

# ARUN DISTRICT COUNCIL

## REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 21 NOVEMBER 2019

### PART A : REPORT

**SUBJECT:** Results of the External Quality Assessment (EQA) of the Council's Internal Audit Service

**REPORT AUTHOR:** Stephen Pearse, Internal Audit Manager

**DATE:** November 2019

**EXTN:** 37561

**PORTFOLIO AREA:** Corporate Support

#### EXECUTIVE SUMMARY:

The Public Sector Internal Audit Standards (PSIAS) require that local authority internal audit services adopt a continuous quality assurance and improvement process (QAIP) and are also subject to an external quality assessment (EQA) as to their compliance with the PSIAS at least every 5 years.

This report presents the results of the EQA conducted in 2019, together with an action plan to progress the recommendations for improvement raised.

#### RECOMMENDATIONS:

Members of the Audit & Governance Committee are requested to note the content of the report and to agree the action plan. Reports on progress will then be made to future meetings of the Committee.

#### 1. BACKGROUND:

Standards for auditing in respect of local government are set by the Chartered Institute of Public Finance & Accountancy (CIPFA) and are contained in their Public Sector Internal Audit Standards (PSIAS). These encompass the mandatory elements of the Global Institute of Internal Auditors' (IIA Global) International Professional Practices Framework (IPPF), with additional requirements and interpretations for the UK public sector.

CIPFA advise that 'a professional, independent and objective internal audit service is one of the key elements of good governance in local government'. Provision of internal audit is also a requirement of the Accounts & Audit Regulations 2015, as advised to the Committee through other reports (e.g. the Annual Internal Audit Report & Opinion).

The PSIAS requires that Internal Audit maintains a continuous quality assurance and improvement process (QAIP) and that there is regular internal assessment regarding

the efficiency / effectiveness of internal audit and also its compliance with the PSIAS. Results are provided to the Committee through the annual reporting process.

**EXTERNAL QUALITY ASSESSMENT (EQA):**

The PSIAS also contains a requirement that an external assessment is carried out at least every 5 years. This can be via a ‘full’ external assessment or by undertaking a self-assessment with ‘independent validation’. The external assessor must be suitably qualified to undertake this and findings should be reported to the appropriate audit committee.

Since 2013, the Sussex Audit Group (comprising heads of audit from councils in both East and West Sussex) has agreed an approach to ‘independent validation’ for participating councils, whereby heads of audit validate the assessment of other Councils across the County avoiding neighbouring or collaborating authorities where objectivity could be impacted. SAG has also adopted a standard methodology to be followed (based upon that used by HM Treasury).

The EQA for Arun DC was scheduled to be undertaken by the Head of Audit (HIA) from Lewes DC, but this was delayed by the merger of internal audit services at Lewes and Eastbourne and the subsequent retirement of the HIA. Through SAG, the EQA was rescheduled and was undertaken in July-August 2019 by the Head of Business Services from Wealden DC.

Attached is the summary assessment indicating that Arun’s internal audit service ‘generally conforms’ to the requirements of the PSIAS, together with an action plan to address the recommendations for improvement identified. These have been discussed with the Group Head of Corporate Support and, where appropriate, the Chief Executive.

Progress against the agreed action plan will be advised to future meetings of the Committee.

**2. PROPOSAL(S):**

It is proposed that the Committee notes the content of the report on the results of the External Quality Assessment and agrees the resulting action plan

**3. OPTIONS:**

To note the contents of the report and agree the action plan, or not

**4. CONSULTATION:**

| Has consultation been undertaken with: | YES | NO |
|--|-----|----|
| Relevant Town/Parish Council           |     | ✓  |
| Relevant District Ward Councillors     |     | ✓  |
| Other groups/persons (please specify)  |     | ✓  |

**5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES:  
(Explain in more detail at 6 below)**

| YES | NO |
|-----|----|
|     |    |

|   |   |   |
|---|---|---|
| Financial   | ✓ |   |
| Legal   |   | ✓ |
| Human Rights/Equality Impact Assessment                       |   | ✓ |
| Community Safety including Section 17 of Crime & Disorder Act |   | ✓ |
| Sustainability  |   | ✓ |
| Asset Management/Property/Land                                |   | ✓ |
| Technology  |   | ✓ |
| Other (please explain)  |   | ✓ |

**6. IMPLICATIONS:**

Comment has been raised on the future resourcing of the section, which could have financial implications

**7. REASON FOR THE DECISION:**

The Committee notes the content of the report on the results of the External Quality Assessment and agrees the resulting action plan

**8. BACKGROUND PAPERS:**

N/A