



## Audit and Standards Advisory Committee

11 December 2018

### Report from the Chief Finance Officer

## Internal Audit External Quality Assessment

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| <b>Wards Affected:</b>   | All  |
| <b>Key or Non-Key Decision:</b>  | Non-Key  |
| <b>Open or Part/Fully Exempt:</b><br>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act) | Open   |
| <b>No. of Appendices:</b>  | One: <ul style="list-style-type: none"> <li>• Areas for Improvement</li> </ul>   |
| <b>Background Papers:</b>  | None   |
| <b>Contact Officer(s):</b><br>(Name, Title, Contact Details)   | Michael Bradley<br>Head of Audit and Investigations<br>Email: <a href="mailto:michael.bradley@brent.gov.uk">michael.bradley@brent.gov.uk</a><br>Tel: 0208 937 6526 |

### 1.0 Background and Terms of Reference

- 1.1 A professional, independent and objective internal audit service is one of the key elements of good governance in local government.
- 1.2 Standard 1312 of the UK Public Sector Internal Audit Standards (PSIAS) states that an external assessment of internal audit must be conducted at least once every five years by a qualified, independent assessor. The principal objective of the assessment is to assess internal audit's conformance to the PSIAS.
- 1.3 An external quality assessment has been carried out of the Brent Internal Audit Service. The review has been conducted by the newly appointed Internal Audit Manager who undertook the review during October 2018. The pan-London peer review mechanism administered by Croydon Council was unable to provide an independently selected reviewer and so the option of using the Internal Audit Manager, (new recruit and a qualified internal audit manager with over 20 years internal audit experience) was accepted by the Audit and Standards Advisory Committee as a suitable alternative.
- 1.4 The review was conducted using available evidence to support conclusions. Interviews were undertaken with the Head of Internal Audit, the Chair and Vice

Chair of the Audit and Standards Advisory Committee, the Chief Executive, Chief Finance Officer and a number of Strategic Directors.

## **2.0 Recommendation**

2.1 The Audit and Standards Advisory Committee note the content of the report.

## **3.0 The Public Sector Internal Audit Standards**

3.1 The Chartered Institute of Public Finance has adopted a common set of PSIAS for Local Government, effective from 1st April 2013 (updated 1st April 2016). The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF), consisting of the following three elements:

- Definition of Internal Auditing;
- Code of Ethics; and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary)

3.2 Additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF.

3.3 In local government, the PSIAS are mandatory for all principal local authorities and apply to all internal audit service providers, whether in-house, co-sourced/outsourced or shared service.

3.4 The PSIAS aim to promote the professionalism, quality and effectiveness of internal audit. They reaffirm the importance of robust, independent and objective internal audit to provide assurance.

3.5 The Code of Ethics of the Chartered Institute of Internal Auditors has been adopted by the PSIAS and promotes an ethical, professional culture. It does not supersede or replace the membership regulations of internal auditors' own professional bodies and codes of conduct of employing organisations.

## **4.0 Overall Conclusions**

4.1 Based on the work carried out the conclusion of this review is that the Brent Internal Audit Service Generally Conforms with the PSIAS.

4.2 The Chartered Institute of Internal Auditors uses a scale of three ratings, "Generally Conforms", "Partially Conforms" and "Does Not Conform". The definitions for these are:

- Generally Conforms - The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
- Partially Conforms - The internal audit service falls short of achieving some elements of good 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 good practice statements within the section or sub-section. 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.

4.3 The outcome of the assessment reflects a professional and successful Internal Audit service. The service commands a good level of respect and credibility across the Council and is seen as a key part in supporting and developing good governance within the Council.

4.4 The manner in which the Internal Audit service is planned, executed, managed and reported demonstrates a good level of compliance with the PSIAS. The service has a high degree of independence, in fulfilling the definition of internal auditing.

4.5 Key Stakeholders confirmed that their expectations were being met, Internal Audit was focusing its work in the correct areas and the profile and reputation across the Council had risen significantly in the last 12 months.

4.6 The restructure of the team and the ongoing recruitment of new staff has brought increased stability and will enable improved performance and further service developments to be implemented going forward.

4.7 Some areas for improvement have been identified, details of which are provided in the Appendix to this report but these do not impact on meeting the PSIAS and the overall conclusion of conformance.

## **5.0 Financial Implications**

5.1 The report is for noting and so there are no direct financial implications.

## **6.0 Legal Implications**

6.1 The report is for noting and so there are no direct legal implications.

## **7.0 Equality Implications**

7.1 None.

## **8.0 Consultation with Ward Members and Stakeholders**

8.1 Not applicable.

**Report sign off:**

**CONRAD HALL**  
Chief Finance Officer