

Gloucester City Council

Meeting:	Audit and Governance Committee	Date:	20th July 2020
Subject:	Internal Audit External Quality Assessment (EQA) - Outcome		
Report Of:	John Chesshire and Liz Sandwith approved reviewers for the Chartered Institute of Internal Auditors (CIIA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	A: EQA – Outcome Report (May 2020)		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To provide the Committee with details of the outcome of the independent assessment (completed by the Chartered Institute of Internal Auditors) of the Internal Audit function.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to note that the EQA concluded that the ARA team:
- (1) Meet each of the 64 Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing;
 - (2) Are excellent in their reflection of the Standards; Focus on performance, risk and adding value; and Quality Assurance and Improvement Programme;
 - (3) Are good in their: Operating with efficiency and
 - (4) Like many internal audit functions at the present time, the ARA team is satisfactory in coordinating and maximising assurance.

In conclusion, this is an excellent result and the Chief Internal Auditor and the ARA team as a whole should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.

3.0 Background and Key Issues

- 3.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit (England) Regulations 2015. The latter states that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control, comprising risk management, control and governance, in accordance with the proper practices in relation to internal control”.
- 3.2 The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) as representing “proper internal audit practices”. The standards define the way in which the Internal Audit service should be established and undertakes its functions.
- 3.3 Audit Risk Assurance (ARA) under a s101 shared service agreement, fulfils the internal audit function for Gloucester City Council, Stroud District Council and Gloucestershire County Council (host authority) and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to the partner organisations’ Audit Committees and Board of Directors for Ubico Ltd, a Local Authority owned Environmental Services Company (external client).

3.3 Attribute Standard 1300 - Quality Assurance and Improvement Programme (QAIP)

The Chief Internal Auditor must develop and maintain a QAIP that covers all aspects of the internal audit activity. A QAIP is designed to enable an evaluation of internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Chief Internal Auditor should encourage Audit and Governance Committee oversight in the QAIP. Therefore the QAIP 2019-2022 was presented to the Committee on 20th January 2020.

External Assessments

In addition to annual internal self-assessments, to conform to the standards, external assessments must be conducted at least once every five years, by a qualified, independent assessor or assessment team from outside the organisation. The Chief Internal Auditor must discuss the following with the Audit Committee(s):

- The form of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards. The external assessment may also include operational or strategic comments.

One of the roles of the Audit and Governance Committee is to agree the scope and form of the external assessment as part of the QAIP, therefore at its meeting on the 22nd July 2019, the Committee was presented with a paper to agree that the Chartered Institute of Internal Auditors would be engaged during May 2020 to carry out this assessment.

4.0 Social Value Considerations

4.1 There are no Social Value implications as a result of the recommendation made in this report.

5.0 Environmental Implications

5.1 There are no Environmental implications as a result of the recommendation made in this report.

6.0 Alternative Options Considered

6.1 In July 2019, the Audit and Governance Committee resolved that the Chartered Institute of Internal Auditors would be engaged to undertake the next EQA in May 2020.

7.0 Reasons for Recommendations

7.1 The Public Sector Internal Audit Standards (as per paragraph 3.2 above) require an External Quality Assessment of the internal audit service at least every 5 years.

7.2 The Audit and Governance Committee is required to receive the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance with professional standards.

8.0 Future Work and Conclusions

8.1 None relating as a result of this report.

9.0 Financial Implications

9.1 No financial implications as a result of this report.

(Financial Services have been consulted in the preparation this report.)

10.0 Legal Implications

10.1 This report clarifies that Internal Audit is conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

(One Legal have been consulted in the preparation this report.)

11.0 Risk & Opportunity Management Implications

11.1 Failure to deliver an effective Internal Audit Service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 A requirement of the Accounts and Audit Regulations 2015 is for the Council to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

The Internal Audit Service is delivered by Audit Risk Assurance which is an internal audit and risk management shared service between Gloucester City Council, Stroud District Council and Gloucestershire County Council. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

12.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

13.0 Community Safety Implications

13.1 There are no 'Community Safety' implications arising out of the recommendations made in this report.

14.0 Staffing and Trade Union Implications

14.1 There are no 'Staffing and Trade Union' implications arising out of the recommendations made in this report.

Background Documents:

- [Accounts and Audit Regulations 2015](#);
- CIPFA Local Government Application Note for the UK PSIAS;



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- [Public Sector Internal Audit Standards \(PSIAS\) 2017](#); and
- [Audit and Governance Committee's Terms of Reference](#).