



Audit & Governance Committee
26 July 2018

PSIAS External Assessment of Internal Audit

SUMMARY AND PURPOSE:

The purpose of this report is to present the independent external assessment of Internal Audit by South West Audit Partnership to the Committee.

As part of its responsibility to oversee the work of Internal Audit and satisfy itself as to the effectiveness of the service, the Audit and Governance Committee is recommended to note the independent external assessor's review of Orbis Internal Audit against professional standards.

RECOMMENDATIONS:

It is recommended that the Committee note the report and in particular the external assessor's conclusion that Orbis Internal Audit has achieved the highest level of conformance with relevant professional standards.

BACKGROUND:

1. One of the key responsibilities of an audit committee is to monitor the performance of the organisation's internal audit service and satisfy itself as to the quality of audit services it receives. This assurance is obtained via a number of means, including regular update reports on internal audit activity, use of key performance indicators and regular assessments against relevant professional standards.
2. For internal audit in local government, these standards are set out within Public Sector Internal Audit Standards (PSIAS), based on the Institute of Internal Auditors International Professional Practices Framework. There are two main requirements for assessing compliance with the PSIAS; an annual self-assessment and also a five-yearly external assessment to be conducted by a qualified, independent assessor or assessment team, from outside the organisation.
3. During the latter part of 2017/18, South West Audit Partnership (SWAP) were commissioned to undertake this independent assessment of Orbis Internal Audit, covering the services delivered to each of the partner organisations (East Sussex County Council, Surrey County Council and Brighton & Hove City Council). This commission was agreed by each of the three audit committees

and was the first such assessment of the shared internal audit service since the three separate teams had begun working together under single leadership.

- 4 The assessment itself was conducted during the final quarter of 2017/18 and involved a detailed examination and validation of our own self-assessment against the Standards along with interviews with a range of key stakeholders from across all three partner organisations.
- 5 The full external assessment report from SWAP is attached as Appendix A and confirms that Orbis Internal Audit has achieved the highest of three available levels of conformance, 'General Conforms', 'Partially Conforms' or 'Does Not Conform'. This is an especially pleasing outcome given the relatively early stage in which the three teams have been working together and the full integration of the new shared service not being complete at the time of the review.
- 6 In summary, the assessors found that the service was in general conformance with all but three of the 45 standards it was assessed against and none of these were considered to be significant enough to affect the overall rating. One recommendation for improvement was made relating to updating the Internal Audit Charter to cover responsibilities for the appointment and removal of the Chief Internal Auditor to better secure the necessary independence. This has now been completed with updated charters recently approved by all three audit committees.
- 7 For the remaining two areas of partial conformance, the assessors did not make any formal recommendations in recognition that the service was already aware of these and taking action to address them.

IMPLICATIONS:

8. Financial Equalities
Risk management and value for money
9. There are no direct implications (relating to finance, equalities, risk management or value for money) arising from this report.

WHAT HAPPENS NEXT:

10. The Internal Audit team will continue to comply with relevant professional standards, and will undertake the annual self-assessment exercise later in 2018/19 to evidence this.

REPORT AUTHORS: Russell Banks, Chief Internal Auditor
David John, Audit Manager

CONTACT DETAILS: telephone: 01273 481447
email: Russell.banks@eastsussex.gov.uk

telephone: 0208 541 7762
email: david.john@surreycc.gov.uk