

Audit Committee

26th July 2022



Report of: Chief Internal Auditor

Title: External Review of Bristol City Council Internal Audit Service

Ward: City-Wide

Officer Presenting Report: Simba Muzarurwi – Chief Internal Auditor.

Recommendations

The Audit Committee endorse the approach and note the terms of reference for the required external review of compliance with the Public Sector Internal Audit Standards by Bristol City Council's Internal Audit Team.

The Chair of the Audit Committee agrees to be the sponsor for the review.

The results of the review, once completed, are reported to Audit Committee. The Committee will monitor implementation of improvements identified as necessary as part of their ongoing role in determining the effectiveness of internal audit.

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 the Terms of Reference (TOR) for that review, which has been agreed by the Core Cities group, and will therefore be utilised for this review.

The significant issues in the report are:

- The mandatory requirement for an independent, external assessment of the Internal Audit Team's compliance with the PSIAS every 5 years.
- Terms of reference for that review to be completed by Nottingham City Council as part of a peer review arrangement with the Core Cities Audit Group. This will provide a cost-effective approach to ensuring compliance with the PSIAS.

Policy

The Audit Committee's Terms of Reference includes overseeing the performance of the Internal Audit function, including the external review of the service, to gain assurance on the effectiveness of the Internal Audit function as an assurance provider.

Consultation

1. **Internal:** Corporate Leadership Board, s151 Officer, Executive Member for Finance and Resources.
2. **External:** Core Cities Chief Internal Auditors' Group.

Context

3. Internal Audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments, or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period.
4. Bristol City Council's Internal Audit Service was last externally assessed against the standards in 2017 and this assessment is now due again.
5. The external review of Bristol's Internal Audit Service has been planned for completion in Quarters 3 and 4 of 2022/23 using a peer review approach agreed with the Core Cities Chief Auditors' Group. Having researched alternative options for the review, the Core Cities Group concluded that there are financial benefits for each Council by adopting the peer review approach. It is recognised there is a limited risk of bias with this approach. However, to mitigate this risk, it has been agreed that no reciprocal reviews will take place. In addition, a significant number of new members of staff across the Core Cities Audit Teams means that familiarity is not an issue at the current time.
6. The review of Bristol Internal Audit Team's compliance with the PSIAS will be led by the Chief Internal Auditor from Nottingham City Council. The review in 2017 whose terms of reference was agreed by the Bristol City Council Audit Committee was undertaken by Sheffield City Council Chief Internal Auditor. The terms of reference for this review are provided at **Appendix 1** which are being consistently applied across all Core City Group members. They include a requirement for the reviewing officer to be independent, professionally qualified, have appropriate experience of Internal Audit in the public sector and have detailed knowledge of the PSIAS requirements. As part of this arrangements the BCC Internal Audit Team recently completed the external review of Liverpool City Council.
7. In order to ensure that the assessment receives the appropriate support and profile, a sponsor for the review is required such as the Chair of the Audit Committee or Section 151 Officer. On this occasion it is proposed that the Chair of the Audit Committee should undertake this role.

8. The approach detailed in the Terms of Reference for the review includes:
- Completion of an evidenced self-assessment by Bristol City Council’s Internal Audit Service by 31st December 2022.
 - Independent verification of the assessment by Nottingham City Council via review of documentation and files held by the internal audit service and meetings with Internal Audit staff.
 - Issue of a survey to key stakeholders at the Council to obtain feedback on Internal Audit processes and procedures.
 - Meeting with a number of key stakeholders to obtain their views on the service. Meetings are likely to take place with:
 - Chair of Audit Committee
 - Chief Executive
 - Director of Finance
9. At the end of the review, a report will be provided to the Chief Internal Auditor and the Chair of the Audit Committee which concludes whether the team fully conforms, partially conforms or does not conform with the PSIAS. The results will also be provided to Audit Committee once the final report is issued.

Proposal

10. The Audit Committee endorse the approach and note the terms of reference for the required external review of compliance with the Public Sector Internal Audit Standards by Bristol City Council’s Internal Audit Team.
11. The Chair of the Audit Committee agrees to be the sponsor for the review.
12. The results of the review, once completed, are reported to Audit Committee. The Committee will monitor implementation of improvements identified as necessary as part of their ongoing role in determining the effectiveness of Internal Audit.

Other Options Considered

13. Assessment by other external providers was considered but discarded due to direct cost implication.

Risk Assessment

14. Significant non-compliance with the Public Sector Internal Audit Standards could undermine the value of the assurances provided by Internal Audit. Internal Audit are a key assurance provider to the Council and must apply professional audit standards to their approach and activity to ensure that assurance is credible and reliable.

Summary of Equalities Impact of the Proposed Decision

15. No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal.	None Sought.
Financial.	None Sought as there is no direct cost to this approach.
Land.	N/A
Personnel.	N/A

Appendices:

Appendix 1 – Terms of Reference: Bristol City Council Internal Audit Service Compliance with the Public Sector Internal Audit Standards.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

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