

EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT UPDATE REPORT

Governance & Audit Committee	24th July 2024
Report Author	Head of Internal Audit
Portfolio Holder	Cllr Rob Yates, Cabinet Member Corporate Services.
Status	For Decision
Classification:	Unrestricted
Key Decision	No

Executive Summary:

This report provides a summary of the External Quality Assessment (EQA) of the Internal Audit service provided by the East Kent Audit Partnership.

Recommendation(s):

1. That Members note the EQA report and the finding that the EKAP generally conforms with the requirements of the Public Sector Internal Audit Standards.

Corporate Implications

Financial and Value for Money

There are no additional financial implications arising directly from this report. The costs of the EQA and audit work will be met from the Financial Services 2024-25 revenue budgets.

Legal

The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

Risk Management

A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Internal audit reviews not completed in line with best practice	Medium	Low	EKAP Management are professionally qualified Internal Auditors

Non-compliance with guidance/ requirements on internal audit	Medium	Low	External quality assessment every five years.
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Corporate

Under the Local Code of Corporate Governance the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no equity or equalities issues arising from this report.

Corporate Priorities

This report relates to the following corporate priorities: -

- To keep our district safe and clean
- To deliver the housing we need
- To protect our environment
- To create a thriving place
- To work efficiently for you

1.0 Summary

Current services are assessed to '**Generally Conforms**' with the PSIAS standards, this is the highest rating available. EKAP compares very favourably within the sector and wider provision. The EQA is in two parts. Firstly, a series of specific recommendations are made to reflect building on the existing strengths in relation to three categories of Resources, Competency and Delivery; in order to enhance future compliance with the Standards. Part 2 identifies suggestions for enhancement, these are based upon knowledge (to date) of the changes required in the new Global Internal Audit Standards (GIAS) that come into force in 2025.

2.0 Introduction and Background

2.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to

measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period.

- 2.2 Previously this committee has considered the self-assessment prepared by the EKAP team and validated by the four s.151 Officers, who together form the 'Client Officer Group' for the shared internal audit service. The last time the self-assessment against the PSIAS was reported was March 2020, with updates regarding compliance with professional standards included in the subsequent Internal Audit Annual Reports.
- 2.3 Whilst the EQA is a requirement of the PSIAS it also provides this Committee with an independent view on the performance of Internal Audit, areas for development and the level of conformance with professional requirements including the Code of Ethics that forms part of the PSIAS. This allows the Committee to be confident that the assurance provided by the work the EKAP undertakes can be relied upon.
- 2.4 The reason that the External Assessment has been completed now is to capture the level of compliance the EKAP team currently shows against the PSIAS, and to prepare for the new GIAS being introduced in January 2025, by identifying areas for development towards their compliance. Tools to assist internal audit teams in this are in the process of being developed by the Institute of Internal Auditors. Consequently, this assessment has been well timed, with the new GIAS becoming mandatory from April 2025.
- 2.5 The result of the assessment "**Generally Conforms** means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc". The other possible outcomes are "Partially Conforms" or "Does not Conform".

