



Chartered Institute of
Internal Auditors

Proposal

A Validated Self-Assessment of Internal Audit at ORBIS

03 May 2022

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Objectives of the Review

ORBIS has expressed its wish to commission an external validation of their own self-assessment to receive an assessment of their conformance to the IIA's *International Standards* and the Public Sector Internal Audit Standards (PSIAS).

By engaging with the Chartered IIA, you are ensuring you receive a truly independent, tailored assessment from an organisation that has no interest beyond promoting and developing the profession of internal audit. We have no interest in trying to sell additional services or offering alternative solutions to the delivery of internal audit.

The review will cover the work that is completed for the following entities:

- Surrey County Council
- East Sussex County Council
- Brighton & Hove City Council
- Horsham District Council
- Elmbridge Borough Council
- East Sussex Fire Authority
- South Downs National Park Authority

The outcome of the review will:

- Assess how well your internal audit service conforms to the PSIAS and the International Standards.
- Evaluate performance in light of your internal audit charter and expectations of the Audit Committees and executive management.
- Identify opportunities to improve performance and increase the value of internal audit to the organisations.
- Benchmark your activities against best practice.
- Assess your profile within the organisations.

As the standard-setter, the Chartered IIA is ideally placed to conduct a review of your operation. We will place a highly qualified review team on this project. All our review panel members are independent internal audit experts with wide-ranging experience across both the public and private sectors, many with non-executive director experience.

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Credibility and Ability

A commitment to the continual review and improvement of the internal audit activity is a vital aspect of earning and maintaining credibility and trust among its stakeholders. The IIA International Standards contains an obligation (Attribute Standard 1312: External Assessment) for an external Quality Assurance Review every five years.

It's important to remember that an external review is not an audit of the auditors, but a review of the processes and practices within the internal audit function. As such, it is an ideal opportunity to benefit from a formalised and credible peer review, carried out by the standard setter.

Key to this is the experience and expertise of our review team. Each review we carry out is a collaborative effort using the vast experience of our review team

Throughout the process, our aim will be to provide support but also challenge, to highlight the areas where your team is performing well and to offer you pragmatic and realistic recommendations for areas for improvement and enhancement.

Each review we carry out is a collaborative effort using the varied experience of our review team which, in this instance, will include:

- Lead reviewer, **John Chesshire**, who has over 22 years' experience of delivering internal audit services across public, private and third sector organisations. John has completed reviews for other authorities with multiple customers such as SIAP, Gloucestershire County Council, Lancashire County Council and Castlepoint and Southend Councils so has an excellent understanding of the challenges and opportunities that this approach presents.
- The Chartered IIA's Chief Professional Practice Advisor, **Liz Sandwith**. As the guardian of the IIA's guidance and with her knowledge of the International Standards she will not only act as a sounding board for the lead reviewer but will also quality assure the EQA process.

Our independence is critical as our abiding aim is to promote the profession of internal audit and we have no wider interests while carrying out the review. We have completed successful reviews across the public, private and financial services sectors and we have a number of Heads of Internal Audit who are happy to provide references on our behalf should you require them.

"The independence brought by the institute was the single most valuable aspect of the review. Demonstrably independent assurance for the organisation regarding my service's conformance with extensive professional standards is extremely valuable.

The validation of my self-assessment was thorough but very pragmatic and the actions arising from it will undoubtedly improve the service.

The review team also very helpfully provided an alternative example of one aspect of our methodology that we will adopt as an entirely appropriate improvement."

Ruth Lowry
Head of Internal Audit
Lancashire County Council

'Very many thanks for this final report, and to all in the team involved. This has been a really fruitful exercise, acknowledging our progress and giving us clear pointers for the future. I am grateful for the rigour and balance with which this has been undertaken.'

Elizabeth Honer
Chief Executive Officer
Government Internal Audit Agency

Our review team will offer a view on the position of the internal audit service compared to similar services and general best practice seen elsewhere. We will also offer examples of good practices that might benefit the function and the partner organisations.

