

# Informal Joint Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards</b>	
<b>Report No:</b>	<b>PAS/FH/18/011</b>	
<b>Report to and dates:</b>	Performance and Audit Scrutiny Committee	31 May 2018
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<b>Purpose of report:</b>	To inform Members of the outcome of the recent External Quality Assessment of the internal audit function.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b> <b>It is RECOMMENDED that Members <u>note</u> the contents of this report.</b>	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		The form of the external assessment was agreed in consultation with the Assistant Director Resources and Performance (as Section 151 Officer)	
<b>Alternative option(s):</b>		N/A	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
The internal audit service may not be operating in accordance with the Public Sector Internal Audit Standards, which may in turn reduce the effectiveness of the service.	Low	Annual internal self-assessments are undertaken to assess conformance with the Public Sector Internal Audit Standards, high level results of which are reported to Performance and Audit Scrutiny Committee.	Low
<b>Ward(s) affected:</b>		N/A	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		N/A	
<b>Documents attached:</b>		<b>Appendix A</b> – External assessor’s Final Report regarding her assessment of the Internal Audit Team against the Public Sector Internal Audit Standards	

## **1. Key issues and reasons for recommendation**

### **1.1 Background Information**

1.1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (the 'Standards') which have been in place since April 2013 (revised April 2016 and April 2017). The objectives of the Standards are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning

1.1.2 The Standards require that, in order to independently assess conformance with these Standards, an external assessment of the internal audit function must be conducted at least once every five years, and the first such assessment must be completed by April 2018.

1.1.3 This committee received a report in November informing Members that the external assessment would be carried out by Tilia Solutions as that organisation scored highest (out of three organisations approached) based on the following criteria – relevant experience and competence, price, quality / added value, efficiency of process, and reputational weight. In choosing this independent assessor we also took into account that this organisation had also performed this assessment at some other Suffolk councils and was the least cost option.

1.1.4 The purpose of this report is to inform Members regarding the outcome of the assessment of the internal audit function by Tilia Solutions and in the interests of transparency the full report issued by the assessor is included at **Appendix A**.

### **1.2 Why does the assessment matter?**

1.2.1 The Standards aim to promote continued improvement in the professionalism, quality and effectiveness of internal audit services and the external assessment is a key element of this. Therefore the assessment provides further assurance to Members and senior officers that the internal audit function is effective and provides a professional and quality service that operates in accordance with the Standards. This also provides assurance that the Internal Audit Service Manager's annual audit opinion can be relied upon as a key source of evidence in the production of the Annual Governance Statement.

### **1.3 Final report detailing the findings, conclusions, and recommendations arising from the External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards**

- 1.3.1 The main conclusion of the report (page 2, paragraph 3) is that **no areas of non-compliance with the Standards were identified that would affect the overall scope or operation of the internal audit activity**. This should be seen as a very good result as it confirms our view that we achieve a good level of compliance with the Standards. The report also comments that **'Council officers clearly value audit's input, requesting reviews, support and advice'**, which again was pleasing to receive independent expert confirmation that the work of internal audit is well regarded. The assessor also verbally commented that fewer recommendations for further improvement were raised in respect of our review compared to most other reviews the assessor had undertaken.
- 1.3.2 The report has however raised a number of recommendations and suggestions which have been agreed by the Internal Audit Service Manager – in the main these do not involve very significant changes but are generally 'tweaks' to existing working practices. These recommendations and suggestions are contained within the action plan included in the assessor's report as **Appendix 1** and progress against this action plan will be reported to committee in due course.
- 1.3.3 It should be noted that the assessor's report is solely set in the context of Internal Audit, for example the references to the 'Annual Report' in the action plan are in fact referring to the Annual Internal Audit Report. It should also be noted that references to 'ethical objectives, programmes and activities' are taken to be referring to standards of probity in public life.