

Name of meeting: Corporate Governance & Audit Committee

Date: 4th August 2017

Title of report: External Assessment of Internal Audit, as required by Public sector Internal Audit Standards

Purpose of report; To provide information about the required external assessment of internal audit, and to agree in the way that this study will be organised and managed

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	Not applicable
The Decision - Is it eligible for "call in" by Scrutiny?	Not applicable
Date signed off by Director & name Is it also signed off by the Service Director for Finance, IT & Transactional Services? Is it also signed off by the Service Director for Legal Governance and Monitoring?	Not applicable
Cabinet member portfolio	Not applicable

Electoral wards affected: All

Ward councillors consulted: Not applicable

Public

1. Summary

- 1.1 Internal Audit activity in local authorities is required to comply with the Public Sector Internal Audit Standards (PSIAS), which are an interpretation of international internal audit standards, applicable to most of the UK Public sector.
- 1.2 One of the requirements of the standard is that as a part of quality assurance, every 5 years an external assessment of compliance with the standards is carried out by an independent person or organisation.
- 1.3 There are two ways to commission the assessment; through a commercial contract with a provider, or through a mutual assessment regime.
- 1.4 The West and South Yorkshire Audit Group (SWYAG) has committed to providing the assessment on a mutual basis, and it is proposed that the Head of internal Audit at Wakefield Council be asked to carry out this assessment, in accordance with the scheme agreed mutually by SWYAG.
- 1.5 Although securing the assessment is a responsibility of the Head of Internal Audit, there is a requirement to agree the scope with a sponsoring person. It is suggested that this be the chair of this committee. The outcome from the assessment will be reported back in due course.

2. Information required to take a decision

- 2.1 The Public Sector Internal Audit Standards (PSIAS) are a statement of processes, expectations and qualities which an internal audit function in a public sector body should have. The Chartered Institute of Public Finance and Accountancy have a responsibility to help codify the operation of PSIAS in local authorities. They have done this by the production of an assessment conformation checklist that runs to 34 pages.
- 2.2 The standards require that the head of internal audit carry out periodic assessments that the operations align with these requirements, and the outcomes from these assessments feature in the Annual Report of Internal Audit.
- 2.3 The standards also require that every 5 years there is an external assessment. The assessor has to be a person with appropriate skills and experiences (typically having been a head of internal audit) to identify that the operation is carrying out its processes in line with the standards. The 5 years commenced in April 2013, so the assessment needs to take place before the end of this financial year.
- 2.4 There are providers of the assessment on a commercial basis, including both professional firms and individuals working on a freelance basis as a competent assessor.
- 2.5 An alternative is to have an assessment by way of a mutual assessment regime. Authorities are not allowed to swap assessments (eg A assess B, and B assess A), but there can be a rotation model. The West and South Yorkshire Audit Group (SWYAG) has committed to providing the assessment on a mutual basis. However, not all members of SWYAG have chosen to participate in this arrangement (eg some authorities choose to be part of a similar mutual arrangement for core cities), and one authority has used an external assessor.
- 2.6 In anticipation of an agreement to join the mutual arrangement (which has been mentioned in previous reports/discussions) Kirklees has already provided an

assessment for Doncaster MBC. By the agreed mutual schedule, the Head of Internal Audit at Wakefield Council would carry out this assessment, in accordance with the scheme agreed by the SWYAG.

- 2.7 The assessment is of compliance with the standard, with three outcomes; *broad compliance* (the highest standard), *partial compliance* and *not compliant*. The assessor may also wish to make recommendations about achievement of the highest standards.
- 2.8 The assessor will produce a written report; it is anticipated that the assessor will also attend the meeting of this committee to discuss his findings and any recommendations that may result.
- 2.9 The advantage of using the mutual scheme is that it is “free” and we understand the approach that the assessor will use. We could obtain quotes from other potential assessors; it is anticipated that this could cost upwards from £2,000

3. Implications for the Council

- 3.1 Early Intervention and Prevention (EIP) -None directly
- 3.2 Economic Resilience (ER) -None directly
- 3.3 Improving Outcomes for Children -None directly
- 3.4 Reducing demand of services -None directly
- 3.5 Although each of the sub categorisations above suggest no direct implications, the work of internal audit covers all aspects of the councils operations, including elements of the above, either specifically, indirectly or on a commissioned basis.
- 3.6 The assessment will help provide assurance about the operation of internal audit; quality and compliance.

4. Consultees and their opinions

- 4.1 The Chief Executive, Service Director of Legal Governance & Commissioning and the Service Director Finance, IT & TS. The Service Director Finance, IT & TS has indicated her support for the principle of using peer review, as an effective means of assessment.

5. Next steps

- 5.1 Subject to decision, either carry-out a procurement exercise, or discuss with the Head of Audit at Wakefield a timescale for delivery of the project. It is anticipated that the work will take place in late summer or early autumn under either option.

6. Officer recommendations and reasons

- 6.1 The Committee is recommended to approve the use of the SWYAG mutual scheme as provider of the 5 years audit assessment on the grounds of known quality and cost.

7. Cabinet portfolio holder recommendation

Not applicable.

8. Contact officer

Martin Dearnley, Head of Risk 01484 221000 (73672)

9. Background Papers and History of Decisions

Public Sector Internal Audit Standards
CIPFA Local Government Application Note

10. Director responsible

Not applicable.

