



Chelmsford City Council Audit and Risk Committee

26 February 2025

Internal Audit External Quality Assessment and Global Internal Audit Standards Readiness Assessment Update

Report by:

Audit Services Manager

Officer Contact:

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Purpose

This report shares the outcome of Internal Audit's External Quality Assessment and update on Internal Audit's readiness for Global Internal Audit Standards.

Recommendations

Committee are requested to note the contents of this report.

1. Introduction

- 1.1. This document shares the outcome of the recent External Quality Assessment for Internal Audit and an update on Internal Audit's readiness for the new Global Internal Audit Standards which come into effect on 1st April 2025.

2. Internal Audit External Quality Assessment (EQA)

- 2.1. Public Sector Internal Audit Standards requires an external quality assessment (EQA) to be undertaken to provide the Council with an independent opinion about internal audit's conformance with the Standards and Code of Ethics.

- 2.2. It also requires the assessment to be undertaken by a qualified, independent assessor from outside the organisation. Across London, the London Audit Group has organised a system of independent externally validated self-assessments against the standards by suitably qualified individuals. To this end, the review of Chelmsford’s internal audit’s performance was undertaken by Christopher Martin who is the Head of Assurance for London Borough of Barking and Dagenham. The review took place in December 2024.
- 2.3. Based on the self-assessment, supporting evidence and independent validation, it is the view of the lead assessor that the Internal Audit service for Chelmsford City Council **generally conforms with the Public Sector Internal Audit Standards**.

| | |
|---------------------------|---|
| Generally Conforms | The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects. |
| Partially Conforms | The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit. |
| Does Not Conform | The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and practice statements within the section or sub-sections. These deficiencies will usually have a significant negative impact on the internal audit service’s effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the Audit Committee. |

2.4. Action Plan

Out of the 130+ standard categories that PSIAS incorporates, three areas for minor improvement were identified, with four recommendations made to address these:

| No. | Finding | Recommendation | Management response | Priority |
|-----|---|--|--|----------|
| 1. | The Audit Services Manager has operational responsibility for Counter Fraud and Risk Management, but no specific safeguards are in place to ensure independence in the event that Internal Audit activity takes place in this area. | The Audit Charter should be updated with specific arrangements that would apply to ensure independence when areas that fall under the operational control of the Audit Services Manager are audited. | Agreed. This will be reflected in the updated Audit Charter due to be presented to Audit and Risk Committee in March 2025. | Low |

| No. | Finding | Recommendation | Management response | Priority |
|-----|---|---|--|----------|
| 2. | In common with many local authority audit services, there has been an extended gap since the last external review because of uncertainty over the timing of the new global standards. | <p>External Assessments should be carried out every five years.</p> <p>The findings of internal and external assessments should be communicated to the Audit & Risk Committee.</p> | <p>Agreed. The EQA report will be presented to Audit and Risk Committee in March 2025. Future annual internal assessments will be appended to the Internal Audit Annual Report.</p> <p>The next external assessment will be due in 2029 and scheduled accordingly for that year.</p> | Low |
| 3. | There are no improvement actions set out in the current Quality Assurance and Improvement Plan (QAIP). | Consideration should be given to including an improvement plan in the QAIP to include any agreed actions from this report, and any other improvement measures that the Audit Services Manager identifies. | <p>Any improvement actions required (based on ongoing service review, feedback and/or KPI results) are considered and actioned accordingly.</p> <p>Going forward these actions will be additionally recorded as part of the QAIP.</p> | Low |
| 4. | There is currently no consideration in audit planning or reporting of the assurance provided by external bodies such as the RSPCA, Visit England and the Civic Trust (Purple Flag). | Consideration should be given to a degree of reliance being placed on the work of external assurance providers in developing the Internal Audit plan and Annual Opinion. | Agreed. These additional external providers of assurance will be considered in developing the plan and opinion. | Low |

2.5. The Full Report is attached containing more detail.

3. GIAS Readiness Assessment Update

- 3.1. From 1st April 2025, the current framework for Public Sector Internal Audit Standards will be superseded by new Global Internal Audit Standards (GIAS), supported by a new CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government and Local Government Application Note.
- 3.2. The new Standards Framework therefore encompasses: 51 Standards + 8 Local Government Application Notes + 9 Code of Practice Elements = 68 requirements in total
- 3.3. The positive outcome of the EQA provides a robust foundation for compliance with the new Standards. A GIAS readiness assessment has also been completed and it was found that as at January 2025, the service is 78% compliant with the full new suite of requirements.
- 3.4. The remaining 22% will be covered by some updates to Internal Audit practices and documenting these in an updated Audit Methodology, as well as the introduction of the annual Internal Quality Assessment report which will be appended to the Annual Report in June 2025. This will also formally set out any improvement actions identified.
- 3.5. Furthermore, the introduction of a new action tracker will ensure compliance with the new standards, and the outcome of this will be reported to Senior Management and Audit Committee as part of the Internal Audit Annual Report in June 2025.

4. Conclusion

- 4.1. This report shares the outcome of Internal Audit's External Quality Assessment and update on Internal Audit's readiness for Global Internal Audit Standards.

List of appendices: Final External Quality Assessment Report

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Management Team February 2025

Relevant Policies and Strategies: None
