

## **External Assessment – Peer Review**

### **Bristol City Council's Internal Audit Service**

#### **Terms of Reference**

##### **Background Information**

The Public Sector Internal Audit Standard (PSIAS) introduced a requirement for an external assessment which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.

The two possible approaches to external assessments outlined in the standard include either a full external assessment or an internal self-assessment which is validated by an external reviewer.

External reviewers should:

- Possess a recognised professional qualification
- Have appropriate experience of internal audit within the public sector / local government
- Have detailed knowledge of leading practices in internal audit
- Have current, in-depth knowledge of the Definition, the Code of Ethics and the International Standards.

The Head of Internal Audit should discuss the proposed form of the external assessment with their line manager (where relevant) or Section 151 Officer (or equivalent) or Chief Executive prior to making recommendations to the Audit Committee regarding the nature of the assessment. The scope of the external assessment should have an appropriate sponsor, such as the Chair of the Audit Committee or Section 151 Officer.

The Head of Internal Audit should report the results of their quality assurance improvement programme (ongoing activity, internal and external assessments) to stakeholders. Such stakeholders should monitor the implementation of actions arising from internal and external assessments.

##### **Purpose of the Review**

The purpose of the external assessment is to help improve delivery of the audit service and establish whether governance requirements relating to provision of the service are embedded. The assessment should be a supportive process that identifies opportunities for development and enhances the value of the audit service to the authority.

## Proposed Approach

Members of the Core Cities group have elected to adopt the internal self-assessment approach validated by an external reviewer. The key benefit to this approach is cost. The Chartered Institute of Public Finance (CIPFA) offer a service to provide external assessments and can undertake a full quality assessment at an approximate cost of £30K. The Chartered Institute of Internal Auditors (CIIA) also offer a similar service at an approximate cost of £14k. They also provide a validated assessment, similar to the approach agreed by the core cities group, which takes around 5 working days and costs approximately £12.5k (costs based on quotes obtained for PSIAS reviews at Birmingham City Council).

There are financial savings to members of the Core Cities group by adopting the peer review approach outlined within this paper. In addition, the approach is in keeping with the promotion of collaborative working arrangements.

Each authority should determine an appropriate member of their team to conduct the external assessment, taking into account qualifications and relevant experience.

The external review of Bristol City Council's Internal Audit Service will be led by Shail Shah, who is the Head of Audit and Risk at Nottingham City Council. Shail Shah is ACCA qualified and has over 20 years of audit experience at Nottingham as Chief Auditor and previously as external auditor with one of the largest accounting firms.

Upon conclusion of the external assessment, the reviewer will offer a 'true and fair' judgement and it is proposed that each authority will be appraised as **Conforms**, **Partially Conforms** or **Does Not Conform** to the PSIAS.

## Independence and Objectivity

Prior to the assessments taking place all parties will agree the programme of peer reviews and an appropriate timetable, including the number of days required to undertake the reviews. It is important to ensure the independence of the auditor undertaking the peer assessment. Any known or perceived conflicts of interest should be disclosed. It should be acknowledged at the outset that all Core City Internal Audit services have some knowledge of each other.

It has been confirmed that Shail Shah, who is leading the assessment, is independent and has no links with Bristol City Council.

## **The Assessment Process**

Completion of the Checklist:

Each Head of Internal Audit must complete the Checklist for Conformance with the PSIAS which is attached to the Local Government Application Note in advance of the external assessment. It is essential that the basis of the assessment is documented.

It is envisaged that Bristol's Internal Audit Service will have completed its own checklist along with supporting documentation by 31<sup>st</sup> December 2022.

It is proposed that Bristol's external assessment is completed remotely, with the self-assessment and supporting documentation being provided electronically. It is also proposed that meetings are held via Teams or a similar alternative.

### **Pre Assessment Phase (2 days):**

- In accordance with this ToR, the checklist and supporting evidence will be provided electronically to Nottingham City Council by 31<sup>st</sup> December 2022.
- This evaluation of Bristol's submission will be completed by Nottingham City Council by 31<sup>st</sup> January 2023.
- The information provided to Nottingham City Council will include;
  - Relevant background information to gain an understanding of the service. This should include the Internal Audit Charter / Strategy or Terms of Reference (independence, scope authority, purpose and the relationship with the Audit Committee and senior executives).
  - Details of responsibilities, resources, structure and activities;
  - Details of any external client organisations e.g. Joint Authorities and consider whether such organisations may have different outcomes in terms of compliance with the PSIAS and whether separate assessments may be required
  - The completed self-assessment and supporting evidence; and
  - Evidence of how quality is maintained and performance is measured and reported.
- During this phase Nottingham will issue a questionnaire to 5 key stakeholders at the Council to obtain feedback on the internal audit procedures and process – TBA.
- Also during this phase, meetings will be held with key stakeholders at Bristol City Council to confirm some of the detail within the self-assessment and to obtain views on the Internal Audit Service. These meeting will include Bristol's Director of Finance / 151 Officer, the Chair of Bristol's Audit Committee and the Chief Executive.

### **Assessment Phase (1day):**

- This phase will allow Nottingham to raise and resolve any queries arising from the review of the self-assessment.
- The assessor from Nottingham will make arrangements with Bristol's Audit Team to examine a sample of audit engagements to verify compliance to the PSIAS and procedures.
- During this time the assessor from Nottingham will interview key staff in the Audit Team to confirm audit procedures and process.
- The assessor from Nottingham will undertake an exit meeting with the Head of Internal Audit.

### **Post Assessment Phase (1 day):**

The review should conclude with a detailed report providing an evaluation of the team's conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The report should highlight areas of partial conformance / non-conformance and include suggested actions for improvement, as appropriate.

### **Reporting Phase (1 day):**

- Discussion of the draft report with the Head of Internal Audit.
- Issue of draft final report and agreed actions to the Head of Internal Audit to confirm accuracy.
- Issue final report to the Head of Internal Audit and Sponsor
- Head of Internal Audit / Sponsor to report outcomes to their Audit Committee, together with an action plan and proposed implementation date(s).

It is envisaged that the assessment process should take 5 days in total.