



Agenda Item 6

Finance and Audit Scrutiny Committee
17 March 2021

Title: Review of Internal Audit Service in Compliance with Public Sector Internal Audit Standards

Lead Officer: Richard Barr

Portfolio Holders: Councillor Hales

Public report / Confidential report: No

Wards of the District directly affected: Not applicable

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management and SMT. None with community.

Checked for Accessibility: Yes

Final Decision: Yes.

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	3 March 2021	Chris Elliott/Andrew Jones
Head of Service	3 March 2021	Mike Snow
CMT	3 March 2021	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	3 March 2021	Mike Snow
Monitoring Officer	3 March 2021	Andrew Jones
Finance	3 March 2021	Mike Snow
Portfolio Holder(s)	3 March 2021	Councillor Hales

1 **Summary**

- 1.1 The report contains the results of a review of the Council's Internal Audit Service, required under the Public Sector Internal Audit Standards.

2 **Recommendations**

- 2.1 That the report be noted and its contents be accepted or, where appropriate, acted upon.

3 **Reason for the Recommendations**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.

4 **Policy Framework**

4.1 **Fit for the Future (FFF)**

- 4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

- 4.1.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

4.2 **FFF Strands**

4.2.1 **External impacts of proposal(s)**

People - Health, Homes, Communities

Services - Green, Clean, Safe

Money- Infrastructure, Enterprise, Employment

Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

4.2.2 **Internal impacts of the proposal(s)**

People - Effective Staff

Services - Maintain or Improve Services

Money - Firm Financial Footing over the Longer Term

Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

4.3 **Supporting Strategies**

4.3.1 Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

4.4 **Changes to Existing Policies**

4.4.1 This section is not applicable.

4.5 **Impact Assessments**

4.5.1 This section is not applicable.

5 **Budgetary Framework**

5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 **Risks**

6.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.

7.2 It is difficult to provide a commentary on risks as the report is concerned with the outcome of a review by Internal Audit by an external body. Having said that, there are clear risks to the Council in not dealing with the issues raised within the Internal Audit reports (these risks were highlighted within the reports). There is also an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

7 **Alternative Options Considered**

7.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

8 **Background**

8.1 The Public Sector Internal Audit Standards (PSIAS) require that *"The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity"* and that *"The "quality assurance and improvement programme must include both internal and external assessments."*

8.2 As well as internal assessments of the performance of the internal audit function that include ongoing monitoring of the activity and periodic self-assessments, external assessments must be conducted at least once every five years by a qualified, independent assessor from outside the organisation.

- 8.3 The PSIAS states that the "*External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.*" The Council has opted for a full external assessment to provide greater objectivity and potential for learning i.e. greater value from the exercise.
- 8.4 The PSIAS requires that the results of external assessments be communicated to 'the board'. Consequently, the assessor's report is set out as the appendix.
- 8.5 The assessor's report includes an action plan with the assessor's recommendations on improvements and Internal Audit's responses to them detailing how the recommendations will be addressed. In compliance with the PSIAS, Members will be updated on progress.
- 8.6 The PSIAS also states that "*The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.*" The improvement plan that forms part of the external assessor's report will therefore be included within the Internal Audit Annual Report that will be issued to Finance & Audit Scrutiny Committee on 26 May 2021.