



## CIPFA Bulletin 21 – External quality assessments of internal audit in UK local government

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CIPFA issues bulletins to assist practitioners with the application of the professional standards it is responsible for, including the application of the Global Internal Audit Standards in the UK public sector to UK local government bodies.

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## Guidance for local authorities in the UK and the providers of internal audit services to those bodies

This bulletin addresses the requirement for an external quality assessment (EQA) of internal audit and the governance of internal audit and how the EQA conclusion links to the authority's annual governance statement (AGS). It applies to all UK local authorities operating under Global Internal Audit Standards (GIAS) in the UK public sector.

### Background

The GIAS, issued by the Institute of Internal Auditors, are applicable to local government in the UK public sector alongside the [Application note: Global internal audit standards in the UK public sector](#). The standards are applicable from 1 April 2025.

In local government, the CIPFA [Code of Practice for the Governance Internal Audit in UK Local Government](#) (CIPFA Code) applies to address the 'essential conditions' for the governance of internal audit set out in Domain III of the standards. The Code concerns the roles of senior management and the audit committee regarding internal audit.

Standard 8.4, together with the appropriate replacement wording in the application note, require each organisation's internal audit to undergo an external quality assessment at least once every five years. This requirement has been in place since 2013. The assessment can be satisfied by an external peer review, as long as it meets the other requirements (see Standard 8.4 and the application note).

### Governance and the EQA

EQAs under the 2025 standards must also consider the governance of internal audit, which for local government is set out in the CIPFA Code.

Where internal audit providers have more than one local government client<sup>1</sup>, the governance arrangements for internal audit should be separately considered so that there can be a conclusion for each client.

Internal audit clients in local government should be aware of the appropriate regulations issued by their national government.<sup>2</sup> These establish internal audit's mandate but also require consideration of effectiveness or professionalism. Satisfactory governance arrangements for internal audit are an intrinsic part of that consideration. Complying with the appropriate regulations is a responsibility of the authority, though the internal audit function or provider must work to the regulations.

Deciding on the approach to the EQA is a matter for discussion between the chief audit executive and senior management. The proposals should be brought to the audit committee for discussion and agreement.

The IASAB has prepared general guidance for the public sector on behalf of the relevant internal audit standard setters. This is due to be published by the end of 2025. This guidance is consistent with that broad approach but is specific to local government, taking into account the regulatory environment of the sector.

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<sup>1</sup> Local government clients include all principal authorities, police and fire authorities or other bodies within the scope of [Delivering Good Governance in Local Government: Framework \(addendum\)](#).

<sup>2</sup> In England: The Accounts and Audit Regulations 2015; in Northern Ireland: The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015; in Scotland: The Local Authority Accounts (Scotland) Regulations 2014; in Wales: The Accounts and Audit (Wales) Regulations 2014.

## Evidencing conformance with the CIPFA Code

CIPFA is developing an assessment tool to support evidence of conformance and to aid improvement. It can be used annually to support audit committee development but will provide evidence to the EQA assessor of conformance. The assessor may need to test check or supplement this assessment to validate its conclusions or provide additional evidence. Authorities may use their own checklist for the assessor to review or request that the assessor undertakes the assessment.

Providing robust self-assessment evidence to the EQA assessor will help the authority achieve the assurance it needs in an economical way.

## Planning for the EQA

In all authorities, senior management, audit committees and chief audit executives should seek to obtain high-quality assurance, learning and improvement from the EQA, together with value for money. A statement of conformance against the professional standards is not only a matter of meeting legislative and professional requirements; it provides essential assurance over the conduct of internal audit and its governance and is an opportunity to seek improvement. It enables audit committees and senior managers to place reliance on the work of internal audit. Recommendations from the assessor could support both internal audit and those providing the governance of internal audit.

## Scoping the EQA

In all cases, the scope of the EQA for a UK local authority will need to include:

- the Global Internal Audit Standards
- the application note
- the CIPFA Code.

