

Audit & Standards Committee

4 October 2023

Title: Internal Audit Performance - External Quality Assessment	
Open Report	For information & discussion
Wards Affected: None	Key Decision: No
Report Authors: Christopher Martin (Head of Assurance)	Contact Details: Christopher.Martin@lbbd.gov.uk 07870278188
Accountable Director: Jo Moore, Interim Strategic Director, Finance & Investment	
Summary Public Sector Internal Audit Standard 1312 requires that each audit service undergoes an external assessment at least once every five years by a qualified, independent assessor. LBBd have opted into the London Audit Group's peer assessment process. The attached report was prepared by the Corporate Head of Audit, Anti-Fraud and Risk Management for the London Borough of Hackney and concludes that LBBd's Internal Audit service 'generally conforms' to the Standards, the highest grading achievable. The report details the 1 (of 144) areas of partial conformance and makes 7 low priority recommendations for consideration that the Head of Assurance has accepted.	
Recommendation(s) The Audit & Standards Committee is asked to note the contents of the report.	

1 Background

- 1.1 The Public Sector Internal Audit Standards were adopted by the UK public sector from 1st April 2013. These Standards are derived from the International Professional Practices Framework created by the Institute of Internal Audit with additional obligations relevant to public sector services added on the recommendation of the Internal Audit Standards Advisory Board. The Standards were revised in 2017 and further changes are currently out for consultation.
- 1.2 These Standards created, for the first time, an obligation for each Internal Audit service to undertake an annual review of conformance (Standard 1311) and, at least every five years, an external assessment conducted by a qualified, independent assessor (Standard 1312). There is no set, uniform approach to undertaking an assessment. Rather, the Standards allow for the participants to tailor the approach as necessary, in consultation with Members and Senior Management.

- 1.3 The requirement for a fresh external quality assessment fell due in 2022/23. The Head of Assurance agreed to take part in the London Audit Group's peer review process to secure the required assessment. In this process, the London Audit Group (comprising Heads of Audit from across London Boroughs) co-ordinate the assessments of participating councils so that each council receives and provides one assessment. LBBB was assigned an assessment led by the London Borough of Hackney and will, in turn, deliver an assessment of another Borough to be decided.
- 1.4 LBBB's assessment was led by Michael Sheffield, Corporate Head of Audit, Anti-Fraud and Risk Management at Hackney. The fieldwork took place during the spring of 2023 with the report finalised in July 2023.

2 External Quality Assessment Report Findings

- 2.1 The assessment concludes that LBBB generally conforms to the Standards. This is the top of a three-point scale used in the Public Sector Internal Audit Standards that also includes 'partially conforms' and 'does not conform' as possible outcomes.
- 2.2 The assessment considered 144 discrete points of conformance and concluded that LBBB conformed with 143. The area picked out as demonstrating 'partial conformance' is detailed in the report, along with recommendations for remedial action.
- 2.3 The full report, including the Head of Assurance response to the recommendations, is at Appendix A.

3 Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

- 3.1 In seeking an External Quality Assessment, the Council remains in conformance with the Public Sector Internal Audit Standards and Regulation 5 of the Accounts and Audit Regulations 2015.

4 Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

- 4.1 No direct implications. As part of our involvement in the London Audit Group peer review scheme, the Head of Assurance is now committed to undertaking a review of another London Borough. This review is accounted for within the approved Internal Audit Plan.

5 Other Implications

- 5.1 **Risk Management** – The internal audit activity is risk-based and therefore support effective risk management across the Council.

5.2 No other implications to report

6 Public Background Papers Used in the Preparation of the Report: None

7 List of appendices:

Appendix A: External Quality Assessment Report