

SUBJECT:	INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA)
DIRECTORATE:	CHIEF EXECUTIVE & TOWN CLERK
REPORT AUTHOR:	JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

1.1 In accordance with Public Sector Internal Audit Standards (PSIAS) the Council's Internal Audit function is required to have an external quality assessment undertaken at least once every 5 years as part of its Quality Assurance Framework. This report provides the Audit Committee with information on the result of the external quality assessment undertaken in February 2022.

2. Background

2.1 The Council's Internal Audit function is delivered by an in-house team and is part of the Assurance Lincolnshire Partnership. Assurance Lincolnshire is a collaborative partnership consisting of Lincolnshire County Council, City of Lincoln and Nottinghamshire County Council.

2.2 Internal Audit within the Public Sector in the UK is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since April 2013 (revised 2016 and 2017). These Standards consist of the following elements:

- Mission statement
- Definition of Internal Auditing
- Code of Ethics, and
- Attribute and performance Standards for the Professional Practice of internal Auditing

2.3 They aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit assurance.

2.4 In local government the PSIAS are mandatory, as required by the Accounts and Audit Regulations 2015. The Internal Audit function must also comply with the CIPFA Advisory Note associated with the Standards.

2.5 The Standards require an external assessment at least once every 5 years as part of an Internal Audit's Quality Assurance Framework. They must be conducted by a qualified, independent assessor or assessment team from outside the organisation. The Council's last EQA was undertaken in 2016.

3. External Quality Assessment 2022

- 3.1 Working in partnership with Assurance Lincolnshire, a procurement exercise, was undertaken and CIPFA were selected to undertake this second EQA. As Nottinghamshire County Council had only recently joined the Partnership and their internal audit service was not due for an EQA they did not form part of this assessment.
- 3.2 CIPFA were ideally placed to carry out the quality review. They are one of the professional bodies who set internal audit standards for public bodies and provide professional guidance on the Standards as well as other aspects of internal audit. CIPFA is therefore very familiar with internal audit standards in policy and in practice. They have undertaken a number of External Quality Assessments.
- 3.3 The assessment was undertaken in February 2022 and included:
- A self-assessment, completed by the Council, against the Standards supported by a comprehensive range of documents – this was then subject to a validation process by the assessor
 - An end-to-end review of a sample of completed internal audits
 - A series of (virtual) interviews with key stakeholders from the customer bases, made up of the corporate leadership teams, chairs of Audit Committees and Audit Staff.
 - Questionnaires sent to and completed by a range of other key stakeholders from the customer bases.

The questionnaire and interviews were focussed on determining the strengths and weaknesses of the Internal Audit function and assessed them against the four broad themes of:

- Purpose and Positioning
- Structure and Resources
- Audit Execution
- Impact

- 3.4 The Assessor concluded that:

“It is our opinion that the Assurance Lincolnshire Partnership’s self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.”

- 3.5 The Internal Audit function are very pleased with the outcome of the External Quality Assessment. They pride themselves on being an experienced, competent and innovative internal audit provider, who strives to maintain and develop its service by embedding quality in all elements of internal audit activity. This assessment helps provide confidence to the Council over the quality of the service and the excellent people who deliver its internal audit work and plan.
- 3.6 A copy of the External Quality Assessment report for Assurance Lincolnshire is attached in Appendix A.

4. Issues for consideration

4.1 Having assessed Assurance Lincolnshire as conforming to the PSIAS, the assessor did identify one action (low priority) and five enhancements (advisory) to the Partnership. Actions have been agreed and will be included in the Council's Quality Assurance Improvement Plan (QAIP) where relevant.

4.2 The one action agreed was:

- 1) To present the Audit Charter to the respective Audit Committee's annually.

This was specific to Lincolnshire County Council as the City Council had previously presented it's Audit Charter to the Audit Committee in February 2021 it is included in the work programme on an annual basis.

4.3 The four enhancements were:

- 2) Consider increasing management capacity for the County Council element of the Partnership.

This was specific to Lincolnshire County Council.

- 3) Consider increasing the use of data analytics during audits.

Refresher training in IT Audit and the use of data analytics will be undertaken and incorporated as part of assurance work.

- 4) Consider increasing the in-house IT audit capacity.

Working as part of Assurance Lincolnshire to enhance the IT skills of the existing team members, forming part of the overall training and development plan of the Partnership.

- 5) Consider potential strategies to address recruitment issues.

Although the Council is subject to recruitment issues, due to the nature of a small audit team many of the strategies in place are not possible. The Council will continue to work alongside Assurance Lincolnshire to support the development of Audit Officers across the Partnership with the aim of providing opportunities across the partner authorities.

4.4 The implementation of these enhancements, where relevant, will be tracked through the QAIP.

5. Strategic Priorities

5.1 An effective internal audit service is one way in which the Council ensures that it discharges it's functions in accordance with its expressed priorities, as set out in Vision 2025, and that it does so in accordance with statutory requirements.

6. Organisational Impacts

- 6.1 Finance – There are no specific financial implications arising as a result of this report. By combining with Assurance Lincolnshire for the EQA the cost of the assessment was lower than acting individually, ensuring better value for money.
- 6.2 Legal Implications including Procurement Rules - The Council is required under the Accounts and Audit Regulations 2011 to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. These proper practices include conformance with audit standards which includes the EQA review requirement.
- 6.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities.

Due to the nature of the report, no specific Equality Impact Analysis is required.

7. Recommendation

7.1 That Members:

1. Note the External Quality Assessment for the Assurance Lincolnshire Partnership, as attached, and what it tells Members about the compliance with audit standards and the quality of the Internal Audit function, and;
2. Are assured over the quality and effectiveness of the Council's Internal Audit Service.

Key Decision	No
Do the Exempt Information Categories Apply?	No
Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
How many appendices does the report contain?	One

List of Background Papers:

None

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