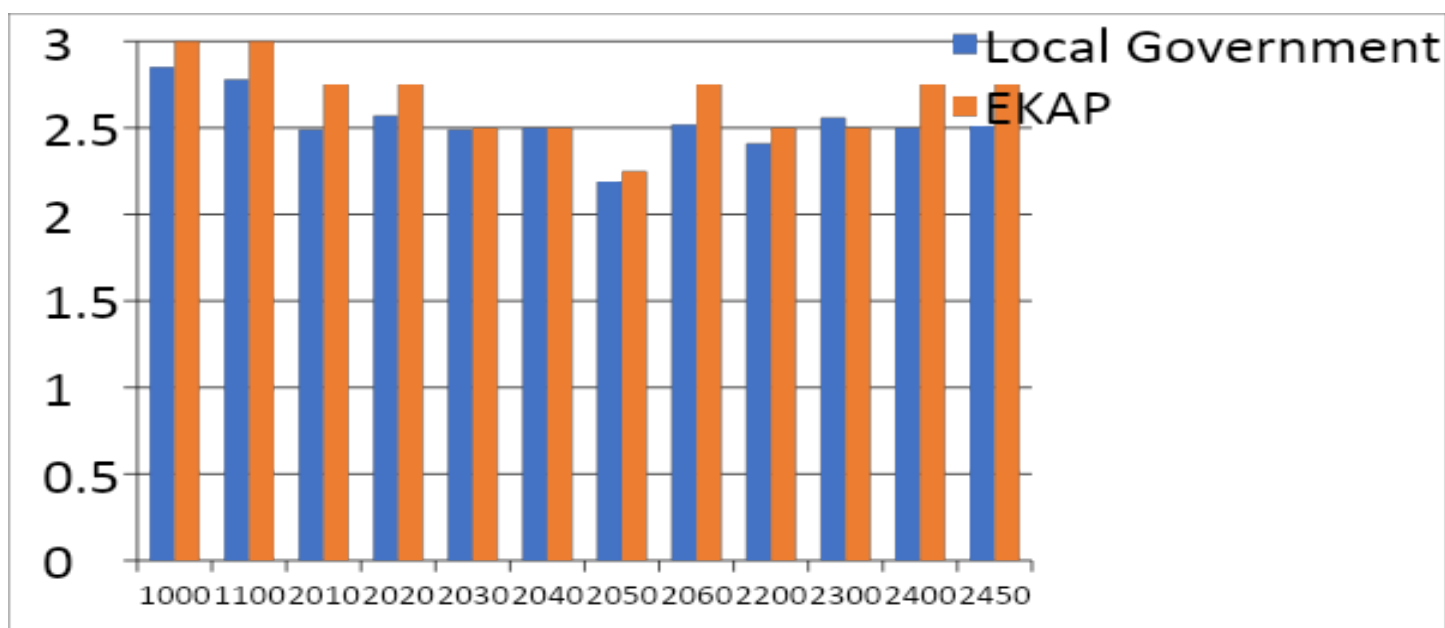
3.0 Summary of the Assessment

3.1 The overall assessment details three categories as follows;

	Category	Level Achieved	No. of Development Recommendations	No. of Improvement Recommendations
1	Resources	Excelling	3	0
2	Competency	Established	1	6
3	Delivery	Established	3	1

There are also eight suggested enhancements for consideration to enable the EKAP to be well placed to comply with the new GIAS next year.

3.2 As part of the assessment the scores for each area of the current standards were benchmarked against the average score for Local Government internal audit teams. In all but one area the EKAP is assessed as performing above the benchmark.