A self-assessment of conformance by the chief audit executive, together with the authority's assessment against the CIPFA Code may form the basis of many assessments, but external validation that meets the requirements of the GIAS in the UK public sector must be undertaken.

Where the internal audit function has more than one client that is a principal local authority, then the assessor must be able to reach a conclusion on each local government client. This does not mean that a separate EQA is required for each authority, only that the EQA must be able to conclude individually for each principal local authority client. The conclusion for other audit clients will require local discussion and agreement with their boards.

Where the audit function applies a common approach to audit working practices for all their clients (eg engagement planning and conduct of audits), then the EQA assessor may sample across the client base to verify those aspects of the standards. Where the audit provider has a large client base, this may mean the conduct of audits at an authority may not be selected for sample testing. If the EQA assessor is satisfied that the provider adopts a common approach across the clients, then the authority can still be satisfied with the assessor's conclusion.

## EQA reports

When an EQA assessor is appointed, it must be agreed that their report will include separate conclusions on each principal local authority client, in conformance with the GIAS in the UK public sector and the CIPFA Code. The report or reports should be in a form so that each authority can receive the full EQA results applicable to them, as required by Standard 8.4.

The CIPFA Code states that the audit committee must receive the complete results of the EQA.

## Annual governance statements

Local authorities are required to consider the conformance of internal audit with the standards and the Code when preparing their AGS. Conformance is identified as one of the core arrangements that local government bodies are expected to have in place. CIPFA updated its guidance on the annual review and preparation of an AGS earlier this year: [Delivering Good Governance in Local Government: Framework \(addendum\)](#).

Declarations in the AGS that the authority's governance is fit for purpose should only be made where it can be evidenced. The EQA provides one element of that robust assessment.

If an EQA has not yet been undertaken, then the evidence for the AGS should consist of the annual results of the internal quality assessment (Standard 12.1) plus a self-assessment against the CIPFA Code.

## Summary of approaches according to the type of internal audit function within authorities

All principal local authorities must receive the conclusion of an EQA that assesses conformance against the GIAS in the UK public sector and the application of the CIPFA Code in their authority.

To support the EQA, senior management and the audit committee should provide evidence to demonstrate how they meet the Code.

### 1. Authorities with an in-house function

The chief audit executive should work with senior management and the audit committee to commission an EQA as per the standards and the Code.

### 2. Authorities with an in-house function using a co-source arrangement with another provider

The chief audit executive should work with senior management and the audit committee to commission an EQA as per the standards and the Code. As part of the scope of the EQA, how the conformance of the co-sourced provider will be assessed should be agreed. For example, providing the conformance assessment of the provider to the authority's assessor or including the provider's work within the scope of the EQA.

### 3. Authorities with an in-house function that acts as a provider to other principal local authorities

When scoping the EQA, the function should liaise with each client to agree reporting arrangements. Any principal authority clients should receive a separate conclusion from the function's EQA unless the internal audit function are a co-source partner to an authority under point two above. In this case, that authority will determine the EQA approach.

### 4. Authorities whose internal audit is led by a shared or multi-client provider

The authority should be consulted by their provider on the timing, scope and reporting arrangements. They should ensure that the proposed EQA will meet their needs as follows:

- The EQA includes the application note and the CIPFA Code, as well as the GIAS.
- The EQA will consider the governance at the authority through the application of the Code.
- The authority will receive a report with a conclusion on the above that is specific to them.

## Guidance for multi-client providers and their assessors

Internal audit providers should ensure that all principal local authority clients receive an EQA that includes the requirements set out in this bulletin.

When scoping the EQA, the provider and assessor should seek to obtain value for money for the public sector. For example:

- using a self-assessment against the CIPFA Code as part of their evidence base
- coordinating the EQA across the client base
- sampling evidence of the provider's common working practices across the client base.

Any questions on the application of this bulletin should be directed to Diana Melville, CIPFA Governance Advisor: [diana.melville@cipfa.org](mailto:diana.melville@cipfa.org).