

**17 December 2015**

**Southern Internal Audit Partnership – External Quality Assessment**

**Report of the Chief Internal Auditor**

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**1. Purpose and Summary**

- 1.1 The purpose of this paper is to provide the Standards and Governance Committee with outcomes from the Southern Internal Audit Partnership's External Quality Assessment

**2. Recommendation**

- 2.1 That the Standards and Governance Committee note the External Quality Assessment of the Southern Internal Audit Partnership as attached.

**3. Contextual information**

- 3.1 The Public Sector Internal Audit Standards [1312 External Assessments] requires:

*'External Assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation.'*

- 3.2 Following a review of potential suppliers it was agreed by the Key Stakeholders Partnership Board that the Institute of Internal Auditors would be selected for the purposes of the external assessment of the Southern Internal Audit Partnership.
- 3.3 In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.
- 3.4 The assessment was undertaken during September 2015 and included review of a wide range of documentary evidence and interviews with seventeen representative stakeholders (including Chief Executives, Audit / Standards and Governance Chair's and S151 Officers) along with members of the Southern Internal Audit Partnership.

3.5 In addition a survey was circulated to all Audit / Standards and Governance Committee members, Corporate Management Teams (or equivalent) and Southern Internal Audit Partnership (SIAP) staff. Responses were received from 30 members of SIAP, 18 members of the executive management teams and 13 members of Audit / Standards and Governance Committees.

3.6 In considering all sources of evidence (surveys, interviews and documentary review) the external assessment team concluded:

*‘The Institute of Internal Audit’s (IIA’s) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Code of Ethics and International Standards. Complimentary standards apply for the public sector as well as Local Government. Added together, there are 343 fundamental principles to achieve, and while some overlap, the context and thrust of the differing standards add complexity within Southern Internal Audit Partnership not seen in many organisations.*

*It is our view that the Southern Internal Audit Partnership ‘generally conforms’ (top grading) to **all** of these principles. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by the Southern Internal Audit Partnership.*

*There are **no instances** across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of Southern Internal Audit Partnership’s remit.*

*It is therefore appropriate for the Southern Internal Audit Partnership service to say in reports and other literature that it “**conforms to the IIA’s professional standards**” and that its work has been performed “**in accordance with the IPPF.**”*

3.7 Additionally the external assessors benchmarked the performance of the Southern Internal Audit Partnership against a maturity model based on a wide range of UK and Irish internal audit functions and assessed the Partnership as ‘**Excellent**’ in its:

- Reflection of the Standards
- Focus on performance, risks and adding value
- Quality Assurance and Improvement Programme.

And as ‘**Good**’ in its:

- Coordinating and maximising assurance
- The efficiency of its operations

Grading range	Excellent	Good	Satisfactory	Needs improvement	Poor
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3.8 The external assessors did identify some recommendations for further development:

- To introduce 1-2-1 private meetings between the Head of Internal Audit and the Chairman of the Audit / Standards and Governance Committee;
- To incorporate within the annual audit plan presented for approval to the Audit / Standards and Governance Committee a brief (one or two sentence) overview of the scope of individual reviews to assist members in ensuring the risk appetite of the organisation is appropriately reflected;
- To highlight the underlying cause for any delays in audit assignments within the progress report presented quarterly to senior management and the Audit / Standards and Governance Committee; and
- To provide an overview to partners of best practice identified across the SIAP's wider client base or through liaison with other similar bodies to provide additional added value that partnership working affords.

An action plan has been put in place to address all issues by March 2016.

3.9 Appendix 1 provides a copy of the full External Quality Assessment Report.

#### **4. Contribution to corporate priorities and objectives**

4.1 The Internal Audit Plan is designed to validate the assurance and control framework which exists in the Authority and across the Service. Secure management processes including risk and performance management are important in ensuring that the Authority's plans are achieved. This external assessment provides assurance that internal audit reviews conform with professional standards.

#### **5. Risk analysis**

5.1 The risk based approach to internal audit planning and reviews aims to ensure that internal audit resource focuses on key business risks. The Authority's risk register has been used to inform the planning process and ensure that key risks are reflected in planned work.

#### **6. People impact assessment**

6.1 The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.

#### **7. Environmental and sustainability impact assessment**

7.1 Proposals have no environmental or sustainability impacts.

#### **8. Resource implications**

8.1 The 2015/16 plan was prepared on the basis of audit need and agreed with senior managers and endorsed by Hampshire Fire and Rescue Authority, following comprehensive risk assessment. The cost is reflected in the Authority's budget. Member and officer time was needed to complete

questionnaires or attend interviews, however this external assessment has no additional financial implications for the Authority.

**Section 100 D - Local Government Act 1972 - background documents**

The following documents disclose facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report.

NB the list excludes:

1. published works; and,
2. documents which disclose exempt or confidential information as defined in the Act.

<b>Title</b>	<b>Location</b>
External Quality Assessment (EQA) Report for Southern Internal Audit Partnership from the Institute of Internal Auditors	Appendix1