Best practice will include areas such as:

- Clarity around internal audit's role and responsibilities, both at the executive level and across the partner organisations and clients.
- Internal audit reporting – both in terms of assignments and also to the Audit Committees.
- The relationship between internal audit and risk management.
- Co-ordination of assurance between internal audit and Second Line functions.

The reviewer will consider the current maturity of your internal audit service as this will allow us to provide the realistic and effective feedback that our clients appreciate.

Whilst the standards underpin our approach, we will seek to offer added value during the review in the form of ideas and suggestions to improve how your governance processes work in the future.

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The Review Team

All our reviewers are experienced heads of internal audit, have passed the Chartered IIA's stringent assessment process and are members of the Chartered IIA, thereby ensuring they abide by our Code of Professional Conduct.

John Chesshire CFIIA

John is a Chartered Fellow of the Chartered Institute of Internal Auditors. He has recently been a member of the Institute's Professional Development Committee and is chairman for the southwest region. He is also a member of ISACA and the IRM. John has over 22 years' experience in internal audit, risk management and governance roles and is the Independent Chair of a local authority Audit Committee.

John has undertaken internal audit roles in a number of organisations and has just finished working as Head of Assurance, where he covered internal audit and risk management, in the public sector. He also leads external quality assessments of internal audit functions in public, private and third sector organisations, reviewing both the effectiveness of internal audit and its adherence to the international standards for the professional practice of internal auditing.

John has a valuable perspective on the quality of internal audit and assurance because of his extensive experience as a freelance internal audit consultant, delivering a variety of training and internal audit engagements for a range of clients. As well as his demanding day job, he continues to undertake a number of roles for the Chartered IIA as a trainer, facilitator, tutor, author and examiner. This breadth of knowledge gives him a unique range of practical and theoretical insight into good practice internal auditing.

Liz Sandwith CFIIA

Liz has over 33 years' experience in internal audit and risk management.

Liz's most recent role was at Bupa where she held a number of roles in her 5 years there from Head of Assurance, Risk and Compliance to Head of Internal Audit - Operations. Liz is responsible for advising and representing the Institute on all matters relating to the professional practice of internal audit; on ensuring quality standards; and on technical issues. She is also technical advisor to the Institute's External Quality Assessment (EQA) service.

Liz's background is firmly embedded in internal audit and risk management. She has worked for a number of private and public sector organisations, helping to develop risk management and control awareness and has delivered training to

internal auditors in the UK and internationally. Liz is a non-executive director and chair of an Audit Committee for a Leeds based Housing Association and is also an independent board member and a member of the Remuneration Committee.

Prior to joining Bupa, she spent 13 years as Head of Internal Audit at Channel 5. She has also worked with the Information Commissioner's Office and the Electoral Commission, as well as advising a number of local authorities on internal audit and risk management issues. Liz served as President of the Institute of Internal Auditors between 2000 and 2001.

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Scope and Approach

Our structured approach will assess how well internal audit is performing. We will review the internal audit methodology, compare it to the Chartered IIA's recognised good practice and make practical recommendations.

Throughout the review our lead reviewer will carry out one to one interviews with Audit Committee members and senior executives to invite their views on the performance and impact of internal audit. We recognise that these meetings may have to take place remotely, although if the current situation has improved, we would prefer for these interviews to be face-to-face.

We appreciate that many organisations want to know the extent to which their internal audit function conforms to the International Standards for the professional practice of internal audit. We will carry out such an assessment and include an opinion in our executive report.

Beyond conformance to the standards a review from the Chartered IIA will also focus on:

Identifying what internal audit is doing well

- By detailing leading practices that are currently being adopted and highlighting where internal audit is providing added value to the partner organisations.

Supporting continuous improvement

- By identifying areas for improvement, based on the reviewer's extensive experience and the IIA's database, offering suggestions on how excellence can be achieved and advising on ideas for implementing solutions.

