

Surrey Heath Borough Council
Audit Standards and Risk
March 2024

**External Quality Assessment (Peer Review) of the Internal
Audit service**

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Wards Affected:	na

1. Summary and purpose

- 1.1 The aim of this report is to provide an overview of Surrey Heath Borough Council's arrangements for the operation and management of the Internal Audit service.
- 1.2 Surrey Heath Borough Council is required to conduct an independent assessment of its Internal Audit service every 5 years, in accordance with the requirements of the Public Sector Internal Audit Standards. The outcome of this Peer Review is contained in the attached report and associated documents.
- 1.3 The External Quality Assessment (or Peer Review) report provides management and Councillors with an "independent assessment" of the extent to which Surrey Heath's Internal Audit service complies with the industry standard Public Sector Internal Audit Standards, which came into effect on 1 April 2013 (revised April 2017).
- 1.4 Any significant deviation from the Public Sector Internal Audit Standards will be brought to the attention of the senior management team and to Councillors and considered for inclusion in the Annual Governance Statement.

2. Recommendation

- 2.1 The Committee is advised to RESOLVE that
 - (i) the External Quality Assessment report and corresponding Action Plan produced by Elmbridge Borough Council be noted and approved.

3. Background and Supporting Information

- 3.1 The *Public Sector Internal Audit Standards*, which govern the Internal Audit activity across the public sector, require an External Quality Assessment (or Peer Review) to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation.
- 3.2 A self-assessment exercise followed by an independent external validation was seen as a better option for the Council, as not only was it a more cost effective solution that required less resources, but a similar approach has been adopted in previous years which both Councillors and senior management were satisfied with.
- 3.3 For an external assessment to provide a truly independent view, it is important that the appointed assessor has no real or apparent conflict of interest with the Council in general or the internal Audit team in particular. The Senior Auditor should be alert to this risk when appointing a senior assessor.
- 3.4 The last external assessment of the Council's Internal Audit function was carried out back in 2018. The Council is part of a triangular framework agreement between the three Surrey districts of Surrey Heath, Spelthorne and Elmbridge borough councils. The arrangement requires that the assessment process is rotated every 5 years. The previous review of the Internal Audit function for Surrey Heath was carried out by Spelthorne Borough Council.

4. Reasons for Recommendation

- 4.1 The report has been prepared following an independent review carried out by Elmbridge Borough Council of the compliance with the Public Sector Internal Audit Standards and the International Professional Practices Framework on which the Standards have been based.
- 4.2 The Internal Audit team will be required to implement the recommendations arising from this report which have been identified in the corresponding Action Plan.

5. Proposal and Main Findings

- 5.1 The attached report details the findings from the External Quality Assessment undertaken in November and December 2023 by the Head of Audit and Counter Fraud at Elmbridge Borough Council.
- 5.2 Overall the opinion of Elmbridge Borough Council is that the SHBC's Internal Audit function is generally compliant with the Public Sector Internal Audit Standards. This assessment helps to validate the efforts of the Internal Audit team over the last few years.

- 5.3 The Elmbridge report identifies a number of areas of good practice including regular monitoring in place, methodical and thorough working papers, delivery of a varied audit work programme, and a risk based Audit Plan.
- 5.4 The review has highlighted a small number of areas open to improvement, the details of which can be found in the attached report and corresponding Action Plan.
- 5.5 The report also provides a summary of Internal Audit's conformance with the Public Sector Internal Audit Standards (details in the attached report).
- 5.6 A self-assessment of compliance with the Public Sector Internal Audit Standards was initially undertaken by the Audit team at this Council. This involved a comprehensive process of reviewing the Council's progress against a number of the Standards including:
- Code of Ethics
 - Proficiency and Due Professional Care
 - Managing the Internal Audit activity
 - Communicating Results and Reporting
- 5.7 The self-assessment document is also attached as reference.

6 Contribution to the Council's Five Year Strategy

The Internal Audit activity contributes to the Council Strategy for 2024-28 by helping to identify weaknesses in control and governance, and by recommending areas for improvement in service delivery. Audit recommendations also help to ensure compliance with law and regulations, and ensures good and effective governance is being maintained.

7 Resource Implications

No significant resources required, except for the Internal Audit team to implement the Action Plan.

8 Section 151 Officer Comments:

An effective and productive Internal Audit function should enable the Council to fulfil its duties as being accountable and transparent to the public, while achieving its objectives effectively, efficiently, economically, ethically and at the same time sustainably.

9 Legal and Governance Issues

The audit assignments conducted by the Internal Audit team contribute to legal and governance issues by ensuring compliance with the law and regulations, as well as highlighting significant governance issues and suggesting areas for improvement.

10 Monitoring Officer Comments:

Covered above

11 Other Considerations and Impacts

Environment and Climate Change

No significant issues

Equalities and Human Rights

No significant issues

Risk Management

Failure to operate an effective internal audit function could reduce the level of assurance given to senior management and Members over the level of risk, controls, accounting records and governance arrangements operating at the Council.

Internal Audit recommendations also help to support the Council's corporate risk management framework by identifying weaknesses in control and governance, and suggesting mitigating actions to reduce or alleviate those risks. Any significant risks identified by Audit may be subject to discussion at the Council's risk management group, and if necessary, added to the Corporate Risk Register.

Community Engagement

No significant issues

Annexes

Annex A: Surrey Heath Checklist PSIAS

Annex B: External Quality Assessment Report and Action Plan produced by Elmbridge Borough Council

Background Papers

Nil