

# Audit Committee

20<sup>th</sup> July 2017



<b>Report of:</b>	Head of Internal Audit
<b>Title:</b>	Terms of Reference for the Peer Review of Internal Audit
<b>Ward:</b>	City-Wide
<b>Officer Presenting Report:</b>	Melanie Henchy-McCarthy/Alison Mullis, Head of Internal Audit
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## Recommendation

That the Committee endorse the proposed approach for the Peer Review of Bristol City Council's Internal Audit function, by Sheffield City Council's Internal Audit service, note the Terms of Reference, approve the nominated Sponsor for the exercise and undertake to monitor improvements within the service by receiving regular updates on actions implemented.

## Summary

The Public Sector Internal Audit Standards (PSIAS) require that the Internal Audit service is reviewed once every five years, by a qualified and independent reviewer, external to the organisation. The Core Cities Chief Internal Auditors group has established a 'peer- review' process that is managed and operated by the constituent authorities. This process addresses the requirement for an external assessment by 'self-assessment with independent external validation'. This report provides the Committee with an overview of the Terms of Reference (TOR), which has been agreed by the Core Cities group, and will therefore be utilised for this review.

## The significant issues in the report are:

Nominated sponsor for the exercise as detailed in paragraph 3.

Peer review process as summarised in paragraph 4 and in full in Appendix A.

Reporting and monitoring arrangements as detailed in paragraph 6 and in Appendix A



## **Policy**

The external review of the Internal Audit function once every five years is a requirement of the Public Sector Internal Audit Standards (PSIAS) to which the Internal Audit service within Bristol City council is bound.

## **Consultation**

1. **Internal**  
Interim Chief Internal auditor, S151 officer, SLT, Cabinet member for Finance, Governance & Performance, Audit Committee.
2. **External**  
Core Cities Chief Internal Auditors group.

## **Context**

3. In April 2013, a new set of Public Sector Internal Audit Standards (PSIAS) became effective. These standards apply to the Internal Audit function in all parts of the public sector in the UK and are mandatory. Within the PSIAS there is a requirement for an independent external review of the internal audit function once every five years. In order to address this requirement, the Core Cities Chief Internal Auditors group, set up a peer review process, that is managed by the constituent members, to provide the external reviews.

The purpose of the external review, is to establish compliance with the PSIAS, ensure that governance is embedded within the service and identify areas where further improvement is required, thereby ensuring that the service is fit for purpose and free from any influencing factors which may impact on its independence.

The PSIAS outlines two possible approaches to obtaining an external assessment, either a full external assessment, or an internal self-assessment which is validated by an external reviewer. These options were discussed by the Core Cities group and it was agreed that the most effective approach would be to undertake an internal self-assessment with validation by an external reviewer from another Core City Council.

In order to ensure that the peer review receives the appropriate support within the organisation it was also agreed by the Group, that the scope of the external assessment should have an appropriate sponsor, such as the Chair of the Audit Committee or Section 151 Officer. On this occasion it is recommended that the Chair of the Audit Committee should undertake this role.

## **4. Peer Review Process**

The peer review process will be led by the Chief Internal Auditor for Sheffield City Council, who meets the PSIAS requirements for an external reviewer. The full Terms of Reference for the peer review process is attached to this report at Appendix A; however in summary the process encapsulates the following three stages:

- Pre-review – whereby the Audit service must complete an evidenced self-assessment

and submit it to the reviewing authority.

- Onsite Review – whereby the independent reviewer will spend time with the audit service, review documentary evidence and interview key stakeholders.
- Post-review- whereby the reviewer will evaluate the evidence collated and report accordingly.

## 5. Peer Review Coverage

The peer review will consider the work of the Internal Audit function for the last financial year of 2016/17 and to the date of the self-assessment completion at the end of July 2017, together with any improvements made between the self-assessment completion and the on-site review in September 2017.

The independent reviewer will seek input from key stakeholders within the Council; this may include discussions with the following members/officers:

- Chair of the Audit Committee
- Cabinet Member for Finance, Governance and Performance
- Chief Executive
- S151 Officer
- Monitoring Officer
- A sample of Internal Audit customers

The purpose of these discuss is to gain an understanding of the work of the Internal Audit function and its customers' view on the functions performance.

## 6. Reporting

A detailed report on the review findings will be made available to the Audit Committee once the review is complete, together with the service's improvement action plan which will be updated to reflect the recommendations resulting from the review. It is envisaged that the Audit Committee will monitor the improvements within the action plan by receiving regular updates on progress.

### Proposal

7. That the Committee endorse the proposed approach for the Peer Review and note the TOR, agree the nominated sponsor for the exercise and undertake to monitor improvements within the service by receiving regular updates on actions implemented.

### Other Options Considered

8. Assessment by external provider was considered, but discarded due to cost implication. Utilising the Core Cities Peer Review Group is cost neutral.

## 9. Risk Assessment

There is a limited risk of bias as each authority is known to each other; however it has been

agreed within the group that no reciprocal reviews will be undertaken, and as there are a number of new members to the group familiarity is not an issue.

### **Public Sector Equality Duties**

- 10a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
  - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
    - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
    - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
    - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
  - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
    - tackle prejudice; and
    - promote understanding.
- 10b) No equalities assessment necessary for this report.

### **Legal and Resource Implications:**

**Legal - N/A**  
**Financial – N/A**  
**Land – N/A**  
**Personnel – N/A**

### **Appendices:**

- **Appendix A – Core Cities Peer Review Group - Terms of Reference.**

### **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

#### **Background Papers:**

- Public Sector Internal Audit Standards
- Local Government Application Note for UK Public Sector