

**Audit, Risk and Governance Committee**  
Meeting to be held on Monday, 24 April 2023

Electoral Division affected:  
(All Divisions);

**Internal Audit's External Quality Assessment**  
(Appendix 'A' refers)

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**Brief Summary**

In accordance with the Public Sector Internal Audit Standards (PSIAS) the council's Internal Audit function is required to have an external quality assessment (EQA) undertaken at least once every 5 years as part of its Quality Assurance Framework.

To ensure compliance with this requirement, the Chartered Institute of Internal Auditors (CIIA) completed an external quality assessment of the Internal Audit Service in February 2023. This report provides the Audit, Risk and Governance Committee with information on the results of this assessment.

The assessment included a full validation of the Internal Audit Service's own self-assessment against the Public Sector Internal Audit Standards and the International Professional Practices Framework (IPPF). Interviews with key stakeholders across the council were held, along with discussions with Internal Audit Service team members and a stakeholder survey was issued to managers.

**Recommendation**

The Audit, Risk and Governance Committee is asked to consider the report and note the actions proposed in the report, which are designed to enhance the Internal Audit Service.

**Detail**

The Chartered Institute of internal Auditors defines external quality assessments as follows: "An EQA evaluates conformance with the Definition of Internal Auditing, the *International Standards of the Professional Practice of Internal Auditing* and an evaluation of whether internal auditors apply the Code of Ethics."

The mandatory elements of the International Professional Practices Framework include the Definition of Internal Auditing, Code of Ethics, Core Principles and



International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice.

The Internal Audit Service conforms to 56 of the 64 relevant principles, with partial conformance on 4 principles. 4 of the remaining principles were not relevant to Lancashire County Council's Internal Audit Service. This has resulted in an overall opinion that the Internal Audit team "generally conforms" to the Chartered Institute of Internal Auditors' standards. This is the same overall rating that the service achieved at the last assessment completed in November 2017 and is the highest of the three global grading definitions used in an external quality assessment. Appendix A is a fully copy of the Chartered Institute of Internal Auditors' report detailing their findings following the external quality assessment.

Section 3.1 of the Chartered Institute of Internal Auditors' report summarises the service's performance in 5 key areas. Since our last assessment we have improved in one of these areas (operating with efficiency) moving from satisfactory to good. We have retained the same rating in the other 4 areas. The report has identified areas for improvement which the service will be working towards going forwards with the aim of achieving a good standard for all 5 areas.

The Chartered Institute of Internal Auditors have reported in their external quality assessment annual performance report that on average the number of recommendations they make following external quality assessments, to help improve an internal audit function, is 14. Following this assessment, the Chartered Institute of Internal Auditors have made 5 recommendations.

Page 16 of the report provides feedback from stakeholder interviews and surveys, which overall is very positive and supportive of the Internal Audit Service. The report provides advice and a degree of challenge to help the Internal Audit Service continue its journey towards best practice and excellence.

## **Appendices**

<b>Appendix</b>	<b>Title</b>
Appendix A	Lancashire County Council EQA Final Report

## **Consultations**

The Chief Executive, the Executive Director of Resources, and the Director of Finance have been consulted.

## **Implications:**

This item has the following implications, as indicated:



## **Risk management**

This report supports the Audit, Risk and Governance Committee in undertaking its role, which includes providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

