

AUDIT COMMITTEE

3 December 2015

SOUTHERN INTERNAL AUDIT PARTNERSHIP – EXTERNAL QUALITY  
ASSESSMENT

REPORT OF THE HEAD OF SOUTHERN INTERNAL AUDIT PARTNERSHIP

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RECENT REFERENCES:

AUD111 - Internal Audit Charter 2015-16 – 12 March 2015

AUD124 - Internal Audit Report and Opinion 2014-15 – 22 June 2015

AUD129 – Internal Audit Progress Report 2015-16 – 24 September 2015

EXECUTIVE SUMMARY:

The purpose of this paper is to provide the Audit Committee with the outcomes from the Southern Internal Audit Partnership's External Quality Assessment.

RECOMMENDATION:

- 1 The Audit Committee note the External Quality Assessment report attached as Appendix 1.

## AUDIT COMMITTEE

3 DECEMBER 2015

INTERNAL AUDIT PROGRESS REPORT 2015 - 2016

REPORT OF THE HEAD OF SOUTHERN INTERNAL AUDIT PARTNERSHIP

### DETAIL:

#### 1 Introduction

1.1 The purpose of this paper is to provide the Audit Committee with outcomes from the Southern Internal Audit Partnership's External Quality Assessment.

#### 2 Summary

2.1 The Public Sector Internal Audit Standards [1312 External Assessments] requires:

*'External Assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation.'*

2.2 Following a review of potential suppliers it was agreed by the Key Stakeholders Partnership Board that the Institute of Internal Auditors would be selected for the purposes of the external assessment of the Southern Internal Audit Partnership.

2.3 In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

2.4 The assessment was undertaken during September 2015 and included review of a wide range of documentary evidence and interviews with seventeen representative stakeholders (including Chief Executives, Audit Chair's and S151 Officers) along with members of the Southern Internal Audit Partnership.

2.5 In addition a survey was circulated to all Audit Committee members, Corporate Management Teams (or equivalent) and Southern Internal Audit Partnership (SIAP) staff. Responses were received from 30 members of SIAP, 18 members of the executive management teams and 13 members of Audit Committees.

- 2.6 In considering all sources of evidence (surveys, interviews and documentary review) the external assessment team concluded:

*‘The Institute of Internal Audit’s (IIA’s) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Code of Ethics and International Standards. Complimentary standards apply for the public sector as well as Local Government. Added together, there are 343 fundamental principles to achieve, and while some overlap, the context and thrust of the differing standards add complexity within Southern Internal Audit Partnership not seen in many organisations.*

*It is our view that the Southern Internal Audit Partnership ‘generally conforms’ (top grading) to **all** of these principles. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by the Southern Internal Audit Partnership.*

*There are **no instances** across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of Southern Internal Audit Partnership’s remit.*

*It is therefore appropriate for the Southern Internal Audit Partnership service to say in reports and other literature that it **“conforms to the IIA’s professional standards”** and that its work has been performed **“in accordance with the IPPF.”***

- 2.7 Additionally the external assessors benchmarked the performance of the Southern Internal Audit Partnership against a maturity model based on a wide range of UK and Irish internal audit functions and assessed the Partnership as **‘Excellent’** in its:

- Reflection of the Standards
- Focus on performance , risks and adding value
- Quality Assurance and Improvement Programme.

And as **‘Good’** in its:

- Coordinating and maximising assurance
- The efficiency of its operations

Grading range	Excellent	Good	Satisfactory	Needs improvement	Poor
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2.8 The external assessors did identify some recommendations for further development:

- To introduce 1-2-1 private meetings between the Head of Internal Audit and the Chairman of the Audit Committee(s);
- To incorporate within the annual audit plan presented for approval to the Audit Committee(s) a brief (one or two sentence) overview of the scope of individual reviews to assist members in ensuring the risk appetite of the organisation is appropriately reflected;
- To highlight the underlying cause for any delays in audit assignments within the progress report presented quarterly to senior management and the Audit Committee, and;
- To provide an overview to partners of best practice identified across the SIAP's wider client base or through liaison with other similar bodies to provide additional added value that partnership working affords.

2.9 An action plan has been put in place to address all issues by March 2016.

2.10 Appendix 1 provides a copy of the full External Quality Assessment Report.

#### OTHER CONSIDERATIONS:

#### 3 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

3.1 Internal audit plays a vital role in helping the organisation accomplish its objectives, strategies and change plans by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### 4 RESOURCE IMPLICATIONS:

4.1 None directly from this report.

#### 5 RISK MANAGEMENT ISSUES

5.1 The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

#### BACKGROUND DOCUMENTS:

None

#### APPENDICES:

Appendix 1 – Southern Internal Audit Partnership – External Quality Assessment