

Public Sector Internal Audit Standards – External Quality Assessment

Date: 17th December 2021

Report of: Chief Officer (Financial Services)

Report to: Consultative Meeting of Members of the Corporate Governance and Audit Committee

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- This report introduces an external independent review of Leeds City Council's Internal Audit Service undertaken by Glasgow City Council. The report provides independent assurances confirming that the Internal Audit Service conforms with the requirements of the Public Sector Internal Audit Standards (PSIAS).
- The work of Internal Audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing Best Council Plan objectives.

Recommendations

Members are asked to:

- a) receive the Leeds City Council Public Sector Internal Audit Standards External Quality Assessment undertaken by Glasgow City Council;
- b) note that Leeds City Council's Internal Audit Service conforms with the requirements of the PSIAS.

Why is the proposal being put forward?

- 1 The Corporate Governance and Audit Committee considers the Council's arrangements relating to internal audit requirements, including monitoring the performance of Internal Audit.
- 2 The PSIAS introduce a requirement for an external assessment of an organisation's internal audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. This report introduces an external independent review of Leeds City Council's Internal Audit Service undertaken by Glasgow City Council.

What impact will this proposal have?

Wards affected:

Have ward members been consulted?

Yes

No

- 3 The report confirms that the Internal Audit Service conforms with the requirements of the PSIAS.
- 4 The work of Internal Audit contributes towards Leeds City Council achieving its key priorities and Best Council Plan objectives.

What consultation and engagement has taken place?

- 5 The external assessment was undertaken by the Head of Audit and Inspection and the Senior Audit Manager from Glasgow City Council. The assessment included consultation with the Chair of the Leeds City Council Corporate Governance and Audit Committee alongside a range of Leeds City Council senior officers including the Chief Executive, Director of Resources and the Chief Finance Officer.

What are the resource implications?

- 6 The report highlights the ongoing challenge for Internal Audit in accommodating and managing audits when resources in departments are reducing and their capacity for responding to audits may be reduced.
- 7 The external assessment provides the Committee with some assurances around the effective use of Internal Audit resources throughout the completion and delivery of audit work.

What are the legal implications?

- 8 The Chief Officer (Financial Services), as the council's Section 151 Officer, is responsible under the Local Government Act 1972, for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is an important source of information for the Chief Officer (Financial Services) in exercising her responsibility for financial administration.
- 9 The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). The standards apply to Internal Audit in all parts of the public sector in the UK and are mandatory. They seek to secure 'a professional, independent and objective internal audit' that makes an effective contribution to governance arrangements. Guidance on the interpretation of the Standards is set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Local Government Application Note (LAGN) 2019.
- 10 The PSIAS also introduce a requirement for an external assessment of an organisation's internal audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The external assessment is undertaken through the established 'peer review process' of the Core Cities Chief Internal Auditors Group.

What are the key risks and how are they being managed?

- 11 The PSIAS set out the core principles and requirements of an effective internal audit service. Failure to comply with the requirements of the PSIAS would significantly compromise the integrity of internal audit work undertaken, and reduce the value of the assurances provided. To

mitigate these risks, Leeds City Council Internal Audit continually review compliance with the standards, with the results brought together through an annual self-assessment. The self-assessment process is supplemented by the external assessment referenced within this report.

Does this proposal support the council's three Key Pillars?

Inclusive Growth Health and Wellbeing Climate Emergency

12 The work of Internal Audit provides assurances that span a range of themes including coverage across the council's three Key Pillars.

Options, timescales and measuring success

What other options were considered?

13 The alternative option would be to procure an external assessment through the Chartered Institute of Public Finance Accountancy (CIPFA). However it is considered that the established core cities peer review process represents value for money, whilst also providing an appropriate level of independence and external insight for the purposes of sharing good practices.

How will success be measured?

14 Success can be measured through the completion of the external assessment and the confirmation that the Leeds City Council Internal Audit Service conforms with the requirements of the PSIAS.

What is the timetable for implementation?

15 The external assessment is completed every five years. Recommendations included within the external assessment report are included within the Quality Assurance Improvement Programme and progress will be reported to the Committee throughout the year. All recommendations will be implemented by the end of the financial year 2021/22.

Appendices

16 A – Leeds City Council Internal Audit Public Sector Internal Audit Standards External Quality Assessment carried out by Glasgow City Council

Background papers

17 None.