

COVERING NOTE FOR THE PEER REVIEW OF LEWES DISTRICT AND EASTBOURNE BOROUGH COUNCIL'S INTERNAL AUDIT FUNCTION

The lead officers of the Internal Audit functions of Rother District Council, Chichester District Council, Wealden District Council, and Lewes District and Eastbourne Borough Councils have agreed to carry out reciprocal external assessments of the Internal Audit functions. This is to satisfy the requirement of the Public Sector Internal Audit Standards to have an external audit assessment carried out at least every five years.

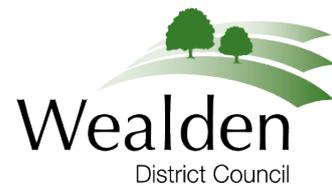
In order to carry out this review a CIPFA (Chartered Institute of Public Finance and Accountancy) checklist has been used which incorporates the requirements of the PSIAS as well as the Local Government Application Note for the PSIAS (2019) in order to give comprehensive coverage of both documents in assessing conformance with the Standards.

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. A summary of the outcomes from the assessment is included at Appendix B.

Questionnaires were also sent to 11 senior managers and three Councillors. Responses were received from the Councillors and eight senior managers. The feedback from these is summarised in Appendix D. The Chief Internal Auditor also completed a questionnaire and their ratings are shown for comparison purposes.

Some suggested remedial actions were identified through the process and are included in Appendix C. The overall finding is that Lewes District and Eastbourne Borough Council's Internal Audit function "**Generally Conforms**" with the Standards. Conformance definitions are attached for information at Appendix A.

Helen Jolley - Audit Manager
Wealden District Council
September 2023



PEER REVIEW OF

**LEWES DISTRICT AND EASTBOURNE BOROUGH
COUNCILS**

UNDERTAKEN BY

Helen Jolley, Audit Manager of Wealden District Council

COMPLETED

September 2023

APPENDIX A

Conformance Definitions

<p>Generally Conforms</p>	<p>It is concluded that the relevant structures, policies, and procedures of the Audit Service, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.</p>
<p>Partially Conforms</p>	<p>It is concluded that the Audit Service is making good efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but has not achieved some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.</p>
<p>Does Not Conform</p>	<p>It is concluded that the Audit Service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the Standard to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.</p>

APPENDIX B

Summary of Assessment

Ref	Public Sector Internal Audit Standards	Generally Conforms	Partially Conforms	Does not Conform	Comments – where Partial or No Conformance
	Definition of Internal Auditing	✓			
	Core Principles		✓		See below: 2010 1110 1112
Ref	Code of Ethics				
1	Integrity	✓			
2	Objectivity	✓			
3	Confidentiality	✓			
4	Competence	✓			
Ref	Attribute Standards				
1000	Purpose, Authority & Responsibility		✓		The Charter does not include all requirements of the Standards.
1010	Recognising Mandatory Guidance in the Internal Audit Charter		✓		The Charter does not state that the Standards are mandatory and that Internal Audit must comply with them.
1100	Independence and objectivity	✓			
1110	Organisational Independence		✓		1) No evidence that the CAE confirms to the board, at least annually, that the internal audit activity is organisationally independent. 2) Adequate steps have not been taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not

External Assessment Report - Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function.

Ref	Public Sector Internal Audit Standards	Generally Conforms	Partially Conforms	Does not Conform	Comments – where Partial or No Conformance
					inappropriately influenced by those subject to audit.
1111	Direct Interaction with the Board	✓			
1112	Chief Audit Executive Roles Beyond Internal Auditing		✓		The safeguards in place to limit impairments to independence or objectivity have not been periodically reviewed by the Audit Committees.
1120	Individual Objectivity	✓			
1130	Impairments to Independence or Objectivity		✓		The Auditors have confirmed if they have any declarations of interest, but the Audit Manager and CIA have not.
1210	Proficiency	✓			
1220	Due Professional Care	✓			
1230	Continuing Professional Development	✓			
1300	Quality assurance and improvement programme	✓			
1310	Requirements of the Quality Assurance and Improvement Programme	✓			
1311	Internal Assessments	✓			
1312	External Assessments	✓			
1320	Reporting on the Quality Assurance and Improvement Programme	✓			
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	✓			
1322	Disclosure of Non-conformance	✓			
Ref	Performance Standards				
2010	Planning		✓		A documented risk assessment has not been completed as part of the annual planning process.