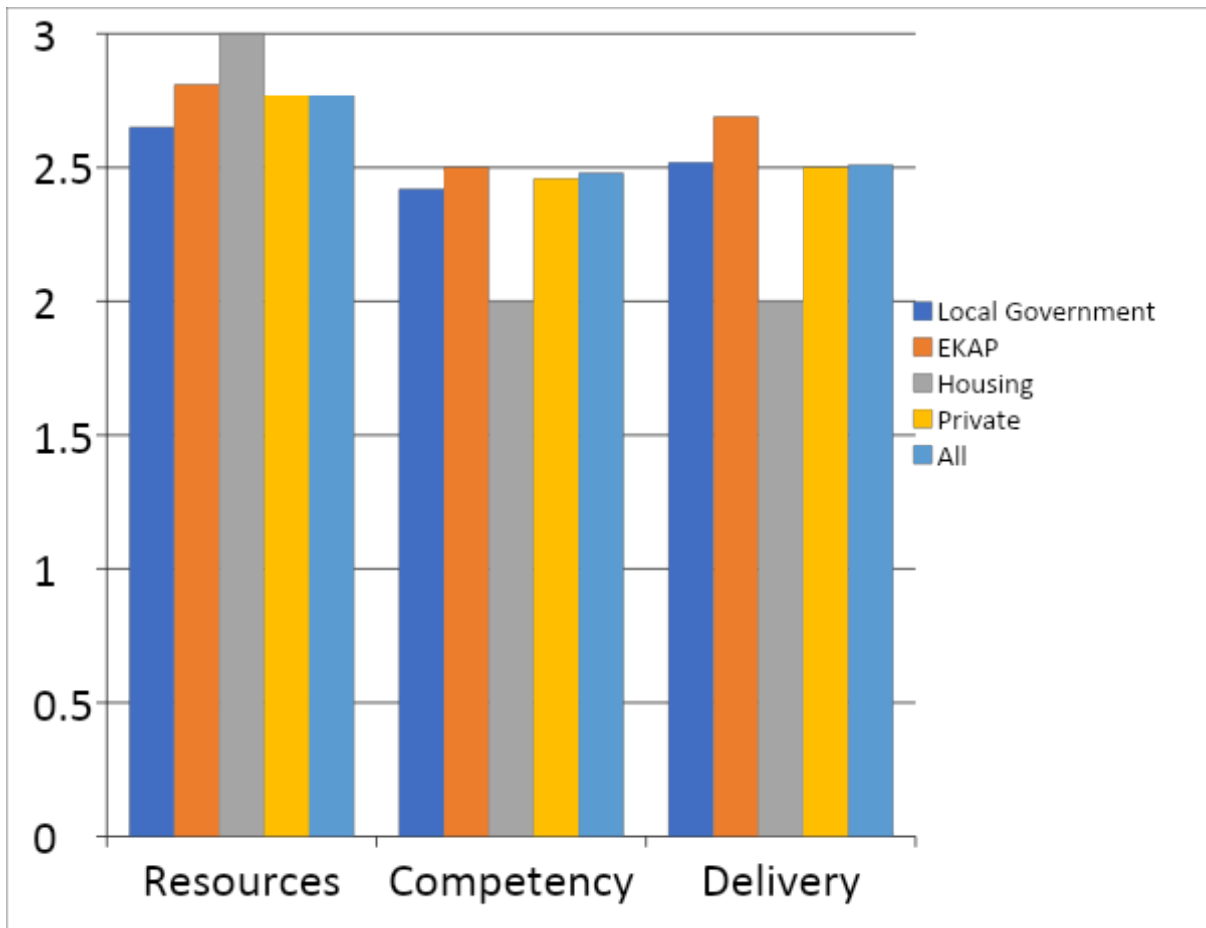


3.3 Each of the standards and the focus for the assessment are shown in the following table;

Standard		Focus
1000	Purpose, Authority and Responsibility	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> . The chief audit executive must periodically review the internal audit charter and present it to senior management and the Committee for approval.
1100	Independence and Objectivity	The internal audit activity must be independent, and internal auditors must be objective in performing their work.
2010	Planning	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
2020	Communication and approval	The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the Committee for review and approval. The chief audit executive must also communicate the impact of resource limitations.
2030	Resource Management	The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
2040	Policies	The chief audit executive must establish policies and procedures to guide the internal audit activity.
2050	Co-ordination	The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.
2060	Reporting	The chief audit executive must report periodically to senior management and the Committee on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also

		include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Committee.
2200	Engagement planning	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
2300	Work programme	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
2400	Communicating results	Internal auditors must communicate the results of engagements.
2450	Overall opinions	When an overall opinion is issued, it must take into account the expectations of senior management, the Committee, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

3.4 To further position how the EKAP have been assessed additional benchmarking is show as follows;



3.5 The scores themselves are as follows, the possible range is from a minimum score of 0 through to a maximum possible score of 3. EKAP has scored 2.61. The average score is 2.53 and the range of scores for our sector peers is 2.19 to 2.71. The assessor has concluded that (particularly for a small team, providing a shared service) the EKAP is 'better than most' and is 'doing a good job'.

4.0 Next Steps

4.1 The Head of Audit Partnership will continue to further develop the action plan to include the fourteen development recommendations made and the eight recommendations for moving towards the new standards. Some of these areas for continued improvement rely on the Council further developing its risk management processes and making the links to Internal Audit, and the work it performs in respect of risk management, governance, and internal controls stronger. The deliberate timing of this review has provided the ideal opportunity for the team to be well placed to demonstrate conformance with the professional standards at the time of the next External Quality Assessment against the new GIAS.

4.2 Updates against the action plan will be included in subsequent Internal Audit Annual Reports each June / July.

5.0 Resource Implications

5.1 There are no additional financial implications arising directly from this report. The costs of the EQA and audit work will be met from the Financial Services 2024-25 revenue budgets.

5.2 The financial performance of the EKAP is currently on target at the present time.

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: Simon Webb, Deputy Head of Audit

Reporting to: Chris Blundell; Director of Corporate Services

Annex List

Annex 1 – EQA report for the EKAP by Business Risk Solutions Ltd.

Corporate Consultation

Finance: Chris Blundell; Director of Corporate Services

Legal: Ingrid Brown, Head of Legal Democracy & Monitoring Officer