Emphasising and enhancing the standing of internal audit

- By highlighting how internal audit is perceived by the boards, senior management and other stakeholders and by raising its profile throughout the process.

Recognising and developing the maturity of internal audit

- By benchmarking the internal audit service with IIA recognised best practice and sharing effective working practices, bearing in mind stakeholders' expectations.

We have designed a detailed assessment tool highlighting the requirements of the Standards and ways to achieve conformance. We will use the tool to work with

you to systematically review the way you deliver internal audit according to recognised professional practice and identify potential scope for development.

This will involve examination and assessment of:

- **The internal audit charter:** the scope of internal audit activity, policies, reporting lines, independence and objectivity.
- **Related governance structures, policies and relationships in action:** the terms of reference for the Audit Committees, the IIA 3 Lines model, key interactions with the senior executive team and other stakeholders.
- **The internal audit strategy and annual plan:** how risk-based plans are designed, resourced and updated to satisfy the organisations' expectations and risk appetite.
- **The way assurance is co-ordinated for the Audit Committees** to avoid duplication and gaps and to optimise the use of assurance resources within the IIA 3 Lines model.
- **Quality assurance arrangements:** processes and performance measurement.
- **Processes:** including the use of internal audit technology.
- **Engagement files and reports:** a cross section of completed reviews from your audit plan.
- **Reporting** and follow-up arrangements.

Within the review process are five interrelated stages of evaluation to ensure full coverage of the Standards, a comprehensive review of internal audit practice and extensive feedback from stakeholders and staff.

Stage 1

Evaluating the effectiveness of the internal audit service using our knowledge of professional practice, including a review of the following documents:

- Audit Committees' terms of reference.
- Audit Committees' board papers and minutes.
- Internal audit charter and strategy.
- Internal audit procedures manual.
- Internal audit planning with links to business strategy, operating model and key risks.
- Resource plans and annual budgets.
- Job descriptions, CPE and training records.
- Assurance mapping and arrangements for co-ordination of assurance.
- Quality assessment and improvement programme - reports and KPIs.
- Annual reporting and opinion.

Stage 2

Evaluating the delivery of your internal audit service and the approach to audit assignments, based upon the process as set out within your internal audit manual with emphasis upon:

- Assignment scoping, objective setting and resourcing.
- Assignment supervision and management – quality control.
- Report writing and review.
- Arrangements in relation to follow-up of internal audit recommendations.

Stage 3

Reviewing a cross section of audit assignments from the audit plan to give an in-depth view of key subject matter and the performance of internal audit staff.

Stage 4

Meetings to discuss internal audit's performance with key stakeholders and staff during stages 1 to 3 as agreed, including:

- The Audit Committee Chairs of 3-4 of the main partners.
- The Chief Executives of 3=4 of the main partners.
- The S151 Officers of 3-4 of the main partners.
- A representative from the external auditors (Grant Thornton).
- The ORBIS Chief Internal Auditor.

Interviews with members of the Audit Committee and key stakeholders of internal audit usually take around 30-45 minutes and can be conducted via Zoom/Skype/Microsoft Teams etc.

In order to further engage stakeholders and staff and incorporate their feedback into the review process, we will also carry out an online survey of staff and of managers who have regular contact with internal audit.

Stage 5

Analysis and Report – aggregating the evaluations and discussing conclusions:

- Close out meeting with the ORBIS Chief Internal Auditor to discuss initial findings and refine proposals.
- Gather and evaluate comments to the draft report.
- Benchmark against the Chartered IIA's EQA assessment tool and the new IA Code of Practice.
- Agree draft report with the ORBIS Chief Internal Auditor.
- Finalise report, with reference to the Chartered IIA's EQA checklist.
- Produce and circulate the final report as required.

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Reporting

Our structured approach will assess how well internal audit is performing. We will review your internal audit methodology, compare it to Chartered IIA recognised good practice and make practical recommendations.

