

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 27th January 2017

Subject: Public Sector Internal Audit Standards – External Assessment of Leeds City Council Internal Audit

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|---|------------------------------|--|
| Are specific electoral Wards affected? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| If relevant, name(s) of Ward(s): | | |
| Are there implications for equality and diversity and cohesion and integration? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Is the decision eligible for Call-In? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| If relevant, Access to Information Procedure Rule number: | | |
| Appendix number: | | |

Summary of main issues

1. The purpose of this report is to inform Corporate Governance and Audit Committee of the outcome of Nottingham City Council's assessment of the extent to which Internal Audit comply with the Public Sector Internal Audit Standards (PSIAS).
2. The report from Nottingham City Council is attached so that Members can have access to the full report. It is pleasing to note that the report concludes that the Council's Internal Audit service conforms to the requirements of the PSIAS.
3. Conformance with the PSIAS gives added assurance to the Corporate Governance and Audit Committee such that they can be confident that audit opinions are robust, evidence-based and arrived at having complied with the PSIAS.

Recommendation

4. To note that the Council's Internal Audit service conforms to the requirements of the Public Sector Internal Audit Standards and;
5. Request progress updates on the implementation of the recommendations of the external assessment.

1. Purpose of this report

- 1.1 In April 2013 a new set of standards became effective for Internal Audit in the public sector. The Public Sector Internal Audit Standards replaced the previous standards. The Standards and the associated Local Government Application Note are mandatory best practice as the Accounts and Audit Regulations 2015 require local authorities to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. PSIAS require that the chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The PSIAS further that an external assessments is conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 1.2 The Core Cities Chief Internal Auditors' Group agreed a methodology by which they would undertake the external assessments of the Internal Audit function in the Core Cities and a methodology to do so. Corporate Governance and Audit Committee approved the terms of reference of the review at the meeting on 24th June 2016. Mr Shail Shah, the Head of Internal Audit at Nottingham City Council, was in attendance at that meeting to present the terms of reference and respond to Members' questions.

2. Background information

- 2.1 The terms of reference of this committee include considering the Council's arrangements relating to internal audit requirements including:
- (a) reviewing and approving the Internal Audit Charter;
 - (b) reviewing and approving the risk-based plan and any additional significant work;
 - (c) considering the Annual Internal Audit Report
 - (d) monitoring the performance of Internal Audit
- 2.2 Fundamental to the performance of Internal Audit is the assessment that Internal Audit performs in accordance with the PSIAS. The standards require an annual assessment as part of the Quality Assurance and Improvement Programme, the results of which are reported to this committee. Every 5 years the assessment against the standards must be an external assessment. The report deals with the outcome from that quinquennial assessment.

3. Main issues

- 3.1 The external assessment report on Internal Audit's conformance with the PSIAS is attached as Appendix 1. The report concludes that the Council's Internal Audit service conforms to the requirements of the PSIAS. An officer from Nottingham City Council will be in attendance at the meeting of the Committee to both present that report and answer any questions Members have about the review, the conclusions and the recommendations.

- 3.2 Nottingham City Council have included in their report an action plan that sets out the recommendations arising from the review. The action plan also provides the opportunity for a management response to the recommendations. In all instances, the recommendation is accepted and will be implemented. It is proposed that all recommendations in the Nottingham report are monitored as part of the Internal Audit update report to every meeting of the Corporate Governance and Audit Committee. In this way, the committee can receive assurances that the recommendations have been implemented.

4. Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 There are no consultation and engagement issues arising

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 There are no equality and diversity issues arising from this report.

4.3 Council policies and Best Council Plan

- 4.3.1 There are no specific council policy issues arising from this report.

4.4 Resources and value for money

- 4.1.1 This report provides assurance to Corporate Governance and Audit Committee that the resources are effectively deployed in the Internal Audit service as the service conforms with the requirements of the PSIAS.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 There are no legal issues directly arising from this report.

4.6 Risk Management

- 4.6.1 There are no risk management issues arising from this report.

5. Conclusions

- 5.1 I am delighted to report that the result of the external assessment of Leeds City Council's Internal Audit service against the PSIAS is that the service conforms with the standards. This effectively means that the opinions produced by Internal Audit can be relied upon by the Committee. The report is a great credit to the Acting Head of Internal Audit and her team.

6. Recommendations

6.1 To note that the Council's Internal Audit service conforms to the requirements of the Public Sector Internal Audit Standards.

6.2 Request progress updates on the implementation of the recommendations of the external assessment.

7. Background documents¹

7.1 None

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.