

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	SOUTHERN INTERNAL AUDIT PARTNERSHIP – EXTERNAL QUALITY ASSESSMENT		
DATE OF DECISION:	14 DECEMBER 2015		
REPORT OF:	CHIEF INTERNAL AUDITOR		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

BRIEF SUMMARY

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

RECOMMENDATIONS:

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| | (i) | That the Governance Committee note the External Quality Assessment of the Southern Internal Audit Partnership as attached |
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REASONS FOR REPORT RECOMMENDATIONS

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| 1. | In accordance with the Public Sector Internal Audit Standards and Southampton City Council's Internal Audit Charter, the Governance Committee must be provided with the outcomes of the internal audit services external quality assessment. |
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ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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| 2. | No alternative options have been considered. |
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DETAIL (Including consultation carried out)

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| 3. | The Public Sector Internal Audit Standards [1312 External Assessments] requires:
<i>'External Assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation.'</i> |
| 4. | 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. |
| 5. | 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.
6.	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 Chair's and S151 Officers) along with members of the Southern Internal Audit Partnership
7.	In addition a survey was circulated to all Audit 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 Committees.
8.	<p>In considering all sources of evidence (surveys, interviews and documentary review) the external assessment team concluded:</p> <p><i>'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.</i></p> <p><i>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.</i></p> <p><i>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.</i></p> <p><i>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."</i></p>
9.	<p>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:</p> <ul style="list-style-type: none"> • Reflection of the Standards • Focus on performance , risks and adding value • Quality Assurance and Improvement Programme.

	<p>And as ‘Good’ in its:</p> <ul style="list-style-type: none"> • Coordinating and maximising assurance • The efficiency of its operations  <p>The grading range is represented by a horizontal bar divided into five colored segments: Excellent (green), Good (light green), Satisfactory (yellow), Needs improvement (orange), and Poor (red). The text 'Grading range' is written in the white space to the left of the bar.</p>
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10.	<p>The external assessors did identify some recommendations for further development:</p> <ul style="list-style-type: none"> • To introduce 1-2-1 private meetings between the Head of Internal Audit and the Chairman of the Audit Committee(s); • To incorporate within the annual audit plan presented for approval to the Audit Committee(s) 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 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. <p>An action plan has been put in place to address all issues by March 2016</p>
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11.	Appendix 1 provides a copy of the full External Quality Assessment Report
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RESOURCE IMPLICATIONS

Capital/Revenue

12.	None
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Property/Other

13.	None
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LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

14.	The Accounts & Audit (England) Regulations 2015 require that the Council ‘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’
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Other Legal Implications:

15.	None
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POLICY FRAMEWORK IMPLICATIONS

16.	None
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KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	N/A
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Southern Internal Audit Partnership – External Quality Assessment
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
Other Background Documents	
Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None