings and the follow up of recommendations.
- The Team receives favourable feedback from clients who are appreciative of the approachable, flexible and client focused support that is provided. Some feedback has been received within the EQA client survey which may help focus communication and planning in future.

Executive summary

North Northamptonshire Council internal audit services (NNCIAS) is delivered by an in-house team comprising of nine FTE staff, although a vacancy currently exists in relation to a Principal Auditor (IT) position. This has been managed to minimise the potential impact on the team's ability to deliver services. The team now work in a hybrid manner, including visits to client locations on an as required basis. In addition, to providing services to the Council, the team also provide services under Delegation Agreements to Rutland County Council, Melton Borough Council, East Cambridgeshire District Council and Harborough District Council.

The Council's in-house internal audit service was established in 2022, since when services have been managed by Rachel Ashley-Caunt, as Chief Internal Auditor, who assumes the role of Chief Audit Executive (CAE) for the purposes of this review. The service has established itself and responded to the changes of focus in professional standards by continuing to develop a risk-based approach with regard to planning and the completion of assignment work. This utilises the client Risk Management Frameworks, where possible, as a basis for categorising risks, within which the team identifies what it considers to be the significant risks in consultation with management. The Internal Audit Charters are updated annually, and the Internal Audit Manual is comprehensive, reflecting the requirements of the Public Sector Internal Audit Standards (PSIAS), further review will be required in 2025 following introduction of the Global Standards for Internal Audit (GSIAS).

From an internal audit perspective, considerable advantage is to be gained from increasingly recognising client Risk Management processes and the effectiveness with which they operate. The degree to which risk registers identify and articulate significant risks and those key controls which management feel reduce risk to an acceptable level (risk appetite) appears variable along with the level to which assurance is recognised; consequently, planning is heavily dependent on discussions with management throughout planning phases. Alignment of internal audit definitions relating to recommendations and opinions could be more closely aligned with each Councils risk impact definitions.

It would be beneficial for NNCIAS to identify specific 'managements objectives' in each review area (rather than critical objectives/background which are currently identified) and arising from which recognise what constitutes 'significant risk' to achievement of management's objectives: this will enable internal audit plans and assignments to focus on what matters most; the value of considering 'Control Risk' and thereby increasingly the most significant issues would enhance the assurance provided. Increased recognition of assurance including other independent sources would lead to a more comprehensive assurance framework, therefore supporting an Annual Assurance Opinion in relation to risk management, governance and control. This would provide increased alignment with the Annual Governance Statement.

Current services are assessed to '**generally conform**' with the PSIAS standards, comparing favourably within the sector and wider provision. A series of specific recommendations are made in the report that follows to reflect building on the existing strengths in relation to resources, competency and delivery in order to enhance future services and demonstrate compliance with the new Global Standards.

Basis for overall opinion

Generally Conforms means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

Partially Conforms means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual *Standard* or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

Does Not Conform means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual *Standard* or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the *Standard* to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.

Overall assessment

1	RESOURCES		Excelling – Processes in this area are embedded within every-day practices and mostly reflect best practice that is consistent with PSIAS expectations.
2	COMPETENCY		Established – Processes in this area are embedded within every-day practices and mostly reflect best practice that is consistent with PSIAS expectations. The EQA has identified areas where further development would be beneficial to delivery as well as contribute towards compliance with GIAS.
3	DELIVERY		Excelling – Processes in this area are generally compliant with the PSIAS and embedded within every-day practices.

Summary of good practice identified within EQA

Standard	Good practice identified	Observation
1000	An Internal Audit Charter has been established and agreed with management and the Audit and Governance Committee (AGC) or equivalent.	The combination of the Charter and the Internal Audit Manual is comprehensive and establishes an appropriate framework against which internal audit services can be delivered in accordance with the PSIAS. Additionally, the NNCIAS team has produced material which supports the promotion of its services within clients.
1100	Independence and objectivity	A process is in place regarding the identification and management of potential conflicts and/or declarations of interest.
1311	The service has conducted internal assessment exercises regarding its performance.	Performance review is embedded within quality control procedures and supported by a staff appraisals process which identifies and supports performance development needs.
2020	Active engagement at Member and senior management level	Represents the establishment of a good understanding of key issues through routine interaction with management at all levels and Members.
2030	The need for appropriate internal audit resources has been recognised.	The concept of continuing to develop an in-house team supported by an external resource when appropriate provides for both sufficient resources and those of a technical or specialist nature.
2060	Reports are produced using a standard format which is consistently applied. Customer feedback is routinely requested.	Demonstration of a consistent approach to communication which is well received by management and the AGC – effective follow-up ensures issues are not lost.
2300	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.	Effective supervision and review of progress ensures a consistent approach and delivery of the approved methodology.
2400	Internal auditors must communicate results of engagements.	The internal audit team routinely conducts clearance meetings which are documented with regard to the findings emerging from engagements.

