



## Report of the Chief Auditor

Governance and Audit Committee – 25 October 2023

### External Assessment Report 2023/24

<b>Purpose:</b>	This report provides a summary of results of the external assessment of compliance with the Public Sector Internal Audit Standards undertaken by the Internal Audit Team of Blaenau Gwent County Borough Council.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Corporate Management Team, Legal and Access to Services
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<b>For Information</b>	

#### 1. Introduction

- 1.1 An effective, objective and independent internal audit service (IAS) is the cornerstone of good governance in all public sector bodies. Internal audit plays a pivotal role in providing assurance to officers and members that the system of internal control within their organisation is operating effectively and to recommend how that system of internal control can be strengthened.

#### 2. Public Sector Internal Audit Standards

- 2.1 From 1 April 2013, a new set of internal audit standards for the public sector, the 'Public Sector Internal Audit Standards' (PSIAS) have been in effect. The PSIAS adopt the principal requirements of the Institute of Internal Auditors Professional Practices

Framework and adapt these to ensure they are relevant and appropriate for the UK public sector. The PSIAS were updated and re-issued in 2017.

2.2 The overall objective of the PSIAS is to provide a high-level, overarching framework applicable to all public sector bodies. In summary, the Standards:

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the UK public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

### **3. Local Government Application Note**

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) recognised the potential significance of the changes resulting from the adoption of the PSIAS and provided guidance to internal auditors in the form of an Application Note. The Application Note and PSIAS combined constitute 'proper practices' in internal control as set out in the Accounts and Audit Regulations.

### **4. External Assessment**

4.1 The Public Sector Internal Audit Standard introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.

4.2 The two possible approaches to external assessments outlined in the standard included either a full external assessment or an internal self-assessment which is validated by an external reviewer. Members of the Welsh Chief Internal Auditor Group (WCIAG) elected to adopt the self-assessment approach, with another member of the WCIAG undertaking the validation. The Chief Audit Executive (Chief Auditor) has undertaken a self-assessment in accordance with the PSIAS and submitted it, together with supporting evidence, to the Head of Internal Audit at Blaenau Gwent County Borough Council for Validation.

4.2 This is the second external assessment that has been undertaken. The first assessment, completed in 2017/18 by Cardiff Council, concluded that the Council was broadly compliant with the PSIAS and CIPFA Application Note with no significant deviations from the standards being noted. Some minor suggestions for improvement were made all of which were addressed.

4.3 The most recent review by Blaenau Gwent County Borough Council was undertaken between December 2022 and August 2023. Meetings were also held with various officers within Swansea Council.

4.4 The External Assessment Report outlining the findings of the review can be found in Appendix 1.

## **5. Conclusion**

5.1 The assessment comprised a desktop review of the self-assessment and supporting evidence and discussions were held with the Chief Audit Executive (CAE), by the Professional Lead and the Senior Auditor at Blaenau Gwent CBC to gain insight and views on the operation of the Internal Audit Team and adherence to the Standards.

5.2 In summary, there are 304 best practice lines within the PSIAS. The Internal Audit Service of Swansea Council has been assessed as fully conforming with 303 of the requirements (includes those not applicable). One area of partial compliance was noted in relation to a dedicated Information Technology audit resource within the team. Therefore, the Internal Audit Service of Swansea Council has been assessed as generally conforming with the standards in all significant areas and operating independently and objectively. Three optional actions were also suggested as part of the review with the aim of enhancing existing compliance in some areas, as shown in Appendix 1.

5.3 Actions that will be completed to address the one area assessed as partially compliant and the three suggestions to enhance current compliance can be found in the Action Plan contained in the External Assessment Report in Appendix 1 for Governance and Audit Committee's consideration and comment.

## **6. Integrated Assessment Implications**

6.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

6.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

- 6.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 6.4 The completion of the Integrated Impact Assessment Screening revealed that:
- The External Assessment Report has a low positive impact across all groups.
  - It has been subject to consultation with the Director of Finance, the Corporate Management Team, Legal and Access to Services.
  - All Well-being of Future Generations Act considerations are positive and any risks identified are low.
  - The overall impact of the External Assessment Report is positive as it will support the Authority in its requirement to protect public funds.

## **7. Financial Implications**

- 7.1 There are no financial implications associated with this report.

## **8. Legal Implications**

- 8.1 There are no legal implications associated with this report.

**Background Papers:** None

**Appendices:** Appendix 1 – External Assessment Report  
Appendix 2 – Internal Audit Charter  
Appendix C – Internal Audit Charter appendix C  
Appendix D – internal Audit Charter appendix D  
Appendix 3 – Internal Audit Flowchart  
Appendix 4 – Integrated Impact Assessment Form