

Subject:	Independent External Assessment of Internal Audit		
Date of Meeting:	24 July 2018		
Report of:	Executive Director, Finance & Resources		
Contact Officer:	Name:	Mark Dallen	Tel: 01273 291314
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 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.
- 1.2 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.
- 1.3 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.
- 1.4 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.

2. RECOMMENDATIONS:

- 2.1 That Members 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.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 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.
- 3.2 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.
- 3.3 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.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The external assessment is a requirement under the Public Sector Internal Audit Standards.
- 4.2 A number of different organisations were considered to carry out the self-assessment. The decision to use the South West Audit Partnership was made on both cost and quality and specifically that it was considered they would add additional insight as they are themselves a public sector internal audit partnership.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The SWAP review included engagement with a wide range of stakeholders as detailed in Appendix A.

6. CONCLUSION

- 6.1 As part of its responsibility to oversee the work of internal audit and satisfy itself as to the effectiveness of the service, the Audit & Standards Committee is recommended to note the independent external assessor's review of Orbis Internal Audit against professional standards and in particular the assessor's conclusion that the service has achieved the highest level of conformance.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 There are no financial implications arising from the recommendations of this report

Finance Officer Consulted: James Hengeveld

Date: 05/07/2018

Legal Implications:

- 7.2 There are no legal implications arising from the recommendations of this report.

Lawyer Consulted:

Victoria Simpson

Date: 9.07.18

SUPPORTING DOCUMENTATION

Appendices:

1. Self-Assessment with External Independent Evaluation

Documents in Members' Rooms

None

Background Documents

None