Part one



Compliance with the Public Sector Internal Audit Standards

Business Vision and Mission, Governance arrangements, Recognition of standards, Charter, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

	Issue identified	Recommended action
1.	<p>Internal Audit Charter (IAC)</p> <p>The IAC states “6.1 The audit plan guides the work of the service during the year. The planning principles are:</p> <ul style="list-style-type: none"> • Focusing assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects; • Maintaining up to date awareness of the impact of the external and internal environment on control arrangements; • Using a risk assessment methodology to determine priorities for audit coverage based as far as possible on management’s view of risk in conjunction with other intelligence sources e.g. corporate risk register, audit risk scores; • Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising in a resource constrained environment there will be situations when not all needs can be met which is where risk management is key” <p>This is compliant with the PSIAS as based on risk and discussions with management it provides a robust basis for provision of the Annual Assurance Opinion in the Head of Internal Audit Annual report.</p>	<p>The Internal Audit Charter will need to be revised to meet the new requirements of the Global Internal Audit Standards, consequently take the opportunity to consider the value of including a statement to align the continuous development of successive internal audit plans with the provision of an annual opinion reflecting reliance on previous years internal audit work, the changing risk environment and the longer-term assurance needs of each client within perhaps a three-year planning horizon.</p> <p>Forming an independent assurance opinion in this way is aligned to later comments relating to development of a comprehensive Audit Universe in which sources of assurance are appropriately mapped and as a result designed to support the Governance Statement.</p> <p>PSIAS 1000</p>

	Issue identified	Recommended action
2.	<p>Quality Assurance Improvement Program (QAIP)</p> <p>NNCIAS has developed a QAIP process which itemises development and supervisory processes that contribute towards maintaining and evidencing appropriate review of the delivery of a quality service.</p> <p>The IAC states that this consists of:</p> <ul style="list-style-type: none"> • ongoing performance monitoring; • an annual self-assessment of the service and its compliance with the UK PSIAS; • an external assessment at least once every five years by a suitably qualified, independent assessor; • a programme of Continuous Professional Development (CPD) for all staff to ensure that auditors maintain and enhance their knowledge, skills and audit competencies; • the Chief Internal Auditor holding a professional qualification (current Chief Internal Auditor is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA)) and being suitably experienced; and • encouraging, and where appropriate acting upon, customer feedback. <p>The standards require a summary of the completion of the process and development opportunities to be recorded in the Head of Internal Audit Annual Report.</p>	<p>Consider:</p> <ol style="list-style-type: none"> Introducing a formal QAIP policy outlining the processes which support the statement in the Internal Audit Charter, Introducing a more detailed statement in the Head of Internal Audit Annual Report in which: <ul style="list-style-type: none"> - Confirmation that all measures contained in the process have been completed, - Performance data is continued to be summarised along with client feedback, and - How any significant deviations or development needs that have been identified will be resolved. This will include any revision of the services provided to comply with GIAS. <p>An example QAIP policy has been provided.</p> <p style="text-align: right;">PSIAS 1300</p>

	Issue identified	Recommended action
1.	<p>Audit Universe</p> <p>A stated previously, the current internal audit planning model is based on a risk assessment, identifying business objectives, key risks impacting those objectives and taking into consideration input from management and other key stakeholders</p> <p>Further development of this approach based upon the client's view of significant risk at both a strategic and operational level would enhance internal audits' ability to demonstrate a commitment to helping clients achieve objectives .</p>	<p>Whilst it is recognised that the maturity of client risk management processes is variable, it would be beneficial to increasingly align development of the internal audit planning system with each Councils risk management processes in order to ensure that resources were consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which each Council is exposed at an inherent level.</p> <p>Global Internal Audit Standards anticipate alignment of risk registers with the internal audit universe.</p> <p style="text-align: right;">PSIAS 2000/2010</p>
2.	<p>Governance</p> <p>The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements, which is recognised within the IAC.</p> <p>Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.</p>	<p>In Local Government, each Council establishes a Code of Governance in accordance with CIPFA SOLACE – it would be beneficial to further map internal audit activity to the content of the Code within the Internal Audit Planning process in order to provide assurance at a level across all aspects of the Local Code of Governance within a defined planning period. This would contribute directly to the Annual Governance Statement through the assurance opinion in the Head of Internal Audit Annual Report.</p> <p>Consider also extending the explanation regarding the internal auditor's responsibility regarding assurance on Governance processes in the introduction of the IAC to define how the opinion is derived in practice.</p> <p style="text-align: right;">PSIAS 2110</p>

