



Northumberland County Council

Audit Committee

Wednesday, 31 January 2024

Outcomes from the External Quality Assessment of the Internal Audit Service

Report of Head of Internal Audit and Risk Management

1. Link to Key Priorities of the Corporate Plan

The work of Internal Audit and the Audit Committee contributes to the overall achievement of all priorities in the Council's Corporate Plan. In particular, it supports the "Achieving Value for Money" priority of the Corporate Plan 2023-26.

2. Purpose of report

The purpose of the report is to advise Audit Committee of the findings / outcomes from the external quality assessment of the Internal Audit Service, undertaken in accordance with the Public Sector Internal Audit Standards.

3. Recommendations

- 3.1 It is recommended that Audit Committee consider and note the contents of the report.

4. Background

- 4.1 Under the Accounts and Audit Regulations 2015, it is a statutory requirement for all relevant authorities (including Northumberland County Council) to "undertake an effective internal audit to evaluate the effectiveness of ... risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." The Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) comprise the 'public sector internal auditing standards' which are necessary to undertake the effective internal audit required by the Accounts and Audit Regulations 2015.
- 4.2 All local government Internal Audit providers in the UK are expected to comply fully with the PSIAS. It is a requirement of the PSIAS that Internal Audit is externally assess for its conformance to the standards at least once in every five years. The

previous external assessment was undertaken of the shared Internal Audit Service with North Tyneside Council and the outcomes reported to Audit Committee in March 2018. Audit Committee agreed in January 2023 that an external assessment for Northumberland County Council’s Internal Audit Service was performed before the end of March 2023, by CIPFA. It was recognised that the external assessment would take place only a short time after some fundamental changes in service delivery had taken place following the end of the shared service arrangement, but it was proposed that by using a leading local government governance body for the external assessment, the assessment would be comprehensive and provide suitable recommendations to assist the transition in service delivery.

4.3 The external assessment subsequently required rescheduling and CIPFA commenced their work on 2 May 2023. In addition to validation of the Internal Audit Service’s self-assessment of compliance to the PSIAS, the review also included a review of a sample of audit files, interviews with a wide sample of key stakeholders, and a survey sent to a range of key stakeholders.

4.4 The report from the external assessor is attached as Appendix 1. The overall opinion of the external assessor is as follows:

“It is our opinion that the internal audit service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

The Internal Audit service has self-assessed themselves as generally conforming to the standards and we concur with that view. We are mindful of the fact that at the time of the EQA this was a relatively new in-house service, and they were in the process of changing and developing much of the legacy processes inherited from the previous shared service with North Tyneside Council. We acknowledge that they have made considerable progress towards compliance with the PSIAS and the LGAN, but there are still some areas that would benefit from further enhancement.”

4.5 This is a positive result and “generally conforms” is the highest assessment outcome provided by CIPFA.

4.6 Within the report from the external assessor, some suggested improvements have been identified and an action plan has been developed to respond to and address these. The action plan is attached as Appendix 2.

5. Options open to the Council and reasons for the recommendations

5.1 Not applicable.

6. Implications

<p>Policy</p>	<p>Effective internal audit is an essential part of the County Council’s governance arrangements. Internal Audit examines the Council’s systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed.</p>
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Finance and value for money	The only direct financial implication arising from the recommendations set out in this report was the cost of the external assessment. This cost is minor and has been met entirely from existing budget.
Legal	The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards. Internal auditing standards / guidance comprise the Public Sector Internal Audit Standards and the accompanying Local Government Application Note. Adherence to these standards is the subject of this report.
Procurement	The external assessor was engaged in accordance with all of the County Council's procurement requirements
Human resources	None.
Property	None.
The Equalities Act: is a full impact assessment required and attached?	No - no equalities issues identified Equalities Impact Assessment not required.
Risk assessment	There are no specific risks arising from this report, as the external assessment demonstrates a high level of conformance with the required standards. Should this situation change, a further report would be brought back to Audit Committee as the designated 'board' under the PSIAS.
Crime and disorder	None.
Customer considerations	This report has been prepared for Audit Committee, as the designated 'board' under the PSIAS, to consider.
Carbon reduction	None.
Health and wellbeing	None.
Wards	(All Wards);

7. Background papers

- Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017
- Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy, February 2019
- Northumberland County Council Finance and Contract Rules, February 2021
- The Accounts and Audit Regulations 2015, April 2015

8. Links to other key reports already published

Public Sector Internal Audit Standards, Report to Audit Committee, January 2023

9. Author and Contact Details

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