

Staffordshire Moorlands District Council & High Peak Borough Council

2023/24 Annual Review of the Effectiveness of Internal Audit – Action Plan

PSIAS	Finding	Recommendation	Grading	Management Response	Target Date	Responsible Officer
Resources	<p>Internal Audit Charter (IAC)</p> <p>The IAC requires Head of Audit to “produce an annual internal audit report summarising the areas that have been subject to Internal Audit review in the year. This annual report will include an opinion, based on the areas examined, on whether the Council’s governance arrangements, including those for economy, efficiency and effectiveness, are adequate and have been properly applied in the year”.</p> <p>The PSIAS requires the opinion to “conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control”.</p>	<p>The annual internal audit planning process is based upon a continuous assessment of the risk environment faced by each Council, therefore the opinion is not solely based on the current years work as stated. It would be more accurate to reflect on the full knowledge of the CAE and therefore provide the wider opinion as required by the PSIAS.</p>	Review	<p>The annual report content will be reviewed in line with any changes to the audit planning and engagement processes and will be in accordance with best practice.</p>	2024/25 AR	Head of Audit
Resources	<p>Annual Opinion</p> <p>Best practice reflects using a wider basis for the opinion reflecting the full knowledge</p>	<p>Extend the basis of the Annual Opinion to reflect the wider understanding of the</p>	Consider	<p>The annual audit opinion content will be reviewed in line with the</p>	2024/25 AR	Head of Audit

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	of the CAE including significant risks which each Council is facing and information from other assurance sources.	risk environment as contained within the risk management framework and therefore also the other sources of assurance that are available.		recommendation.		
Resources	<p>Performance appraisal</p> <p>The self-assessment identified that the CAE's appraisal which is undertaken by the Chief Executive Officer could beneficially involve input from both Chairs of Audit Committee.</p>	With regard to the CAE's appraisal, this would be better informed by inviting observations from both Chairs of Audit Committee in advance of the performance appraisal.	Consider	If permitted within corporate appraisal guidance this could be considered.	Ongoing	Head of Audit
Resources	<p>Annual declarations of interest/conflicts</p> <p>Declarations of interest have been made by current internal audit staff in line with Council policy and are dated 2009.</p>	In view of the independent nature of the internal audit service it would be beneficial for the Head of Audit to receive annual confirmation that staff do not have a need to declare any interests which would conflict with the independent nature of their role and therefore support a statement in the Annual Report as required by the PSIAS regarding organisational independence.	Consider	Action will be taken in accordance with the recommendation.	2023/24	Head of Audit

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Competency	<p>Audit Universe</p> <p>The current internal audit planning model reflects use of a “standard audit universe’ to which are applied a number of factors which represent a judgement of risk from an internal audit perspective. This is provided for in circumstances where the client risk management system cannot be relied upon.</p> <p>The Audit Needs Assessment includes recognition of the Councils Corporate Risk Register although the relative weighting is limited by comparison to other factors, particularly relating to financial matters.</p> <p>Further development of this approach through increasing alignment with the Councils assessment of the risk environment at both a strategic and operational level would enhance internal audits’ ability to demonstrate a commitment to helping the Council achieve its objectives</p>	<p>It would be beneficial to increasingly align development of the internal audit planning system with each Councils risk management processes in order to ensure that resources are consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which the Council is exposed at an inherent level.</p> <p>It may be that such an approach would also help embed effective risk management and the identification of significant risk within each Departments governance processes.</p>	Review	The current audit needs assessment incorporates strategic risk register mapping. Consideration will be given to incrementally further aligning the process with the Councils risk management approach where prudent.	Ongoing	Head of Audit

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	through recognition of significant risk.					
Competency	<p>Future training needs</p> <p>The Internal Audit Team maintains a Training Passport system which records training undertaken by individual staff and future training needs emerging from 121 meetings with the CAE.</p> <p>This is considered good practice.</p> <p>Where future audit planning is informed by the risk management system it may be possible to better anticipate future areas where assurance is required.</p>	<p>Consider whether future training needs can be assessed and commissioned in advance of the need for assurance work regarding anticipated changes in the Councils risk environment.</p>	Consider	Future training needs will be considered as part of the appraisal process.	Ongoing	Head of Audit
Competency	<p>Job descriptions</p> <p>Whilst these are in place, some appear dated and do not contain reference to the delivery of services in accordance with the PSIAS.</p>	<p>Update the job descriptions to reflect current service requirements.</p> <p>Revise the wording within that for the Head of Audit which currently implies to 'Deputise for the Chief Executive when required'.</p>	Consider	All job descriptions have recently been updated.	Implemented	Head of Audit
Competency	<p>Control Evaluation template</p> <p>The internal audit methodology has been</p>	<p>It would be opportune following the EQA to</p>	Consider	The control evaluation template will be reviewed in	Ongoing	Head of Audit

