

Report sponsor: Strategic Director - Corporate Resources
Report author: Head of the Audit Partnership

Central Midlands Audit Partnership – External Quality Assessment

Purpose

- 1.1 To receive the outcome and 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)

Recommendations

- 2.1 To note the findings of the external quality assessment.

Reasons

- 3.1 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.

Supporting information

Background to the External Quality Assessment (EQA)

- 4.1 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.
- 4.2 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.

- 4.3 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.
- 4.4 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.
- 4.5 CMAP's was previously externally quality assessed in 2017 and it was determined that it generally conformed with each standard.

The 2022 External Quality Assessment (EQA)

- 4.6 Business Risk Solutions (BRS) undertook the EQA in September 2022 and the final report is attached at Appendix 1.
- 4.7 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 within local government. Feedback to the CMAP Operational Group was that CMAP was an established team that was well regarded by clients.
- 4.8 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.

- 4.9 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.
- 4.10 The CMAP Leadership team are in the process of evaluating the points for consideration that BRS made. It needs to be borne in mind that the Standards best reflect an internal audit service of an individual entity. CMAP took the decision when it was formed to use a uniform approach to internal auditing across the partnership. Some of the suggested recommendations will require a tailored approach for individual partners to reflect the differences in risk management, governance, terminology etc. For example, using each Partners risk impact definitions when expressing audit recommendations and opinions would require a different set of working papers and reporting for each Partner. We believe that changes of this nature may reduce the benefits that Partners receive from the efficiencies achieved through a standardised approach, particularly as CMAP staff are not dedicated to one partner and tend to work across the Partnership.

Public/stakeholder engagement

- 5.1 None

Other options

- 6.1 None

Financial and value for money issues

- 7.1 None

Legal implications

- 8.1 None

Climate implications

- 9.1 None

Socio-Economic implications

10.1 None arising directly from this report.

Other significant implications

11.1 None

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Strategic Director – Corporate Resources	
Finance		
Service Director(s)		
Report sponsor		
Other(s)		

Background papers:	
List of appendices:	EQA Final Report