

Report to: AUDIT AND GOVERNANCE COMMITTEE

Date: 22nd November 2023

Title: External Assessment of the work of the Internal Audit function

Report of: Chief Internal Auditor

Ward(s): All

Purpose of report: To present to committee the results of the external assessment of the Internal Audit function

Officer recommendation(s): That the information in this report be noted

Reasons for recommendations: The remit of the Audit and Governance Committee includes the duties to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council's arrangements for identifying and managing risk.

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1 Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect in April 2013 and were revised in 2017. Additional guidance for local authorities was included in the Local Governance Application Note (2013) – updated in 2019.
- 1.2 The PSIAS are intended to promote the further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 1.3 The PSIAS call for two types of assessments to be carried out of the work of Internal Audit. The first is internal assessments, this includes ongoing monitoring of the work of Internal Audit and periodic self-assessments. These are addressed by every audit carried out being reviewed against a checklist, and a full self-assessment against the PSIAS carried out annually, the results of which are reported to this committee.
- 1.4 The second type of assessment required is an external assessment. The PSIAS require these to be conducted at least once every five years by a qualified, independent, assessor or assessment team from outside the organisation.
- 1.5 When the PSIAS were first published, the Sussex Audit Group was still in existence. The group consisted of Heads of Audit from East Sussex and some West Sussex local authorities. It was found that the cost of having an external company/group to carry out the assessment would be quite expensive. The group therefore agreed to carry out reciprocal reviews. Under this agreement, Eastbourne had the external assessment carried out in 2016 and Lewes in 2018.
- 1.6 Since that time, the Internal Audit functions of Lewes and Eastbourne have joined together, meaning that only one external assessment now needs to be

carried out. This assessment would be required to be carried out sometime between 2021 and 2023.

- 1.7 However, since the last external assessments, the Sussex Audit Group has ceased meeting. This was brought about by retirements by several Heads of Audit and outsourcing of internal audit by some authorities. There was, therefore, no group that could be approached to carry out a further external assessment. Whilst that was the case, the Heads of Audit at Wealden District Council, Rother District Council, Hasting Borough Council and ourselves, discussed and agreed to carry out reciprocal external assessments. Hastings later pulled out of the agreement, but the Head of Audit at Chichester District Council asked to join in the agreement.
- 1.8 Under this agreement, the Chief Internal Auditor at Lewes and Eastbourne carried out the assessment for Rother District Council in March. The Audit Manager at Wealden District Council has now carried out the external review for Lewes District and Eastbourne Borough councils.

2 External Assessment 2023

- 2.1 The covering note for the assessment explains the process followed by the assessor and the overall outcome. The note is appended to this report along with the results of the review but it is also quoted here.
- 2.2 "In order to carry out this review a CIPFA (Chartered Institute of Public Finance and Accountancy) checklist has been used which incorporates the requirements of the PSIAS as well as the Local Government Application Note for the PSIAS (2019) in order to give comprehensive coverage of both documents in assessing conformance with the Standards."
- 2.3 "A range of Lewes District and Eastbourne Borough Council's Internal Audit documents and reports were reviewed to check conformity against the Standards and a meeting was held with the Chief Internal Auditor."
- 2.4 "Questionnaires were also sent to 11 senior managers and three Councillors. Responses were received from the Councillors and eight senior managers. The Chief Internal Auditor also completed a questionnaire."

3 Outcome and Recommendations

- 3.1 The result of the external assessment supports the results of the annual self-assessment carried out, in that the Internal Audit function Generally Conforms with the PSIAS.
- 3.2 The assessor made a total of eleven recommendations to improve the service and/or to conform with the PSIAS. Of the eleven made, the following is noted:
- Three were addressed as soon as raised during the review
 - Two require information to be added to the end of year report to committee, so will be addressed when that is written
 - Four require further work to address them and this is being arranged
 - One required consideration and was discussed with the Chief Finance Officer/s. 151 Officer
 - One recommendation was not agreed by the Chief Internal Auditor but was discussed with the Chief Finance Officer/s. 151 Officer
- 3.3 The comments made by the Chief Finance Officer/s. 151 Officer have also been included in the Remedial Actions table at Appendix C of the attached report.

3.4 The full report with covering note, findings and recommendations can be found at Appendix 1.

4 Future of the standards

4.1 It should be noted that the Institute of Internal Auditors has recently updated their standards on which the Public Sector Internal Audit Standards are based. These will be published in 2024 and become effective in 2025. As yet, no timescale has been given as to when CIPFA may update the Public Sector Internal Audit Standards.

5 Financial appraisal

5.1 None

6 Legal implications

6.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

7 Risk management implications

7.1 If the council does not have an effective governance framework that is subject to proper oversight by councillors it will not be able to demonstrate that it has in place adequate means to safeguard council assets and services, and it could be subject to criticism from the council's external auditor or the public.

8 Equality analysis

8.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

9 Environmental sustainability implications

9.1 Not applicable.

10 Appendices

10.1 Appendix 1 – Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function.