


## REPORT TO AUDIT AND RISK ASSURANCE COMMITTEE

22 March 2018

<b>Subject:</b>	Internal Audit – External Assessment
<b>Director:</b>	Executive Director – Resources – Darren Carter
<b>Contribution towards Vision 2030:</b>	
<b>Contact Officer(s):</b>	Peter Farrow Audit Services and Risk Management Manager <a href="mailto:peter_farrow@sandwell.gov.uk">peter_farrow@sandwell.gov.uk</a>

### DECISION RECOMMENDATIONS

**That Audit and Risk Assurance Committee:**

1. Approve the option for the council's internal audit team to undertake a self-assessment with independent valuation in order to meet the requirement of the Public Sector Internal Audit Standards for an external assessment to be carried out at least once every five years, and that the Chair of the Audit and Risk Assurance Committee will be the appropriate sponsor.

## **1 PURPOSE OF THE REPORT**

- 1.1 This report is to update the Committee on the council's planned approach to undertaking an external assessment of its internal audit function.

## **2 IMPLICATIONS FOR SANDWELL'S VISION**

- 2.1 Internal Audit operates across the council and helps it accomplish its vision by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

## **3 BACKGROUND AND MAIN CONSIDERATIONS**

- 3.1 As part of the Public Sector Internal Audit Standards there is a requirement for an external assessment of the internal audit service to be carried out at least once every five years and that this may be satisfied by either arranging for a full external assessment or by undertaking a self-assessment with independent validation.
- 3.2 Consideration has been given to both of these options and due to a number of factors the option to undertake a self-assessment with independent validation is the preferred choice. These factors include the financial savings against the costs involved in procuring a full external assessment, that a good level of assurance can already be placed on the existing strong working relationship between the internal auditors, the Audit and Risk Assurance Committee and the external auditors, and the planned approach to the independent validation by following the Chartered Institute of Public Finance and Accountancy's (CIPFA's) local government application note for the Public Sector Internal Audit Standards.
- 3.3 This application note states that if an externally validated self-assessment is chosen, that the checklist included in the application note is recommended. Therefore, this checklist will be used and will be externally validated.
- 3.4 A suitable external source will then be sought to validate the self-assessment.
- 3.5 The public sector requirement mandates that local authorities must find an appropriate sponsor and suggests that this could be the audit committee chair. Therefore, the Chair of the Audit and Risk Assurance Committee will be the appropriate sponsor and will meet with the external validator as part of the process.

## **4 THE CURRENT POSITION**

- 4.1 The report does not require a decision and therefore, no position analysis is necessary.

## **5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)**

- 5.1 The outcomes of the individual reports have been discussed with the relevant stakeholders and reported to the respective Director.

## **6 ALTERNATIVE OPTIONS**

- 6.1 The report does not require a decision and therefore, alternative options do not need to be considered.

## **7 STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 There will be a small financial implication as an independent assessor will need to be procured.

## **8 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 8.1 The Internal Audit service follows the Public Sector Internal Audit Standards, and the Code of Ethics that form part of the standards, as laid out in the Internal Audit Charter approved by the Audit and Risk Assurance Committee.

## **9 EQUALITY IMPACT ASSESSMENT**

- 9.1 It was not necessary to undertake an Equality Impact Assessment.

## **10 DATA PROTECTION IMPACT ASSESSMENT**

- 10.1 It was not necessary to undertake a Data Protection Impact Assessment. Data gathered during audit reviews is used and retained in accordance with current legislative requirements.

## **11 CRIME AND DISORDER AND RISK ASSESSMENT**

- 11.1 There are no direct risk implications arising from this report.

## **12 SUSTAINABILITY OF PROPOSALS**

- 12.1 There are no direct sustainability issues arising from this report.

**13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**

13.1 There are no direct health and wellbeing implications from this report.

**14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

14.1 There is no direct impact on any council managed property or land from this report.

**15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

15.1 The purpose of the report is to ask the Audit and Risk Assurance Committee to approve the option for the council's internal audit team to undertake a self-assessment with independent valuation in order to meet the requirement of the Public Sector Internal Audit Standards for an external assessment to be carried out at least once every five years. As such, no decision is required.

**16 BACKGROUND PAPERS**

16.1 None.

**17 APPENDICES:**

17.1 None.

**Darren Carter**  
**Executive Director – Resources**