

<b>Local Members Interest</b>
N/A

## **Audit and Standards Committee - Tuesday 21 March 2023**

### **Internal Audit – External Quality Assessment**

#### **Recommendation(s)**

I recommend that:

- a. Members note the results of the external quality assessment undertaken in January 2023 of Staffordshire County Council’s Internal Audit function.

#### **Report of the Director of Finance & Section 151 Officer**

### **Report**

#### **Background**

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.
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. This work took place week commencing 16<sup>th</sup> January 2023.

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 the County 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. 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.
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.
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.

### **Equalities Implications**

7. There are no direct implications arising from this report.

### **Legal Implications**

8. Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations 2015 specifically require that a relevant body must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices". This is demonstrated through compliance with the PSIAS.

### **Resource and Value for Money Implications**

10. The cost of the assessment was £4,875 plus VAT and this expenditure was procured in accordance with the Council's Procurement Regulations following a quotation exercise.

### **Risk Implications**

11. There are no specific risk implications presented by this report.

### **Climate Change Implications**

12. There are no direct climate change implications arising from this report.

### **List of Background Documents/Appendices:**

Public Sector Internal Audit Standards – April 2017  
Local Government Application Note – April 2019

**Appendix 1** – CIPFA External Quality Assessment of Conformance to the Public Sector Internal Audit Standards (dated 24<sup>th</sup> February 2023)

### **Contact Details**

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