

Committee: **Governance & Audit Committee**

Date of meeting: **30th January 2023**

Report Subject: **External Quality Assessment of Blaenau Gwent  
Internal Audit Services**

Portfolio Holder: **Cllr Steve Thomas – Leader / Executive Member for  
Corporate and Performance**

Report Submitted by: **Louise Rosser – Audit and Risk Manager**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance & Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	19/01/2023		30/01/2023					

## 1. Purpose of the Report

The purpose of this report is to present to the Governance & Audit Committee the outcome of the External Quality Assessment of the Internal Audit Service.

## 2. Scope and Background

- 2.1 The Internal Audit Service work in accordance with the Public Sector Internal Audit Standards (PSIAS). The standards ensure an internal audit service that is effective, meets the needs of an organisation, adds value and assists the organisation in meeting its objectives.
- 2.2 As part of the standards, there is a requirement for the service to undergo an external assessment at least once every five years. The assessment is to be conducted by a suitably qualified, independent assessor from outside of the organisation.
- 2.3 The assessment is intended to demonstrate competence in professional practice of internal audit and to identify opportunities for development, to enhance the internal audit function.
- 2.4 The standards propose a choice of two approaches for undertaking the assessment. The assessment can be conducted either by procuring a full assessment from a contractor, or by undertaking a self-assessment which is then validated by an external reviewer.
- 2.5 Blaenau Gwent have taken the second option and are part of a peer review framework arranged by the Welsh Chief Auditors Group. This arrangement involves pairing authorities to review each other's self-assessment with no additional cost to the authority other than the officer time involved. Authorities are rotated, and do not undertake the assessment of their 'partner' to ensure independence.

2.6 When the authority first underwent a review five years ago, the estimated cost of an external contractor was at least £10,000. This option was not considered on this occasion due to the cost and the success of the previous arrangement.

2.7 Blaenau Gwent's assessment has been conducted by the Principal Auditor for Carmarthenshire County Council, and Blaenau Gwent's Audit and Risk Manager will conduct an assessment for the City of Swansea Council.

### **3. Options for Recommendation**

3.1 The Governance & Audit Committee consider the draft External Quality Assessment Report attached at Appendix A and the proposed action plan developed in response to the findings, attached at Appendix B, and either:

- (1) Agree that the report reflects their understanding of the Internal Audit Service, and that the proposed action plan is agreed and forwarded to Carmarthenshire to finalise the report; or
- (2) Propose amendments to the report / action plan, and that the amended documents are forwarded to Carmarthenshire to finalise the report.

### **4. Evidence of how this topic support the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 In line with the Corporate Plan Priority of an ambitious and innovative council delivering quality services at the right time and in the right place, presentation of the Internal Audit External Quality Assessment demonstrates the professionalism and competency of the service. In doing this it also supports the Chief Officer – Resources in satisfying her statutory duties under Section 151 of the Local Government Act (1972) in providing an effective Internal Audit Service.

4.2 The Governance & Audit Committee, in their role as those responsible for governance, and in compliance with the PSIAS, have a responsibility to oversee the performance of the Internal Audit function. The External Quality Assessment provides an external independent view of the performance of the service for Committee's consideration.

### **5. Implications Against Each Option**

#### **5.1 Impact on Budget (short- and long-term impact)**

The External Quality Assessment using the peer review method does not have any financial implications other than officer time.

#### **5.2 Risk including Mitigating Actions**

Failure to address any non-compliance issues identified in the report is a missed opportunity to improve the service.

5.3 Legal

Provision of an adequate audit service, demonstrated in part through an External Quality Assessment, contributes to the Section 151 officer being able to fulfil her statutory duties under the Local Government Act (1972).

5.4 Human Resources

The External Quality Assessment involves the investment of officer time. The commitment is met from existing resources.

6. **Supporting Evidence**

6.1 Performance Information and Data

There are three levels of conformance resulting from the assessment: 'Generally Conforms', 'Partially Conforms' and 'Does not conform'.

6.1.1 From the 304 best practice requirements within the PSIAS, it was found that Blaenau Gwent conforms to 267 of them, a further 30 are considered not applicable, 6 have partial conformance and 1 is a non-conformance.

6.1.2 This compares favourably to the previous results from 2017 where the Authority had 2 partial conformances and 10 non-conformances.

6.1.3 The action sheet attached to the draft External Quality Assessment report shows the partial and non-conformances along with the proposed actions to redress them.

6.1.4 A further appendix to the assessment report provides recommendations where Blaenau Gwent is considered to already conform with the standard but could further enhance the service.

6.2 Expected outcome for the public

An effective Internal Audit Service and Governance & Audit Committee will assist with the stewardship of public money providing assurance to the communities of Blaenau Gwent on the robustness of the Authority's internal controls.

6.3 Involvement (consultation, engagement, participation)

The External Quality Assessment has involved the validation of the self-assessment provided by the Audit and Risk Manager and supporting evidence. Discussions were held with audit staff and the Chair of the Governance and Audit Committee.

6.4 Thinking for the Long term (forward planning)

The work of Internal Audit is intended to provide advice and guidance on system improvements resulting in an improved control environment for the future of the Authority.

6.5 Preventative focus

Internal Audit provides a cost effective and professional Audit review of the Authority's internal control environment with the aim of minimising the risk of loss from error, fraud, or irregularities.

6.6 Collaboration / partnership working

The Welsh Chief Auditors Group has set up a framework to facilitate peer review of self-assessments to satisfy the requirement for an External Quality Assessment in line with the PSIAS. This is a reciprocal arrangement between participating authorities.

6.7 Integration (across service areas)

No impact for this report.

6.8 Decarbonisation and Reducing Carbon Emissions.

No impact for this report.

6.9 Integrated Impact Assessment

No impact assessment is required for this report.

7. **Monitoring Arrangements**

- 7.1 The agreed action plan will be implemented in line with the defined timescales.

**Background Documents /Electronic Links**

- Appendix A – External Quality Assessment
- Appendix B – Action Plan