Competency continued

	Issue identified	Recommended action
3.	<p>Assurance mapping</p> <p>The CAE has recognised the need to “Undertake an assurance mapping exercise against the risks identified within client risk registers in order to highlight any gaps in the assurance framework”, as part of future audit planning.</p> <p>The NNC Strategic Risk Register currently analyses sources of assurance, although we understand that this is not the position at all clients particularly at an operational level.</p> <p>Internal Audit practice currently also identifies key controls and sources of assurance at an operational level, although this is not formally recognised, it is a function required of internal audit within PSIAS 2050 when planning internal audit activity.</p>	<p>Consider developing the internal audit methodology by formally documenting the sources of assurance available to internal audit within each engagement as part of routine planning processes at a strategic and engagement level. Assurances may be both internal and external.</p> <p>Use the accumulated knowledge gained to support the Annual Assurance opinion in the Head of Internal Audit’s Annual Report as is required by GIAS.</p> <p>PSIAS 2050</p>
4.	<p>Management Objectives</p> <p>Current NNCIAS practice is to define ‘Critical objectives for the area under review’ within the APR for each engagement. These are then supported by an analysis of ‘Risks and Control areas’ which will form the basis of the review.</p> <p>Consideration of ‘Managements Objectives’ is required by PSIAS 2201 if identified is likely to support a better understanding of the area to be reviewed along with a focus on the significant risks to the achievement of the stated objectives as agreed with management.</p>	<p>Consider reviewing the terminology used within the APR to reflect Management’s Objectives within the area for review. Consequently, base identification and discussion of risks in relating to the achievement of the agreed objectives.</p> <p>Consider introducing a ‘Heat Map’ process to then determine which are significant risks (as defined within the clients Risk Impact and Likelihood gradings) to agree those which will become the scope of the review, rather than extend the audit to a wider range of control areas.</p> <p>In each area to be reviewed, identify actual controls and the existing assurances that are available, this will assist in the development of assurance mapping and support the Annual opinion</p> <p>PSIAS 2201</p>

Competency continued

Issue identified

Recommended action

6. Grading of recommendations

The grading of recommendations currently reflect substantial, significant or operational risks identified within an engagement, without consistently reflecting the significant risk to the achievement of objectives at a recommendation or overall opinion level.

Category	Definition
High	Requires actions to avoid exposure to substantial risks in achieving objectives for the area.
Medium	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Low	Action recommended to enhance control or improve operational efficiency.

The Internal Audit Team currently grades recommendations at three levels of risk - High, Medium and Low risk, as shown above.

As stated earlier, a significant feature of the PSIAS is a focus on significant risk and therefore aligning internal audit terminology with 'client speak' in terms of risk impact definitions may improve communication regarding findings, recommendations and opinions.

It would be beneficial to align future recognition of significance at planning and reporting stages and particularly regarding the grading of recommendations, with those impact definitions used within each Council's risk management process.

For example , that shown below reflects NNC definitions.

Impact Descriptors					
	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Legal and Regulatory	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
Financial	<£0.5m	<£1m	<£5m	<£10m	>£10m
Service provision	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
People and Safeguarding	No injuries	Low level of minor injuries	Significant level of minor injuries of employees and/or instances of mistreatment or abuse of individuals for whom the Council has a responsibility	Serious injury of an employee or individual for whom the Council has a responsibility	Death of an employee or individual for whom the Council has a responsibility or serious mistreatment or abuse resulting in criminal charges

This would assist in both agreeing the specific risk focus of each engagement as well in assessing the relative importance of findings at the exit meeting, grading recommendations and in providing an opinion within assurance reports.

Significance may however need to consider the most appropriate risk category, as financial risk will not always be the critical consideration.

Recognition of significance is enhanced within GIAS expectations and therefore formal recognition that matters of a very High and High (in a 5x5 matrix as above) will be beneficial in demonstrating future compliance.

	Issue identified	Recommended action	
1.	<p>Release of draft and final reports</p> <p>Reports are currently issued to clients by the auditor responsible for the engagement following approval by the CAE.</p> <p>It is understood that where an engagement includes a Critical Risk grading or limited/no assurance rating, this requires CAE authorisation, prior to holding a clearance meeting.</p>	<p>Consideration should be given to documenting the process for approval of a draft/final report in the Internal Audit Manual where significant risk or negative assurance opinions are to be reported. In addition, document the protocol for release of reports in the absence of the CAE.</p> <p>All reports should be issued in the name of the CAE and not the Author. Although not specially referred to in PSIAS or GIAS, we believe it is implied and recognises the status of the assurance opinion being provided.</p> <p style="text-align: right;">PSIAS 2440 DOMAIN V – Principle 15</p>	
2.	<p>Risk Management opinion</p> <p>Internal Audit has reviewed risk management processes which is consistent with the PSIAS and supports the opinion provided in the Annual Report.</p> <p>The opinion relating to risk management is achieved by consideration of both review of the process at a strategic level and supported by conclusions reached within individual engagements.</p>	<p>It would be beneficial to support the opinion by adding further clarification in the either the IAC and the Annual Report as to how in practice this is achieved, thereby also demonstrating the independence of the CAE, where appropriate.</p> <p style="text-align: right;">PSIAS 2120</p>	