On completion we will provide a detailed executive report with recommendations within your defined timescale. This will include our assessment of your conformance to the Standards with a summary of results similar in style to the table below. We will also present our view on the maturity of internal audit using our Internal Audit Effectiveness Report and the maturity matrix on page 12 and will include examples and suggestions on how excellence can be achieved.

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Summary of Conformance	Standards	Generally conforms	Partially conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	7				7
Managing the Internal Audit Activity	2000 - 2130	11	1			12
Performance and Delivery	2200 - 2600	21				21
Total		63	1			64

1 Executive Summary

EQA

1.1 Background and Scope
In Summer 2021, the Chartered Institute of Internal Auditors (the Chartered IIA) undertook an external quality assessment of the

1.2
We have

Standards Conformance
The Chartered IIA's Internal Audit Services (IAS) conform to the 18 principles of the International Standards for the Professional Practice of Internal Auditing (IPPF) and include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards for the Professional Practice of Internal Auditing (ISPPF). We assessed against the principles, we find the IIA's internal audit services conform to 57 of the principles, with partial conformance on 5 principles (2 principles are not applicable).

We have concluded that the IIA Generally Conforms at an overall level with the IPPF.

Summary of Conformance	Standards	Generally conforms	Partially conforms	Does not conform	Total
Definition of IA and Code of Ethics	Rules of conduct	12	-	-	12
Purpose	1000 - 1130	8	1	-	9
Proficiency and Due Professional Care (People)	1200 - 1230	4	-	-	4
Quality Assurance and Improvement Programme	1300 - 1322	7	2	-	9
Managing the Internal Audit Activity	2000 - 2130	10	2	-	12
Performance and Delivery	2200 - 2600	21	-	-	21
Total		63	5	-	68

A4 Internal audit skills & capabilities

Internal audit resources, skills and capabilities

Report from the Chair of the Audit Committee
The Chair of the Audit Committee asked the EQA Reviewers to consider during their review of the internal audit services (IAS) and the skills and capabilities required.

Feedback in response to a question from the Chair of the Group Audit Committee

Skills and capabilities

Internal Audit Maturity Matrix

Assessment	IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally, conforms in all areas.	Excellent alignment to the organisation's objectives. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as the third line. The work of assurance providers is co-ordinated with IA reviewing reliability thereof.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with and approved by AC.
Good	The IIA Standards are fully integrated into the methodology – mainly generally conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value-added dimension.	Co-ordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	Quality is regarded highly, including lessons learnt, scorecard measures and stakeholder feedback with results shared with the AC.
Satisfactory	Most of the IIA Standards are found in the methodology with scope to increase conformance from partially to generally conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The IIA 3 Lines model is regarded as important. Planning of co-ordination is active, and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued but are considered a little wordy.	Clear evidence of timely QA in assignments with learning points and coaching. Stakeholder feedback is evident. Wider QA&IP may need formalising
Needs improvement	Gaps in the methodology with a combination of non-conformances and partial conformances to the IIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	The need to co-ordinate assurance is recognised but progress is slow. Some informal co-ordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagements go beyond deadline and a number are deferred.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
Poor	No reference to the IIA Standards with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

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Working with you

We adopt a collaborative approach to ensure that you, as our client, find the review process a rewarding and positive experience. To this end, we will adopt a 'no surprises' approach to the review and will ensure that your key contacts are involved and updated throughout.

At the start of the process, once the contract has been awarded, John Chesshire will arrange a planning call with the ORBIS Chief Internal Auditor to put together an outline for the review. This will enable us to ensure that the review runs as efficiently as possible.

The ORBIS Chief Internal Auditor will be kept updated throughout and the Chartered IIA's Professional Service Manager will be available as the point of contact throughout for queries and any issues that arise.

To ensure that the review runs as smoothly as possible, both parties will need to liaise to ensure the following:

- Interviews with key stakeholders and staff are arranged in advance.
- Review dates should be agreed in advance.
- If a survey is to be issued, names and email addresses should be supplied a minimum of 3 weeks ahead of the review commencing.
- You will ensure that all reasonable information requested by us ahead of the review is made available.
- The Chartered IIA will ensure that all documentation provided to us during the review will be kept secure and will not be divulged to anyone not involved with the review.
- A draft report will be provided within 2 weeks of the completion of the review.

