

## Audit & Standards Committee

24 May 2018

### Internal Audit – External Quality Assessment

#### Recommendation

That the Committee consider the outcome of an External Quality Assessment of the internal audit service.

#### 1 Background

- 1.1 Internal audit within the public sector is governed by the Public Sector Internal Audit standards (PSAIS) which have been in place since 2013 but were significantly updated from April 2017. Compliance with the standards is mandatory for all principal local authorities.
- 1.2 PSIAS aims to promote continued improvement in the professionalism, quality and effectiveness of internal audit services and a key element of this is to require audit services to have a periodic external assessment of compliance with the standards once every five years as part of the internal audit quality management programme.
- 1.3 The assessments aim to
  - Identify what internal audit are doing well
  - Support continuous improvement
  - Emphasise and enhance the standing of internal audit
- 1.4 At its meeting in September 2017 the Committee endorsed the arrangements for an EQA of the council's internal audit service during Quarter 4 2017/2018. This report presents the outcome of the assessment.

#### 2.0 Approach to the Assessment

- 2.1 At its September meeting the Committee also considered a high level self-assessment against the standards which had been supported by an external expert and which showed that the service was well placed for a good outcome. A more detailed self-assessment was subsequently produced and provided to the assessor together with copies of key documents such as the Audit Charter, annual reports, plans and Audit Manual. This detailed self-assessment covered all aspects of the internal audit service provided to each of our clients.

- 2.2 The assessor spent a full week “on-site” during February during which time he interviewed the Chair of the audit committee and chief financial officer of all of our clients, reviewed in detail a number of audits undertaken by the service and scrutinised the self-assessment. During that week and subsequently additional information was requested by the assessor. Initial feedback was subsequently provided at a de-brief meeting after which a report was produced and discussed with the assessor.
- 2.3 The final report has recently been received and is attached (**Appendix A**) for consideration by the Committee.

### 3.0 Outcome

- 3.1 The Committee will note that the overall picture, from what has been a very rigorous and challenging assessment, is positive with the overall conclusion being that the service complies with the expectations of the Standards and out performs other audit services in local government. Audit reports can now include a statement of conformance with the Standards.
- 3.2 The report identifies a number of good practice points where the service can be enhanced even further. These will be considered by the Service and an action plan will be developed.
- 3.3 This is an excellent outcome and provides assurance to the Council over the quality of the internal audit service provided
- 3.4 The assessment covered the services provided to all clients and the report will therefore also be shared in due course with the audit committees of those organisations.

### Background papers

1. None

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The report was circulated to the following members prior to publication:

Local Member(s): Not applicable  
 Other members: Not applicable