	Issue identified	Recommended action
3.	<p>HolA Annual Report</p> <p>The terminology used by the CAE to express an Annual Opinion is understated as this currently reflects assurance regarding risk management, governance and control reflecting primarily the work of the internal audit team in the current year and supported by wider knowledge.</p> <p>The report also identifies risks or areas of concern that have been identified during the year, a summary of follow-up regarding recommendations and a brief statement regarding the QAIP.</p> <p>Standard 2060 does however also include reference to bringing the attention of the Audit and Governance Committee to assessment of the significant risks facing the organisation and any other assurance sources that have been recognised (rather than relied upon).</p>	<p>In practice the opinion is based upon a much broader knowledge of the client, gained through previous years programmes and that gained within and provided for within the continuous internal planning cycle, including discussions with management and reference to risk management processes.</p> <p>It would be good practice to support the comprehensive assurance opinion in relation to risk management, governance and control with broader reference to significant risks and other sources of assurance that are available (both internal and external), and, including reference to those within the risk management process which will have been subject to audit through any future assurance mapping objectives.</p> <p>In this form, the opinion would also better align with the required content of the Governance Statement in which significant risks are stated, and regarding which the CAE can address any concerns where the management response may be insufficient.</p> <p>Planning for continuous assurance over a defined period rather than on the basis of a single years' plan was reflected in R1.</p> <p>PSIAS 2060/2450</p>

Part two



Suggested enhancements for consideration

This section contains suggested enhancements to current practices which may benefit service delivery as well as significant additional matters which will need to be addressed in relation to demonstrating conformance with the Global Internal Audit standards wef 1 April 2025.

Suggested Enhancements for consideration

	Issue identified	Recommended action
1.	<p>Relationships with Senior Management and Audit and Governance Committee</p> <p>Only one of 14 respondents referred to knowledge of Internal Audit's role being gained from training, with most reflecting on experience within local government.</p> <p>NNCIAS provides a range of well-presented information in different forms to support and explain its role and the service provided, including relevant contacts and FAQ's on intranet pages.</p> <p>The CAE has produced and presented a paper on the implications of the new Global Internal Audit Standards to the Audit and Governance Committees.</p> <p>The Global Internal Audit Standards place a requirement on the CAE to "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". Such a requirement is largely achieved through operating across five clients in the sector but if further enhanced will be beneficial in engaging with management and the Audit and Governance Committee regarding the wider assurance framework in relation to risk management and control.</p>	<p>The new standards in Domain III introduces enhanced requirements of Senior Management and the Board (in the form of the Audit and Governance Committee) regarding governance of the Internal Audit function.</p> <p>Whilst many build on existing requirements within PSIAS, there is an expectation to evidence that appropriate oversight, approval, support and championing of internal audit takes place.</p> <p>NNCIAS should therefore consider how this can be best demonstrated post 1 April 2025 and include training regarding critical aspects of delivery being:</p> <ul style="list-style-type: none"> - the establishment of a 'golden thread' within the assurance process, - the relevance of enhancing client risk processes including reference to inherent and residual risk, within client risk appetite, - the need to focus on significance, - resourcing, particularly regarding technology risk, - assurance mapping, - evidencing communication and positive involvement in internal audit planning. <p style="text-align: right;">DOMAIN III – Principle 6</p>