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Ref	Public Sector Internal Audit Standards	Generally Conforms	Partially Conforms	Does not Conform	Comments – where Partial or No Conformance
2020	Communication and Approval	✓			
2030	Resource Management	✓			
2040	Policies and Procedures	✓			
2050	Coordination and Reliance		✓		<p>1) An approach to using other sources of assurance has not been established.</p> <p>2) Meetings are not held regularly with the nominated external audit representative to consult on and coordinate respective audit plans.</p>
2060	Reporting to Senior Management and the Board	✓			
2070	External Service Provider and Organisational Responsibility for Internal Audit				Not applicable
2110	Governance	✓			
2120	Risk Management	✓			
2130	Control	✓			
2200	Engagement planning	✓			
2201	Planning Considerations	✓			
2210	Engagement Objectives	✓			
2220	Engagement Scope	✓			
2230	Engagement Resource Allocation	✓			
2240	Engagement Work Programme	✓			
2310	Identifying Information	✓			
2320	Analysis and Evaluation	✓			
2330	Documenting Information	✓			
2340	Engagement Supervision	✓			

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Ref	Public Sector Internal Audit Standards	Generally Conforms	Partially Conforms	Does not Conform	Comments – where Partial or No Conformance
2410	Criteria for Communicating		✓		1) Evidence of meetings with clients/agreement to the draft report are not always retained. 2) The risks of providing assurance to Council owned companies, along with the mitigations have not been articulated.
2420	Quality of Communications	✓			
2421	Errors and Omissions				Not applicable
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'	✓			
2431	Engagement Disclosure of Non-conformance				Not applicable
2440	Disseminating Results	✓			
2450	Overall Opinions		✓		A summary of the performance of the internal audit activity against performance measures and targets is not provided in the Annual Report.
2500	Monitoring progress	✓			
2600	Communicating the acceptance of risks				Not applicable

APPENDIX C

Remedial Actions

Section	Name	Area	Remedial Action	Target	Responsibility	Comments
1000 & 1010	Purpose, Authority & Responsibility	Charter does not cover all areas as per the Standards.	Amend Charter to encompass all requirements of the Standards.	Already being undertaken	CIA	AGREED The Charter has already been thoroughly updated. This will be given a full check over and then taken back to the audit committees for adoption.
1110	Organisational Independence	No evidence that the CAE confirms to the board, at least annually, that the internal audit Activity is organisationally independent.	Include reference to the internal audit activity being organisationally independent in Committee reports.	April 24	CIA	AGREED It is felt that this is made clear through the work and reports/comments throughout this year. However, for clarity, a statement will be added to the end of year report.
		Adequate steps have not been taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not inappropriately influenced by those subject to audit.	The Chief Executive should review and approve the CIA's annual appraisal /performance.			NOT AGREED <u>CIA RESPONSE TO BE CONSIDERED</u> It has historically been agreed that the Chief Executive and committee Chairs have opportunities at meetings to comment on performance and can raise issues directly with the Chief Finance Officer. It is not felt that this has ever been an issue, but it will be raised again and considered. <u>CFO COMMENT</u> The CIA has unrestricted and direct access to all strategic directors including the Chief Executive at any given point. To ensure appropriate strategic and management support, the CIA's appraisal and

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Section	Name	Area	Remedial Action	Target	Responsibility	Comments
						performance is reviewed and approved by the council's Chief Finance Officer (Director of Finance & Performance). The CIA attends Corporate Management Team meetings regularly where key internal control and risk management issues are discussed, reviewed and agreed at corporate level.
1112	Chief Audit Executive Roles Beyond Internal Auditing	The safeguards in place to limit impairments to independence or objectivity have not been periodically reviewed by the Audit Committees.	Committees are informed that there are safeguards and that they will be asked to review them periodically.	April 24	CIA	AGREED The Audit Charter has been updated to ensure that this is made very clear. The committees see the Audit Charter when it is updated/reviewed and they are informed of any safeguards when they are "activated". However, this will be added to the annual report as well.
1130	Impairments to Independence or Objectivity	The Auditors have confirmed interests to the Audit Manager. The Audit Manager and CIA have not made declarations.	The Audit Manager and CIA should make a declaration of any interests.	In Place	CIA	AGREED Following this being raised in this review, this has now taken place for the 2022-23 year and will be continued going forward.

