

Wyre Council

**PEER REVIEW OF INTERNAL AUDIT AGAINST THE UK
PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

10 May 2018

Review Team

Emma Thompson, Assurance Risk and Audit Manager, Allerdale Borough
Council

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1 Introduction

- 1.1 All principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2015 (amended), the Accounts and Audit (Wales) regulations 2005, section 95 of the Local Government (Scotland) Act 1973 and the Amendment to the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note.
- 1.2 A professional, independent and objective internal audit service is one of the key elements of good governance in local government.
- 1.3 The PSIAS require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
- 1.4 The Lancashire Districts Chief Auditor Group (LDCAG) has established a 'peer-review' process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by 'self-assessment with independent external validation' and this report presents the summary findings of the review carried out on behalf of Wyre Council.
- 1.5 "An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs." This review has been carried out by the Head of Internal Audit at Allerdale Borough Council and the Senior Auditor at Preston Council. Their 'pen pictures', outlining background experience and qualifications, are included at Appendix A.

2 Approach/Methodology

- 2.1 The LDCAG has agreed a detailed Memorandum of Understanding (MoU) that outlines the broad methodology for the conduct of this review. A copy of the MoU is available upon request. However, in summary, the key elements of the process are:
 - The peer review is undertaken in three stages: pre-review; on-site review; post-review and covers audit activity during the period covered in the latest Head of Internal Audit Annual Report and Opinion. For example, reviews commencing after 1 July 2016 will cover the audit year 1 April 2015 to 31 March 2016.
 - Wyre Council has completed and shared its self-evaluation of the Internal Audit service together with any relevant supporting evidence/documentation in advance of on-site review commencement.

The LDCAG has agreed that the self-assessment will use the **CIPFA Local Government Application Note (LGAN)** questionnaire. Typically, supporting evidence will include the Internal Audit Plan & Charter, the Head of Internal Audit Annual Report and Opinion, Quality Assurance and Improvement Programme and examples of final audit reports.

- To support the on-site review, a customer survey form was issued and completed by key personnel within Wyre Council.
- The review itself comprises a combination of 'desktop' and 'actual on-site' review.
- The review cannot reasonably consider all elements of the LGAN self-assessment and the review team must use the 'desktop' period to determine strengths, weaknesses and subsequent key lines of enquiry in order that the review itself is risk-based, timely and adds real value. Wyre Council has been assessed against the four broad themes of: Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- Upon conclusion, the Review team offers a 'true and fair' judgement and it is proposed that each Authority will be appraised as **Conforms**, **Partially Conforms** or **Does Not Conform** against each thematic area of the LGAN, from which an aggregation of the four themed scores gives an overall Authority score.

3 Summary Findings

3.1 Following a detailed examination process, the review team has concluded the following judgements:

Area of Focus	Judgement
Purpose & Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
Impact	Conforms
Overall Judgement Conforms	

Assessment against the individual elements of each area of focus is included in the table at Appendix B.

3.2 The peer review at Wyre Council was a very positive experience; all interviewees hold Internal Audit in high regard and see the service as an

integral part of the organisations governance framework. The majority of the feedback received from the Chief Officers and Managers during interview made clear reference to the added value the Internal Audit Team bring to the organisations governance and systems of internal control, the terms used most often were 'critical friend' and 'professional and thorough service'. The Wyre Council Head of Governance is currently supporting Lancaster City Council in the Internal Audit and Assurance Manager role one day per week, this started in May 2017. Feedback provided on this arrangement highlighted this as a positive developmental opportunity for the Head of Governance.

- 3.2.1 The team are highly respected, experienced and competent, they are regularly called upon to provide advice and to support major organisational projects. The team is clearly seen to be a valued asset at Wyre Council, the Chief Executive openly supports and promotes their work and he along with Senior Managers regularly attend Internal Audit scoping and exit meetings. The PSIAS state that 'internal audit activity must be independent and internal auditors must be objective in performing their work'. The Head of Governance also has management responsibilities for Insurance and Business Continuity, Electoral and Civic Services and Democratic Services. An internal review of Electoral Services was completed this year, however it was clarified during interview that the Chief Executive holds final managerial responsibility for Elections. Wyre Council have a long standing arrangement in place with Lancashire County Council for the delivery of Independent audit reviews. These reviews are primarily Financial however they will also review corporate areas upon request to ensure independence is maintained.

