

Local Members' Interest
N/A

Audit and Standards Committee – 12 December 2017

Internal Audit – External Quality Assessment

Recommendation

1. To note the terms of reference for the external quality assessment review for Internal Audit scheduled to take place during January 2018.

Report of the Director of Finance & Resources

2. The Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2013, contain the requirement for an external assessment of the internal audit function once every five years. The County Council needs to ensure that the assessment is undertaken by 31 March 2018. The report outlines the approach that the assessment will follow.
3. The PSIAS define the nature of internal auditing, set out the basic principles for carrying out internal audit in the public sector and provide a framework for the service. These add value to the County Council leading to improved organisational processes and operations. The PSIAS also establish a basis for the evaluation of internal audit performance to drive planning. Within Local Government further guidance as to how these standards are to be applied is provided within the Local Government Application Note (LGAN).
4. Standard 1300 outlines the requirements for a Quality Assurance and Improvement programme (QAIP) for the Internal Audit Service. By way of background key aspects of a QAIP include:-
 - Conformance with the definition of Internal Audit, the code of ethics and the PSIAS;
 - The adequacy of the internal audit activities, charter, goals, objectives, policies and procedures;
 - Contribution to the organisations governance, risk management and control processes;
 - Completeness of coverage of the entire audit universe;
 - The risks affecting the operation of the internal audit activity itself;
 - The effectiveness of continuous improvement activities and adoption of best practices
 - Whether the internal audit activity adds value, improves the organisations operations and contributes to the attainment of objectives
5. In addition to the above standard, 1310 sets out the requirement for the QAIP to include both internal and external assessments of the Internal Audit activity. Standard 1311 states that these assessments should comprise two interrelated parts; ongoing monitoring and periodic self-assessment.

Standard 1312 states that an external assessment must be conducted at least once every five years.

6. Following a joint EU procurement exercise with other public bodies within Staffordshire, CIPFA were appointed as the external quality assessor. It is anticipated that in January 2018 the first external quality assessment (EQA) will be performed and will involve assessing compliance against the PSIAS and the Local Government Application Note (LGAN) which will also include provision of internal audit services to third parties.
7. The review will be undertaken through a process of interviews with key stakeholders including members within the Council, the main external clients and document review. A number of key documents will be reviewed including the self-assessment quality assurance and improvement plan (QAIP), the audit manual, individual audit files and reports together with a range of reports and communications that demonstrate the flow of information from Internal Audit to the Audit & Standards Committee and the main clients.
8. Whilst all of the above documents contribute to the review, certain documents are regarded as fundamental to the review process. These documents include:
 - The audit charter and audit committee terms of reference
 - Progress reports to the Audit & Standards Committee and the main external clients
 - Head of Internal Audit annual report and opinion to the Audit & Standards Committee
 - Audit plans and the covering report to the Audit & Standards Committee
 - Audit manual
 - Staff declarations of interests
 - Staff training and development strategy
9. An independent external assessment will demonstrate to the Audit & Standards Committee compliance with PSIAS and any resultant action plan will provide areas for improvement. A report will be produced by the Assessor at the conclusion of the exercise and will be shared with Members.

Equalities and Legal and Climate Change Implications

10. There are no specific Equalities, Legal or Climate Change Implications presented by this report.

Resource and Value for Money Implications

11. It is anticipated that the cost of the assessment will be approximately £6,900.

Risk Implications

12. There are no specific Risk Implications presented by this report.

Health Impact Assessment

13. There are no specific Health Impact Assessment implications presented by this report.

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List of Background Documents:

Public Sector Internal Audit Standards – April 2017

Local Government Application Note