

## **AUDIT & ACCOUNTS COMMITTEE**

**1 DECEMBER 2021**

### **RESULTS OF THE ASSESSMENT OF EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION**

#### **1.0 Purpose of Report**

1.1 To inform the members of the Audit & Accounts Committee of the results of the recent assessment of the effectiveness of the Internal Audit function including a self-assessment of the Committee.

#### **2.0 Background Information**

2.1 In 2015, the Public Sector Internal Audit Standards (PSIAS) were updated. One of the requirements of the PSIAS is that a regular review of the effectiveness of the Internal Audit function is carried out.

2.2 A second requirement is that a self-assessment of the effectiveness of the Audit & Accounts Committee is carried out.

2.3 At the meeting of the Audit & Accounts Committee held on 27<sup>th</sup> November 2019, the Committee considered a report which reviewed the effectiveness of the Internal Audit function and the self-assessment of the Audit and Accounts Committee.

2.4 The review into the effectiveness of the Internal Audit function considered a range of areas that were felt to be relevant to assessing the Internal Audit service. The panel considered each of these in turn before forming a conclusion. More detail relating to this is in section 3 below.

2.5 The self-assessment of the Audit Committee was undertaken using a questionnaire provided within CIPFA's Practical Guidance for Audit Committees. An action plan was created in order to ensure that the Committee conforms to the best practice guidance.

2.6 The final recommendation from the report in November 2019, was that a further review into the effectiveness of the Internal Audit function and a self-assessment of the effectiveness of the Audit and Accounts Committee be undertaken during July 2021.

#### **3.0 Results of the Review of the Effectiveness of the Internal Audit Function September 2021**

3.1 A panel was chosen, in consultation with the Chair of the Committee, which consisted of the Chair and one other Member of the Committee and the Business Manager – Financial Services, to review the effectiveness of the Internal Audit function.

3.2 The panel considered a range of areas that were felt relevant to assessing the Internal Audit service. The table below describes those areas considered and the thoughts of the panel.

Area	Panel's views
Does the Internal Audit Service add value to the organisation?	It was felt that with representatives from Internal Audit attending Directorate Team Meetings, this ensures the control environment is high on the priority list for the Council and that management agreed actions are always in focus. As management actions are intended to improve control, effectiveness and efficiency, it was felt that this assisted with adding value to the Council.
Does Internal Audit work with the Council whilst retaining its independence?	It was felt that as the service is provided by an external provider, this aided the independence of the Internal Audit service, as there can be no undue influence levered over the Head of Internal Audit which could be apparent within an internal arrangement. This does not however compromise the working relationship, as it was felt that the relationship with the Internal Audit service through officers of the Council was strong.
How well does the Internal Audit service support the Audit Committee?	It was felt that should any members of the Committee feel they needed to have a conversation with Internal Audit separately from Management, this could be accommodated. The service also prepares timely and informative reports for Committee on progress updates and facilitates training for members of the Committee.
How does the Internal Audit service communicate with the Council?	<p>It was felt that communication between the Committee and the service was good, in that officers were able to present the reports to the Committee in a concise and accurate manner, highlighting the areas the Committee should be focused on. Reports also include regular updates regarding any new information relating to audit nationally.</p> <p>Also the service has regular liaison meetings with management to continually review the annual Internal Audit Plan</p>
Are reports presented to the Audit Committee timely/relevant?	<p>It was felt that reports presented are timely, and do reflect all information as close up to the cut-off date for publication of the report.</p> <p>Reports are felt to be clear and to the point, giving members of the Committee the relevant points in relation to the various audits reviewed in the period.</p>

