

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Internal Audit Consortium Manager

To: Governance and Audit Committee, 23 February 2017

Author: Emma Hodds, Internal Audit Consortium Manager

Subject: External Quality Assessment of Internal Audit

Purpose: This report presents the results of an external review by the Institute of Internal Auditors of Eastern Internal Audit Service's conformance with the Standards.

Recommendation(s):

- 1) That Committee note the report, the results of the assessment and the resultant action plan.

1.0 BACKGROUND

- 1.1 The objective of the review was to undertake an independent, objective external quality assessment of the Eastern Internal Audit Service against the IPPF. This has included considering the team's conformance to the IPPF, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation.
- 1.2 The assessment was conducted as a full external quality assessment using the methods prescribed by Chartered Institute of Internal Auditors. A wide range of documentary evidence was reviewed, a number of representative stakeholders were interviewed, as were the Internal Audit Consortium Manager and TIAA Audit Director. This report presents the outcome of that review to the Committee, and the full report is attached at **Appendix A** to this report.
- 1.3 The IIA's IPPF includes the Definition of Internal Auditing, Core Principles, Code of Ethics and International Standards. There are 56 fundamental principles to achieve with more than 150 points of recommended practice. The Standards aim to promote further improvement in the professionalism, quality and effectiveness of Internal Audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit assurance
- 1.4 The report concluded that the internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as "**Generally Conforms**" (this is the best rating available). It means that the internal audit team may state in its audit reports that the work "has been performed in accordance with the IPPF".
- 1.5 The assessor has noted some key achievements within the attached report, with the following overriding summary statement provided:

"Eastern Internal Audit Services deliver an effective independent and objective assurance and consulting service across the authorities it serves, covering the full range of activity that

this organisation undertakes. Some challenges remain, of course, but overall we believe that stakeholders see the Internal Audit Consortium Manager and the core internal audit team as professional, approachable and competent in their work.”

- 1.6 In addition the IIA have benchmarked the service against others that have been assessed and has concluded against 5 key areas that:

The service is **excellent** in the efficiency of its operations – this is a fantastic result which really emphasises how well the contract works and the IIA have confirmed that this is a conclusion that is rarely achieved in such a review.

The service is **good** in its Reflection of the Standards and the Quality Assurance and Improvement Programme.

In relation to focusing on performance, risk and adding value the team is **satisfactory** – this relates to more formally documenting the risks to the internal audit service and undertaking a more formal assessment of risks at each Authority and formally link this through to the audit plans.

And finally in relation to coordinating and maximising assurance we are considered to **need improvement** in this area - this is not uncommon and a conclusion drawn on by the assessors in the majority of the reviews they undertake. This is where we need to more formally recognise relationships with other internal teams i.e. Business Improvement, Monitoring Officer, Fraud, Risk etc. and then consider undertaking a wider assurance mapping exercise.

2.0 **OPTIONS**

- 2.1 The assessment is required to be undertaken every five years in line with the standards; therefore to do nothing is not an option in this regard.

3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 To follow best practice and ensure that the Committee is kept up to date with the performance of the internal audit service.

4.0 **EXPECTED BENEFITS**

- 4.1 The External Quality Assessment, which is a rigorous and challenging process, should provide the Committee with confidence over the quality of the Internal Audit service.

5.0 **IMPLICATIONS**

- 5.1 In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

6.0 **WARDS/COMMUNITIES AFFECTED**

- 6.1 Not applicable.

7.0 ACRONYMS

- 7.1 IIA – Institute of Internal Auditors
- 7.2 PSIAS – Public Sector Internal Audit Standards
- 7.3 IPPF – Internal Professional Practices Framework
- 7.4 EQA – External Quality Assessment
- 7.5 EIAS – Eastern Internal Audit Services

Background papers:-	Checklist completed by the IIA, copy retained by the Internal Audit Consortium Manager
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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A	Report of the Institute of Internal Auditors (IIA)
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