

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	31 January 2024
Subject:	External Assessment of Internal Audit
Report of:	Director: Corporate Resources (Chief Audit Executive)
Head of Service/Director:	Executive Director: Resources
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	None

Executive Summary:

Standard 1312 of the Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit function to be subject to an external assessment at least once every five years. This assessment must be conducted by a qualified, independent assessor or assessment team from outside the organisation. The purpose of the assessment is to conclude the level of compliance the internal audit activity has with the PSIAS.

An external assessment was last carried out in 2017/18 therefore an action was included in the 2023/24 Quality Assurance and Improvement Programme (QAIP), approved by Audit and Governance Committee on 19 July 2023, for the procurement of an independent external assessment.

The proposed assessment will take place during the 2024/25 financial year and outcomes reported to this Committee.

Recommendation:

To CONSIDER the requirement for an independent external review and AGREE to delegate authority to the Chief Audit Executive, in conjunction with the Chair of Audit and Governance Committee, to agree the scope and form of the assessment and to appoint an appropriate assessor.

Financial Implications:

There will be a cost associated with procuring the assessment. Quotes will be obtained in accordance with the Council’s Contract Procedure Rules in order to obtain best value.

Legal Implications:

None directly arising from this report.

Environmental and Sustainability Implications:

None directly arising from this report.

Resource Implications (including impact on equalities):

The undertaking of the assessment will require significant input from the Internal Audit team, as well as the support and engagement of relevant Officers and Members who will be interviewed as part of the assessment.

Safeguarding Implications:

None directly arising from this report.

Impact on the Customer:

To give assurance to external stakeholders as to the Internal Audit's function compliance with the PSIAS.

1.0 INTRODUCTION

- 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.
- 1.2** An external assessment was last carried out in 2017/18 therefore an action was included in the 2023/24 Quality Assurance and Improvement Programme (QAIP), approved by Audit and Governance Committee on 19 July 2023, to prepare for and procure an independent external assessment.
- 1.3** The purpose of the assessment is to give independent assurance as to the level of compliance the internal audit activity has with the PSIAS. It is also an opportunity to identify any areas for improvement which will help to enhance the value of the internal audit function to the authority.

2.0 THE ASSESSMENT

- 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. The standards cover a number of areas which will be reviewed as part of the assessment, namely:
- 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.
 - Performing the engagement.
 - Communicating results.
 - Monitoring progress.
 - Communicating the acceptance of risks.
- 2.2** External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. The assessor, or assessment team, must also demonstrate competence in the professional practice of internal auditing and the external assessment process.

2.3 The Standards require the Chief Audit Executive to agree the scope of the external assessment with the Chair of the Audit and Governance Committee. Members are therefore asked to note the requirement for an independent external assessment and to delegate authority to the Chief Audit Executive to appoint an assessor in conjunction with the Chair of this Committee. This will include agreeing the form and scope of the assessment and ensuring the assessor and/or assessment team has the required competencies.

2.4 The proposed assessment will take place early in the 2024/25 financial year and outcomes will be reported to this Committee.

3.0 CONSULTATION

3.1 Relevant Officers and Members will be interviewed as part of the assessment process.

4.0 ASSOCIATED RISKS

4.1 If an external assessment is not carried out and the CAE does not report functionally to the board, then this does not comply with the PSIAS. Without the assessment there is also a risk that the internal audit activity will not maximise its effectiveness and support the council in achieving its objectives. This will also have an impact on the Council's value for money arrangements.

5.0 MONITORING

5.1 Outcomes of the assessment will be formally reported to this Committee and any resulting recommendations added to the existing QAIP, so there is one overall action plan for the internal audit activity. Progress in implementing these actions are reported annually to the committee.

6.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES

6.1 Internal audit's work is a key source of assurance in relation to the risk management, control and governance processes the Council has in place. The work of internal audit underpins the delivery of actions within the Council Plan.

Background Papers: None

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Appendices: None