

**POLICE AND CRIME COMMISSIONER FOR HAMPSHIRE AND  
HAMPSHIRE CONSTABULARY**

**JOINT AUDIT COMMITTEE – 4 DECEMBER 2014**

**EXTERNAL ASSESSMENT OF INTERNAL AUDIT – UPDATE**

**REPORT OF THE CHIEF Internal Auditor**

**1. PURPOSE**

- 1.1 In accordance with the Public Sector Internal Audit Standards (the Standards) the Head of the Southern Internal Audit Partnership must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.
- 1.2 The quality assurance and improvement programme must include both internal and external assessments. This report provides an overview of the requirements and provisions in place for the external assessment of the Southern Internal Audit Partnership.

**2. RECOMMENDATIONS**

This report recommends that:

- 2.1 The Joint Audit Committee note the arrangements for the external assessment of the Southern Internal Audit Partnership and make recommendations to the PCC and CC as appropriate.

**3. BACKGROUND**

*Quality Assurance and Improvement Programme (QAIP)*

- 3.1 The QAIP through its interpretation in the Public Sector Internal Audit Standards is:

*'a quality assurance and improvement programme designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement'.*

- 3.2 The QAIP must make provision for both internal and external assessments of the audit service

*Internal assessments*

3.3 Internal assessments must include:

- On-going monitoring of the performance of the internal audit activity; and
- Periodic self assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices (sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework).

3.4 In accordance with the Standards an internal self – assessment was undertaken against the ‘Local Government Application Note - Public Sector Internal Audit Standards’ checklist which was reported to the Joint Audit Committee as part of the Annual Audit Report & Opinion in June 2014, concluding that in all material respects the Southern Internal Audit Partnership are compliant with the Standards.

3.5 Whilst this process was independently verified by the Deputy Monitoring Officer (Hampshire County Council) it is still considered an internal assessment.

*External Assessments*

3.6 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation.

3.7 The Head of the Southern Internal Audit Partnership must agree with the sponsor (the S151):

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

*Form of External Quality Assessment (EQA)*

3.8 External assessment can be in the form of a full external assessment or a self-assessment with external validation.

*Full External Assessment*

3.9 A full EQA incorporates surveys and interviews with the head of internal audit, internal audit staff, customers and stakeholders. This is supported by examination of the internal audit approach and methodology leading to the completion of an independent report.

*Validated self-assessment*

- 3.10 An initial self-assessment is carried out by the Head of Southern Internal Audit Partnership which is then reviewed / validated by the external assessment team. Additionally surveys and interviews will be conducted with the Head of Internal Audit, internal audit staff and key stakeholders. Consideration will further be given to the audit approach and methodology culminating in an independent report.

*Qualification and Independence of the External Assessor*

- 3.11 A qualified assessor or assessment team must demonstrate competence in two areas:
- the professional practice of internal auditing; and
  - the external assessment process.
- 3.12 Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience.
- 3.13 An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of the organisation to which the internal audit activity belongs.

**4. CONCLUSION**

- 4.1 Compliance with the Public Sector Internal Audit Standards provides assurance that the internal activity meet with industry best practice and are efficient and effective in their approach.
- 4.2 The external assessment is a fundamental component in providing such assurance. With the Standards in their relative infancy and the diversity of organisations to which the Southern Internal Audit Partnership provide services, it was considered that the initial external assessment should be carried out by an independent external firm through a validated self assessment approach. Accordingly the Southern Internal Audit Partnership have commissioned the Institute of Internal Auditors to undertake the assessment exercise.
- 4.3 The review will be undertaken during July / August 2015 and outcomes of will be reported to the Joint Audit Committee.

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