

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 25 NOVEMBER 2014

INTERNAL AUDIT – EXTERNAL QUALITY ASSESSMENT (EQA)

REPORT BY JANINE WILSON, SERVICE MANAGER - GOVERNANCE

ABSTRACT

The Public Sector Internal Audit Standards (PSIAS) became effective from 1 April 2013. A key component of the PSIAS is that an External Quality Assessment (EQA) is performed at least every five years. This report presents the results of the EQA on the Council's Internal Audit service and confirms full compliance with the requirements of the PSIAS.

1. RECOMMENDATIONS

It is recommended that the Scrutiny and Audit Committee:

- (i) Consider the attached External Quality Assessment report produced by CIPFA

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/ COPORATE PLAN

This report supports the council and services in the delivery of all local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

3. BACKGROUND

The PSIAS places a requirement for public sector internal audit functions to be subject to an EQA at least every five years. The EQA seeks to confirm the extent of compliance with the PSIAS. This exercise was jointly commissioned by the Convener of the Scrutiny & Audit Committee and Service Manager – Governance.

Following a competitive tendering exercise, CIPFA was selected as the preferred bidder to conduct the EQA. During August and September 2014, CIPFA met with a range of individuals and reviewed documentation relating to Internal Audit standards and processes. Those engaged with during the exercise were:

- Convener of the Scrutiny & Audit Committee
- Service Manager – Governance
- Audit Manager
- Senior Auditor
- Executive Management Team

In addition, CIPFA issued questionnaires to a range of key stakeholders across the Council to establish how Internal Audit was perceived.

4. EQA RESULTS

The attached report (**Appendix 1**) provides members with the results of the EQA. Overall, this is a very positive assessment which identifies that Internal Audit fully complies with the requirements of the PSIAS. We have provided an extract of the conclusion of CIPFA's conclusion below:

“CIPFA has found that the Council has an enthusiastic, experienced internal audit team that is ably led by an Audit Manager who commands respect and credibility across officers and members alike. The internal audit function is seen as a key aspect in supporting and developing good governance within the Council. The areas of special mention include:

- The innovative co-sourcing arrangement of the current configuration, bringing together the best aspects of private sector professional knowledge and experience to bear to the Council’s benefit in a cost-effective manner;*
- The pro-active involvement of the Convener and members of the Council’s Scrutiny and Audit Committee in helping to shape the internal audit work-plan, and their on-going engagement with internal audit in terms of support and interest;*
- The contribution of internal audit to Council-wide initiatives such as the implementation of LEAN thinking in service areas.*

The manner in which the function is planned; executed; managed and reported/followed-up demonstrates an impressive compliance with PSIAS. During our review, CIPFA considered the positioning of internal audit within the Council’s Governance Unit and found it to be an appropriate arrangement that preserves the independence of the function, whilst at the same time allowing for effective management of resources within the co-sourcing context. It is CIPFA’s opinion that the definition of internal auditing is currently being fulfilled.

CIPFA considers that, based on the evidence obtained during this review, that the function is classified as being fully in compliance with PSIAS. As no significant areas of non-compliance that have been identified, and recommendations contained in this report are made as suggestions to further improve the efficiency and effectiveness of the function and should not be seen as actions necessary to achieve compliance with PSIAS.”

Several recommendations are contained within the report which will be taken forward under the continuous improvement work of the service, all of which Internal Audit was aware of prior to the exercise taking place through the gap analysis conducted in early 2014. Internal Audit has developed an action plan which is attached at **Appendix 2**. Updates on the discharge of this action plan will be reported to this committee.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

1. [CIPFA – External Quality Assessment report](#)
2. [EQA Action Plan](#)