

Audit Committee

6th March 2023



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 note that the Council's Internal Audit Service conforms to the requirements of the Public Sector Internal Audit Standards (PSIAS)

The Audit Committee endorse the action being taken by the Chief Internal Auditor to implement the single recommendation from the Peer Review

The Audit Committee note the positive outcome from the external assessment.

Summary

The PSIAS require that the Internal Audit Service be reviewed once every five years, by a qualified and independent reviewer, external to the organisation. Consistent with this requirement, the Internal Audit Service has been externally reviewed against the PSIAS in line with professional requirements by Nottingham City Council following the approach agreed with the Audit Committee in July 2022. The assessment concluded that Bristol City Council's Internal Audit Service conforms with the requirements of the Standards.

The significant issues in the report are:

The Internal Audit Service conforms with the requirements of the PSIAS. The positive outcome from the review reflects the significant improvements made by the whole team in the Service's approach and processes in the last few years. An action plan has been agreed to address the single recommendation identified from the assessment.

The full report is at Appendix A.

Policy

The external review of the Internal Audit function once every five years is a mandatory requirement of the Public Sector Internal Audit Standards (PSIAS) and 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:** Chief Internal Auditor, Corporate Leadership Board, S151 Officer, Executive Member for City Economy, Finance and Performance.
2. **External:** Head of Internal Audit and Risk – Nottingham City Council (author of Peer Review report)

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. Upon conclusion of the external assessment, the reviewer will offer a 'true and fair' judgement and each authority is appraised as **Conforms**, **Partially Conforms** or **Does Not Conform** to the PSIAS.
5. Bristol City Council's Internal Audit Service was last externally assessed against the PSIAS in 2017 by Sheffield City Council.
6. The Chief Internal Auditor from Nottingham City Council led the current review. The Terms of Reference for the review were agreed by the Audit Committee in July 2022 and it was agreed that the Chair of the Audit Committee be the sponsor of the review.
7. The review commenced in January 2023 and the report was finalised in February 2023.
8. As reflected in the Peer Review Report at Appendix A, the external assessment concluded that Bristol City Council's Internal Audit Service **conforms** to the requirements of the Public Sector Internal Audit Standards.
9. One recommendation was raised relating to updating the Internal Audit Charter to reflect the resourcing approach used by BCC Internal Audit in delivering assurance activities including the use of a strategic partner and other applicable resourcing arrangements. This recommendation has been agreed and will be completed in November 2023 when the Audit Committee approves the Charter as part of the annual review of the Internal Audit Service's Quality Assurance and Improvement Programme (QAIP).

10. The Peer Review Report makes references to a few areas of minor partial conformance which were based on BCC Internal Audit Service's own improvement agenda. The areas that have been noted include:

- Formalising the arrangements for obtaining feedback from the Chair of the Audit Committee and Chief Executive on the Chief Internal Auditor's performance
- Enhancing expertise in computer assisted audit techniques and data analytics
- Recommencing the annual feedback survey on internal audit performance

As stated in the report no recommendations were raised relating to this as these areas are already being prioritised and form part of the Audit Strategy that was agreed with the Audit Committee in November 2022.

11. The positive outlook from the report reflects the significant improvements made by the Service in the past three year. While the previous assessment which was completed five years ago had 28 recommendations this report has one recommendation. This positive trajectory is a result of the following key developments.

- Implementation of a new audit management software – Pentana Audit
- Using Pentana Audit to monitor and report implementation of agreed management actions
- Procuring of a strategic partner to build resilience in the team
- Strengthening IT assurance arrangements
- Prioritisation of colleague development through professional and continuous development programmes
- Developing and implementing a sound Audit Strategy
- Enhancing the engagement and collaboration with the business

Further improvements are detailed in the Audit Strategy and progress will be reported by the Chief Internal Auditor to the Audit Committee in November 2023 as part of the annual review of the QAIP.

Proposal

12. That the Audit Committee:

- a) Note that the Council's Internal Audit Service conforms to the requirements of the Public Sector Internal Audit Standards (PSIAS)
- b) Endorse the action being taken by the Chief Internal Auditor to implement the single recommendation from the Peer Review
- c) Note the positive outcome from the external assessment.

Other Options Considered

Not Applicable

Risk Assessment

- 13.** 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

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 – – Bristol City Council PSIAS Peer Review Final Report February 2023

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

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