
INTERNAL AUDIT EXTERNAL PEER REVIEW

SUMMARY REPORT

Purpose of the Report

1. This report provides members with some background information regarding the requirement to have an external assessment of the Internal Audit service and a proposal for the scope of that review.

Summary

2. An external peer review is a requirement of the Public Sector Internal Audit Standards and must be performed at least once every five years.
3. There is an option to work with the other Internal Audit Sections within the Tees Valley and put in place reciprocal arrangements for the performance of these reviews at no cost.
4. The review will be based on an externally validated self-assessment.

Recommendation

5. The proposal for the external assessment to be undertaken by a peer from a neighbouring authority using the application note checklist and in the form of an external self-assessment validation be approved.

Reasons

6. To comply with the requirements of the Public Sector Internal Audit Standards.

**Andrew Barber
Audit & Risk Manager**

Background Papers

- (i) Internal Audit Charter
- (ii) Public Sector Internal Audit Standards

S17 Crime and Disorder	Other than any special investigation work there is no crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Information and Analysis

7. Internal Audit is an independent appraisal function established by the Council to objectively examine, evaluate and report on the adequacy of internal controls in compliance with the Accounts and Audit Regulations 2015 (The Regulations). This role ensures that there is proper economic, efficient and effective use of resources. It also ensures that the Council has adequate accounting records and control systems.
8. The Regulations require the Internal Audit function to take into account public sector internal audit standards and guidance. The applicable standards were written in 2013 and updated in 2016 and require the function to undertake an independent external assessment of its compliance with these standards every 5 years. We are therefore in our 5th year and as such will need to have an assessment of the service undertaken.
9. Each of the other Tees Valley authorities (Hartlepool Borough Council and Tees Valley Internal Audit and Assurance Service across both Middlesbrough & Redcar and Cleveland) are in a similar position in that they are in their 5th year and therefore need to undertake an external review. It is therefore proposed that we put in place reciprocal arrangements for reviewing each other.
10. The standards state the external assessment requirement may be satisfied by either a "full" assessment or by undertaking a self-assessment with "independent validation". It is proposed that since each authority undertakes an annual self-assessment as part of their Quality, Assurance and Improvement Processes that the

most effective form of assessment would be self-assessment with external validation.

11. The self-assessment and validation will use the checklist provided in the Local Government Application Note for the UK Public Sector Internal Audit Standards produced by the Chartered Institute of Public Finance & Accountancy.
12. There is a requirement for the external assessor (or team) to be appropriately qualified. The standards define appropriately qualified as requiring to demonstrate competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience.
13. The teams from each of the neighbouring authorities have considerable experience of working in similar organisations and with the content of the standards themselves and therefore should be considered suitably qualified to undertake the assessment.

Outcome of Consultation

14. There was no formal consultation undertaken in production of this report.