3.3 **Significant Observations** (leading to a 'does not conform' judgement)

There are no significant observations.

- 3.4 **Minor Observations** (i.e areas for improvement/development, minor elements of non-conformance and gaps in 'good practice' statement) Actions are included at Appendix C.

- 3.4.1 To further demonstrate the value added to the organisation and compliance with PSIAS the Internal Audit Team should consider the value of ongoing monitoring of service performance. This would provide management with relevant information to allow them to review and measure Internal Audit service delivery.
- 3.4.2 It would be beneficial to raise awareness of Risk Management throughout the third tier management at Wyre Council. Excellent feedback was provided by the Senior Management Team who regularly engage in risk management workshops and risk discussions facilitated by Internal Audit. Engaging with this third tier management group would further embed Risk Management into the organisation and allow further Internal Audit insight into operational risks and issues. It would be beneficial for Internal Audit throughout their engagement to regularly clarify their role in risk management to ensure any confusion around Internal Audits role is removed.

3.4.3 The Internal Audit team have a process in place to follow up agreed actions following an audit review. To provide a whole organisation overview of the progress of all agreed actions and their implementation the service would benefit from introducing an agreed action register to manage and monitor the follow up process. This would also improve management ownership and accountability for these actions and allow oversight for actions outstanding. A solution using Sharepoint maybe an ideal 'quick win' option.

Review Team

Emma Thompson

I am the Assurance Risk and Audit Manager at Allerdale Borough Council and have worked in Audit for 11 years. I obtained my PIIA with the Chartered Institute of Internal Auditors (CIIA) in 2010 and went on to win the national CIIA Internal Audit Champion award in 2015. I became 'Certified' with IIA Global in 2016.

Kate Gregory

I am the Acting Auditor Manager at Preston City Council and have worked in Audit for 15 years. I obtained my PIIA with the Chartered Institute of Internal Auditors (CIIA) in 2007.

Detailed Assessment

		Does not conform	Partially conforms	conforms	Comments
	Purpose & positioning				
•	• Remit			X	
•	• Reporting lines			X	
•	• Independence			X	
•	• Other assurance providers			X	
•	• Risk based plan			X	See 3.4.2
	Structure & resources				
•	• Competencies			X	
•	• Technical training & development			X	
•	• Resourcing			X	
•	• Performance management			X	See 3.4.1
•	• Knowledge management			X	
	Audit execution				
•	• Management of the IA function			X	
•	• Engagement planning			X	
•	• Engagement delivery			X	
•	• Reporting			X	
		Do not agree	Partially agree	Fully agree	Comments
	Impact				
•	• Standing and reputation of internal audit			X	3.4.3
•	• Impact on organisational delivery			X	3.4.1
•	• Impact on Governance, Risk, and Control			X	3.4.2

Conforms	X	Partially Conforms		Does Not Conform	
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Wyre Council Internal Audit Service – PSIAS Action Table

Appendix C

PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
1311 Internal Assessments	3.4.1	The Head of Governance along with management should consider the value of introducing internal performance measures to monitor the ongoing performance of the Internal Audit service.		
2120 Risk Management	3.4.2	It would be beneficial to raise awareness of Risk Management throughout the third tier management at Wyre Council. It would be beneficial for Internal Audit throughout their engagement to regularly clarify their role in risk management to ensure any confusion around Internal Audits role is removed.		
N/A Identified by Interviews	3.4.3	To provide a whole organisation overview of the progress of all agreed actions and their implementation the service would benefit from introducing an agreed action register to manage and monitor the follow up process. This would also improve management ownership and accountability for these actions and allow oversight for actions outstanding. A solution using Sharepoint maybe an ideal 'quick win' option.		