

SOUTH STAFFORDSHIRE COUNCIL

AUDIT & RISK COMMITTEE – 23rd March 2023

INTERNAL AUDIT – External Quality Assessment

REPORT OF THE CHIEF INTERNAL AUDITOR

PART A – SUMMARY REPORT

1. SUMMARY OF PROPOSALS

- 1.1 This report informs Members of the results of the external quality assessment undertaken in January 2023; by the Chartered Institute of Public Finance and Accountancy (CIPFA) of Staffordshire County Council's and South Staffordshire's Internal Audit function.

2. RECOMMENDATIONS

- 2.1 To note the results of the external quality assessment undertaken in January 2023 which was carried out by CIPFA.

3. SUMMARY IMPACT ASSESSMENT

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	The delivery of the Internal Audit Plan by an effective Internal Audit function provides management with assurances that their service objectives which support the Council's priorities are being achieved. The work of Internal Audit covers those priorities contained within the Council's Plan 2020-2024.
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	The delivery of the Internal Audit Plan and Counter Fraud Plan is not considered to have any adverse implications to equal opportunities and diversity policies.
SCRUTINY POWERS APPLICABLE	No	
KEY DECISION	No	
TARGET COMPLETION/ DELIVERY DATE	An external assessment of the Internal Audit Function must take place at least once every five years. The last external	

		assessment was in January 2018. The latest review was planned for January 2023.
FINANCIAL IMPACT	No	There are no direct financial implications. The current costs of the Internal Audit Service are contained within the Medium Term Financial Strategy as are the costs of insurance covers to mitigate the cost of any financial loss arising from the failure of internal controls.
LEGAL ISSUES	Yes	Section 151 of the Local Government Act 1972 The Accounts & Audit Regulations 2015 The Accounts and Audit (England) Regulations 2015, specifically require that the Authority 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Proper internal audit practices for Local Government are defined as constituting adherence to the requirements of both the UK Public Sector Internal Audit Standards and CIPFA's Local Government Application Note.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	Internal audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit will continue to align its work with the Strategic and Operational Risk Registers.
IMPACT ON SPECIFIC WARDS	No	No impact.

PART B – ADDITIONAL INFORMATION

- 4.1 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 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 (EQA) or a combination of both methods. However, the standards state (standard 1312) 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. The service's last EQA was undertaken in January 2018 where the Service was deemed to be conforming to the standards and therefore a further external assessment was scheduled for January 2023 and which was subsequently procured from CIPFA following a quotation process.

- 4.2 The EQA comprised a combination of a review of documentation provided by Internal Audit; a review of a sample of completed audits, a survey completed by a range of stakeholders as well as interviews with key stakeholders at South Staffordshire Council. This work took place week commencing 16th January 2023.
- 4.3 The PSIAS define (i) the nature of internal auditing, (ii) set out the basic principles for carrying out internal audit in the public sector and provide a framework for the service which adds value to both Staffordshire County Council and South Staffordshire Council, leading to improved organisational processes and operations, and (iv) establish the basis for the evaluation of internal audit performance and to drive improvement planning. Within Local Government, further guidance as to how these standards are to be applied is provided within CIPFA's Local Government Application Note (LGAN) which were last revised in 2019.
- 4.4 The report attached as **Appendix 1** details the full results of the independent assessment. Paragraph 4 of the report outlines the overall conclusion and the opinion of the assessor. The key highlights are that there are no areas of non-compliance or partial compliance with the standards identified. In addition, the assessor has not identified any issues from the EQA that management need to address regarding the Service's conformance to the current standards.
- 4.5 Based on the assessor's work undertaken, the overall conclusion is – *'It is our opinion that the self-assessment for the Staffordshire County Council's Internal Audit Service is accurate and as such we conclude that the Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note'*. This is the highest category level that can be awarded via the CIPFA assessment process.
- 4.6 Whilst no recommendations have been made, there is one advisory action for management to consider which relates to keeping a watching brief on the developments to the standards which are due to be consulted on and revised during 2023/24.

5. **IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

- 5.1 None identified.

6. **PREVIOUS MINUTES**

- 6.1 Not Applicable.

Report prepared by: *Deborah Harris*
Chief Internal Auditor
7th March 2023