

AUDIT & ACCOUNTS COMMITTEE
27 NOVEMBER 2019

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 based on:

- i. an assessment of conformity to the Standards and the Local Government Advisory Note (LGAN);
- ii. an assessment of the performance of internal audit work and whether the aims and objectives set out in the Internal Audit Strategy have been achieved;
- iii. an assessment of progress with delivery of the annual audit plan.

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 26th July 2017, 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 the results of the independent external assessment of the Internal Audit function against the PSIAS and the LGAN, which had been carried out by CIPFA during the latter half of 2016. The group considered the report and agreed that its conclusions corresponded with the Committee's experience of the Internal Audit service.

2.5 The self-assessment 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 July 2017, 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 2019.

3.0 Results of the Review of the Effectiveness of the Internal Audit Function July 2019

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, to review the effectiveness of the Internal Audit function.

- 3.2 The panel considered a presentation from Lucy Pledge, Head of Internal Audit. This detailed extracts from the Internal Audit report for 2018/19, results of the self-assessment conducted by Assurance Lincolnshire against the CIPFA application note on the Public Sector Internal Audit Standards (PSIAS) and a Quality Assurance Improvement Plan (QAIP).
- 3.3 The result of the self-assessment that had been conducted by Assurance Lincolnshire regarding themselves was assessed as conforming to the Standards. The actions identified within the QAIP were therefore an acknowledgement that continuous improvement needed to take place.
- 3.4 The panel felt that based on the self-assessment results and the QAIP that is in place it was satisfied that the Internal Audit Function is working effectively.

4.0 Results of the Self-Assessment of the Effectiveness of the Audit & Accounts Committee July 2019

- 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 Head of Internal Audit and the Business Manager – Financial Services with the panel, as above, scoring the assessment. CIPFA's Practical Guidance for Audit Committees document was updated during 2018 and as such the self-assessment questionnaire has been revised to reflect the current guidance document. 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 23 of those, the group agreed that the Audit & Accounts Committee demonstrated best practice against the guidance (28 in 2017/18); there were 8 questions where the group considered that the Committee partly met the best practice (0 in 2017/18); 4 where the group considered that the Committee did not meet best practice (1 in 2017/18), and one question was not applicable to the arrangements at Newark & Sherwood District Council. 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.

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 2020.

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) agrees that the next assessment should be undertaken in July 2020;

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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