

**STROUD DISTRICT COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE**

**AGENDA  
ITEM NO**

**29 JULY 2020**

**6**

|  |   |       |          |               |
|--|---|-------|----------|---------------|
| <b>Report Title</b>                                    | <b>INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA) - OUTCOME</b>   |       |          |               |
| <b>Purpose of Report</b>                               | To inform Members of the outcome of the independent assessment (completed by the Chartered Institute of Internal Auditors) of the Internal Audit function.  |       |          |               |
| <b>Decision(s)</b>                                     | <p><b>The Committee RESOLVES to note:</b></p> <p><b>That the EQA concluded that the ARA team:</b></p> <ul style="list-style-type: none"> <li><b>a. Meet each of the 64 Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors’ International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing;</b></li> <li><b>b. Are excellent in their reflection of the Standards; Focus on performance, risk and adding value; and Quality Assurance and Improvement Programme;</b></li> <li><b>c. Are good in their: Operating with efficiency; and</b></li> <li><b>d. Like many internal audit functions at the present time, the ARA team is satisfactory in coordinating and maximising assurance.</b></li> </ul> <p><b>In conclusion, this is an excellent result and the Chief Internal Auditor and the ARA team as a whole should be justifiably proud of their service, its approach, working practices and how key stakeholders’ value it.</b></p> |       |          |               |
| <b>Consultation and Feedback</b>                       | N/A   |       |          |               |
| <b>Report Author</b>                                   | John Chesshire and Liz Sandwith approved reviewers for the Chartered Institute of Internal Auditors (CIIA)  |       |          |               |
| <b>Options</b>   | In July 2019, the Audit and Standards Committee resolved that the Chartered Institute of Internal Auditors would be engaged to undertake the next EQA in May 2020.  |       |          |               |
| <b>Background Papers</b>                               | Audit and Standards Committee – 25/07/2019<br><a href="#">Provision of an Internal Audit External Quality Assessment</a>  |       |          |               |
| <b>Appendices</b>                                      | Appendix A – EQA Outcome Final Report   |       |          |               |
| <b>Implications (details at the end of the report)</b> | Financial   | Legal | Equality | Environmental |
|  | No  | No    | No       | No            |

## **1.0 BACKGROUND**

- 1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit (England) Regulations 2015. The latter states that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control, comprising risk management, control and governance, in accordance with the proper practices in relation to internal control”.
- 1.2 The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) as representing “proper internal audit practices”. The standards define the way in which the Internal Audit service should be established and undertakes its functions.
- 1.3 Audit Risk Assurance (ARA) under a s101 shared service agreement, fulfils the internal audit function for Stroud District Council, Gloucester City Council, and Gloucestershire County Council (host authority) and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to the partner organisations’ Audit Committees and Board of Directors for Ubico Ltd, a Local Authority owned Environmental Services Company (external client).

## **2.0 MAIN POINTS**

- 2.1 Attribute Standard 1300 - Quality Assurance and Improvement Programme (QAIP) requires the Chief Internal Auditor to develop and maintain a QAIP that covers all aspects of the internal audit activity. A QAIP is designed to enable an evaluation of internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Chief Internal Auditor should encourage Audit and Standards Committee oversight in the QAIP. Therefore the QAIP 2019-2022 was presented to the Committee on 28th January 2020.
- 2.2 In addition to annual internal self-assessments, to conform to the standards, external assessments must be conducted at least once every five years, by a qualified, independent assessor or assessment team from outside the organisation. The Chief Internal Auditor must discuss the following with the Audit and Standards Committee:
  - The form of external assessment; and
  - The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.
- 2.3 External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards. The external assessment may also include operational or strategic comments.

- 2.4 One of the roles of the Audit and Standards Committee is to agree the scope and form of the external assessment as part of the QAIP, therefore at its meeting on the 25<sup>th</sup> July 2019, the Committee was presented with a paper to agree that the Chartered Institute of Internal Auditors would be engaged during May 2020 to carry out this assessment.

### **3.0 IMPLICATIONS**

#### **3.1 Financial Implications**

There are no financial implications arising directly from this report.

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Risk Assessment:

Failure to deliver effective governance will negatively impact on the achievement of the Council's objectives and priorities.

#### **3.2 Legal Implications**

The legal background is set out in the report, but there are no legal implications arising from the recommendations.

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#### **3.3 Equality Implications**

There are not any specific changes to service delivery proposed within this decision.

#### **3.4 Environmental Implications**

There are no significant implications within this category.