

<b>TITLE</b>	<b>2023/24 External Quality Assessment of Conformance to the Public Sector Internal Audit Standards</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 27 September 2023
<b>WARD</b>	None specific
<b>LEAD OFFICER</b>	Catherine Hickman Head of Internal Audit & Investigation

## **OUTCOME / BENEFITS TO THE COMMUNITY**

Public assurance about the Council's risk, control and governance environment.

## **RECOMMENDATION**

The Committee is asked to note the outcome of the External Quality Assessment for Wokingham Borough Council's Internal Audit Service and the assessment of the Council's compliance with audit standards and the quality of the Internal Audit Service

## **SUMMARY OF REPORT**

- 1.1 Internal Audit within the Public Sector in the UK is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since April 2013 (updated April 2016 and 2017).
- 1.2 The Professional Standards require an external quality assessment (EQA) at least once every 5 years as part of Internal Audit's Quality Assurance Framework. This is the second EQA of conformance to the (PSIAS) that the Internal Audit Service has undergone, since 2017.
- 1.3 This report provides the Audit Committee with information on the result of the latest external quality assessment undertaken in July 2023.
- 1.4 The assessment report shows that the Council's Internal Audit function to have achieved the highest level of conformance 'Fully Conforms' to the requirements of the PSIAS and the associated Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government advisory note (LGAN). From the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the standards were identified, nor were any significant areas of partial non-compliance identified. There were no recommendations for improvement in the report, only five minor advisory suggestions made for consideration that are being actioned. These have been set out in the body of the report attached.

## **Background**

The Council's Internal Audit function is delivered by an in-house team and provides internal audit and investigation services to Wokingham Borough Council. In addition, work is provided to external clients.

The Internal Audit team comprises experienced and qualified staff (in addition to the Head of Internal Audit and Investigation).

The Public Sector Internal Audit Standards (PSIAS), which have been in place since April 2013 (updated April 2016 and 2017) consist of the following elements:-

- Mission Statement and Definition of Internal Audit
- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics, and Attribute and Performance Standards for the Professional Practice of Internal Auditing

They aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors.

They reaffirm the importance of robust, independent and objective internal audit assurance.

In local government, the PSIAS are mandatory, as required by the Accounts and Audit Regulations. The Internal Audit function must also comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Advisory Note (LGAN) associated with the Standards.

The Standards require an external assessment at least once every 5 years as part of an Internal Audit's Quality Assurance Framework. They must be conducted by a qualified, independent assessor or assessment team from outside the organisation and our assessment was undertaken by CIPFA.

The review was carried out week commencing the 10<sup>th</sup> July 2023 through a process of interviews with the Chair of the Audit Committee, Senior Management, including Statutory Officers, in addition to a survey sent to all management audited during the last two financial years.

The External Assessor concluded that the Head of Internal Audit and Investigation is an experienced internal audit professional who is a CCAB accountant (CIPFA) and a Chartered Internal Auditor. All of the Senior Auditors are experienced internal audit professionals and three hold relevant professional and academic qualifications.

In addition, he concluded that the clear indication from this EQA is that the Internal Audit and Investigation Service is managed effectively and conforms to PSIAS standards and the LGAN

The Team members were noted to perform their duties with due professional care.

The Internal Audit and Investigation Service has developed an effective quality assurance process which feeds into their quality assurance and improvement programme that ensures engagements are performed to a high standard.

The results of the interviews with the key stakeholders were positive with the interviewees valuing the professionalism, knowledge and quality of the service and objective way the Internal Audit and Investigation Service is delivered. A similar picture emerged from the survey where the respondents valued the service provided by Internal Audit and Investigation. There were no ‘do not agree’ responses to any of the statements in the survey. The detailed findings from the survey have been shared with the Head of Internal Audit and Investigation and a summary of the survey results is included in the attached report.

The Assessor concluded that no areas of non-compliance with the standards had been identified, nor had any significant areas of partial non-compliance been identified, that would affect the overall scope or operation of the internal audit activity.

This assessment helps provide confidence to the Council over the quality of the service and those within the team providing the service. In addition, it demonstrates how the service contributes to the governance and internal control framework of the Council.

**FINANCIAL IMPLICATIONS OF THE RECOMMENDATION**

***The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.***

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

<b>Other financial information relevant to the Recommendation/Decision</b>
An effective internal audit and investigation function mitigates financial and other risks associated with the Council achieving its objectives.

<b>Cross-Council Implications</b>
Internal Audit works across all areas of the Council – effective internal audit is one of the ways assurance is provided that the Council’s key priorities and objectives will be achieved.

<b>Public Sector Equality Duty</b>
The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. This report is a non-decision-making report providing an update on the work of audit and investigation.

**Climate Emergency – This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030**

This report has a positive impact on the climate emergency agenda, as it provides public assurance about the Council’s risk, control and governance environment including in respect of Net-Zero Carbon (Climate Emergency).

**Reasons for considering the report in Part 2**

Not applicable.

**List of Background Papers**

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-auditstandards>

<https://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

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