

Report for: Corporate Committee – 21 July 2022

Item number:

Title: Internal Audit – External Quality Assessment

Report authorised by : Director of Finance

Lead Officer: Minesh Jani, Head of Audit and Risk Management

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non-key decision

1. Describe the issue under consideration

1.1 The Corporate Committee has a strategic role to ensure the Council's assurance is operating effectively. To this end, the work of Internal Audit is a key component of the assurance framework and the outcome of the external assessment provides evidence to the Corporate Committee as to whether the Internal Audit service is operating in accordance with the Public Sector Internal Audit Standards (PSIAS).

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

Corporate Committee is asked:

3.1 To note the positive outcome of the External Quality Assessment for Assurance and are assured over the quality and effectiveness of the Council's Internal Audit Function.

4. Reasons for decision

4.1 Internal Audit within the Public Sector in the UK is a statutory function, governed by the Public Sector Internal Audit Standards (PSIAS) - which have been in place since 2013 (updated in 2017).

4.2 The Standards require an external quality assessment at least every 5 years as part of Internal Audit's Quality Assurance Framework. This report provides the Committee with information on the result of the external quality assessment undertaken on in February 2022.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The Council's Internal Audit function is delivered in partnership with Mazars.

- 6.2 The Public Sector Internal Audit Standards (PSIAS) – which have been in place since April 2013 (updated March 2017) consist of the following elements:
- Mission statement of Internal Audit;
 - Definition of Internal Auditing;
 - Core principles for the professional standards;
 - Code of Ethics; and
 - Attribute and performance Standards for the Professional Practice of internal Auditing.
- 6.3 The Standards aim to promote consistency of practice and 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.
- 6.4 In local government the PSIAS are mandatory - as required by the Accounts and Audit Regulations 2015. We must also comply with the CIPFA Local Government Application Note.
- 6.5 The Standards require an external assessment at least once every 5 years as part of an Internal Audit's Quality Assurance Framework. They must be conducted by a qualified, independent assessor or assessment team from outside the organisation. Our assessment was conducted by Ray Gard, the managing director of Gard Consultancy Services Ltd.
- 6.6 Ray is an experienced finance and governance manager with extensive public sector experience, and he has a full understanding of risk management, corporate governance, and the statutory frameworks governing the management, audit, and regulation of public sector organisations, including the role of the audit committee. He has an in-depth knowledge of the Public Sector Internal Audit Standards (PSIAS), the CIPFA Local Government Application Note (LGAN), and the International Professional Practice Framework for Internal Auditors (IPPF). Ray played a significant part in the peer review process for PSIAS EQAs developed by the London boroughs. He has undertaken over fifty PSIAS and IPPF EQA assessments on a range of internal audit services operating in the public, housing and private sectors, the NHS, and an accountancy firm that provides internal audit services to a significant number of public sector organisations.
- 6.7 Our assessment was undertaken in the period February to April 2022 and included:
- Self-assessment validation;
 - Survey of a wide range of stakeholders;
 - Interviews with key stakeholder - this involved the Corporate Committee Chair, S151 Officers, the Monitoring Officer and auditees; and
 - A comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review.

- 6.8 The questionnaire and interviews focused on determining the strengths and weaknesses of internal audit and assessed them against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- 6.9 The external assessment concluded the **Council's Internal Audit service Fully Conforms** with the mission statement for internal audit, the Standards of Practice the Code of Ethics set out in the PSIAS and the associated CIPFA Advisory application note.
- 6.10 The definition for "Fully Conforms" in the standard is : The internal audit service complies with the Standards with only minor deviations. 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 of the Standards in all material respects with only minimal departures and minor issues to resolve.
- 6.11 I am really pleased with the outcome of the External Quality Assessment – it is a very rigorous and challenging assessment. We pride ourselves on being an experienced, competent and innovative internal audit provider – who strives to maintain and develop its service by embedding quality in all elements of internal audit activity.
- 6.12 This assessment helps provide confidence to the Council over the quality of the service and the excellent people who deliver its internal audit work and plan.
- 6.13 Whilst the assessment didn't recommend any improvement actions – there were a number of advisory points made, designed to help enhance existing operations and the adoption of best practice. These were to consider:
- Include a statement of impairments to independence in the annual report;
 - Consider the options available should the London Borough of Croydon or Mazars LLP opt to terminate the APEX framework contract in 2024 and prepare a contingency plan to ensure continued delivery of an internal audit service should this happen;
 - Include an indicative distribution list for the final audit report in the audit terms of reference; and
 - Include a report distribution list in the final audit report.
- 6.14 A copy of the External Quality Assessment report is attached at Appendix A.
- 6.15 Our quality assurance framework provides a structure for continuous improvement and is attached at Appendix B. The advisory points are included in our Quality Assurance Improvement Plan.

7. Contribution to strategic outcomes

- 7.1 Internal audit is an important element of the Council's assurance processes. The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report.

8.2 Legal

The Head of Legal & Governance has been consulted in the preparation of this report, and in noting that the audit strategy and the charter follow best practice and industry standards, and that the audit plan takes account of changes to legislation, confirms that there are no direct implications arising out of the report.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

As contracted providers of Haringey Council, the internal audit contractor is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010. Ensuring that the Council has effective internal audit and assurance arrangements in place will also assist the Council to use its available resources more effectively.

9. Use of Appendices

Appendix A –Internal Audit – External Quality Assessment ; and
Appendix B – Quality Assurance and Improvement Plan.

10. Local Government (Access to Information) Act 1985

Not applicable.