

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Finance & Audit Committee

Date: 18 July 2023

Reporting officer: James Larkin, Head of Audit & Counter Fraud Shared Service
(Chief Audit Executive)

Subject: Internal Audit - External Quality Assessment

Purpose and summary of report:

To inform Members of the outcomes of the External Quality Assessment conducted by Business Risk Solutions in January/February 2023.

Recommendations:

1. Members are requested to endorse the work already undertaken in relation to recommendation R2 and the proposed actions to be taken by the Internal Audit & Counter Fraud team in relation to recommendations R1, R3, R7, R9 and R11.
2. Endorse the rejection of recommendations R4, R5, R6, R8 and R10.

Key Implications:	
Item	Implications
Legal	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. The Section 151 Officer of a local authority is responsible for establishing the internal audit service; Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council.
Finance and Value for Money	An adequate and effective Internal Audit function provides the council with assurance on the proper, economic, efficient and effective use of council resources in delivery of services.
Corporate Plan	The work of the Internal Audit supports the council in achieving all of its objectives set out in the Corporate Plan but is particularly relevant to Objective #3 Progress.
Climate Change	There are no direct climate change implications to this report.

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that at least once every five years, providers of internal audit services must have an External Quality

Assessment (EQA). This assessment measures the services compliance with the PSIAS and provides recommendations for improvement as appropriate.

- 1.2 Since 1 March 2016, the Council's internal audit activity has been delivered by the Internal Audit & Counter Fraud Shared Service with Gravesham Borough Council and the last EQA was conducted during 2017-18.

2. External Quality Assessment 2023

- 2.1 The Internal Audit team was subject to an external quality assessment in February 2023, which assessed the service's compliance with the PSIAS. The full report of the assessor's findings can be found at Appendix 2 of this report.

- 2.2 The assessment is broken down into three key areas:

- **Resources:** Business Vision and Mission, Governance arrangements, Recognition of standards, Guidance, Procedures and Supervision, Terms of Engagement, Ethics, and business conduct.
- **Competency:** Charter, Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development.
- **Delivery:** Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels.

- 2.3 The outcomes are graded under a Red, Amber Green (RAG) rating system, these being: 'Developing' (Red), 'Established' (Amber) and 'Excelling' (Green).

- 2.4 In 2018 internal audit were assessed as follows:

- **Resources:** Excelling - Processes in this area are fully embedded within everyday practices and reflect best practice that is at least consistent with PSIAS expectations.
- **Competency:** Established - Processes in this area are embedded within everyday practices, the EQA has identified a number of areas in which further development is desirable.
- **Delivery:** Established - Processes in this area are embedded within everyday practices, the EQA has identified a number of areas in which further development is desirable.

- 2.5 The 2023 review has resulted in the following:

- **Resources:** Excelling - Processes in this area are fully embedded within everyday practices and reflect best practice that is consistent with PSIAS expectations.
- **Competency:** Excelling - Processes in this area are embedded within every-day practices and mostly reflect best practice that is consistent with PSIAS expectations. A number of areas exist where additional benefit can be derived from alignment with client risk appetite.
- **Delivery:** Established - Processes in this area are generally compliant with the PSIAS and embedded within every-day practices; the EQA has identified a number of areas where a more consistent approach and further development would be beneficial.

- 2.6 This shows improvement since the 2018 assessment with, 'Competency' now graded as Excelling. It is accepted that further improvements are still required in the area of 'Delivery'.

- 2.7 There was a **Green** opinion overall, which stated 'The Internal Audit Shared Service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards.'
- 2.8 Benchmarking data provided within the report indicates that the team is performing above the average level for the Local Government sector in all three key areas (page 16 of Appendix 1) and is also above average in relation to all specific standards that have been listed (page 17 of Appendix 2).
- 2.9 While the service is performing well in relation to its compliance with the PSIAS, a number of recommendations have been made for further improvement. These are categorised as:
- **Enhance:** The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS standards in order to demonstrate a contribution to the achievement of the organisations' objectives in relation to risk management, governance, and control.
 - **Review:** The Internal audit service should review its approach in this area to better reflect the application of the PSIAS.
 - **Consider:** The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services.
- 2.10 These recommendations have been entered into a matrix, which can be found at Appendix 3, which also details; any action already taken by the Internal Audit team, action that will be taken by the team in due course and reasons for the rejection of any recommendations.

3. Appendices

- 3.1 The following documents are to be published with the report:
- 3.2 Appendix 2: External Quality Assessment Report 2023.
- 3.3 Appendix 3: EQA Recommendations Matrix.

4. Background Documents

- 4.1 There are no background documents.

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Secondary Implications	
Risk Assessment	The work of Internal Audit provides a key source of assurance for the council on the adequacy and effectiveness of its internal control arrangements. This work must be conducted in accordance with the PSIAS.
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. No</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. No</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
Crime and Disorder	The Internal Audit Team provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisations' objectives. The work of the team combined with a sound internal control environment has a positive contribution to community safety in its broadest sense.
Digital and website implications	There are no digital implications to this report.
Safeguarding children and vulnerable adults	There are no direct safeguarding implications to this report.