

By: Jonathan Idle, Head of Internal Audit  
To: Governance and Audit Committee – 20<sup>th</sup> March 2025  
Subject: **INTERNAL AUDIT EXTERNAL QUALITY  
ASSESSMENT PROCESS**  
Classification: Unrestricted

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**Summary:** This report provides Members with an overview of the requirements set out in the Global Internal Audit Standards and the UK Public Sector Application Note in relation to an External Quality Assessment (EQA) of the Council's Internal Audit service and to inform Members of the planned approach to ensure an EQA is procured and completed by 31 March 2026.

**FOR DECISION:**

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**1. Introduction and Background**

1.1 The Global Internal Audit Standards (GIAS) came into effect from January 2025. In December 2024, a UK Public Sector Application Note was issued by the Institute of Internal Auditors (IIA), which sets out interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector. This includes as section on External Quality Assessments.

1.2 The Standards are arranged into 5 Domains:  
I. Purpose of Internal Auditing  
II. Ethics and Professionalism  
III. Governing the Internal Audit Function  
IV. Managing the Internal Audit Function  
V. Performing Internal Audit Services

The 5 domains include 15 Principles and 53 individual standards to support these.

1.3 The Standards include a process whereby the Internal Audit function is the subject of regular internal and external assessments. The purpose of these assessments is to confirm compliance with the Standards and to provide assurance to all stakeholders that the Internal Audit function is operating efficiently and effectively. An internal assessment must be completed at least annually, and an external quality assessment (EQA) must be completed at least every five years.

1.4 The last external quality assessment (EQA) of the Kent County Council Internal Audit service was completed in June 2021. In order to satisfy the Standards, the next EQA should be completed by May 2026.

1.5 Failure of not having an EQA completed at least every 5 years, by a qualified, competent, and independent person will mean the Internal Audit function is no longer operating in compliance with the Standards and stakeholders may no longer have assurance that the function is operating efficiently and effectively.

- 1.6 The Standards state that an EQA must provide a comprehensive review of the adequacy of the Internal Audit function. The review primarily should focus on conformance with the professional standards, and this will include, for example, reviews of the Mandate, Charter, Strategy, audit methodologies and processes.
- 1.7 The Standards require the Chief Audit Executive (Head of Internal Audit) to develop a Plan for the EQA and discuss the Plan with the Committee.
- 1.8 The requirements of an Audit Committee within the Standards are to:
- Discuss with the Head of Internal Audit about plans for the EQA.
  - Collaborate with senior management and the Head of Internal Audit to determine the scope and frequency of the EQA.
  - Consider the scope and the responsibilities of Internal Audit and the Head of Internal Audit, as described in the Charter, when defining the scope of the EQA.
  - Review the Plan for the EQA which should include:
    - Scope and Frequency of Assessments
    - Competencies and Independence of External Assessor
    - Rationale if a self-assessment with independent validation instead of a full EQA.
  - Receive the report of the Independent Assessor.
  - All reporting relating to EQA to be included in Committee minutes.
  - Receive reports from the Head of Internal Audit on any actions following the independent assessment.
- 1.9 Section 8.4 of the Standards require that an independent and competent person must be sourced to avoid any conflict of interest and impairment to objectivity. The GIAS sets as requirement that when selecting the independent assessor or assessment team, the Head of Internal Audit must ensure at least one person undertaking the assessment holds an active Certified Internal Auditor designation.
- 1.10 However, the Public Sector Application Note (PSAN) in December 2024 determined that this requirement is replaced by a requirement that at least one person have the characteristics outlined for chief audit executive qualification. The PSAN 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.
- 1.11 The Standards also require that “Senior Management” should collaborate with the CAE to determine the scope of the EQA.
- 1.12 The following document provides an overview of an approach which could be taken in relation to progressing with and commissioning the Internal Audit External Quality Assessment.

## 2. Proposed Assessment / Review Process

2.1 Table 1 sets out an overview of the two main options available for the EQA. The table also includes the advantages of each option and other factors to consider:

**Table 1 – Options for EQA:**

	FULL ASSESSMENT	VALIDATION OF SELF-ASSESSMENT
Details	This would be a full independent assessment of the Internal Audit function against the Standards	<p>This would require the Audit Team to complete a full self-assessment of the service to check for compliance against the Standards. The self-assessment document and supporting evidence would then be reviewed and evaluated by an independent person to determine the level of compliance with the Standards and that the internal assessment was conducted accurately.</p> <p>The self-assessment can include benchmarking with leading practices and interviews with key stakeholders within the organisation.</p> <p>The Validation of Self-Assessment approach is considered appropriate for mature Internal Audit functions, who regularly assess conformance against the standards.</p>
Estimated cost	See NB	See NB
Advantages	<p>Full and independent compliance check against the Standards</p> <p>Assessor sharing best practice from other recent EQA's</p>	<p>Whole Team involvement in the self-assessment exercise to increase knowledge and accountability of the Standards and to contribute to Team members continuing professional development.</p> <p>Opportunity to remedy gaps in the self-assessment at an early interval.</p> <p>Budget savings.</p> <p>Not as lengthy a process.</p>
Considerations	<p>Budget capacity</p> <p>Assessor availability</p> <p>High time commitment during the assessment</p>	<p>Team resources to complete the self-assessment and compile relevant evidence.</p> <p>Availability of suitably competent and qualified person to conduct assessment.</p>

N.B. At this stage, quotes have not been obtained, but it is recognised that the cost of a Full Assessment can be substantially higher than a Validation of Self-Assessment.

