

Report of:	Meeting	Date	Item no.
Corporate Director Resources (S151 Officer)	Audit and Standards Committee	20 June 2023	

## REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

### 1. Purpose of report

1.1 This report relates to the requirement for the authority to undertake an annual review of the effectiveness of the system of internal audit.

### 2. Outcomes

2.1 Evidence that the council has an effective internal audit function.

### 3. Recommendation

3.1 The Committee is asked to consider the results of the May 2023 review of the effectiveness of Internal Audit detailed in Appendix 1.

### 4. Background

4.1 The Accounts and Audit Regulations 2015 requires the relevant body, at least once a year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind this is to ensure that the opinion in the annual audit report issued by the Audit and Risk Manager (Chief Internal Auditor) can be relied upon as a key source of evidence in the Annual Governance Statement.

4.2 From the 1 April 2013 Public Sector Internal Audit Standards (PSIAS) replaced the Code of Practice for Internal Audit in Local Government. In Local Government these standards are mandatory for all principal local authorities subject to the Accounts and Audit Regulations 2015. The PSIAS were re-issued in March 2017 with minor amendments.

4.3 To accompany the PSIAS an 'application note' has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) to give guidance on applying the standards. This application note is no longer simply guidance but instead constitutes 'proper practices' alongside the PSIAS. It includes a checklist for measuring the performance of Internal Audit against the standards as part of the quality assurance and

improvement programme. The application note was re-issued in February 2019 with minor amendments.

- 4.4** The PSIAS state that an external assessment must be conducted at least every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessment can be in the form of a full external assessment, or a self-assessment with independent external validation. The majority of the Lancashire Districts made the decision to continue with the annual self-assessment completed by the Chief Internal Auditor and for the annual self-assessment to be independently verified via peer review. Wyre’s last peer review took place in March 2018 and a review was scheduled to be carried out in February 2023 but this has now been delayed until June 2023 at the request of the peer review team.

**5. Key issues and proposals**

- 5.1** The Audit, Risk and Performance Lead has assessed the effectiveness of the internal audit service using the recommended checklist contained within CIPFA’s Local Government Application Note. This has subsequently been ratified and countersigned by the Head of Governance and Business Support and the Corporate Director Resources (Section 151 Officer).
- 5.2** Four actions require attention following this review namely; the requirement for the Audit, Risk and Performance Lead to obtain ‘Chartered’ status, the Head of Governance and Business Support to continue to ratify and countersign the Internal Audit Effectiveness and the Annual Opinion, to seek an independent review of the council’s risk management arrangements and to update the Quality Assurance and Improvement Programme (QAIP) to include these actions.
- 5.3** The results of the review are attached at Appendix 1.

<b>Financial and legal implications</b>	
Finance	None arising directly from the report.
Legal	An effective Internal Audit team helps to provide the correct environment to ensure good governance and probity.

**Other risks/implications: checklist**

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
Health and Safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

### **Processing Personal Data**

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018

report author	telephone no.	email	date
Dawn Allen	01253 887341	<a href="mailto:Dawn.allen@wyre.gov.uk">Dawn.allen@wyre.gov.uk</a>	09.06.2023

<b>List of background papers:</b>		
name of document	date	where available for inspection
None		

### **List of appendices**

Appendix 1 – Review of effectiveness of Internal Audit – May 2023