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Why choose the IIA?

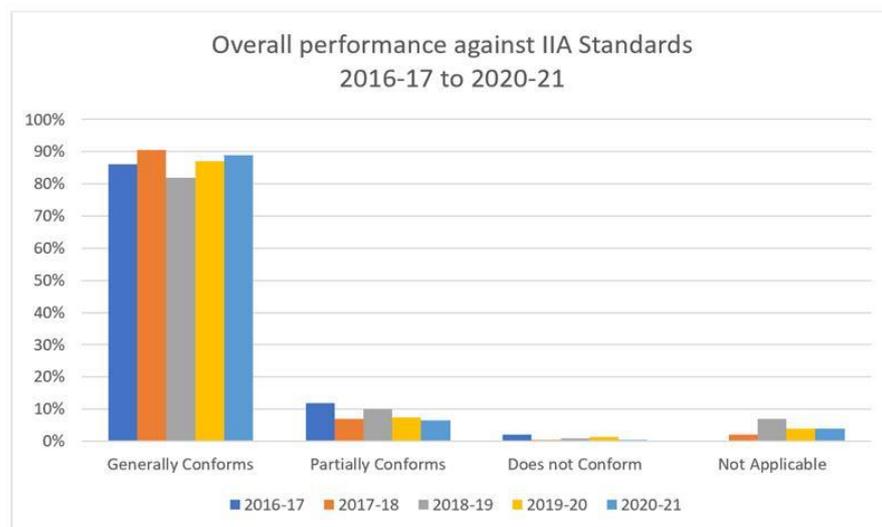
Our approach is centred on the practices of the profession with an emphasis on corporate governance, risk management and control.

- We are independent of any other organisation and because we set the standards, we truly understand them.
- We have no interest beyond promoting and developing the profession, so we never try to sell additional services that you do not require or offer alternative suggestions for the delivery of internal audits.
- We offer a flexible approach and ensure that we place highly qualified reviewers who match your requirements.
- We help to promote what you do and raise the profile of internal audit within your organisation.
- There will be no surprises as we'll discuss ideas as they arise. However, we will challenge you and offer ideas and suggestions for continuous improvement.

Since the inception of the Chartered IIA's external quality assessment service six years ago, we have undertaken over 230 reviews of public, private and financial services sector organisations and varying sizes of internal audit activities.

The results regarding conformance with the IIA Standards continue to improve which is a positive message.

Overall performance against the IIA Standards over a five-year period from 2016/17 to 2020/21

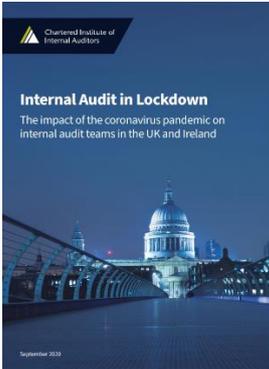


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Leading the Profession

The Chartered IIA takes a leading role in providing initiatives and resources to support Audit Committees and Internal Audit activities. This has been particularly true during the pandemic when leadership was most needed. Examples of this are below:

- Monthly Heads of Internal Audit and Local Authority virtual fora.
- Regular thought leadership pieces such as those showcased on this page.
- An annual Risk in Focus report that collates responses from over 700 CAEs, Audit Committee Chair across Europe. There is also a board briefing share with Audit Committee Chairs.
- A Data Analytics Group consisting of over 100 internal auditors across in excess of 80 organisations sharing, supporting and advising on the use of data analytics as an added value tool for internal auditors and to strengthen the assurance provided to the audit committee.
- Webinars on key topics such as internal audit planning, assurance mapping, reporting and UK SOX.
- A bi-monthly Leaders Forum discussion group. An example of this is the 1st April presentation from Sir Jon Thompson which was attended by 25 CAEs on the new BEIS White Paper. Other hot topics are covered throughout the year.
- Audit Leaders is a dedicated community, tailored specially for those at leadership level. Those whose job it is to create and protect organisations assets, build brands, and create high-performing teams. Providing a range of content from articles, podcasts and monthly events which aim to Inspire, Inform and Support. There is also a LinkedIn community to enable members to share thoughts and ask questions within a safe environment.