Suggested Enhancements for consideration

Issue identified	Recommended action
<p>2. Engagement Planning – Control Risk</p> <p>Whilst internal audit planning is being increasingly based upon a risk model as required by the PSIAS and GIAS, the process largely depends upon discussions with the management in pre-audit meetings and the maturity of the current risk management processes.</p> <p>The degree to which the internal audit methodology allows a focus on “Significance”, as opposed to covering ‘other risks’ is determined by each auditor and their supervisor.</p> <p>The ability of the internal audit team to target areas of greatest potential risk exposure which threaten achievement of Council objectives at a Strategic or Operational level may be better informed through increasing recognition of risk at inherent and residual (current) levels, although it is recognised that this may not be readily identified in all risk management processes currently.</p> <p>Inherent risk can beneficially be used within planning of reviews, whereas residual risk becomes more relevant following completion of the review in which the adequacy and effectiveness of the control framework has been assessed. The use and understanding of this process will introduce the concept of ‘Control Risk’ to the NNCIAS delivery and should help identify areas, where internal audit assurance maybe most beneficial.</p> <p>Control risk represents the difference in values between the inherent risk score and the residual risk score and reflects an assessment of how well the control framework operates or the potential risks if it were to fail.</p>	<p>Engagements should be increasingly constructed to reflect significant risks and aligned to Risk Impact definitions within the Risk Management Strategy of each client. This will also help ensure recognition of terminology throughout each Council.</p> <p>Assessment of ‘Control Risk’ in relation to the achievement of Management Objectives would focus reviews upon:</p> <ul style="list-style-type: none"> • Those risks where the assessment is that the combined impact/likelihood score has decreased most and where if assumptions are incorrect regarding reliance on current mitigating controls, critical business risk exposure may exist, • Risks where the value of ‘Control Risk’ is limited or zero and as a result suggesting the controls may be insufficient or ineffective, and • Key Controls (rather than a wider view of all controls which may have little impact on risk reduction or the achievement of business objectives). <p>By focusing on Management Objectives, significant risks and key controls there may be efficiencies to be gained within assignments through targeting resources to issues of greatest importance or concern.</p> <p style="text-align: right;">Domain IV – Principle 9</p>

Suggested Enhancements for consideration

	Issue identified	Recommended action
3.	<p>Confidentiality</p> <p>Internal audit reports are currently distributed with a clause restricting access “The final audit report will be circulated to those listed on the front page of the report, as agreed in the APR. Any wider circulation should be agreed with the Chief Internal Auditor. This report is classified as Official - Internal under the Council’s classification scheme”.</p> <p>It would be beneficial to also ensure that if viewed outside of the organisation no ‘legal responsibility’ is provided to those who may seek to rely upon the content..</p>	<p>The Internal Audit Team should consider the need to include appropriate further confidentiality and limitation of liability clauses in all reports which are or may be shared with clients, Audit and Governance Committees and third parties directly or indirectly.</p> <p>An appropriate clause may be: “This report provides an opinion on the effectiveness of internal controls and may provide reasonable, but not absolute assurance. This report has been prepared solely for the managers listed above and as such should not to be circulated beyond those named above without the express permission of the report author. No liability is therefore offered to third parties receiving a copy of the report”.</p> <p>DOMAINS II (5), IV (11.5) and V (15.1)</p>
4.	<p>Stakeholders</p> <p>Whilst the PSIAS does make reference to considering the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions (2010.A2), this expectation is enhanced within GIAS.</p> <p>NNCIAS recognises this within its Internal Audit Charter.</p> <p>The emphasis in Global Internal Audit Standards requires a need to evidence such understanding.</p>	<p>Consider how future internal audit activity may demonstrate appropriate consideration of other stakeholder expectations:</p> <ol style="list-style-type: none"> 1. In devising internal audit plans 2. When identifying Management Objectives in future audits. <p>Exploring opportunities to attend a wider range of management and Committee meetings, review of trends in incident, complaint and whistleblowing system will represent sources of engagement or information which can be used as evidence.</p> <p>PSIAS 2010 DOMAIN IV- Principle 11</p>

Suggested Enhancements for consideration

	Issue identified	Recommended action
5.	<p>Training</p> <p>NNCIAS currently maintain a training matrix showing nine areas where training may be required depending upon the role and grade of the staff member in the internal audit team.</p> <p>This is supported by robust supervision and a comprehensive 121 process administered on a quarterly basis.</p> <p>GIAS though includes raised expectations regarding planning and delivery of appropriate training, perhaps demonstrated best by the following extract: “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”.</p>	<p>It would be beneficial to strengthen the NNCIAS approach in this area to ensure alignment with all relevant processes and include within the QAIP. Areas’ worthy of consideration for inclusion in an enhanced training matrix include:</p> <ul style="list-style-type: none"> - Training provided in-house (mandatory or otherwise). - Internal audit skills training – interviewing, reporting etc - Technical training, perhaps linked to anticipated need within a 3-year planning horizon, - Softer skills training (GIAS refers to internal audit scepticism and being courageous). <p>DOMAIN II – Principle 3</p>
6.	<p>Integrity and Objectivity</p> <p>In addition to the observations above the new GIAS standards provide stronger focus on the need for internal audit to demonstrate a professional approach. Within relevant standards there is recognition that Internal auditors must “exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations”.</p> <p>There is also acceptance that support is required for internal auditors, and therefore 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”.</p>	<p>Whilst it is appropriate to recognise that dealing with difficult situations is gained through experience, a recognition should be included in future training provision regarding the:</p> <ol style="list-style-type: none"> 1) Relevance of ethical practice by internal auditors 2) Professional scepticism, and 3) Need to simulate situations where courage may be needed to manage the various difficult situations that an internal auditor may experience. <p>DOMAIN II – Principle 1.1 and 4.3</p>

