



<u>Committee and Date</u>
Audit Committee
22nd February 2022
10:00am

<u>Item</u>
<u>Public</u>

INTERNAL AUDIT QUALITY ASSURANCE – EXTERNAL ASSESSMENT OUTCOMES 2021/22

Responsible Officer Ceri Pilawski
e-mail: Ceri.pilawski@shropshire.gov.uk Tel: 01743 257739

1. Synopsis

CIPFA conducted an external assessment and concluded that; 'Shropshire Council's Audit Services self-assessment is accurate and they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note'.

2. Executive Summary

- 2.1. 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.
- 2.2. 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 must be conducted every five years and this is only the second time for the assessment at Shropshire. The assessment reviewed the accuracy of the Audit Services' own self-assessment against the PSIAS. This report provides members with an update following the external assessment conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2021.
- 2.3. CIPFA concluded from the evidence reviewed as part of the external quality assessment that in their opinion,

'Shropshire Council's Audit Services self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note'.

- 2.4. There are no areas of non-compliance with the standards identified.

- 2.5. An advisory action to explore the merits of the 'Smartanalyser' add on tool for IDEA was made and responded to.

3. Recommendations

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

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. 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.
- 4.2. 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 or equalities consequences of this proposal.

5. Financial Implications

- 5.1. The cost of the review was met from existing budgets.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaptation. However, the work of the Committee and the Internal Audit service will look at these aspects relevant to the governance, risk management and control environment.

7. Background

- 7.1. 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 quotations were requested from two Internal Audit specialist bodies and the contract awarded to the Chartered Institute of Public Finance and Accountancy (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 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 to the service and its clients. CIPFA is independent of the Council and Ray Gard, FCCA, CFIIA, CPFA, DMS, conducted the review in November/December 2021.

7.2. The review was carried out 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. 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. The full CIPFA report is attached as **Appendix A**.

7.3. From the evidence reviewed, CIPFA found no areas of non-compliance with the standards:

Standard / Area Assessed	Level of Conformance
Mission Statement	Fully Conforms
Core principles	Fully Conforms
Code of ethics	Fully Conforms
Attribute standard 1000	Fully Conforms
Attribute standard 1100	Fully Conforms
Attribute standard 1200	Fully Conforms
Attribute standard 1300	Fully Conforms
Performance standard 2000	Fully Conforms
Performance standard 2100	Fully Conforms
Performance standard 2200	Fully Conforms
Performance standard 2300	Fully Conforms
Performance standard 2400	Fully Conforms
Performance standard 2500	Fully Conforms
Performance standard 2600	Fully Conforms

7.4. CIPFA reported identifying many areas of notable good practice. In particular, highlighting the following as good examples of best practice that would benefit any modern internal audit function:-

- the comprehensive audit charter;
- detailed Pentana user guide, audit manual and procedure notes;
- full utilisation of the ‘three lines’ model of assurance that underpins the work of the Service;
- use of computer assisted audit techniques to audit large and complex data sets;
- the direction of travel box/table for audit assurance opinions included in audit reports; and

- the comprehensive audit control sheet and Pentana checklist.

7.5. CIPFA concluded that:

It is our opinion that Shropshire Council's Audit Service's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

7.6. An advisory action to explore the merits of the 'Smartanalyser' add on tool for IDEA was made and responded to. In addition, the assessor asked if it was acceptable to the Head of Audit, to put another Audit service in touch with them where the service is in its infancy and looking for best practice and support from a well-established one. This was agreed and initial contact made by officers from a newly formed Unitary Council.

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) Lezley Picton, Leader of the Council and Brian Williams, Chairman of the Audit Committee

Local Member N/A

Appendices

Appendix A: CIPFA's Final Report: External Quality Assessment of Conformance to the Public Sector Internal Audit Standards; Shropshire Council's Audit Service; Final Report, 9th December 2021