

HIGH PEAK BOROUGH COUNCIL

Audit & Regulatory Committee

24 November 2020

TITLE:	2019/20 Annual Review of the Effectiveness of Internal Audit
EXECUTIVE COUNCILLOR:	Councillor Alan Barrow - Executive Councillor for Corporate Services and Finance
CONTACT OFFICER:	John Leak - Head of Audit
WARDS INVOLVED:	Non-Specific

**Appendices Attached – Appendix 1 2019/20 Annual Review of the Effectiveness of Internal Audit – Action Plan
Appendix 2 Quality Assurance and Improvement Programme (QAIP)**

1. Reason for the Report

- 1.1 The Accounts & Audit Regulations 2015 require the Council to, each financial year, conduct a review of the effectiveness of the system of internal control, and that the findings of this review must be considered by a committee or by members of the authority meeting as a whole. An annual review of the effectiveness of Internal Audit to demonstrate conformance with the Public Sector Internal Audit Standards and Local Government Application Note forms part of this review.

2. Recommendation

- 2.1 That the committee note the annual review of the effectiveness of Internal Audit for 2019/20 including the Quality Assurance and Improvement Programme and that Internal Audit is operating effectively and can be relied upon when considering the Annual Governance Statement for 2019/20.

3. Executive Summary

- 3.1 The purpose of this report is to explain the approach taken to comply with the requirements of the Accounts & Audit Regulations 2015 with regard to the annual review of the effectiveness of the system of internal control, in

particular the annual review of the effectiveness of Internal Audit and to present the findings of this review. This requirement was introduced in 2006.

- 3.2 An update of the self assessment of compliance with the latest PSIAS (March 2017) and Local Government Application Note (LGAN) and Action Plan has been undertaken by the Head of Audit. This may subsequently be reviewed by the Council's External Auditor as part of their review of Internal Audit. A Quality Assurance and Improvement Programme (QAIP) has also been produced in accordance with the requirements of the PSIAS.
- 3.3 In addition to the update of the self assessment of compliance with the latest PSIAS (March 2017) and Local Government Application Note (LGAN), other qualitative and quantitative factors have been taken into consideration when determining the effectiveness of Internal Audit.
- 3.4 Overall, the review has shown that Internal Audit is effective and conforms sufficiently with the requirements of PSIAS / LGAN to ensure that the opinion given in the Annual Report can be relied upon for assurance purposes when considering the Annual Governance Statement 2019/20.

4. **How this report links to Corporate Priorities**

- 4.1 The assurance provided by the work of Internal Audit informs the Annual Governance Statement and therefore helps to ensure our future financial resilience can be financially sustainable whilst offering value for money.

5. **Alternative Options**

- 5.1 There are no options to consider.

6. **Implications**

6.1 Community Safety - (Crime and Disorder Act 1998)

None.

6.2 Workforce

None.

6.3 Equality and Diversity/Equality Impact Assessment

This report has been prepared in accordance with the Council's Diversity and Equality Policies.

6.4 Financial Considerations

None.

6.5 Legal

None.

6.6 Climate Change

None.

6.7 Consultation

None.

6.8 Risk Assessment

None.

ANDREW P STOKES
Chief Executive

**Web Links and
Background Papers**

Public Sector Internal Audit Standards
Local Government Application Note for the United
Kingdom PSIAS
Accounts & Audit Regulations 2015

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7. Detail

- 7.1 Paragraph 6[1] of the Accounts and Audit Regulations 2015 state that “a relevant authority must, each financial year, conduct a review of the effectiveness of the system of internal control.” The Regulations go on to state that the findings of this review must be considered by a committee or by members of the authority meeting as a whole. An annual review of the effectiveness of Internal Audit to demonstrate conformance with the Public Sector Internal Audit Standards and Local Government Application Note forms part of this review.
- 7.2 Previous reviews have consisted of a self-assessment of compliance with the current Internal Audit Standards, production of an action plan identifying where full compliance has not been achieved to ensure full compliance with the Standards in future and consideration of other qualitative and quantitative factors when determining the effectiveness of Internal Audit. The Public Sector Internal Audit Standards are the applicable Standards for 2019/20.
- 7.3 It is a requirement of the PSIAS that an external assessment of Internal Audit (EQA) be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. In accordance with this requirement, an EQA was completed during 2016/17 and reported to this committee in July 2017.
- 7.4 Accordingly the annual review for 2019/20 consists of the following:
- Update the self assessment of compliance with the latest PSIAS (March 2017) and Local Government Application Note (LGAN);
 - Update the Action Plan created last year incorporating the external assessment of Internal Audit which highlighted areas of good practice and issues and recommendations to improve the service;
 - Report upon the results of any satisfaction questionnaires and feedback from any external regulators;
 - Report upon any other performance indicators collected in respect of Internal Audit;
 - Undertake a self-assessment of the effectiveness of the Audit Committee for discussion as a separate item on this agenda.
- 7.5 The self-assessment of compliance with the PSIAS did not identify any areas of significant non-conformance with the PSIAS / LGAN. For the areas of partial conformance the effectiveness of the service was not considered to be seriously affected, as a small number of areas of partial compliance with PSIAS / LGAN is considered to be acceptable due to local circumstances.
- 7.6 The Action Plan created last year incorporating the external assessment of Internal Audit has been updated and is attached as **Appendix 1**. This action plan identifies some areas in which the service can be further improved and some revisions to the internal audit processes which may be beneficial in terms of improving efficiency and transparency. These issues will be considered and implemented over a period of time where this will result in

improvements to the service.

7.7 As part of the requirements of PSIAS, Internal Audit are required to produce a Quality Assurance and Improvement Programme (QAIP). The Councils Internal Audit QAIP was produced based on the Institute of Internal Auditors model template. This followed discussions with colleagues in other Councils who were adopting a similar approach. The QAIP is attached at **Appendix 2** and covers;

- documented working practices;
- quality control process;
- performance monitoring;
- annual review of effectiveness of Internal Audit; and
- an action plan for improvement of the service.

7.8 In addition to the update of the self assessment of compliance with the latest PSIAS (March 2017) and Local Government Application Note (LGAN), other factors are deemed to be important when trying to determine the effectiveness of Internal Audit. These include both qualitative and quantitative issues, such as:

- Feedback from the External Auditors has been good. External Audit have used our audit reports to help them inform their risk assessment of the financial statement audit.
- Customer Satisfaction Questionnaires are issued to all managers with the final audit report to establish the effectiveness of the audit review. Based on the questionnaires returned, an average score of 99% has been achieved, indicating that a good service has been provided.
- During 2019/20, 90% of the Audit Plan was completed.
- During 2019/20, 49 medium risk recommendations and 181 low risk recommendations were made and agreed with management for implementation.
- The percentage of recommendations implemented within the timescale agreed with Managers was 71%*.

** Due to the Covid-19 pandemic the follow up of audit recommendation implementation was temporarily paused from 1st April until 31st May 2020 and this figure reflects this pause in data collection.*

7.9 The review of the effectiveness of the Audit Committee is reported as a separate item on the agenda of today's Audit & Regulatory Committee meeting.

7.10 Overall, the review has shown that Internal Audit complies with the expectations of the Public Sector Internal Audit Standards. Internal Audit is therefore effective and conforms sufficiently with the requirements of PSIAS / LGAN to ensure that the opinion given in the Annual Report can be relied upon for assurance purposes when considering the Annual Governance Statement 2019/20.