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Schedule, costs and deliverables

Prior to the review commencing, our lead reviewer will evaluate documentation to minimise disruption to your employees.

We estimate that the review team will require 12 days to complete the work including the review of audit engagements and carrying out interviews as outlined in section 4.

The fee quoted below includes preparation that would be carried out before the review commences, the review itself, production of the report and quality assurance.

As internal auditors we recognise the importance and value of effective communication. We will discuss issues and ideas with the senior managers of the internal audit service as the review proceeds and conclude our review with a close out meeting highlighting our key findings and ideas for development.

The draft report will contain our assessment of conformance with the IIA *International Standards*. It will also include suggestions for improvement and development and we will invite you to provide responses for inclusion within the final report.

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Terms and conditions

The lead reviewer will conduct the review with regard to applicable professional ethics, including the requirements of confidentiality, and that no confidential information will be divulged by the lead reviewer to anyone not associated with the review.

The agreement to conduct the review, as detailed in this proposal, will come into existence on written acceptance by you or your authorised representative.

Payment terms: 30 days from date of invoice.

This proposal is valid for 90 days from **3rd May 2022**.

Signed:



Kevin Grimwood
Professional Services Manager

On behalf of:

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About the Chartered IIA

First established in 1948, the Chartered Institute of Internal Auditors obtained its Royal Charter in 2010. We are the only professional body dedicated exclusively to training, supporting and representing internal auditors in the UK and Ireland. We work with both individuals and teams to continually develop and enhance their value to their organisations. We have 10,000 members in all sectors of the economy including private companies, government departments, utilities, voluntary sector organisations, local authorities and public service organisations.

Over 2,000 members of the Institute are Chartered Internal Auditors and have earned the designation CMIIA. Over 1000 of our members hold the position of Head of Internal Audit/Chief Audit Executive and the majority of FTSE 100 companies are represented amongst the Institute's membership.

Members of the Chartered Institute of Internal Auditors are part of a global network of over 180,000 members in 170 countries. All members across the globe work to the same International Standards and Code of Ethics.

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Client list

(representative not comprehensive)

Public Sector

The Atomic Weapons Establishment
 The BBC
 Environment Agency
 Gloucestershire County Council
 Government Internal Audit Agency
 The Home Office
 HSE
 Lancashire County Council
 The Met Office
 The Ministry of Defence
 National Treasury Management Agency
 Northern Ireland Water
 The Office of National Statistics
 The Scottish Government
 Translink
 Transport Infrastructure Ireland

NFP/Charities/Education

Aster Group
 Barnardos
 Charities Aid Foundation
 Circle Housing Group
 Dublin Institute of Technology
 East Thames Group
 Gentoo Housing
 L & Q Group
 Marie Curie
 Open University
 Orbit Housing Group
 Progress Housing Group
 Save The Children International

Financial Services

The AA
 Arbuthnot Latham
 Atrium Underwriters
 BGC Partners
 Enstar Insurance
 FBD Insurance
 International Bank of Qatar
 Marex Spectron
 Mitsui Bussan Commodities
 Newcastle Building Society
 Oaknorth Bank
 Paragon Banking Group
 Permanent TSB
 Simplyhealth
 The Exeter
 United Trust Bank

Private Sector – Non-FS

BDO
 BT Group
 The BSI
 Bunzl
 Cargotec
 Co op
 KPMG
 National Grid
 PwC
 RSM UK
 TalkTalk
 Taylor Wimpey
 United Utilities
 Walgreens Boots

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