

**AUDIT COMMITTEE – 9<sup>th</sup> FEBRUARY 2021**

**Report of the Head of Strategic Support**

**Part A**

ITEM 10     EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

Purpose of Report

To present the findings, and associated action plan, of the External Quality Assessment of Internal Audit that was carried out in November 2020.

Recommendation

The Committee notes the findings from the assessment report and associated action plan.

Reason

To ensure the Committee is kept informed of the findings from external assessments of Internal Audit, in line with the Public Sector Internal Audit Standards.

Policy Justification and Previous Decisions

The Accounts and Audit Regulations 2015 state (Regulation 5 (1)) that the relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and any appropriate guidance.

Implementation Timetable including Future Decisions

Not applicable.

Report Implications

The following implications have been identified for this report.

*Financial Implications*

*None*

Risk Management

There are no specific risks associated with this report.

Background Papers:       Public Sector Internal Audit Standards

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## Part B

### 1. BACKGROUND

- 1.1. Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and further revised on 1 April 2017. The purpose of the PSIAS is to improve the professionalism and standing of internal audit, to support good governance in local government and to add value. The standards require periodic self-assessments and an assessment by an external person every five years. Blaby, Charnwood and North West Leicestershire Councils' internal audit teams were last externally reviewed in June 2015 (Blaby and North West Leicestershire) and August 2016 (Charnwood) and a re-evaluation was therefore due. There was a slight delay in the review as Charnwood joined the partnership in April 2020 and the Audit Manager wanted to ensure that everyone was following a consistent approach.
- 1.2. The external quality assessment was procured in adherence to NWLDC contract procedure rules and the Public Sector Internal Audit Standards guidance in selecting an appropriately qualified assessor. The approach was discussed with the shared service partners with the assessor, Elizabeth Humphrey of Tilia Solutions Corporate Governance Consultancy, selected by the Audit Manager and the Head of Legal and Commercial Services.

### 2. EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

- 2.1. The external quality assessment was carried out w/c 30<sup>th</sup> November 2020 and took the form of validation of a self-assessment completed by the Audit Manager. The validation was carried out through a process of interviews with key officers and Chairs of Audit Committees (interviewees selected by the assessor), and document review. The findings relate to each Council that is part of the Internal Audit Shared Service.
- 2.2. It is the assessor's opinion that internal audit at Blaby, Charnwood and North West Leicestershire Councils **conforms with the PSIAS**. She identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity, stating that the team takes a flexible, structured and focussed approach to their audit assignments. It identified two minor non-compliances with the PSIAS, neither of which were deemed to affect the activities of the team.
- 2.3. The final report is included in full at Appendix 1, with the action plan produced by the Audit Manager included at Appendix 2. Although only two minor recommendations and two suggestions were made in the final report, the assessor did make further minor suggestions informally to the Audit Manager, therefore they are all included in the action plan.

### Annexes

Annex 1 – External Quality Assessment of Internal Audit Final Report

Annex 2 – External Quality Assessment of Internal Audit Action Plan