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Section	Name	Area	Remedial Action	Target	Responsibility	Comments
2010	Planning	A documented risk assessment has not been completed as part of the annual planning process	The internal audit activity's plan of engagements should be based on a documented risk assessment.	April 24	CIA	<p>PARTIALLY AGREED</p> <p>There is no specific requirement in the standards for a risk assessment to be carried out, only that there be a risk-based plan. We do consider the risks to the council based on the strategic risk register and organisational objectives and priorities. However, we will record the decision-making process more thoroughly.</p>
2050	Coordination and Reliance	An approach to using other sources of assurance has not been established.	An assurance mapping exercise should be conducted periodically.	April 24	CIA	<p>PARTIALLY AGREED</p> <p>There is no specific requirement in the standards for an assurance mapping exercise to be carried out, only that there is a "consistent process". Therefore, consideration will be given to how we record our approach to using other sources of assurance.</p> <p>However, Auditors are required within the Quality Assurance checklist to request copies of external assurance provided as a standard requirement of the planning and scope stage of each audit.</p>
		Meetings are not held regularly with the nominated external audit representative to consult on and coordinate respective audit plans.	The CIA should have periodic meetings with external audit.	TBC	CIA	<p>AGREED</p> <p>There has been a reluctance on the part of the current external auditor to proactively communicate with the CIA. Every effort will be made to ensure that there are regular meetings with the new external auditors.</p>

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Section	Name	Area	Remedial Action	Target	Responsibility	Comments
2410	Criteria for Communicating	Evidence of the manager's agreement to the draft report and their comments, either by email or by minutes of the closure meeting are not always retained.	Staff should be reminded of the need to retain records of discussions and client agreement to draft reports.	In Place	CIA	<p>AGREED</p> <p>The Internal Audit team have already been reminded that evidence of discussions and closure meetings must be retained.</p>
		The risks of providing assurance to Council owned companies, along with the mitigations have not been articulated.	Consideration of risks and mitigations, e.g. terms of reference are established for work providing assurance to Council owned companies.	April 24	CIA	<p>AGREED</p> <p>These risks have been considered and, where appropriate, the companies have been informed of possible conflicts of interest, independence, and objectivity. However, consideration is being given to writing audit charters for each.</p>
2450	Overall Opinions	A summary of the performance of the internal audit activity against performance measures and targets is not provided in the Annual Report.	Consideration should be given to summarizing the performance of the internal audit function against performance measures and targets in the Annual Report.			<p>NOT AGREED</p> <p><u>CIA RESPONSE</u></p> <p>The Standards themselves do not specifically require a summary of performance against targets. It is the Cipfa Application Note that says the annual report "should" include "a comparison of work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets".</p> <p>It is felt that having a strict annual plan is no longer an option for an internal audit team. Internal audit must remain relevant and be flexible enough to be able to direct resources to issues as they</p>

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Section	Name	Area	Remedial Action	Target	Responsibility	Comments
						<p>arise. In this way, internal audit is more able to give relevant assurance and add value where it is most needed.</p> <p>The work of internal audit is thoroughly reported quarterly and annually to committees who can therefore challenge any concerns they have with the amount of work carried out and the areas covered.</p> <p><u>CFO COMMENT</u></p> <p>Considering the pace and scope of change within local government, the councils' internal audit plan is developed and delivered on a risk based approach. This has allowed for a greater flexibility and focus in delivering the internal audit service by optimising the team's capacity and ability to match this pace of change.</p>

APPENDIX D

Aggregated Questionnaire Results

Assessor Conclusion

The scores below are considered to be very positive and there are no recommended actions arising.

