

<b>SUBJECT:</b>	<b>REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>AMANDA STANISLAWSKI, AUDIT MANAGER JACLYN GIBSON, CHIEF FINANCE OFFICER</b>

## **1. Purpose of Report**

- 1.1 To review the effectiveness of Internal Audit against the Public Sector Internal Audit Standards (PSIAS) and the CIPFA statement on the role of the Head of Internal Audit.

## **2. Executive Summary**

- 2.1 The report provides an assessment of the effectiveness of Internal Audit.
- 2.2 The External Assessment undertaken in February 2022 found that the Internal Audit function fully conformed with the Public Sector Internal Audit Standards (PSIAS). There were no recommendations made for the Council although there were two advisory points which were relevant, increasing the use of data analytics and reviewing succession planning. Both of these have been considered with the use of data analytics being increased, looking at future options for obtaining and using data and exploring the option of setting up of a career graded post for the Auditor role.
- 2.3 Since the external assessment was completed there have been a number of changes including a new Audit Manager for the City Council and a new Head of Internal Audit for Assurance Lincolnshire. This has led to a number of changes being made which have been taken into consideration when completing this assessment.
- 2.4 The assessment is summarised within the report and the appendices and an action plan included to cover the areas where improvement is required. Overall the service continues to conform with the PSIAS. The areas of improvement will help to future proof the service and ensure aspects are picked up when new staff are appointed. The main areas of improvement include managing staff resources, ensuring processes remain compliant with the new PSIAS, completing skills and training assessments and reviewing the feedback process.

## **3. Background**

- 3.1 A review of the effectiveness of Internal Audit has been carried out against the Public Sector Internal Audit Standards and the CIPFA statement on the role of the Head of Internal Audit. The review is required to be carried out bi-annually alongside the review of the effectiveness of the Audit Committee.

- 3.2 The assessment was completed by the Chief Finance Officer and the Audit Manager using the checklists provided by CIPFA in the relevant publications.
- 3.3 The results of the review and progress on the actions is fed into the Annual Report and the Annual Governance Statement.

#### **4. Internal Audit Effectiveness Review**

##### **4.1 PSIAS Self Assessment**

A summary of the assessment against the PSIAS is attached at Appendix A. Overall the section conforms with most of the requirements as summarised below:-

- The Internal Audit charter defines the mission as set by the PSIAS.
- The service operates independently and objectively using a systematic and disciplined approach underpinned by training, practice and guidance.
- There are codes and processes in place to ensure that the core principles (integrity, competence, independence, quality, improvement etc) are present and operating effectively.
- Auditors conform to the Code of Ethics
- The Audit Charter defines the purpose, authority and responsibility of Internal Audit.
- Members of the Audit team are appointed in compliance with the job specification and there is a commitment to further development.
- Due professional care expectations are included within the Practice Notes to which Audit team members must comply.
- The Internal Audit plan is effectively managed through flexible planning, engagement and research to ensure that it adds value to the organisation.
- The Annual Report and risk based audit assignments evaluate and make recommendations for the improvement of the Council's governance, risk and control processes.
- For each audit assignment there is a Terms of reference setting out the scope, timing and resources of the audit.
- There is a defined audit process in place which includes documentation, evidence required and reporting arrangements.
- There is a system in place for monitoring the implementation of agreed actions.

- 4.2 The Action Plan in Appendix C sets out the improvements required to conform to all aspects of the PSIAS. This includes improvements around the Quality assurance and improvement programme (QAIP).

##### **4.3 Review against the CIPFA statement on the role of the Head of Internal Audit**

An assessment against the CIPFA statement is attached as Appendix B. There is a good level of compliance overall and where improvements are required actions have been included within an Action plan which is included as Appendix C. These also contribute towards compliance with the PSIAS and include:-

- Reviewing the resources and future requirements.

- Ensuring that the processes remain fit for purpose and reflect changes to the PSIAS.
- Implement processes to replace Pentana.
- Complete skills review and training plans for the team once in place.
- Continue to build relationships both internally with inducting new team members and externally to share experience and thoughts.
- Take greater account of risk management in the Audit Plan.
- Review the Post Audit Questionnaire process.

#### **4.4 Summary and Conclusions**

The assessment has resulted in an overall good level of compliance. It has been a difficult year with many of the improvements reflecting this as difficulties in recruiting staff have resulted in issues with resources and delays in reviewing processes. This has temporarily been addressed through the appointment of contractors and work is continuing to recruit to the posts. The completion of the Action Plan, attached as Appendix C, will ensure that Internal Audit comply with the standards and remains effective.

### **5. Strategic Priorities**

Ensuring that the Council has effective arrangements in place for its Internal Audit Services and Audit Committee is a key part of the Council's overall governance framework.

### **6. Organisational Impacts**

#### **6.1 Finance**

There are no direct financial implications arising as a result of this report.

#### **6.2 Legal Implications including Procurement Rules**

The review of effectiveness ensures best practice is met and compliance with the Accounts and Audit regulations.

#### **6.3 Equality, Diversity and Human Rights**

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Due to the nature of this report there are no direct equality, diversity or human rights implications.

## **7. Recommendation**

7.1 Committee consider and comment on the points raised from the review of effectiveness of Internal Audit.

**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?** 3

**List of Background Papers:** None

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