

<b>Bath &amp; North East Somerset Council</b>			
MEETING:	Corporate Audit Committee		
MEETING DATE:	5 <sup>th</sup> July 2023	<b>AGENDA ITEM NUMBER</b>	
TITLE:	<b>External Independent Validation - Assessment of the Internal Audit Service Conformance with Public Sector Internal Audit Standards &amp; Code of Ethics</b>		
WARD:	ALL		
<b>AN OPEN PUBLIC ITEM</b>			
<b>List of attachments to this report:</b>			
Appendix 1 – Devon Audit Partnership – External Independent Validation Report January 2023			

## **1 THE ISSUE**

1.1 It is a requirement of the Public Sector Internal Audit Standards that the Chief Audit Executive must agree the scope of external assessments of the Internal Audit Quality Assurance and Improvement Programme with an appropriate sponsor. At the Committee meeting on 14<sup>th</sup> July a report was presented to consult the Committee on the planned external assessment. This report is to formally report back to the Committee on the conclusion of the review carried out by the Independent Assessor and actions to be taken based on the recommendations.

## **2 RECOMMENDATION**

2.1 The Corporate Audit Committee is asked to note the conclusion of the external assessment.

## **3 THE REPORT**

3.1 The Corporate Audit Committee Terms of Reference includes the delegated responsibility from Council “to approve the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness”. A professional, independent and objective internal audit service is a key element of good governance, and its effectiveness must be continually assessed.

- 3.2 The Public Sector Internal Audit Standards (PSIAS) requires an external assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 3.3 The proposed approach for the 2022 external assessment as agreed with the Council's S151 Officer as sponsor was for the external assessor to validate the 2022 self-assessment. Based on the strategic agreement with Devon Audit Partnership it was decided to engage the previous Head of Devon Audit Partnership to carry out the external assessment. Robert Hutchins is a Member of the Chartered Institute of Management Accountants and has over 25 years auditing experience in the public sector.
- 3.4 The external assessment commenced in December 2022 and the 'final' version of the report was issued on 30<sup>th</sup> January 2023. The report concluded by providing a 'Generally Conforms' assessment which is the top rating and means that the internal audit service has a charter, and policies and processes that are judged to be in conformance with the PSIAS / Core Principles and Code of Ethics.
- 3.5 Although the report was not formally presented to the 15<sup>th</sup> March 2023 meeting of the Corporate Audit Committee the report was emailed to the Members of the Committee and they were advised via email that a full report on the assessment and an action plan to monitor implementation of agreed actions will be presented to the next meeting of the Committee (post elections).
- 3.6 The report highlighted 4 key areas which merited further attention:
1. Maintain a single Quality Assurance Improvement Plan (QAIP) to capture identified improvement actions and to assist with monitoring implementation of actions, i.e. clear action tracking.
  2. Internally assess compliance with PSIAS, Code of Ethics over, say, a four-year period, i.e. breaking down the necessary work to make it more workable and to be able to identify and implement more timely any identified improvements.
  3. In addition to the PSIAS / Code of Ethics, the self-assessment exercise should also consider compliance with relevant CIPFA Local Government Application Notes, e.g. the CIPFA Framework 'Delivering Good Governance in Local Government' – which links to compiling the annual Chief Audit Executive opinion on the Council's Framework of Internal Controls.
  4. The development of Assurance Maps for clients.
- 3.7 In terms of responding to the report's findings and recommendations:
- 1) The results of the independent external review of the internal assessment were presented to the Internal Audit Team at a 'Training Day' held on the 19<sup>th</sup> May 2023.

2) A Quality Assurance Improvement Plan has been compiled to record:

- 'Opportunities for Improvement'
- 'SMART' Action Plans (Responsible Officer; implementation date; implementation status)

3) Revised draft 'Global Internal Audit Standards' have been made available by the Chartered Institute of Internal Auditors and the consultation period ended on the 31<sup>st</sup> May 2023. It's likely that revised Standards will be adopted by the end of the 2023/24 Financial Year, so an on-going internal assessment process is unlikely to commence until the 'Global Internal Audit Standards' and any Public Sector specific guidance is formally adopted.

4) Assurance mapping will be included in the Quality Assurance Improvement Plan as an action.

#### **4 STATUTORY CONSIDERATIONS**

4.1 There are no specific statutory considerations related to this report.

#### **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 There are no direct resource implications relevant to this report.

#### **6 RISK MANAGEMENT**

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.

6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

#### **7 EQUALITIES**

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

#### **8 CLIMATE CHANGE**

8.1 There are no direct climate change implications related to this report.

## 9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

## 10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	Andy Cox, Head of Audit & Assurance (01225 477316)
<b>Background papers</b>	Corporate Audit Committee Paper 14 <sup>th</sup> July 2022 - Internal Audit – Public Sector Internal Audit Standards - Quality Assurance & Improvement Plan.
<b>Please contact the report author if you need to access this report in an alternative format</b>	