

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

2 December 2015

Southern Internal Audit Partnership – External Quality Assessment
Head of Southern Internal Audit Partnership

FOR DECISION

Portfolio: Governance and Logistics – Cllr Michael Wilson

Key Decision: No

1.0 Purpose of Report

1.1 The purpose of this paper is to provide the Governance and Audit Committee with outcomes from the Southern Internal Audit Partnership's External Quality Assessment.

2.0 Recommendation

2.1 That the Governance and Audit Committee note the External Quality Assessment of the Southern Internal Audit Partnership as attached.

3.0 Summary

3.1 The Public Sector Internal Audit Standards [1312 External Assessments] requires:

'External Assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation.'

3.2 Following a review of potential suppliers it was agreed by the Key Stakeholders Partnership Board that the Institute of Internal Auditors would be selected for the purposes of the external assessment of the Southern Internal Audit Partnership.

3.3 In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

3.4 The assessment was undertaken during September 2015 and included review of a wide range of documentary evidence and interviews with seventeen representative stakeholders (including Chief Executives, Audit Chair's and S151 Officers) along with members of the Southern Internal Audit Partnership.

3.5 In addition a survey was circulated to all Audit Committee members, Corporate Management Teams (or equivalent) and Southern Internal Audit Partnership (SIAP) staff. Responses were received from 30 members of SIAP, 18 members of the executive management teams and 13 members of Audit Committees.

3.6 In considering all sources of evidence (surveys, interviews and documentary review) the external assessment team concluded:

'The Institute of Internal Audit's (IIA's) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Code of Ethics and International Standards. Complimentary standards apply for the public sector as well as Local Government. Added together, there are 343 fundamental principles to achieve, and while some overlap, the context and thrust of the differing standards add complexity within Southern Internal Audit Partnership not seen in many organisations.

*It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of these principles. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by the Southern Internal Audit Partnership.*

*There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of Southern Internal Audit Partnership's remit.*

*It is therefore appropriate for the Southern Internal Audit Partnership service to say in reports and other literature that it "**conforms to the IIA's professional standards**" and that its work has been performed "**in accordance with the IPPF.**"*

3.7 Additionally the external assessors benchmarked the performance of the Southern Internal Audit Partnership against a maturity model based on a wide range of UK and Irish internal audit functions and assessed the Partnership as '**Excellent**' in its:

- Reflection of the Standards
- Focus on performance , risks and adding value
- Quality Assurance and Improvement Programme.

And as '**Good**' in its:

- Coordinating and maximising assurance
- The efficiency of its operations

Grading range	Excellent	Good	Satisfactory	Needs improvement	Poor
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3.8 The external assessors did identify some recommendations for further development:

- To introduce 1-2-1 private meetings between the Head of Internal Audit and the Chairman of the Audit Committee(s);
- To incorporate within the annual audit plan presented for approval to the Audit Committee(s) a brief (one or two sentence) overview of the scope of individual reviews to assist members in ensuring the risk appetite of the organisation is appropriately reflected;
- To highlight the underlying cause for any delays in audit assignments within the progress report presented quarterly to senior management and the Audit Committee; and
- To provide an overview to partners of best practice identified across the SIAP's wider client base or through liaison with other similar bodies to provide additional added value that partnership working affords.

3.9 An action plan has been put in place to address all issues by March 2016

3.10 Appendix 1 provides a copy of the full External Quality Assessment Report.

4.0 Implications

4.1 Resources:

There were no resource implications. The management time invested in the preparation and facilitation of the EQA was absorbed as part of the Head of Southern Internal Audit Partnership's normal duties.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

An effective internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The decision to undertake the EQA at an early stage mitigates the risk to the Council of a non-compliant internal audit service.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a

5.0 Consultation

5.1 The report has been discussed and approved by the Management Team who met at the Executive Board on 10 November 2015.

Appendices:

Appendix 1 – Southern Internal Audit Partnership – External Quality Assessment

Agreed and signed off by:

Legal Services: Nick Leach – Solicitor / Monitoring Officer

Finance: Jane Eaton - Executive Head of Governance & Logistics

Contact Officer: Neil Pitman
Job Title: Head of Southern Internal Audit Partnership
Telephone: 01962 845139
E-Mail: neil.pitman@hants.gov.uk