Standing and Reputation of Internal Audit	Do not agree	Partially Agree	Generally Agree	Fully Agree	Client Comments
The internal audit service is seen as a key strategic partner in the organisation.			2 1	9	The CIA regularly attends CMT and is well respected given her professional approach, judgement and knowledge. The Team's work on risk, audit and discretionary reviews are key to the Council's performance, financial sustainability and resilience.
Senior managers understand and fully support the work of Internal Audit.		1	2	9	My observation is that Internal Audit integrate and communicate with senior managers across the organisation. This has achieved a culture of positive working with the audit function.
Internal Audit is valued throughout the organisation.			4 1	7	I think some roles still see internal audit as something to be scared of and that they will try and change the way we do things. Sometimes Audit is perceived as a burden and CMT will continue to support the Team in changing that understanding.
The internal audit service is delivered with professionalism at all times.				11 1	And patience. Given the sometimes difficult briefs their professionalism is impeccable. Absolutely, professional yet personable.

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Impact on Organisational Delivery	Do not agree	Partially Agree	Generally Agree	Fully Agree	Client Comments
The internal audit service responds quickly to changes within the organisation.			2 1	9	The CIA and the Team constantly scan the context in which we are working and are proactive in responding.
The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.			9 1	1	<p>There have been vacancies, but these are being filled and new staff trained.</p> <p>I think at times resourcing has been an issue although not directly experienced.</p> <p>Sometimes difficulty in recruiting reduces capacity but the Team at full strength does have the resources to be effective.</p> <p><i>One client was unsure so did not score.</i></p>
The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes.				11 1	<p>Communication and reports are clear concise and constructive. These are followed up appropriately to ensure actions are completed. Where necessary, the CIA will use CMT to escalate.</p> <p>YES including timely follow up to check on progress against Action Plans resulting from audits.</p> <p>The feedback and reports are given in a very clear, unambiguous and straightforward manner.</p>

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<p>The internal audit service ensures that recommendations made are commercial and practicable in relation to the risks identified.</p>				<p>10 1</p>	<p>As much as possible for them to do so. The Team consider recommendations carefully in such a way to make them practical to implement thereby increasing the likelihood that they are. YES, very measured approach, taking into consideration real time opportunities, challenges and risks – resulting in realistic recommendations. <i>One client was unsure so did not score.</i></p>
<p>There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service.</p>			<p>1</p>	<p>10 1</p>	
<p>Has Internal Audit had a positive impact on Governance, Risk and Control ?</p>	<p>Do not agree</p>	<p>Partially Agree</p>	<p>Generally Agree</p>	<p>Fully Agree</p>	<p>Client Comments</p>
<p>The internal audit service includes consideration of all risk areas in its work programme.</p>			<p>2</p>	<p>9 1</p>	<p>There have been some changes made to make some of these clearer. On a risk-based rolling programme. The Team are dynamic in considering the context including the assessment of existing and potential risks. YES, takes into consideration policies, procedures, people, money, the environmental and external challenges (govt and suppliers).</p>

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Internal Audit advice has a positive impact on the governance, risk and the system of internal control of the 16rganization.			2	9 1	
Internal Audit activity has enhanced 16rganization-wide understanding of governance, risk and control.			4	6 1	The Audit team are an established and well-respected team that provide an integral part of our overall governance process. Amongst senior management yes but amongst lower tiers I am not sure staff fully understand. <i>One client was unsure so did not score.</i>
The internal audit service asks challenging and incisive questions which stimulate debate and improvements in key risk areas.			3	8 1	The Team's approach of both challenging and supporting Members and Officers encourages an open debate on risk. Yes, through positive and proactive engagement, active listening and recounting back their understandings.
The internal audit service raises significant control issues at an appropriate level in the organisation.				10 1	<i>One client was unsure so did not score.</i>
The organisation accepts and uses the business knowledge of internal auditors to improve business processes and meet strategic objectives.			4 1	6	Individual service areas sometimes are slow to implement some recommendations. In those cases CMT and senior managers provide Internal Audit with support to ensure that the value of Internal Audit is understood. <i>One client was unsure so did not score.</i>

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Internal Audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation.			4 1	7	I don't think this is always the case.
Internal audit activity promotes appropriate ethics and values within the organisation.				10 1	Absolutely. <i>One client was unsure so did not score.</i>

Key

Aggregated client response – 11 responses

Chief Internal Auditor response