2.2 Following discussions with the Chair and Vice Chair of the Governance and Audit Committee and the Corporate Director of Finance, it is proposed that the approach for the forthcoming EQA should be to commission a **self-assessment validation**, using an independent and experienced assessor.

2.3 The justification for this is because the Council and the Internal Audit Team, based on previous self-assessments, already have a detailed understanding and appreciation of where the audit service is in respect of compliance with the Standards.

2.4 Within the GIAS, it refers to EQA's to be undertaken for all organisations. KCC Internal Audit service delivers to several other organisations and the concerning issue of the

same EQA's been undertaken at a cost to respective organisations has been raised with the Institute of Internal Audit and CIPFA, both of whom are reviewing whether this element of the GIAS needs amendment for Internal Audit services who operate across more than one public sector body. The Guidance is expected to be published by April 2025.

- 2.5 The scope of the EQA will need to incorporate appropriate wording relating to client relationships and how the services are managed with other organisations.

### **3. What will the self-assessment validation involve?**

- 3.1 The validation of our self-assessment is likely to include the following:

- A review of key documents and audit file reviews
- On-site interviews with key personnel / stakeholders
- A detailed findings report, with recommendations / actions
- Confirmation of compliance with the Standards
- Potential areas for improvement and best practice.

### **4. What happens Next?**

- 4.1 In order to progress the EQA process further the following steps set out in Table 2 need to be completed:

**Table 2 – EQA Actions:**

	Action	Notes
1	Agree whom from Senior Management collaborates with the Head of Internal Audit for the EQA, effectively as a Project Sponsor.	Collaboration is with John Betts, Corporate Director of Finance & s.151 Officer.
2	Agree the authority lead for the procurement exercise.	The procurement exercise will be completed under Kent County Council's procurement arrangements.
3	Identify potential suppliers to complete the self-assessment validation EQA and seek at least 3 quotes.	A number of potential suppliers can be contacted to request a further discussion about commissioning an EQA and obtaining a quote.
4	Prepare an EQA specification document.	An EQA specification document will be prepared and will be discussed and agreed with the Chair and Vice Chair of the Governance and Audit Committee and Corporate Director of Finance agree the terms of the specification and the quotation evaluation criteria in respect of price and quality.
5	Request quotations from at least 3 suppliers.	It is anticipated that suppliers will be approached for quotations in April- May 2025.
6	Evaluation of quotations	All the quotations received will be assessed against the criteria set out in the specification document. It is intended for several key stakeholders to be involved in the evaluation of quotations exercise, including the Corporate Director of Finance and the Chair of the Governance and Audit Committee.
7	Appointment of supplier and EQA scope agreed.	Before the EQA is completed, the scope of the assessment will need to be agreed with the successful supplier. This will include the documents and files to be reviewed and any areas of the Standards requiring more detailed review.
8	The Audit Team complete the EQA self-assessment and compile relevant evidence.	The self-assessment exercise is a large body of work which needs to be completed in advance of the EQA. The aim is for the self-assessment exercise to be completed before 31 August 2025.
9	EQA self-assessment validation is completed.	The successful supplier completes the EQA assessment by 28 February 2026. The assessors will want to speak to key stakeholders as part of their assessment process.
10	Reporting of EQA outcomes	The outcomes from the EQA will be reported to all key stakeholders as soon as practically possible, with the full outcomes report being reported to Governance and Audit Committee in either March or May 2026.

## 5. Reporting Arrangements

- 5.1 Following the EQA, a detailed report on the findings will initially be discussed with the Internal Audit service and the Corporate Director of Finance. When this report is finalised, it will then be presented to the Governance and Audit Committee together with an action plan prepared to address any areas for improvement identified.
- 5.2 This action plan will be reviewed and updated at regular intervals and updates provided to Members to monitor improvements required as part of our standard progress reports.

## 6. Timeline

- 6.1 The following timeline is proposed for the EQA exercise:

**Table 3 – EQA Timeline:**

Date	Activity
April 2025	Quotations obtained and evaluation process completed
May 2025-July 2025	Self-assessment completed and evidence collated by Internal Audit Team
February 2026	Completion of External Quality Assessment
March or May 2026	EQA outcomes and draft action plan reported to GAC

## 7. Summary

- 7.1 This report has provided Members with an overview of the requirements set out by the Standards for the Internal Audit function to be externally assessed by an independent assessor / competent body. The report has detailed the options available for the assessment to be completed and a proposal that this be done through an independent validation of the self-assessment. The report has also provided an overview of the suggested timeline and an overview of the 'next steps.'
- 7.2 The report identifies a nominated sponsor for the exercise, as detailed in Table 2.
- 7.3 Reporting and monitoring arrangements are detailed at in Section 5.

## 8. Recommendations

It is recommended that Members:

- 8.1 Endorse the approach for the External Quality Assessment of the Council's Internal Audit function.
- 8.2 Approve the nominated Project Sponsor for the exercise.

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