

AUDIT COMMITTEE	AGENDA ITEM No. 9
11 FEBRUARY 2019	PUBLIC REPORT

Report of:	Pete Carpenter - Acting Corporate Director of Resources	
Cabinet Member(s) responsible:	Council Seaton. Cabinet Member for Resources	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557

EXTERNAL ASSESSMENT OF INTERNAL AUDIT

R E C O M M E N D A T I O N S	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> Note and comment upon the external assessment of the Internal Audit service against the Public Sector Internal Audit Standards 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a routine report on the development and inspection of the Internal Audit service at Peterborough.

2. PURPOSE AND REASON FOR REPORT

2.1 To provide Members with an update on the external review undertaken in 2018 and the draft / final report.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.9 “*To commission work from internal and external audit.*”

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

4.1 INTRODUCTION

4.1.1 Internal Audit is at the cornerstone of providing assurance to the Council and its stakeholders into the operation of its business.

4.1.2 The service is governed by professional standards and ethics and has to be reviewed externally every 5 years to demonstrate compliance with the Public Sector Internal Audit Standards. We commissioned the London Audit Consortium to undertake this review in 2018 and attached is their assessment of the service.

4.2 APPROACH AND OUTCOMES

4.2.1 The external review process comprised a self-assessment of the internal audit service against each standard, along with the production of supporting evidence which was supplied in advance of the review. The external assessor performed a site visit, reviewed additional information such as audit files, and evaluated the information contained within the self-assessment.

4.2.2 The report has concluded that the internal audit service has been assessed as achieving **FULL** compliance against the comprehensive standards. An achievement in itself bearing in mind that most organisations usually have a couple of areas of partial compliance. Nevertheless, a number of areas have been identified to help support service improvements and strengthen our evidence of compliance. These can be grouped as:

Internal processes. A number of our working arrangements are set out within our Audit Charter or defined as steps within our audit software. With a settled workforce – the last permanent appointment to the team was in 2014 – their understanding and knowledge of the processes have been developed and built on over time with experience etc. Should resources alter, these need to be spelt out. It will also reflect management obligations more clearly e.g. response times.

Operational Arrangements. Changes have been identified in relation to updating job description and the positioning of the annual governance statement within the Council.

Reporting. Our reporting arrangements can be enhanced to link our findings through the Risk Management Board and we will also look to develop separate reports to CMT highlighting key issues which need to be reflected in the annual governance statement as well as action tracking.

Staff Resources and Development. While there are strong arrangements in place for planning and delivery of various audits, the service can strengthen its link between the work required and any skills gaps to complete as well as the actual number of audit days able to be provided. With the changing nature of our work (i.e. more strategic focussed, based on risks rather than compliance etc) our skills need to continue to evolve. This can be reflected in the annual plan highlighted to Audit Committee. This could also consider the level of budgeted resource available for more specialist areas e.g. IT auditing or vacancies. In a similar vein this could highlight the impact of reduced numbers as a result of changes in working arrangements e.g. influx of grant claims needing verification; external works etc.

Quality Assurance and Improvement Programme. The assessment recognised that annual reporting did not always highlight positive in year achievements despite this being evident from the external review. This will be incorporated into the annual audit opinion as service delivery improvements.

4.2.3 Further details / evidence will be included within the Internal Audit Plan 2019 / 2020 report which is scheduled for the March meeting.

5. CONSULTATION

- 5.1 The draft / final report has been referred to Corporate Management Team for discussion and endorsement.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 Audit Committee note and comment on the contents of this report.

7. REASON FOR THE RECOMMENDATION

- 7.1 To provide members with an insight into the operations of the Internal Audit service and how it operates / performs against national standards.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 None

9. IMPLICATIONS

Financial Implications

- 9.1 The report recognises the importance of staff resources and endorses the need for the service to regular review its staffing levels to meet the needs of the organisation and to include appropriate training and continuous professional development.

Legal Implications

- 9.2 The Accounts and Audit Regulations 2015 require the Council to have a sound system of internal control which includes effective arrangements for the management of risk, controls and governance.

Equalities Implications

- 9.3 None

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 Public Sector Internal Audit Standards

11. APPENDICES

- 11.1 Appendix A: Peterborough City Council - External Quality Assessment: Draft / Final Report

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