

For publication

External Review of Internal Audit

Meeting:	Joint Board
Date:	8 th October 2021
Cabinet portfolio:	Governance
Directorate:	Finance
For publication	

1.0 Purpose of the report

- 1.1 The purpose of this report is to inform the Joint Board of the results of the external review of internal audit that took place in May 2021.

2.0 Recommendation

- 2.1 That the results of the external review of internal audit be noted.

3.0 Reason for recommendation

- 3.1 To ensure that the Joint Board are aware of the results of the external review of internal audit that is required by the Public Sector Internal Audit Standards.

4 Report details

BACKGROUND

- 4.1 The Public Sector Internal Audit Standards (PSIAS) were introduced from the 1st April 2013 and Internal Audit has been working to those standards since that date. The PSIAS require that internal and external assessments of internal audit must take place.

- 4.2 An internal self-assessment against the PSIAS utilising the recommended CIPFA checklist has been undertaken on an annual basis by the Internal Audit Consortium Manager and these have concluded compliance with the Standards.
- 4.3 The PSIAS require that an external assessment of internal audit should be carried out at least once every 5 years by a qualified, independent assessor or team. The previous external review took place in 2016.
- 4.4 The selected assessor (Robin Pritchard from Business Risk Solutions) is CIPFA qualified and has over 40 years internal audit experience including being Chief Internal Auditor at Staffordshire County Council and a national partner responsible for internal audit at a number of professional service firms. Robin also spent 6 years as a professor of internal audit and risk management at Birmingham City University. Robin is an experienced External Quality Assessor and has undertaken over 50 reviews of this nature.

Format of the assessment

- 4.5 The assessment took place throughout May 2021 and was conducted remotely due to COVID-19. The assessment involved a review of the Consortium's documentation, working practices, committee reports and working paper files. The audit committee chairs and senior managers were also invited to complete a questionnaire.
- 4.6 This approach enabled Robin to assess the Internal Audit Consortium's conformance with the PSIAS against the recommended checklist and associated standards.

Results of the Review - Headlines

- 4.7 The report concludes that the Internal Audit Consortium are delivering internal audit services to a standard that generally conforms with the PSIAS. There are no areas where the service does not comply with the standards. This means that Members can have confidence in the service provided by the audit team. It is acknowledged that the audit team has significant experience and a range of qualifications allowing a robust internal audit standard to be maintained and delivered.
- 4.8 The external review report includes benchmarking against other provision in both the sector and the wider industry and this shows that the team

compares favourably in comparison with its peers and other sectors (Appendix 1 pages 18 - 20).

- 4.9 As would be expected, the report has made a number of recommendations that are aimed at highlighting where further development can be made to enhance the value of the service being provided.
- 4.10 The assessor's full report can be seen at Appendix 1.

Key Points Arising out of the Review

- 4.11 The key theme throughout the report and associated recommendations is in relation to enhancing and developing the use of risk- based auditing and linking more to the council's own risk management definitions and appetite.
- 4.12 The recommendations are graded red, amber and green to reflect their relative importance. There are no red recommendations.
- 4.13 Feedback from the client questionnaires was extremely positive.
- 4.14 An action plan to address the recommendations arising is under development. Progress against the action plan will then be included as part of the 2021/22 annual report.

5 Alternative options

- 5.1 Not applicable.

6 Implications for consideration – Council Plan

- 6.1 Having an internal audit resource that complies with the Public Sector Internal Audit Standards ensures that internal audit can effectively contribute to ensuring that the council's resources and priorities are focused on achieving the objectives within the council plan.

7 Implications for consideration – Financial and value for money

7.1 The confirmation that the audit service complies with the PSIAS ensures that a quality value for money service is being provided.

8 Implications for consideration – Legal

8.1 The PSIAS require that an external review of internal audit takes place every 5 years and this review meets that requirement.

9 Implications for consideration – Human resources

9.1 None.

10 Implications for consideration – Risk management

10.1 The external review confirms that the internal audit service meets the requirements of the PSIAS and therefore risk is reduced as internal audit is effectively reviewing the council's risk, governance and control processes.

11 Implications for consideration – community wellbeing

11.1 Whilst there are not considered to be any direct community and wellbeing impacts in relation to this report, having an internal audit service that is compliant with the PSIAS will support the achievement of the Council's objectives.

12 Implications for consideration – Economy and skills

12.1 Whilst there are not considered to be any direct economy and skills impacts in relation to this report, having an internal audit service that is compliant with the PSIAS will support the achievement of the Council's objectives.

13 Implications for consideration – Climate Change

13.1 Whilst there are not considered to be any direct climate change impacts in relation to this report, having an internal audit service that is compliant with the PSIAS will support the achievement of the Council's objectives.

14 Implications for consideration – Equality and diversity

14.1 None.

Decision information

Key decision number	<i>All key decisions must be in the Forward Plan at least 28 days in advance. There are constitutional consequences if an item is not in the Forward Plan when it should have been. Contact Democratic Services if in doubt.</i>
Wards affected	

Document information

Report author	
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Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
None	
Appendices to the report	
Appendix 1	External Review Report