



**Audit and Standards Advisory  
Committee**  
7<sup>th</sup> February 2023

**Report from the Corporate Director  
Finance and Resources**

**Review of the outcomes of the Internal Audit External Quality  
Assessment**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	One Appendix 1 – External Quality Assessment Report
<b>Background Papers:</b>	None
<b>Contact Officer(s): (Name, Title, Contact Details)</b>	Darren Armstrong, Head of Audit and Investigations <a href="mailto:Darren.Armstrong@Brent.gov.uk">Darren.Armstrong@Brent.gov.uk</a> 020 8937 1751

**1. Purpose of Report**

- 1.1 This report presents the outcomes of the Internal Audit External Quality Assessment, undertaken in Quarter 3 2022-23.

**2. Recommendations**

- 2.1 The Committee is asked to note the report.

**3. Background**

- 3.1 The Council has a statutory duty to maintain an adequate and effective Internal Audit function. Internal Audit's primary objective is to provide the Council, via the Audit and Standards Advisory Committee, with independent assurance that risk management, governance and internal control processes are operating effectively.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) require an external quality assessment (EQA) be undertaken at least every five years, although more frequent assessments may take place. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or

outsourced. The assessor is required to conclude on whether the Internal Audit service complies with the PSIAS.

- 3.3 Standard 1312 states: *External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.*
- 3.4 Across London, the London Audit Group has organised a system of independent externally validated self-assessments. It has been agreed that self-assessments against the standards, and where appropriate the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note (LGAN), will be completed and that these will be externally validated by suitably qualified individuals or teams from other members of the London Audit Group.
- 3.5 The review of Internal Audit's performance at the London Borough of Brent was led by Caroline Glitre, the Head of Internal Audit for the London Borough of Barnet. Caroline is appropriately qualified, independent and has no actual or perceived conflicts of interest. The terms of reference for this assessment were discussed and agreed with the Committee in August 2022.
- 3.6 The objective of the External Quality Assessment is to provide the Council with an independent opinion about internal audit's conformance with the Standards, Code of Ethics and where appropriate CIPFA's Local Government Application Note. In keeping with guidance issued by the Chartered Institute of Internal Auditors and CIPFA, one of three overall opinions is offered:

Generally Conforms	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, comply with the requirements in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and practice statements within the section or sub-sections. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the Audit Committee.

#### **4. Outcomes of the External Quality Assessment**

- 4.1 The External Quality Assessment Report can be seen at **Appendix 1**.
- 4.2 The assessment found that the Internal Audit Service **Generally Conforms** with the PSIAS. This is the highest available level of assessment for local authorities. Furthermore, the summary assessment of the compliance against the PSIAS (at pages 9 to 22 of the EQA report at Appendix 1), demonstrates that the Internal Audit service conforms with each standard.
- 4.3 A total of 10 good practice recommendations, which do not impact on conformance with the PSIAS, have been raised by the assessors and are summarised in pages 5-7 of the EQA report. An Action Plan can also be seen at Appendix C of the report. Management responses, including responsible officers and target dates, have been provided for each of the recommended actions. Progress updates in respect of the implementation of these actions will be reported to the Committee periodically.
- 4.4 We are pleased to report that five areas of notable practice were highlighted, where the activity of the Internal Audit Service reflected current best practice. The notable practices identified were:
- The independence of the Head of Internal Audit (HIA) role is strengthened by the rotation of line management arrangements.
  - The Audit and Standards Advisory Committee have appointed an Independent Adviser who provides additional challenge based on a wide-range of relevant experience across different sectors.
  - The Chief Executive regularly attends the Audit and Standards Advisory Committee.
  - The review of evidence supporting this year's self-assessment has confirmed that all improvement areas noted in the 2018 EQA have all been implemented and continue to be in place.
  - The HIA attends Directorate Management Teams (DMTs) on a quarterly basis which has improved engagement, the understanding of risks and the Internal Audit team's understanding of activity in each Directorate.
- 4.5 Overall, the assessors commented that Internal Audit is a well led, professional and respected service that adds value and provides evidence based, reliable assurance over the Council's governance, risk management and internal controls.

#### **5.0 Financial Implications**

- 5.1 There are no specific financial implications arising from this report.

#### **6.0 Legal Implications**

- 6.1 All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and Accounts and Audit Regulations 2011 (as amended). Completion of the external review of the effectiveness of internal audit ensures compliance with the PSIAS and provides assurance in respect of the effectiveness of the Internal Audit service.

**7.0 Equality Implications**

- 7.1 None

**8.0 Any Other Implications (HR, Property, Environmental Sustainability - where necessary)**

- 8.1 None

**9.0 Proposed Consultation with Ward Members and Stakeholders**

- 9.1 None

**Report sign off:**

***Minesh Patel***

Corporate Director Finance and Resources