

## Regulatory and Other Committee

### Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	<b>Audit Committee</b>
Date:	<b>21 November 2016</b>
Subject:	<b>Internal Audit - External Quality Assessment</b>

#### Summary:

Internal Audit within the Public Sector in the UK is governed by the Public Sector Internal Audit Standards (PSIAS) - which have been in place since April 2013 (updated April 2016).

The Standards require an external quality assessment at least once every 5 years as part of Internal Audit's Quality Assurance Framework. This report provides the Committee with information on the result of the external quality assessment undertaken in September 2016.

It shows that the Council's Internal Audit function 'generally conforms' with the Mission Statement for Internal Audit, the Standards of practice and the Code of Ethics laid down in the PSIAS and the associated CIPFA advisory note.

#### Recommendation(s):

That the Committee:

1. Note the External Quality Assessments for Assurance Lincolnshire and the County Council, as attached and what it tells the Committee about the quality of the Internal Audit Service, and;
2. Are assured over the quality and effectiveness of the Council's Internal Audit Service.

#### Background

- 1.1 The County Council's Internal Audit function is delivered by an in-house team - Assurance Lincolnshire. Assurance Lincolnshire is a collaborative partnership consisting of Lincolnshire County Council, City of Lincoln and East Lindsey District Council.

- 1.2 The Public Sector Internal Audit Standards (PSIAS) – which have been in place since April 2013 (updated April 2016) consist of the following elements:
- Mission statement
  - Definition of Internal Auditing
  - Code of Ethics, and
  - Attribute and performance Standards for the Professional Practice of internal Auditing
- 1.3 They aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit assurance.
- 1.4 In local government the PSIAS are mandatory - as required by the Accounts and Audit Regulations 2015. We must also comply with the CIPFA Advisory Note associated with the Standards.
- 1.5 The Standards require an external assessment at least once every 5 years as part of an Internal Audit's Quality Assurance Framework. They must be conducted by a qualified, independent assessor or assessment team from outside the organisation. Our assessment was conducted by CIPFA.
- 1.6 CIPFA is ideally placed to carry out the quality review. They are one of the professional bodies who set internal audit standards for public bodies and provide professional guidance on the Standards as well as other aspects of internal audit. CIPFA is therefore very familiar with internal audit standards in policy and in practice. They have undertaken a number of External Quality Assessments.
- 1.7 Our assessment was undertaken in September 2016 and included:
- Discussion with 34 people across the Council and our client base. This involved the Audit Committee Chairs and members, Chief Executives, S151 Officers and auditees.
  - Review of a wide range of documentary evidence and audit files, including the Internal Audit Charter.
  - Comparison with other Internal Audit Functions.

Our practice was assessed against 56 fundamental principles and over 150 points of recommended practice.

## **Conclusion**

- 2.1 The Assessor concluded that:

*"There were no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance".*

2.2 In response to the best practice question the Assessor stated:-

*"As part of my review I was asked to compare the Assurance Lincolnshire Partnership against other authorities for whom CIPFA has undertaken PSIAS reviews. There is little that I can add to the excellent work that you are already doing and I have already requested examples of some of your core documents to share with others".*

And also told us that:-

*"Assurance Lincolnshire is one of the best examples of collaborative working she has seen",*

2.3 We are really pleased with the outcome of the External Quality Assessment – it is a very rigorous and challenging assessment. We pride ourselves on being an experienced, competent and innovative internal audit provider – who strives to maintain and develop its service by embedding quality in all elements of internal audit activity. This assessment helps provide confidence to the Council over the quality of the service and the excellent people who deliver its internal audit work and plan.

2.4 A copy of the External Quality Assessment report for Assurance Lincolnshire is attached in **Appendix A**.

2.5 A copy of the External Quality Assessment report for the County Council's In-house team is attached in **Appendix B**.

### **Quality Improvement Plan**

3.1 The Assessor did identify some recommendations for further development and improvement. Actions have been agreed and included in our Quality Improvement Plan. Three recommendations were made:

R1 Feedback formally on audit activity to the Corporate Management Team at NKDC in year.

R2 Ensure that the planned ethical audit is undertaken.

*Assurance Lincolnshire plan and undertake work to contribute to the development of clients governance arrangements. Updated good practice guidance on governance, including ethics, was published in April 2016. Our Internal Audit plan for 2016/17 includes a governance review. Phase One is complete, with a substantial assurance opinion being given over systems and processes. Phase Two is currently being discussed with the Corporate Management Board – this will seek to provide assurance on whether the arrangements work in practice.*

R3 Work to rebuild the relationship with the County's IT function.

*The changes within the Council will provide an opportunity to rebuild our working relationship with IT and support delivery of our IT audit plan.*

- 3.2 The implementation of recommendations will be tracked through our Quality Assurance and Improvement Plan – see **Appendix C** attached.

## **Consultation**

### **a) Policy Proofing Actions Required**

n/a

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	External Quality Assessment Report - Assurance Lincolnshire
Appendix B	External Quality Assessment Report - Lincolnshire County Council
Appendix C	Quality Assurance Improvement Plan

## **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or [Lucy.pledge@lincolnshire.gov.uk](mailto:Lucy.pledge@lincolnshire.gov.uk).