

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	28 March 2018
Subject:	External Assessment of Internal Audit
Report of:	Graeme Simpson, Head of Corporate Services
Corporate Lead:	Mike Dawson, Chief Executive
Lead Member:	Councillor D J Waters, Leader of the Council
Number of Appendices:	One

Executive Summary:

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that the Chief Audit Executive must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP was approved at Audit Committee on 21 September 2017. The QAIP must include a requirement that an external assessment be undertaken at least once every five years by a qualified, independent assessor from outside the organisation. The purpose of the assessment is to conclude the level of compliance the internal audit activity has with the PSIAS.

The external assessment took place week commencing 13 November and was undertaken by Tilia Solutions. Both an overview of the assessment process and the appointed assessor was reported to the Audit Committee prior to the assessment taking place. A copy of the report is attached at Appendix 1 and confirms no areas of non-compliance were identified that would affect the overall scope or operation of the internal audit activity. Recommendations have been made to improve the audit process further and these have been accepted and an action plan agreed. The action plan forms part of Appendix 1.

Recommendation:

- 1. To CONSIDER the outcome of the external assessment in particular the recommendations arising and**
- 2. To APPROVE the agreed action plan for the delivery of those recommendations.**

Reasons for Recommendation:

The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE) report functionally to the board. This includes the requirement that the conclusion of any assessments be reported upon completion and the results of ongoing monitoring are communicated at least annually.

As defined within the approved Internal Audit Charter, at Tewkesbury Borough Council the role of CAE is undertaken by the Head of Corporate Services and the board is defined as the Audit Committee.

Resource Implications:

Implementation of the recommendations are assigned to the Head of Corporate Services. Implementation will also be supported by the internal audit team and time will need to be allocated within the internal audit plan for this.

Legal Implications:

None.

Risk Management Implications:

If the CAE does not report functionally to the board then this does not comply with PSIAS.

If the agreed recommendations are not implemented then there is a risk the internal audit activity will not maximise its effectiveness and support the Council in achieving its objectives.

Performance Management Follow-up:

The recommendations will be added to the existing QAIP recommendations so there is one overall action plan for the internal audit activity. Progress in implementing this action plan will be reported at least annually to the Audit Committee.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** It is a requirement of the PSIAS that, at least once every five years, an independent assessment of the internal audit activity is undertaken. This assessment should be carried out by a qualified and independent assessor from outside the organisation. As previously reported to Audit Committee, the appointed assessor was from Tilia Solutions and is accredited by the Chartered Institute of Public Finance and Accountancy (CIPFA) with a vast CV in relation to audit practice.

2.0 WHAT THE ASSESSMENT COVERS

- 2.1** PSIAS applies to every public sector internal audit activity though compliance with the standards should be proportionate to the size of the activity. To give some context to the assessment, the assessor produced a working paper of 42 pages, covering over 150 questions. For each question, from the evidence submitted concludes whether there is compliance/partial compliance/non-compliance. The standards cover several headings:

- Code of ethics
- Purpose, authority and responsibility
- Independence and objectivity
- Proficiency and due professional care
- Quality assurance and improvement programme
- Managing the internal audit activity
- Engagement planning
- Nature of work

- Engagement planning
- Performing the engagement
- Communicating results
- Monitoring progress
- Communicating the acceptance of risks

2.2 The assessment was undertaken week commencing 13 November 2017 and included interviews with the CAE, Chief Executive, Borough Solicitor, Head of Finance and Asset Management, the Internal Audit team, a number of operational managers, Chair of Audit Committee and the Lead Member for Corporate Governance. In addition, a plethora of internal audit documentation and processes were reviewed including a review of completed audit assignments.

3.0 ASSESSMENT OUTCOME

3.1 The final report attached at Appendix 1 summarises the findings of the assessment. This concluded that no areas of non-compliance were identified that would affect the overall scope or operation of the internal audit activity. A number of recommendations have been made to further improve the effectiveness of the internal audit activity. All the recommendations have been accepted by the CAE and form an action plan that is included at the end of the final report.

3.2 The recommendations can essentially be categorised as follows:

- Textual amendments to the Internal Audit Charter to define more clearly parts of the internal audit activity.
- Formal safeguards to maintain the independence of the CAE.
- Undertake audit planning by using a more strategic focus.
- Revision of audit documentation to improve the audit planning process.

3.3 Feasible implementation dates have been assigned to each recommendation and reflect the individual nature of the recommendation. For example, amendments to the Internal Audit Charter are relatively straight forward to implement and an updated Charter can be presented at the next Audit Committee. Recommendations relating to a more strategic focus have direct links to corporate risk. The Council's risk management arrangements are currently under review so the two would need to be aligned. A number of recommendations are logistically not possible to implement until the appropriate time, for example, ensuring performance indicators show trends over time.

4.0 MONITORING OF ASSESSMENT RECOMMENDATIONS

4.1 The recommendations will be added to the existing QAIP recommendations so there is one overall action plan for the internal audit activity. Progress in implementing this action plan will be reported at least annually to the Audit Committee.

5.0 OTHER OPTIONS CONSIDERED

5.1 None.

6.0 CONSULTATION

6.1 Consultees who were interviewed as part of the assessment are listed in the final report.

7.0 RELEVANT COUNCIL POLICIES/STRATEGIES

- 7.1**
- Internal Audit Charter
 - Internal Audit Annual Plan
 - Internal Audit Quality Assurance and Improvement Programme

8.0 RELEVANT GOVERNMENT POLICIES

8.1 Public Sector Internal Audit Standards.

9.0 RESOURCE IMPLICATIONS (Human/Property)

9.1 Implementation of the recommendations is assigned to the Head of Corporate Services. Implementation will also be supported by the Internal Audit team and time will need to be allocated within the Internal Audit Plan for this.

10.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

10.1 None.

11.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

11.1 Implementation of recommendations should maximise the value of the internal audit activity.

12.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

12.1 None.

Background Papers: None

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Appendices: Appendix 1 – External Assessment of Internal Audit Final Report