	It was also felt that reports are linked and hence progress can be seen between the original Internal Audit Plan approved for the year, compared with the progress reports throughout the year, followed by the annual report at the end of the financial year.
How is the relationship between the service and the Council?	It was felt that the relationship was strong between the Council and the service. This can be evidenced in one way by 92% of the internal audit plan being delivered during 2020/21 despite the impacts of the pandemic, showing that the Council continually managed to support the relationship despite the additional workload brought about by the pandemic.  Again the regular liaison meetings between management and the service allows that strong relationship to prosper.
Is the Internal Audit service open and transparent?	It was felt that the reports brought to the Committee offer members a clear insight into each of the areas audited and that where issues are highlighted, these are brought to the attention of members for their review.
Is the Internal Audit service adequately skilled and do the officers conduct themselves with integrity and professionalism?	It was felt that officers from the Internal Audit service are adequately qualified and conduct themselves appropriately whilst presenting at Committees.  As the service provides Internal Audit services for a number of other Local Authorities, it was felt that this also offers further skills to the officers in that they can utilise experiences of auditing similar functions from other Council's offering a unique ability to form a view on best practice.

3.3 Based on the table above, once the panel had considered all of the areas identified, it was concluded that currently the Internal Audit function is working effectively.

#### **4.0 Results of the Self-Assessment of the Effectiveness of the Audit & Accounts Committee September 2021**

4.1 The self-assessment was undertaken using a questionnaire provided within CIPFA's Practical Guidance for Audit Committees. The self-assessment was facilitated by the Internal Audit Manager (Assurance Lincolnshire) and the Business Manager – Financial Services with the panel, as above, scoring the assessment. The questionnaire aims to determine whether the Audit Committee within a council meets with best practice as outlined in the guidance.

4.2 There were 36 questions requiring responses. For 25 of those, the group agreed that the Audit & Accounts Committee demonstrated best practice against the guidance (23 in

2019/20); there were 11 questions where the group considered that the Committee partly met the best practice (8 in 2019/20); 0 where the group considered that the Committee did not meet best practice (4 in 2019/20), one question was not applicable to the Council in the 2019/20 assessment. A table showing the results of the questionnaire is attached at **Appendix A**.

4.3 For the areas assessed as either partially meeting best practice or not meeting best practice, actions have been included in the action plan attached at **Appendix B**. The group recommend that the action plan is adopted by the Committee.

4.4 In respect of the action relating to the subscription to CIPFA's Better Governance Forum, the Service Plan for this is attached at Appendix C. By subscribing to this network, the authority will gain access to a wide range of webinars and face-to-face events at various regional venues as well as expert support and guidance that is centred on all aspects of governance and internal audit. The current annual cost for this is £4,610, albeit this cost is relevant to the 2021/22 financial year and may be subject to inflation for the 2022/23 financial year. The cost is also non pro-rata and hence the subscription would be taken from the 1<sup>st</sup> April 2022, otherwise the full £4,610 would be payable just for the part year to 31<sup>st</sup> March 2022. This cost would need adding into the budget process for the next financial year.

## **5.0 Future Assessments**

5.1 It is no longer a statutory requirement that an annual review of effectiveness be carried out, and the Audit & Accounts Committee has previously determined that an assessment should be carried out every two years. It is therefore proposed that the next self-assessment by Newark & Sherwood District Council is undertaken during July 2023.

## **6.0 RECOMMENDATIONS:**

That the Committee:

- (a) notes the results of the review of the effectiveness of the Internal Audit Function;
- (b) notes the results of the Self-Assessment of the Effectiveness of the Audit & Accounts Committee;
- (c) adopts the action plan;
- (d) recommends to the Policy and Finance committee through the budget process to add £4,610 (subject to inflationary increase that CIPFA may apply) into the base budget for 2022/23 and beyond in respect of the subscription to the Better Governance Forum;
- (e) agrees that the next assessment should be undertaken in September 2023.

## **Background Papers**

Public Sector Internal Audit Standards  
Local Government Advisory Note  
Audit Lincs Independent External Assessment report

Audit Lincs Quality Assurance Improvement Programme  
Internal Audit Strategy  
CIPFA Practical Guidance for Audit Committees

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