



Coventry City Council

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# Public report

**Report to**

Audit and Procurement Committee

26<sup>th</sup> June 2023

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Councillor G Duggins

**Director approving submission of the report:**

Chief Operating Officer (Section 151 Officer)

**Ward(s) affected:**

City Wide

**Title:**

Internal Audit External Quality Assessment

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**Is this a key decision?**

No

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**Executive summary:**

The purpose of this report is to share the planned approach for the External Quality Assessment of the Internal Audit Service with the Audit and Procurement Committee to allow the Committee to express its views on the form and scope of the Assessment.

**Recommendation:**

Audit and Procurement Committee is recommended to approve the approach for conducting the External Quality Assessment of the Internal Audit Service.

**List of Appendices included:**

None

**Background papers:**

None

**Other useful documents:**

None

**Has it or will it be considered by Scrutiny?**

No other Scrutiny consideration other than the Audit and Procurement Committee

**Has it, or will it be considered by any other Council Committee, Advisory Panel, or other body?**

No

**Will this report go to Council?**

No

**Report title:**

Internal Audit External Quality Assessment

**1. Context (or background)**

- 1.1 The Public Sector Internal Audit Standards require that a Quality Assurance and Improvement Programme (QAIP) must be developed and maintained. The Programme is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The Programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.2 The QAIP must include both internal and external assessments. External Assessments must be completed at least once every five years and an assessment for the Internal Audit Service at Coventry City Council is now due. The Standards require that the form / scope of the assessment and the qualifications and independence of the external assessor is discussed with the Audit and Procurement Committee.

**2. Options considered and recommended proposal**

- 2.1 There are two options available for carrying out external assessments: a full external assessment, or a self-assessment with independent external validation. It is viewed that from a practical perspective, a self-assessment with independent external validation is the most appropriate approach given that it provides an opportunity for the self-assessment and supporting evidence to be compiled over a period of time and provides a baseline for the assessor to work from, allowing for a more efficient process overall. As it is expected that the self-assessment is fully evidenced, the risk of inaccurate statements is not viewed as significant. In addition, the assessor will conduct interviews with key stakeholders as part of the validation process which provides a further mechanism for ensuring the integrity of the assessment.
- 2.2 It is intended that the scope of the assessment will include all of the Public Sector Internal Audit Standards. The Standards cover:
- The Code of Ethics – rules of conduct covering the principles of integrity, objectivity, confidentiality, and competency.
  - Attribute Standards – address the characteristics of organisations and parties performing internal audit activities.
  - Performance Standards – describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated.
- 2.3 Informal discussions with some neighbouring local authorities, has identified the opportunity to enter into a tri-party arrangement with Solihull MBC and Sandwell MBC, with each Council acting as the assessor for another. As such, it is proposed that Coventry CC will undertake the assessment for Solihull MBC, and Sandwell MBC will undertake the assessment for Coventry. The assessor at Sandwell MBC is the Head of Audit. He is a qualified accountant with over 30 years internal audit experience and is the Head of Audit for a number of public sector organisations alongside Sandwell, including Wolverhampton City Council, the West Midlands Combined Authority, Sandwell Children's Trust, and the West Midlands Fire Service.
- 2.4 This approach is the preferred option given that (a) it is the most cost-effective way for the assessment to be undertaken (in comparison for example to using the services of the Institute of Internal Auditors or CIPFA) (b) the assessor has detailed knowledge of the

practice of internal audit within the local government sector and (c) it will provide an opportunity to share good practice and learn from each other. In addition, the use of a tri-party approach avoids the risk of a conflict of interest occurring.

- 2.5 The results of the External Quality Assessment will be reported to the Audit and Procurement Committee, alongside any improvement action plans which result from the assessment.

### **3. Results of consultation undertaken**

- 3.1 None

### **4. Timetable for implementing this decision**

- 4.1 It is intended that the self-assessment will be compiled by the end of September 2023, with the independent external validation taking place in November 2023.

### **5. Comments from the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer**

- 5.1 Financial Implications

There are no specific financial implications associated with this report. Internal audit work has clear and direct effects, through the recommendations made, to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

- 5.2 Legal implications

The Public Sector Internal Audit Standards adopted from 1<sup>st</sup> April 2013 state that external assessments must be conducted once every five years by a qualified, independent assessor or assessment team from outside the organisation.

### **6. Other implications**

- 6.1 **How will this contribute to achievement of the One Coventry Plan?**

Internal Auditing is defined in the Public Sector Internal Audit Standards as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes". As such the work of Internal Audit is directly linked to the Council's key objectives / priorities with specific focus agreed on an annual basis and reflected in the annual Internal Audit Plan.

- 6.2 **How is risk being managed?**

The risk that the external validation of the assessment is not sufficiently robust is managed through (a) a tri-party arrangement which mitigates the risk of a conflict of interest occurring and (b) the competence of the assessor who has undertaken assessments for other local authorities and has specific experience of internal audit within local government.

**6.3 What is the impact on the organisation?**

None

**6.4 Equalities / EIA**

None

**6.5 Implications for (or impact on) climate change and the environment**

No impact

**6.6 Implications for partner organisations?**

None

**Report author:**

**Name and job title:**

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**Service Area:**

Finance

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Barry Hastie	Chief Operating Officer (Section 151 Officer)	-	07/06/23	16/06/23
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	07/06/23	07/06/23

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