

Report to: **Audit Committee**

Date: **13 July 2018**

By: **Orbis Chief Internal Auditor**

Title of report: **Independent External Assessment of Internal Audit**

Purpose of report: **To present the report detailing the findings from the recent independent external assessment of Orbis Internal Audit.**

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## **RECOMMENDATIONS**

**Members are recommended to:**

- 1. note the report and in particular the external assessor's conclusion that Orbis Internal Audit has achieved the highest level of conformance with relevant professional standards.**
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### **1. Background**

1.1 One of the key responsibilities of an audit committee is to monitor the performance of the organisation's internal audit service and satisfy itself as to the quality of audit services it receives. This assurance is obtained via a number of means, including regular update reports on internal audit activity, use of key performance indicators and regular assessments against relevant professional standards.

1.2 For internal audit in local government, these standards are set out within Public Sector Internal Audit Standards (PSIAS), based on the Institute of Internal Auditors International Professional Practices Framework. There are two main requirements for assessing compliance with the PSIAS; an annual self-assessment and also a five-yearly external assessment to be conducted by a qualified, independent assessor or assessment team, from outside the organisation.

1.3 During the latter part of 2017/18, South West Audit Partnership (SWAP) were commissioned to undertake this independent assessment of Orbis Internal Audit, covering the services delivered to each of the partner organisations (East Sussex County Council, Surrey County Council and Brighton & Hove City Council). This commission was agreed by each of the three audit committees and was the first such assessment of the shared internal audit service since the three separate teams had begun working together under single leadership.

1.4 The assessment itself was conducted during the final quarter of 2017/18 and involved a detailed examination and validation of our own self-assessment against the Standards along with interviews with a range of key stakeholders from across all three partner organisations.

### **2. Supporting Information**

2.1 The full external assessment report from SWAP is attached as appendix 1 and confirms that Orbis Internal Audit has achieved the highest of three available levels of conformance, 'Generally Conforms', 'Partially Conforms' or 'Does Not Conform'. This is an especially pleasing outcome given the relatively early stage in which the three teams have been working together and the full integration of the new shared service not being complete at the time of the review.

2.2 In summary, the assessors found that the service was in general conformance with all but three of the 45 standards it was assessed against and none of these were considered to be significant enough to affect the overall rating. One recommendation for improvement was made relating to updating the Internal Audit Charter to cover responsibilities for the appointment and removal of the Chief Internal Auditor to better secure the necessary independence. This has now been completed with updated charters recently approved by all three audit committees.

2.3 For the remaining two areas of partial conformance, the assessors did not make any formal recommendations in recognition that the service was already aware of these and taking action to address them.

### **3. Conclusions and Reasons for Recommendation**

3.1 As part of its responsibility to oversee the work of internal audit and satisfy itself as to the effectiveness of the service, the Audit Committee is recommended to note the independent external assessor's review of Orbis Internal Audit against professional standards and in particular the assessor's conclusion that the service has achieved the highest level of conformance.

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#### **BACKGROUND DOCUMENTS**

None