Audit Committee

30 July 2026

Internal Audit Quality Assurance & Improvement Programme Performance 2025-26

Report from: Phil Watts, Chief Operating Officer

Author: James Larkin, Head of Internal Audit & Counter Fraud Shared Service (Chief Audit Executive)

Summary

This report updates Members on performance against the Internal Audit Quality Assurance & Improvement Programme (QAIP), including progress against actions to ensure conformance with the Global Internal Audit Standards (GIAS) during 2025-26.

1. Recommendations

1.1. The Committee is recommended:

1.1.1. To note the progress against the QAIP and GIAS action plan.

1.1.2. To approve the revisions to performance indicators QAIP7 to QAIP10 (inclusive) as per table two in Appendix 1.

2. Budget and policy framework

2.1. Council delegates responsibility for monitoring and reviewing the performance of internal audit and the effectiveness of the internal audit function to the Audit Committee.

3. Background

3.1. The Global Internal Audit Standards (GIAS) and the Application Note: GIAS in the UK Public Sector ('the Standards') require that the Chief Audit Executive:

- Develops, implements and maintains a quality assurance and improvement programme that covers all aspects of the internal audit function and includes two types of assessment: internal assessments and external assessments.
- Develops a plan for external quality assessments that must be performed at least once every five years by a qualified, independent assessor or assessment team.
- Develops and conducts internal assessments of the internal audit function's conformance with the Standards and progress toward performance objectives, including periodic self-assessments, with action plans developed to address instances of non-conformance and opportunities for improvement.

- Establishes and implements methodologies for engagement supervision, quality assurance and the development of competencies.

- Communicates to senior management and the Audit Committee, at least annually, results from the quality assurance and improvement program, including internal assessments / periodic self-assessments and any action plans.

4. Introduction

4.1 Internal Audit services are delivered to Medway Council and Gravesham Borough Council by the Internal Audit team, within the Internal Audit & Counter Fraud Shared Services, in accordance with Standards.

4.2 The Internal Audit Quality Assurance & Improvement Programme (QAIP) was approved by the Audit Committee in March 2025 and establishes the framework through which performance, quality, and continuous improvement are monitored and reported.

4.3 The QAIP includes the performance of annual internal self-assessment against the Standards, with the first assessment undertaken in 2025 shortly after the new Standards came into effect. These identified areas of conformance, as well as opportunities for further improvement, and resulted in a structured action plan to address identified gaps, with target implementation dates agreed to support the continuous improvement of the service.

4.4 This report provides Members with an update on:

- Performance and outcomes from the QAIP during 2025-26,
- Progress against actions arising from the 2025 internal self-assessment against the Standards, and
- Key developments in relation to ongoing conformance with the Standards.

5. Quality Assurance & Improvement Programme (QAIP)

QAIP Framework

5.1 The QAIP sets out how internal audit performance, quality and continuous improvement are monitored and reported. It assesses conformance with the Standards, measures performance, and supports improvement across the service. The QAIP includes both internal and external assessments to ensure quality is maintained. It was approved in March 2025, with 2024-25 results forming the baseline for ongoing improvement.

Internal Assessment

5.2 Annual internal self-assessments evaluate conformance with the Standards. The 2025 assessment found full conformance with 46 of 52 standards, partial conformance with five, and non-conformance with one.

5.3 The 2026 assessment shows improvement, with general conformance across 49 standards and partial conformance with the remaining three.

External Assessment

5.4 External Quality Assessments (EQA) are undertaken at least every five years. Previous reviews (2018 and 2023) resulted in ‘green’ opinions, indicating high conformance with the then Public Sector Internal Audit Standards and performance above sector averages. The next EQA is scheduled for 2028 and will assess the conformance with the GIAS and the Application Note: GIAS in the UK Public Sector.

Performance Indicators

5.5 Performance is monitored through indicators covering standards compliance, delivery, quality, timeliness, staff development and stakeholder satisfaction.

5.6 Review of indicators 7-10 identified that percentage-based reporting does not reliably reflect performance, as results are influenced by the volume of audits. It is proposed that these indicators are revised to instead report average completion time (weeks) against target timescales.

5.7 Indicators 17 and 18 are also affected by response volumes; total responses are now reported alongside results to provide context.

5.8 The outturns for Indicators 7-14 are a snapshot of the current position as work to finalise completed reviews is ongoing. The absolute final outturn will be used in comparison to 2026-27 outturns.

5.9 Appendix 1 presents baseline (2024-25) and 2025-26 performance (Table 1), with revised indicators 7-10 set out in Table 2.

6. GIAS Action Plan

6.1 The 2025 internal self-assessment identified 14 actions to address non-conformance and strengthen supporting evidence ahead of the next EQA. These were reported to the Audit Committee in July 2025.

6.2 Of these, 11 actions have been completed. Progress is summarised in Appendix 2 (Table 1), with the remaining actions RAG rated: amber for actions requiring evidential improvements and red for actions relating to areas of non-conformance.

6.3 Additional actions from the 2026 assessment are set out in Table 2, including those to ensure compliance with the Institute of Internal Auditors’ (IIA) Topical Requirements, which are adopted as mandatory on a case-by-case basis for the UK Public Sector by the Relevant Internal Audit Standard Setters (RIASS). Progress will continue to be reported to the Audit Committee.

7. Risk management

7.1. The Internal Audit QAIP is designed to meet the requirements of the Standards and enables evaluation and promotion of the internal audit function’s conformance with the Standards, achievement of its objectives (including the strategic objectives identified within the Internal Audit Strategy) and pursuit of continuous improvement. Ultimately, this ensures the quality of internal audit services, which in turn help improve the effectiveness of the council’s governance, risk management and control processes.

8. Climate change implications

8.1. There are no climate change implications in this report.

9. Financial implications

9.1. An adequate and effective internal audit function provides the council with assurance on the proper, economic, efficient, and effective use of council resources in delivery of services.

10. Legal implications

10.1. The Accounts and Audit Regulations 2015 require local authorities to: undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Global Internal Audit Standards and associated guidance. The Section 151 Officer is responsible for establishing the internal audit function.

Lead officer contact

James Larkin, Head of Internal Audit and Counter Fraud Shared Service
james.larkin@medway.gov.uk.

Appendices

Appendix 1 – QAIP Performance Measures

Appendix 2 – GIAS Action Plan Update

Background papers

None