

AUDIT COMMITTEE

Review of Internal Audit Effectiveness

09 June 2021

Report of the Principal Auditor

PURPOSE OF REPORT

To inform the Committee of the requirement for the authority to undertake an annual review of the effectiveness of the system of Internal Audit and to report the results of this review.

This report is public

RECOMMENDATIONS

- 1. That Committee is asked to consider the results of the June 2021 review of the effectiveness of Internal Audit detailed in Appendix A.**

1.0 Introduction

- 1.1 The Accounts and Audit Regulations 2015 requires the relevant body, at least once a year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind this is to ensure that the opinion in the annual audit report issued by the Internal Audit and Assurance Manager can be relied upon as a key source of evidence in the Annual Governance Statement.
- 1.2 From the 1 April 2013 Public Sector Internal Audit Standards (PSIAS) replaced the Code of Practice for Internal Audit in Local Government. In Local Government these standards are mandatory for all principal local authorities subject to the Accounts and Audit Regulations 2015. The PSIAS were re-issued in March 2017 with minor amendments.
- 1.3 To accompany the PSIAS an 'application note' has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) to give guidance on applying the standards. However, the application note is no longer simply guidance but constitutes 'proper practices' alongside the PSIAS and it includes a checklist for measuring the performance of Internal Audit against the standards as part of the quality assurance and improvement programme. The application note was re-issued in February 2019 with minor amendments.
- 1.4 The PSIAS state that an external assessment must be conducted at least every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessment can be in the form of a full external assessment, or a self-assessment with independent external validation. A decision was made by the majority of the Lancashire Districts to continue with the annual self-assessment completed by the CAE and for that annual self-assessment to be independently verified via peer review. Lancaster's peer review took place in March 2018 and was submitted to the Audit Committee in May 2018 to consider the recommendations made by the

peer review assessment team. Until the next round of peer reviews in 2023, annual self-assessments need to be carried out.

2.0 Proposal Details

- 2.1 The Principal Auditor has assessed the effectiveness of the internal audit service during the period 1 April to 31 March 2021 using the recommended checklist contained with CIPFA's Local Government Application Note. This has been subsequently scrutinised by the Financial Services Manager (Section 151 Officer)
- 2.3 The results of this review are attached at Appendix A. The areas of 'partial' compliance in relation to risk management have been documented in more detail in the Annual Audit Opinion, therefore a separate action plan has not been formulated.

3.0 Details of consultation

- 3.1 No specific consultation has been undertaken in compiling this report.

4.0 Options and options analysis (including risk assessment)

- 4.1 No alternative options were identified. The need to carry out an annual review of the effectiveness of internal audit is a statutory requirement.

5.0 Conclusion

- 5.1 The Principal Auditor has assessed the effectiveness of the internal audit service using the recommended checklist contained within CIPFA's Local Government Application Note. This has subsequently been scrutinised by the Financial Services Manager (Section 151 Officer).
- 5.2 The results of the review are attached at Appendix A.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

This report has no direct impact on these areas.

FINANCIAL IMPLICATIONS

None arising directly from this report.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

None arising directly from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector

CIPFA – Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards

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