

|                               |   |
|-------------------------------|---|
| <b>Report To:</b>             | <b>AUDIT COMMITTEE</b>  |
| <b>Date:</b>                  | <b>28 NOVEMBER 2022</b>   |
| <b>Heading:</b>               | <b>CENTRAL MIDLANDS AUDIT PARTNERSHIP – EXTERNAL QUALITY ASSESSMENT</b> |
| <b>Executive Lead Member:</b> | <b>NOT APPLICABLE</b>   |
| <b>Ward/s:</b>                | <b>NOT APPLICABLE</b>   |
| <b>Key Decision:</b>          | <b>NO</b>   |
| <b>Subject to Call-In:</b>    | <b>NO</b>   |

### **Purpose of Report**

To receive the outcome/findings from the External Quality Assessment (EQA) undertaken by Business Risk Solutions in September 2022 which assessed the Central Midlands Audit Partnership's (CMAP) conformance with the Public Sector Internal Audit Standards (PSIAS).

### **Recommendation(s)**

To note the findings of the external quality assessment.

### **Reasons for Recommendation(s)**

Significant non-compliance with the Public Sector Internal Audit Standards could undermine the value of the assurances provided by CMAP. Internal Audit is a key assurance provider to each Partner Organisation and must apply professional audit standards to their approach and activity to ensure that assurance is credible and reliable.

### **Alternative Options Considered**

None, the report is for noting.

## Detailed Information

### Background to the External Quality Assessment (EQA)

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 1st April 2013 (revised 2016 and 2017). In local government, the way internal audit services operate is more flexible than in other parts of the public sector where there is a large degree of central control. To ensure local authority internal audit services apply the PSIAS in a uniform way, CIPFA has produced the local government application note (LGAN) which provides additional detail for each of the individual standards. The LGAN is mandatory for local authority internal audit.

All public sector internal audit services are required to assess their performance on conformance to the standards and this can be achieved by undertaking periodic self-assessments, or external quality assessments, or a combination of both methods. CMAP undertakes a regular self-assessment of its conformance with the PSIAS.

However, the Public Sector Internal Audit Standard 1312 requires that *"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation"*. This can be in the form of a full assessment or the validation of the internal audit service's own self-assessment.

Assessments are based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.
- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

CMAP was previously externally quality assessed in 2017 and it was determined that it generally conformed with each standard.

### The 2022 External Quality Assessment (EQA)

Business Risk Solutions (BRS) undertook the EQA in September 2022. The final report was presented to the CMAP Operational Board (which is attended by the Director of Legal and Governance) on 9 November 2022.

The overall assessment is that CMAP ***"Generally Conforms with the Public Sector Internal Audit Standards"***. The report also states that **CMAP compare favourably with peer groups in both local government and the private sector**. CMAP came out as **"best in class"** position in terms of all the EQA reviews that BRS has done. **Feedback to the CMAP Operational Group was that CMAP was an established team that was well regarded by clients.**

The good practice identified during the review was:

- An Internal Audit Charter setting out the role and responsibilities of Internal Audit guides delivery and establishes the basis upon which the Head of Internal Audit's Annual Opinion will be based.

- The service has developed a documented internal audit methodology and supporting templates that delivers a consistent service.
- Consistent supervisory processes ensure that a standard approach delivers a robust assurance report.
- Routine reporting informs clients and the Audit Committee regarding progress regarding completion of the internal audit plan, findings and the follow up of recommendations.
- Self-assessment identifies areas in which future development will be beneficial and is based upon the development of job descriptions, performance appraisals, the establishment of a training matrix and client feedback.

The areas for consideration from the review were:

- Increasing integration of the use by internal audit of risk-based techniques with the risk appetite of each client particularly in terms of planning at a strategic and engagement level would be mutually beneficial, the degree to which this is possible is hampered by the variable maturity of client risk management processes.
- Developing a clear alignment through the working papers for each assignment to focus on agreed management objectives and the associated significant risks and relevant key controls will assist in the provision of a transparent assurance opinion in the final audit report.
- Consideration should be given to the revision of the basis for expressing internal audit recommendations and opinions in line with risk impact definitions recognised by each client within its Risk Management Policy rather than rely on those of a generic nature.
- Formalise Quality Assurance Improvement Programme processes.

The CMAP Leadership team are in the process of evaluating the points for consideration that BRS made. A further report will be presented to the CMAP Operational Board regarding actions CMAP intends to take as a result of the points for consideration raised in the review.

## **Implications**

### **Corporate Plan:**

To ensure we deliver high-quality public services we have adopted a set of corporate values which underpin the successful delivery of our priorities. How we work is as important as what we do. The Council's values are:

- People Focussed
- Honest
- Proud
- Ambitious

It is important that the Council has the most effective infrastructure and support to enable:

- The delivery of the Corporate Plan
- Financial sustainability to continue to deliver key services
- A productive workforce that delivers services well

### **Legal:**

There are no legal issues identified in the report. [RLD 15/11/2022]

**Finance: There are no financial implications arising from this report. [PH 16/11/2022].**

| <b>Budget Area</b>                          | <b>Implication</b> |
|---|--------------------|
| General Fund – Revenue Budget               | N/A                |
| General Fund – Capital Programme            | N/A                |
| Housing Revenue Account – Revenue Budget    | N/A                |
| Housing Revenue Account – Capital Programme | N/A                |

**Risk:**

| <b>Risk</b>  | <b>Mitigation</b> |
|--|-------------------|
| There are no risks identified in relation to the report or the recommendation. |                   |

**Human Resources:**

**Environmental/Sustainability**

There are no environmental/sustainability issues identified in the report.

**Equalities:**

There are no equalities issues identified in the report.

**Other Implications:**

**None.**

**Background Papers**

None.

**Report Author and Contact Officer**

Ruth Dennis  
DIRECTOR OF LEGAL AND GOVERNANCE  
[ruth.dennis@ashfield.gov.uk](mailto:ruth.dennis@ashfield.gov.uk)

01623 457009