

Finance
7 Newington Barrow Way, N7 9EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13 June 2022

Ward(s): N/A

Subject: Internal Audit External Quality Assessment

1. Synopsis

- 1.1. The Public Sector Internal Audit Standards (PSIAS) require an External Quality Assessment (EQA) of the Internal Audit service be undertaken at least every 5 years.
- 1.2. The External Quality Assessment for the Camden and Islington shared Internal Audit service took place in Quarters 2 and 3 of 2021-22 and reported in Quarter 4. This report presents the outcome of the External Quality Assessment at **Appendix A**.
- 1.3. The report also presents the action plan arising from the External Quality Assessment at **Appendix B**, including a response to recommendations and good practice suggestions.

2. Recommendations

- 2.1. Audit Committee is asked to note the outcome of the External Quality Assessment at **Appendix A** and the corresponding action plan at **Appendix B**.

3. Background

- 3.1. The Council has a statutory duty to maintain an adequate and effective Internal Audit function. Internal Audit's primary objective is to provide the Council, via the Audit Committee, with independent assurance that risk management, governance and internal control processes are operating effectively.
- 3.2. The Public Sector Internal Audit Standards (PSIAS) require that an External Quality Assessment (EQA) of Internal Audit is undertaken at least every 5 years. The PSIAS apply to all public sector Internal Audit service providers, whether in-house, shared services, co-sourced or fully outsourced. The EQA focusses on Internal Audit and excludes other areas within the service (risk management and investigations). The assessor is required to conclude on whether the Internal Audit service complies with the PSIAS.
- 3.3. The assessment was undertaken in line with the PSIAS. The shared service's last EQA was undertaken in 2016-17. The current assessment was undertaken by qualified, senior officers from LB Hillingdon as part of the London Audit Group (LAG) review process. The scope of the inspection followed the Chartered Institute of Public Finance and Accountancy (CIPFA's) Local Government Application Note, which details how the PSIAS should be applied in practice within Local Government. The assessment was carried out as part of a review process managed by LAG. The method of inspection, templates and report format had been specified by LAG. When allocating assessors, LAG had undertaken an exercise to ensure that there were no conflicts of interest.
- 3.4. The assessment entailed a review of documentation and processes as well as interviews with key stakeholders across Camden and Islington i.e. the Chair of the Audit Committee, the Chief Executive, the S151 Officer and the Director of Finance. Audit Committee members were also invited to complete a survey developed by LAG.
- 3.5. The assessment found that the Camden Islington Shared Internal Audit service **Generally Conforms** with the PSIAS. This is the highest available level of assessment for local authorities.
- 3.6. The summary assessment of the compliance against the PSIAS (at pages 7 to 14 of the EQA report at **Appendix A**), demonstrates that the Internal Audit service is generally compliant with every standard.
- 3.7. No high or medium risk recommendations were made. Three low risk recommendations were made relating to the Public Sector Internal Audit Standards (further information is provided at **Appendix B**). A further fourteen low priority good practice suggestions were raised, ten related to Internal Audit and four related to the Camden and Islington's Audit Committees. Good practice suggestions are suggestions only, and each Council can take a view on whether it wishes to implement them.
- 3.8. We are pleased to report that two areas of notable practice were highlighted, where the activity of the Internal Audit Shared Service reflected current best practice. The report recommended that these areas of notable practice should be shared with others. The notable practices identified were:

- The mapping of each council's Principal Risk Report with the audit plan to ensure a clear link between the strategic objectives of each authority and the audit plan; and
- The use of a common findings report for schools' Internal Audit reviews to share learnings from schools' reviews.

4. Implications

4.1. Financial Implications

- 4.1.1. A sound system of internal controls forms a significant part of the governance framework and is essential to underpin the effective use of resources.

4.2. Legal Implications

- 4.2.1. The Local Audit and Accountability Act 2014 sets out the regulatory framework for the audit of local authorities. The Council must 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 (Accounts and Audit Regulations 2015 (SI 2015/234), regulation 5). The Public Sector Internal Audit Standards 2017 provide a set of public sector internal audit standards, which are supplemented for local government by CIPFA standard setting guidance.

4.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

- 4.3.1. There are no environmental implications arising from the recommendations in this report.

4.4. Equalities Impact Assessment

- 4.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 4.4.2. An Equalities Impact Assessment is not required in relation to this report, because the decision currently being sought does not have direct impacts on residents.

5. Conclusion and reasons for recommendations

- 5.1. Overall the assessors concluded (at section 2.2 of the report at **Appendix A**) that the Shared Internal Audit Service is well regarded at both authorities and that Internal Audit staff are qualified, professional, highly skilled and experienced. The assessors also concluded that that officers within the Shared Internal Audit Service (SIAS) work collaboratively and proportionately with stakeholders to add value and identify areas where improvements can be made. The assessors' testing of the evidence confirmed that the SIAS was operating effectively, with consistent application of the Internal Audit charter, audit methodology and standard working papers across the SIAS, and a dedicated Internal Audit Manager and team at both councils.
- 5.2. Audit Committee is asked to note the outcome of the External Quality Assessment and the corresponding action plan.

Appendices:

- Appendix A – Camden Islington Internal Audit External Quality Assessment 2021-22 Final Report
- Appendix B – Camden Islington Internal Audit External Quality Assessment 2021-22 Action Plan

Background papers:

- None.

Final report clearance:

Signed by:

Dave Hodgkinson

Corporate Director of Resources

Date:

20th May 2022

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