Suggested Enhancements for consideration

	Issue identified	Recommended action
7.	<p>Final Communications regarding engagements</p> <p>GIAS states “A statement that the engagement is conducted in conformance with the Global Internal Audit Standards should be included in the final engagement communication”.</p>	<p>Current reports do not include such a statement.</p> <p>It would be beneficial to include as standard wording within the final paragraphs of future reports.</p> <p>DOMAIN V – Principle 15</p>
8.	<p>Unacceptable levels of risk</p> <p>As stated previously GIAS emphasises the importance on focusing upon significant risk. In respect of those risks which are above the risk appetite of the organisation it requires:</p> <p>“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”.</p>	<p>Risk registers may naturally contain risks that are above the risk appetite of the organisation (perhaps normally recorded as red risks on a risk matrix).</p> <p>Where these occur, it is suggested that the CAE should ensure that documented evidence regarding any discussion with management or subsequent escalation is maintained in order to satisfy the standard, as well as potentially link to future internal audit planning which may or may not include such risks.</p> <p>DOMAIN IV - Principle 11</p>

Suggested Enhancements for consideration

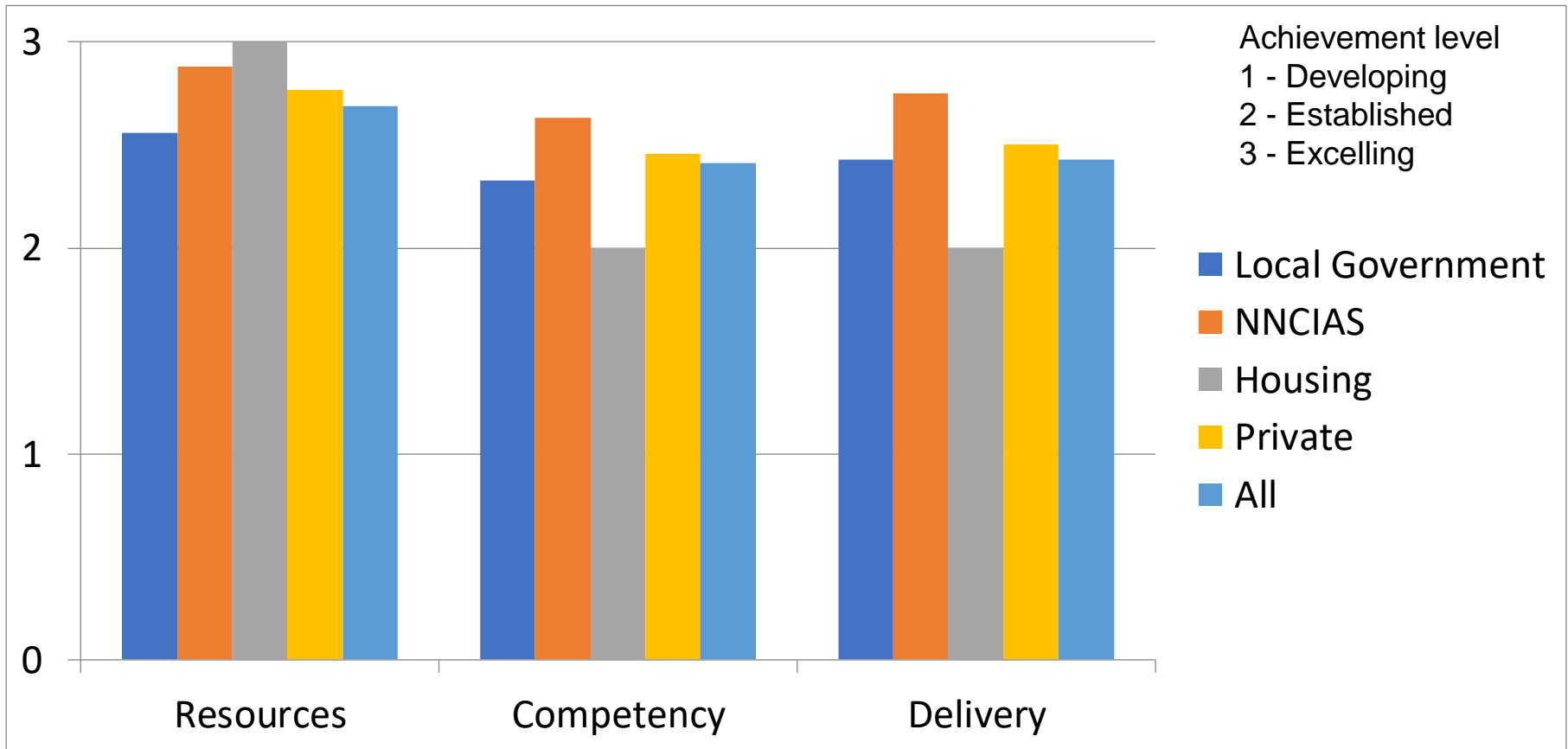
	Issue identified	Recommended action
9.	Update IA Manual The current internal audit manual provides comprehensive guidance regarding the conduct of internal audit within NNC and other clients.	The manual will require update in 2025/26 to define how the 15 Principles with GIAS will be reflected in the modifications to the current approach. DOMAIN IV (9.3) and Glossary
10.	Root Cause Analysis The new GIAS refer to evidencing internal audit findings through use of Root Cause Analysis (RCA). The implication being that the technique should be implicit in all internal audit engagements. Conduct of RCA can be resource intensive and its application may be best applied where matters of significance are concerned and with recognition of the principles of the "law of diminishing returns".	Current practice demonstrates appropriate direction and effort to identify the root cause of events however it would be beneficial to consider how this can be best evidenced in future by inclusion of explanation within the internal audit manual and in practice within engagements. DOMAIN V
11.	Clearance meetings Existing documentation to support clearance meetings is variable, ranging from excellent and detailed to a limited record of the closure of a review which may be by email where no recommendations are being made. Nevertheless, the practice conforms with PSIAS. Instances were observed where 'outcomes' or 'agreements' made with management were not recorded.	Consider introducing a standard template for recording details of the material to be presented and the conclusions reached at clearance meetings. DOMAIN V (14.4)

