

REPORT TITLE: EXTERNAL QUALITY ASSESSMENT

27 NOVEMBER 2025

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Transformation

Contact Officer: Antony Harvey Tel No: 07784 265289

Email antony.harvey@hants.gov.uk

WARD(S): ALL WARDS

PURPOSE

The purpose of this report is to provide an overview of the alternative options considered in commissioning an external assessor to undertake the independent assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector.

RECOMMENDATIONS:

1. The Audit & Governance Committee notes the arrangements for the external assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 Internal audit plays a vital role in supporting the Council accomplish plan outcomes by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.
- 1.3 The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council Plan Outcomes.

2 FINANCIAL IMPLICATIONS

- 2.1 Internal audit is provided through the Southern Internal Audit Partnership. The cost of the recommended approach for the External Quality Assessment is included within these arrangements.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 There are no additional legal or procurement implications for the Council arising from the content of this report.

4 WORKFORCE IMPLICATIONS

- 4.1 The external assessor could request, for example, stateholder interviews with the Council which will need to be accommodated.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 There are no property and asset implications arising from the content of this report.

6 CONSULTATION AND COMMUNICATION

- 6.1 The contents of this report were discussed and noted with the Executive Leadership Board. This report has also been shared with the Chair of Audit & Governance Committee ahead of reporting to the Committee.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 There are no environmental implications arising from the content of this report.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure	Internal audit supports the Council to ensure proper financial management, effective and transparent governance, risk management and control through its audit activities and assurance service.	Enhancement of the Council's reputation through the strengthening of the effectiveness of risk management, control and governance processes.
Exposure to challenge		
Innovation		
Reputation		
Achievement of outcome	The EQA provides independent and objective assurance to stakeholders that the governance, management and services of internal audit are meeting best practice and the needs of the organisation.	Further enhancement to the internal audit services provided.

11 SUPPORTING INFORMATION:

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

'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.'

- 11.2 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 shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).
- 11.3 The Standards (8.3) require *‘the Chief Internal Auditor to develop, implement and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme includes two types of assessments:*
- *External assessments*
 - *Internal assessments’.*
- 11.4 The Southern Internal Audit Partnership’s Quality Assurance and Improvement Programme is provided at Appendix 1.
- 11.5 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 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’.*

Form of External Quality Assessment

- 11.6 There are two approaches to meeting the requirement of an External Quality Assessments.
- **A Full-scope External Quality Assessment (EQA)** involves an independent and qualified Assessment Team. This is a more expensive option, as there is less work required by the Southern Internal Audit Partnership. The EQA is conducted in accordance with the Quality Assessment Manual with most of the work conducted by the Independent Assessment Team.
 - **A Self-assessment with Independent Validation (SAIV)** is where the Southern Internal Audit Partnership performs the “self-assessment” portion and external, independent qualified validators review the self-assessment portion and provides their “independent validation.” The SAIV is conducted in accordance with the requirements of the Quality Assessment Manual and the self-assessment team is responsible to execute all aspects of the requirements as defined therein. This is a more economical approach because the Southern Internal Audit Partnership compiles most of the work.

- 11.7 Both approaches include workpaper reviews, surveys, stakeholder interviews, and issuance of a report that provides a rating as identified by the Quality Assessment Manual, i.e., Full Achievement, General Achievement, Partial Achievement and Non-Achievement.

External Assessor

- 11.8 GIAS 8.4 sets out a requirement that when selecting the independent assessor or assessment team, the chief internal auditor must ensure at least one person holds an active Certified Internal Auditor designation.
- 11.9 The Relevant Internal Audit Standard Setters (RIASS) in their Application Note have determined that the qualification requirement in GIAS 8.4 (External Quality Assessment) should be replaced by a more comprehensive qualification requirement within the public sector.
- 11.10 The enhanced expectation within the public sector is that at least one person has the characteristics outlined for qualification as a chief internal auditor. 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.

Independence

- 11.11 It is essential that there are no impairments to the independence of the external assessor or assessment team driven by past, present, or anticipated future relationships with the organisation, its personnel, or the Southern Internal Audit Partnership.
- 11.12 Appropriate due diligence has been carried out on the assessors and their assessments teams with which we have engaged to quote for the external quality assessment.

Scope & Frequency

- 11.13 There is a requirement that all internal audit providers undergo an external quality assessment performed by an independent and qualified assessor or assessment team at least once every five years to ensure conformance with the Standards.
- 11.14 It is permissible that more frequent external quality assessments are undertaken should this be considered necessary.

