

# **HIGH PEAK BOROUGH COUNCIL**

## **Audit & Regulatory Committee**

**20 September 2023**

<b>TITLE:</b>	<b>2022/23 Annual Review of the Effectiveness of Internal Audit</b>
<b>EXECUTIVE COUNCILLOR:</b>	<b>Councillor Alan Barrow - Executive Councillor for Corporate Services and Finance</b>
<b>CONTACT OFFICER:</b>	<b>John Leak - Head of Audit</b>
<b>WARDS INVOLVED:</b>	<b>Non-Specific</b>

### **Appendices Attached**

**Appendix 1 - External Quality Assessment 2022/23**

**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 2022/23 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 2022/23.

### **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 In accordance with the requirements of Public Sector Internal Audit Standards (PSIAS), an External Quality Assessment (EQA) was completed this year to validate the self-assessment of compliance with the latest PSIAS (March 2017) and Local Government Application Note (LGAN). The outcome of the EQA was a detailed report highlighting areas of good practice and issues and recommendations that may improve the service and concluding on conformance with the requirements of PSIAS/LGAN. 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 external independent validation of the self-assessment of compliance with the PSIAS and 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 2022/23.

#### **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.

**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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## 6. Detail

- 6.1 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.
- 6.2 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, actions 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 2022/23.
- 6.3 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 recently completed by Business Risk Solutions, a professional services firm providing risk based training and guidance for Boards, executive management and internal auditors.
- 6.4 Accordingly the annual review for 2022/23 consists of the following:
- External independent validation by Business Risk Solutions of the self-assessment of compliance with the PSIAS/LGAN and production of a detailed report highlighting areas of good practice and issues and recommendations that may improve the service and concluding on conformance with the requirements of PSIAS/LGAN;;
  - 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;
- 6.5 The EQA report produced by Business Risk Solutions is attached as **Appendix 1** and reflects their opinion regarding the services currently provided as measured against the PSIAS. Observations and recommendations are summarised within categories relating to Resources, Competency and Delivery and the service graded as being at one of three stages within each category. Details of the content of each category is described in the report.
- 6.6 The overall assessment awarded is as follows:
- Resources; **Excelling** – Processes in this area are fully embedded within every day practices and reflect best practice that is at least consistent with PSIAS expectations.

- Competency; **Established** – Processes in this area are generally compliant with the PSIAS and embedded within every day practices; the EQA has identified a number of areas where further development would be beneficial.
  - Delivery; **Established** – Processes in this area are generally compliant with the PSIAS and embedded within every day practices; the EQA has identified a number of areas where further development would be beneficial.
- 6.7 The EQA identifies areas of good practice, makes recommendations in some areas where compliance with the PSIAS can be strengthened and makes some suggested enhancements for consideration which may be beneficial in terms of enhancing future services. The recommended actions will be reviewed by Internal Audit and implemented where appropriate.
- 6.8 The report also benchmarks this assessment against other internal audit provision in both the public sector and the wider industry and also specific standards within local government which shows that the Council's Internal Audit service compares favourably with regard to its peers.
- 6.9 The report concludes that the internal audit service within the Council is assessed to 'generally conform' with the Public Sector Internal Audit Standards with the service demonstrating a high standard of delivery within its peer group, and is well regarded by all clients.
- 6.10 As part of the requirements of PSIAS, Internal Audit are required to produce a Quality Assurance and Improvement Programme (QAIP). The Council's 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.
- 6.11 In addition to the external independent validation of the self-assessment of compliance with the PSIAS/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.
  - Stakeholder Feedback carried out as part of the EQA "confirms that the Internal Audit Shared Service is considered to provide a good quality internal audit service whose brief is clearly understood and the assurance and advice that is provided is well regarded. This supports the detailed

review of the delivery of the service within the external quality assessment process”.

- During 2022/23, 96% of the Audit Plan was completed.
- During 2022/23, 46 medium risk recommendations and 126 low risk recommendations were made and agreed with management for implementation.
- The percentage of recommendations implemented within the timescale agreed with Managers was 87%.

6.12 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 2022/23.