Part three

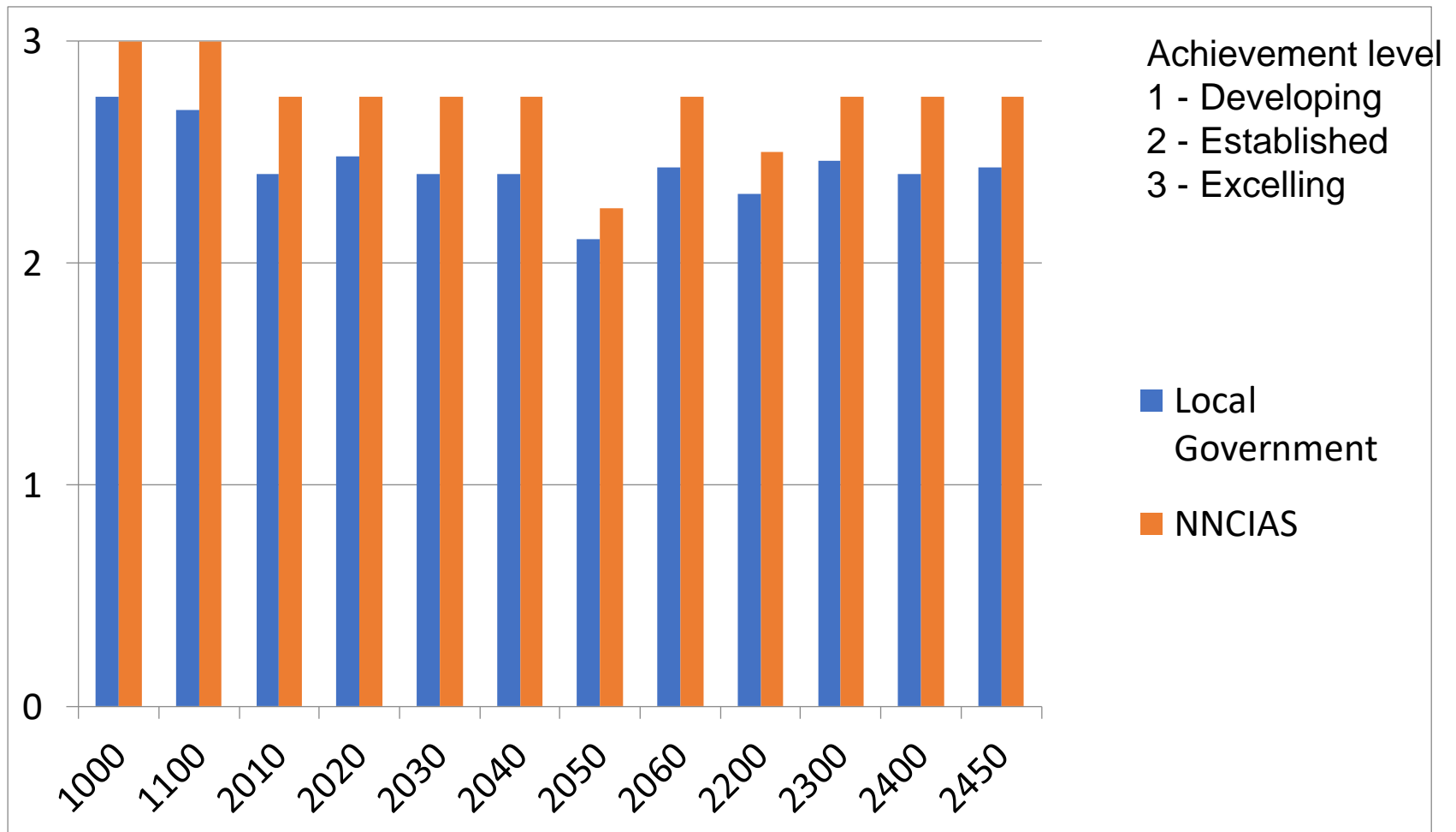


Benchmarking

Benchmarking - Sector analysis



Benchmarking - Industry analysis



Appendix

1. Summary of client feedback
2. Key IPPF/PSIAS standards assessed
3. Basis for EQA
4. Grading of recommendations

Summary stakeholder feedback

Question	Positive (%)	Negative (%)
I understand the primary role of Internal Audit regarding the provision of assurance relating to risk management, governance and control.	100	
Internal Audit is customer focused and understands what the organisation is trying to achieve. Auditors consider the viewpoint of the organisation when planning and undertaking reviews and aim to provide a good balance between assurance and opportunities for improvement.	100	
Internal audit has a presence throughout the organisation which is based on significant risk, is visible and approachable.	94	6
The Internal Audit team provides a flexible and reliable service which adds value through the assurance audits and additional work it undertakes.	100	
Internal Audit makes you aware of any significant issues that occur during an audit on a timely basis and you have the opportunity to respond or provide additional information.	100	
Internal audit has the skills to provide appropriate assurance and advice to meet our needs?	100	
Good practice and ideas from other organisations are shared through audits, day to day contact, meetings or other engagement methods.	94	6
Average	99%	1%

Conclusion:

Feedback from stakeholders confirms that clients consider that they receive a good quality internal audit service whose brief is clearly understood and the assurance and advice that is provided is well regarded. Observations was made regarding sharing best practice from within the sector and planning not necessarily focusing on significant risks.

Observations recorded

Other relevant observations

Internal Audit is led by a very professional and capable Head of Internal Audit

I feel my service has a very positive and collaborative relationship with the CIA and audit team, working through identified audits. The service is excellent..

The only area that I would appreciate more help with is testing and challenging our service risk register

We have excellent support from our audit team. They are always approachable and willing to provide input. The quality of the staff and knowledge is also of high quality.

Internal Audit understand the matters that they are providing assurance on. The assigned auditor works with me and my team and always understands the need to be flexible with timing of responses..

Recommendations are explained and agreed and generally backed up with practice from guidance or experience working with other LAs

I have worked with the Chief Internal Auditor for many years now and have always found her approachable and professional.

I have not had any good practise shared with me from other audits. I imagine that this information is accessible if individuals know where to look, but at this stage I do not.

