

SUBJECT:	REVIEW OF INTERNAL AUDIT EFFECTIVENESS
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	AUDIT MANAGER

1. Purpose of Report

1.1 To review the effectiveness of internal audit benchmarking against best practice and audit standards.

2. Background

2.1 It is good practice to review the effectiveness of internal audit on an annual basis. A member/officer review group was established to review documents in detail and provide feedback to the Audit Committee.

2.2 The review was split into different areas covering:

- Audit standards review
- QAIP – the quality and improvement plan
- Quality reviews
- Performance
- Feedback
- Terms of reference/Charter
- Resources
- Assurance Lincolnshire – making the most of our partnership?

2.3 Documentation relating to these areas was examined by a Member review group.

2.4 The areas and suggested actions below were agreed by the review group and are subject to further consideration by Audit Committee.

3. Results of the Review

3.1 Audit Standards Review

Compliance against PSIAS standards was set out in a self-assessment which was considered. Those areas needing to be addressed have been included within the QAIP (See below).

3.2 QAIP – The Quality and Improvement Plan

The QAIP is attached at Annex A. This covers a range of improvement areas currently being addressed and new areas.

Some of the key areas include:

- Completing the ethical / values audit review
- Considering dynamic audit planning for 2019/20
- Improve monitoring of audit recommendations
- Review and report on assurances linked to Northamptonshire (governance) report
- Review IA/AC effectiveness (using new CIPFA guidance)
- Review (specialist) IT audit provision 19/20 onwards
- Further training/guidance for staff – e.g. IT security
- Increase use of data analytics
- ICT audit strategy - further review

The review group were keen to see how these (and others) were going to be developed moving forward including data analytics / remote auditing / continuous auditing and provided some suggested links.

3.3 Quality Reviews

These have not identified any significant issues. Points are raised and cleared during audits. Reviews are undertaken by the Principal Auditor and Audit Manager.

3.4 Performance

Performance in 2017/18 across our key indicators was good.

- Percentage of plan completed (97%) – target 100%
- Percentage of key financial systems completed (86%) target 100%
- Percentage of recommendations agreed (94%) – target 100%
- Percentage of (overall) recommendations due implemented (65%) – target 100%

Timescales:

- Draft report issued within 10 working days of completing audit (100%) – target 100%
- Final report issued within 5 working days of closure meeting / receipt of management responses.(100%) – target 100%
- Period taken to complete audit within 2 months from fieldwork commencing to the issue of the draft report.(100%) – target 90%
- Client Feedback on Audit (average) (Good to excellent)

Performance for 2018/19 is broadly on target.

- Percentage of plan completed (58%) – target 100%
- Percentage of key financial systems completed (none due)
- Percentage of recommendations agreed (100%) – target 100%
- Percentage of high priority recommendations due implemented (100%) – target 100%

Timescales:

- Draft report issued within 10 working days of completing audit (75%) – target 100%
- Final report issued within 5 working days of closure meeting / receipt of management responses.(100%) – target 100%
- Period taken to complete audit within 2 months from fieldwork commencing to the issue of the draft report.(75%) – target 90%
- Client Feedback on Audit (average) (Good to excellent) Average score – 31 out of 32.

The two 75 % figures are expected to increase as the year progresses.

Implementation of recommendations can still improve and is closely monitored by the Audit Committee.

3.5 Feedback

Generally feedback is good to excellent and shows us that key areas for auditees are effective communication, explaining our process, not too time consuming, added value recommendations, flexible and working around commitments, but be mindful of “ultra” best practice as there is always a resource requirement to address actions.

“One off” views from managers / AD’s have been sought and will be supplied if received.

3.6 Terms of Reference/Charter

The Internal Audit Charter was agreed at Audit Committee in 2016 hence require updating once the CIPFA local government application note on internal audit standards is published hopefully in the next two months.

3.7 Resources

We currently have 3 FTE’s and a budget of £109,000 including IT and other non-staffing budgets heads.

On our (wide) sample our 450 days is bottom of the upper quartile in terms of days The simple average is 350 days. We are currently undertaking some more detailed benchmarking against other district councils.

3.8 Assurance Lincolnshire – Making the Most of Our Partnership

The partnership continues to add value through access to computerised audit system, shared audit practices training and quality control systems plus wider strategy work. It also helps with access to specialists (Risk, H/safety, insurance, counter fraud, ICT) and resilience.

The Audit Committee Forum is an example of good practice provided through the partnership.

The current joint business plan for the partnership is being redeveloped.

3.9 To summarise some of the main areas:

- IA provided by internal CoIC staff in partnership through “Assurance Lincolnshire”
- Experienced team working across several client sites
- Internal audit standards (PSIAS) met; self-assessment against the standards and action plan in place (QAIP)
- Skills assessments previously completed for audit staff - appraisals clarify training needs which are then planned during the year
- Strong audit processes - practice notes and templates regularly updated
- The Combined Assurance model (three lines of assurance) is seen as good practice and is fundamental to the audit strategy and audit planning
- Ethical standards have been provided to audit staff and declarations of interest signed
- Principal Auditor and Audit Manager quality review - no significant issues
- The internal audit strategy updated but will change again in 2019-20
- Planned work includes core governance areas including risk management, performance, ICT, finance, projects, contracts, service specific, due diligence, emerging risks, savings and transformation, counter fraud
- There are good client relationships - post audit questionnaires (PAQ) received during the year recorded overall feedback as “good to excellent”. Clients value effective communication.
- Performance – plan completion and targets are satisfactory in most areas; implementation of recommendations can still improve
- Costs for internal audit have been reviewed regularly with adjustments in the past. There is current benchmarking underway
- The Assurance Lincolnshire partnership provides access to a computerised audit system, standard audit practices; training and quality control systems. It also helps with resilience and access to specialists as required (Risk, H/Safety, Insurance, Counter Fraud, ICT)

There are improvements to undertake and these are highlighted in the QAIP.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

There are no direct financial implications.

4.2 Legal

There are no direct legal implications.

5. Recommendation

5.1 Members should consider the points raised from the review of effectiveness.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? One

List of Background Papers: None

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