



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
22 February 2017	
9:30 am	<u>Public</u>

INTERNAL AUDIT QUALITY ASSURANCE IMPROVEMENT PROGRAMME – EXTERNAL ASSESSMENT

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1. Summary

Shropshire Council Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS). As part of this process the service must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity.

This programme is designed to enable an evaluation of the service's conformance with the definition of internal auditing, the standards and whether auditors apply the code of ethics (PSIAS). The programme assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. This quality assurance and improvement programme includes both internal and external assessments. An external assessment has to be conducted every five years and 2016 was the first opportunity for such an assessment at Shropshire. This report provides members with an update following the external assessment conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in November 2016.

CIPFA concluded from the evidence reviewed as part of the external quality assessment: 'no areas of non-compliance with the standards have been identified that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance. ***On this basis, it is our opinion that Shropshire Council Audit Services generally conforms to the requirements of the Public Sector Internal Audit Standards. It is also our opinion that they generally conform to the requirements of the Local Government Application Note***'.

An action plan has been agreed to further improve the controls already in place and this is contained in **Appendix A**, page 14, along with the full report from CIPFA.

2. It is recommended that:

The Committee consider and endorse, with appropriate comment, the information set out in this report.

REPORT

3. Risk assessment and opportunities appraisal

- 3.1 It is a requirement of the PSIAS to have an external assessment, the results of which can be used to demonstrate the Service's quality to both its main customer, Shropshire Council, and other clients.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015. There are no direct environmental, equalities or climate change consequences of this proposal.

4. Financial implications

The review cost £6,325 plus officer time spent in preparation and support of the process. This was met from within existing budgets.

5. Background

- 5.1 An external assessment of the Audit's team's compliance with the PSIAS must be completed every five years by a qualified, independent assessor or assessment team. Members will recall, as reported at their September meeting, that following a tender process with other councils co-ordinated by Staffordshire County Council, the contract to conduct the assessment was awarded to CIPFA. CIPFA set the internal audit standard within local government and have a deep knowledge of the impact of the PSIAS on the wider public sector. They are therefore well placed to conduct such a review. CIPFA also have responsibility for setting accounting standards for a significant part of the economy and can therefore use this experience to provide pertinent feedback. CIPFA is independent of the Council. Ray Gard, FCCA, CFIIA, CPFA, DMS, conducted the review on behalf of CIPFA.
- 5.3 The review was carried out between the 21st and 25th of November 2016 through a process of interviews with employees of Shropshire Council's Audit Services (SCAS), key officers and members within the Council, and the main external clients, plus a document review. With regard to the latter, Internal Audit made a comprehensive range of documents available for examination during the review. This included their own robust self-assessment and quality assurance and improvement plan (QAIP); the audit manual and guidance for employees; individual audit reports; and a range of reports and communications that demonstrate the flow of information between Internal Audit and the audit committees of the Council and their main clients.
- 5.4 From the evidence reviewed, CIPFA found no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance. On this basis, CIPFA concluded: ***that Shropshire Council Audit Services generally conforms to the requirements of the Public Sector Internal Audit Standards. It is also our opinion that they generally conform to the requirements of the Local Government Application Note.***

- 5.5 Two areas of partial compliance were identified under standard 1000, Purpose authority and responsibility and 1100, Independence and objectivity. The agreed action plan at Appendix 1 of **Appendix A** sets out some recommendations (R) to address these issues and improve conformity with the standards. Both require slight adjustments to the Audit Charter and year-end report to achieve this. In addition, CIPFA made some suggestions (S), in areas where there are opportunities for improvement and development to enhance operations and learn from current best practice. These have been included in the action plan at Appendix 1 to their report. These suggestions are in addition to best practice improvements already identified in Internal Audit's improvement plan and reported to your June 2016 Committee.
- 5.6 The Head of Audit has committed to implementing the recommendations and suggestions within agreed timescales as reported in **Appendix A**

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Public Sector Internal Audit Standards (PSIAS).
 CIPFA's Local Government Application Note (LGAN)
 Various internal documents supporting self-assessment against the PSIAS.
 Accounts and Audit Regulations 2015

Cabinet Member (Portfolio Holder)

Malcolm Pate, Leader of the Council and Tim Barker, Chairman of Audit Committee

Local Member: All

Appendices:

Appendix A: CIPFA's Final Report: External Quality Assessment of Shropshire Council Audit Services against the Public Sector Internal Audit Standards (2016)