- 11.15 Given the requirement to supplement the external quality assessment with an annual self-assessment the outcomes of which will be fully and transparently reported to the Audit & Governance Committee, it is considered that an external quality assessment every five years remains a proportionate approach.
- 11.16 Should there be significant change to arrangements within the Southern Internal Audit Partnership including changes in leadership, operating model, methodologies or excessive staff turnover, the Head of the Southern Internal Audit Partnership will further engage with Senior Management and the Audit & Governance Committee to discuss whether an additional external assessment (within the 5-year timeframe) would be appropriate.
- 11.17 The scope of the external quality assessment will include a comprehensive 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.

External Quality Assessment Providers

- 11.18 There are several organisations capable of providing external quality assessments, however, the requirement of public sector expertise does significantly limit the field. Consequently, the Head of Southern Internal Audit Partnership has engaged with the following providers to acquire details of approach and cost:
- Chartered Institute of Public Finance and Accountancy (CIPFA)
 - JC Audit Training Ltd
 - BHBi (in partnership with Littlejohn and Haley).

External Quality Assessment Providers Discounted

- 11.19 A further credible source of assessment provider would be the Institute of Internal Auditors (IIA), however, due to the IIA having undertaken the Southern Internal Audit Partnership's external quality assessments in 2015 and 2020 this was not explored for our 2025 assessment as it is considered a fresh perspective on conformance and operating practices would be beneficial and mitigates any perceived impairment to independence.
- 11.20 The Global Internal Audit Standards do enable provision for reciprocal peer assessments rotated among three or more organisations within the same industry sector.
- 11.21 Due to their nature there would be no financial outlay in adopting this approach, however, there would be the opportunity costs of the Head of the Southern Internal Audit Partnerships time in reciprocating any peer review requested of the SIAP.
- 11.22 The independent status of the external assessment is paramount and there may be a perception that this is diminished as part of the peer review approach. As such the collaborative approach has not been explored further as part of this paper.

Implications for Multi Service Providers

- 11.23 The benefits of an EQA go beyond conformance with the GIAS. An EQA provides independent and objective assurance to internal audit stakeholders that the governance, management, and services of internal audit are meeting best practice and the needs of the organisation.
- 11.24 However, the introduction of new requirements in GIAS, such as the essential conditions placed on the audit committee and senior management, introduce practical challenges for multi-client providers (MCPs) such as the Southern Internal Audit Partnership which need to be considered.
- 11.25 The involvement of the Audit & Governance Committee and senior management can now present challenge for MCPs who have historically arranged one EQA to cover all clients. MCPs now need to consult with every audit committee they provide services to and provide individual reports, increasing the workload and costs which have not been previously factored.
- 11.26 There remains ongoing consultation, and we await further clarification, however, engagement with each of the potential assessors has made clear our operating model, position as a multi-client provider and need to ensure a robust process to demonstrate conformance on which all of our partner organisations can place reliance.

Recommended Approach

11.27 It is recommended that the Southern Internal Audit Partnership conduct their external assessment as a Self-Assessment with Independent Validation (SAIV) as outlined in paragraph 11.6.

11.28 The key drivers for the SAIV approach include:

- It is a recognised approach within the Standards, meeting the requirements of an external quality assessment.
- The approach requires external validation from an independent, qualified external assessor
- Provides a more economical approach as a majority of information gathering is completed by the Southern Internal Audit Partnership. This is particularly pertinent due to our multi-client provider status.
- Minimises capacity implications for our Partners.

Next Steps

11.29 Following receipt of quotations from the providers (detailed in paragraph 11.18) a full assessment of proposals will be undertaken with appointment based on:

- Cost
- Experience (profession and industry)
- Qualification
- Independence
- Approach.

11.30 The successful provider will be commissioned to undertake the SAIV with a requirement for completion by December 2025.

11.31 The Southern Internal Audit Partnership have already compiled a full self-assessment against the Global Internal Audit Standards in the UK Public Sector during July / August 2025 in preparedness for the external assessor.

11.32 A copy of the external assessor report will be presented to the first meeting of the Audit & Governance Committee in 2026. Additionally, an action plan for review and approval will be presented by the Chief Internal Auditor to address any identified deficiencies or opportunities for improvement, if applicable.

Conclusion

- 11.33 To accord with the Global Internal Audit Standards in the UK Public Sector the Head of the Southern Internal Audit Partnership has put in place arrangements for a SAIV to be conducted during November / December 2025.
- 11.34 In accordance with the Standards and the Internal Audit Charter outcomes will be fully reported to the Audit & Governance Committee following receipt of the assessors final report.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 The alternative options considered in commissioning an external assessor to undertake the independent assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector have been outlined throughout this report. There are no other options to consider as an EQA is a requirement of the Global Internal Audit Standards against which all internal audit providers must conform.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG151 Implementation of the Global Internal Audit Standards

AG165 Internal Audit Charter and Risk-Based Plan 2025-26

Other Background Documents:-

None.

APPENDICES:

Quality Assessment and Improvement Programme (Appendix 1)