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	<p>reviewed over time and includes a number of working papers with which staff are comfortable and use to produce a consistent audit working paper file.</p> <p>It would be beneficial to use the Controls Evaluation Template to both establish the basis for the audit and summarise progress, supervision and approval of the outcomes of the engagement.</p> <p>Detailed supervision is recorded on separate Audit Review Summaries.</p>	<p>consider whether the existing template could be beneficially revised to reflect focus on significant risk throughout each engagement and evidence the process through which an assurance opinion has been reached.</p> <p>The Controls Evaluation template would then act as a summary of the engagement and be cross referenced to other supporting working papers and Audit Review Summaries.</p>		accordance with best practice.		
Competency	<p>Purpose of the system subject to review</p> <p>The Control Evaluation template currently contains a generic statement which reflects the 'purpose' of the review as individual objectives; the audit then focuses on review of a number of 'Control Objectives' which are used as a basis for forming an opinion on whether the process provides assurance regarding delivery of the nine Control Objectives.</p>	<p>The inclusion of 'purpose' is regarded as good practice however it may be beneficial to increasingly capture this as 'Managements Objectives' for the area under review. This would then better relate to the nature of the significant risks being faced within the area under review as this will assist with the discussions with client managers regarding the identification</p>	Review	The control evaluation template will be reviewed in accordance with best practice.	Ongoing	Head of Audit

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	The term 'Control Objectives' would be better expressed as 'Significant Risks' to which the area is exposed.	of the significant risks which may impact upon achievement of established objectives and upon which the assurance opinion should be based.				
Competency	<p>Use of the Council risk appetite</p> <p>The Council risk management policy contains indicators regarding how risk impact should be considered at both strategic and operational levels. These are Catastrophic, Major, Medium, Minor and Insignificant.</p> <p>Internal Audit grades its recommendations High, Medium and Low and supports this with appropriate definition regarding how the grades should be interpreted regarding the impact of the finding in relation to risk management and control.</p>	There may be advantage in aligning the two methodologies as this would not only provide a sound basis upon which to assess each recommendation but also convey the grading in terminology already embedded through the risk management process in communications with client managers.	Consider	There is a longer term aim to align the audit process more closely to risk management. This has to be balanced with other considerations such as local external audit requirements.	Ongoing	Head of Audit
Delivery	<p>Governance</p> <p>The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements.</p>	In Local Government each Council establishes a Code of Governance in accordance with CIPFA SOLACE—it would be beneficial to map internal	Review	The annual report content will be reviewed in line with any changes to the audit planning and engagement processes and will be in	2024/25 AR	Head of Audit

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	Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.	audit activity to the content of the Code in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report.		accordance with best practice.		
Delivery	<p>Risk Management</p> <p>Internal Audit last reviewed risk management as an assignment in January 2021 providing a substantial assurance opinion.</p> <p>Engagement reports provide assurance regarding the operation of risk management in each area of review.</p>	The standards require an annual opinion to be made in the Head of Internal Audit's Annual Report regarding risk management processes. It would therefore be beneficial to support the opinion with clear evidence regarding how the opinion has been reached through the combination of the assurances gained at both a strategic level and at an operational level within engagements.	Review	The annual report content will be reviewed in line with any changes to the audit planning and engagement processes and will be in accordance with best practice.	2024/25 AR	Head of Audit
Delivery	<p>Internal Audit Opinions</p> <p>The Team's current practice regarding the formation of an opinion regarding each engagement is based upon professional judgement related to the number of and classification profile of the recommendations made.</p>	Where grading can be aligned with the Councils risk management systems (particularly as referred to in Competency Item 6) then the overall opinion may be better supported having regard to the level of risk	Consider	The current risk definitions and assurance levels will be reviewed to ensure best practice and consistency.	Ongoing	Head of Audit

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		<p>observed.</p> <p>Where 'high' (red) recommendations are made then a 'Limited Assurance' opinion is appropriate.</p> <p>Where no or a limited number of 'Low' (green) recommendations are made the 'Substantial' opinion is appropriate.</p> <p>As a result a satisfactory grading may be applied to reflect situation where a range of medium and low graded recommendations have been identified with advice to resolve the control issues within an agreed action plan.</p>				
Delivery	<p>Internal Audit Risk Based Strategy The teams approach to assessment of the perceived risk at inherent and residual levels within an engagement is reflected in the grading of recommendations and opinions which are then used in reporting. Audit Engagement Plans and Reports do not contain an explanation of how the Internal Audit Team relate</p>	<p>Definitions of the grading of risks and the basis for opinions should be included within the Internal Audit Manual, Audit Engagement Plans (The Evaluation Template) and Audit Reports as this would help to ensure a consistent approach and understanding of risk is embedded throughout both internal audit and each</p>	Consider	<p>Definitions of the grading of risks and the basis for opinions are currently included within Audit Reports. The content and consistency of approach will be reviewed.</p>	Ongoing	Head of Audit

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	<p>the levels of risk evaluation to the conduct of the audit.</p> <p>It would be beneficial to include a summary of the process within all client communications as this would help embed both internal audit's approach and improve familiarity with risk management throughout each client.</p>	Council.				

Recommendation grading	Explanation
Enhance	The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS standards in order to demonstrate a contribution to the achievement of the organisations' objectives in relation to risk management, governance and control.
Review	The Internal audit service should review its approach in this area to better reflect the application of the PSIAS.
Consider	The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services.