

Wednesday, 22 March 2023

**Report of the Audit Manager**

**Public Sector Internal Audit Standards & External Quality Assessment**

**Exempt Information**

None.

**Purpose**

To report on the External Quality Assessment completed to ensure compliance with the Public Sector Internal Audit Standards and outline to committee the agreed Action Plan for improvements.

**Recommendations**

**That the Committee endorses:**

1. **The External Quality Assessment and the responses to the recommendations made**

**Executive Summary**

The Public Sector Internal Audit Standards (PSIAS) came into force on the 1<sup>st</sup> April 2013. The Standards require that Internal Audit comply with the professional best practice and that the External Quality Assessment (EQA) should be completed at least every five years. The last EQA was completed in 2017/2018 and to confirm to the standards a further EQA was completed in December 2022/January 2023. The EQA has recently been completed and the report is attached at **Appendix 1**. The report identifies areas of good practice as well as identifying some issues and recommendations to enhance the service.

The External Quality Assessor will provide an overall assessment of the service and the presentation is attached as **Appendix 2**. The overall assessment is that the service 'generally conforms' to the Standards:

<b>Resources</b>	<b>Excelling</b> – Processes in this area are embedded within every day practices and mostly reflect best practice that is consistent with PSIAS expectations.
<b>Competency</b>	<b>Established</b> – Processes in this area are generally compliant with the PSIAS and embedded within every day practices; the EQA has identified a number of areas where further development would be beneficial.
<b>Delivery</b>	<b>Established</b> – Processes in this area are generally compliant with the PSIAS and embedded within every day practices; the EQA has identified a number of areas where a more consistent approach and further development would be beneficial.

The report also benchmarks the Internal Audit Service against fellow peers and this is detailed in the table below:

	<b>% - percentage compliance</b>
Lichfield/Tamworth	81%
Local Government Average	82%
Local Government Range	73% - 90%

In comparison with other local government Internal Audit providers the Shared Service between Tamworth and Lichfield compares well considering the size of the service and the requirement to procure services to cover vacancies from external contractors. It is also noted that the service also sits well within the current range of compliance across the local government. The report details the benchmarking undertaken and further comparisons across the private sector. Further analysis is shown within Part 3 of **Appendix 1**.

The report details a number of recommended actions for improvements to the Internal Audit Service which have been considered and the appropriate responses are detailed in **Appendix 3**. The actions outlined within the Action Plan are graded as follows;

<b>Recommendation grading</b>	<b>Explanation</b>
<b>Enhance</b>	The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS standards in order to demonstrate a contribution to the achievement of the organisations' objectives in relation to risk management, governance and control.
<b>Review</b>	The Internal audit service should review its approach in this area to better reflect the application of the PSIAS.
<b>Consider</b>	The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services

The number of recommendations in each area are outlined below:

<b>Recommendation Grading</b>	<b>Number of Recommendations</b>	<b>Number agreed</b>
Enhance	NIL	NIL
Review	7	7
Consider	5	5
	<b>12</b>	<b>12</b>
<b>Suggested Enhancement</b>	<b>6</b>	<b>6</b>

As outlined in the table above and supported by the attached Action Plan **Appendix 3** the suggested recommendations are focussed in the 'Review' and 'Consider' category and no recommendations fall under the 'Enhance' rating. In addition 6 suggested enhancements were made at the conclusion of the review and these have been incorporated into the Action Plan.

The actions incorporated in the planned improvements will lead to specifically;

- Enhancing the Internal Audit Charter and Protocols;
- Improve the audit planning model and allow for the strategic and operational of the council's risk management framework and provide assurance of the mitigating controls in place; and

- Supplement the audit approach to provide an assessment and assurance that the objectives of the Council are being met.

The Action Plan will be regularly reviewed by the Audit Manager and reported to senior management. Additionally, the Action Plan will be reported as part of the Quality Improvement Assurance Policy and through the quarterly progress reports submitted to this committee.

### **Options Considered**

None.

### **Resource Implications**

None.

### **Legal/Risk Implications Background**

There is a risk that non-compliance with the PSIAS will mean that an effective system of internal control is not in place and therefore we are not complying with the Accounts and Audit (England) Regulations 2015.

### **Equalities Implications**

None.

### **Environment and Sustainability Implications (including climate change)**

None.

### **Background Information**

None.

### **Report Author**

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### **List of Background Papers**

None.

### **Appendices**

**Appendix 1 – External Quality Assessment**  
**Appendix 2 – External Quality Assessment Presentation**  
**Appendix 3 – External Quality Assessment Action Plan**

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