Our Chief Internal Auditor is constantly looking to ensure that the organisation can improve its control environment in working with officers to ensure that risks are minimised. This work is undertaken in a collaborative way and as the s.151 officer I find the support of our Chief Internal Auditor invaluable in highlighting potential risks to the council.

Very satisfied with the professional and approachable service, which has supported both assurance and improvement work within the organisation.

Very supportive, approachable and willing to help as and when they are able. A true partnership.

Issued**19****Returned****17****Response rate****89%****Above average**

Key PSIAS Standards assessed

(for benchmarking purposes)

Standard		Focus
1000	Purpose, Authority and Responsibility	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> . The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.
1100	Independence and Objectivity	The internal audit activity must be independent, and internal auditors must be objective in performing their work.
2010	Planning	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
2020	Communication and approval	The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.
2030	Resource Management	The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
2040	Policies	The chief audit executive must establish policies and procedures to guide the internal audit activity.
2050	Co-ordination	The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.
2060	Reporting	The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
2200	Engagement planning	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
2300	Work programme	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
2400	Communicating results	Internal auditors must communicate the results of engagements
2450	Overall opinions	When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Basis for EQA

Compliance with IPPF/PSIAS

- **Resources**

Business Vision and Mission, Governance arrangements, Recognition of standards, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

- **Competency**

Charter, Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development

- **Delivery**

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels

Grading of recommendations

- The grading of recommendations is intended to reflect the relative importance to the relevant standard within the Public Sector Internal Audit Standards (PSIAS).

Recommendation grading	Explanation
Enhance	The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS standards in order to demonstrate a contribution to the achievement of the organisations' objectives in relation to risk management, governance and control.
Review	The Internal audit service should review its approach in this area to better reflect the application of the PSIAS.
Consider	The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services

- In grading our recommendations, we have considered the wider environment in terms of both the degree of transformation that is currently taking place as well as our assessment of the level of risk maturity that currently exists, as these will have a consequence for the conduct of internal audit planning as well as subsequent communication.