

## Rother District Council

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	21 March 2022
<b>Title:</b>	Review of Internal Audit 2021/22
<b>Report of:</b>	Gary Angell, Audit Manager
<b>Purpose of Report: Officer</b>	To report on the effectiveness of the Internal Audit Service.
<b>Recommendation(s):</b>	It be <b>RESOLVED:</b> That the Review of Internal Audit 2021/22 be approved.

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### Introduction

1. The Council's Internal Audit Service is operated in accordance with the Public Sector Internal Audit Standards. These Standards require the Audit Manager to undertake periodic self-assessments of the effectiveness of Internal Audit, but they do not specify how frequently these reviews should take place. The Audit Manager considers it beneficial for annual reviews to be carried out, and for Members to receive the findings, prior to 31 March each year so that reliance can be placed on the effectiveness of Internal Audit when reviewing the Annual Governance Statement.

### Quality Assurance and Improvement Programme

2. The Public Sector Internal Audit Standards (hereafter referred to as 'the Standards') aim to achieve consistent industry standards for Internal Audit. The Standards also require the Audit Manager to develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the Internal Audit activity. This includes both internal and external assessments.
3. Periodic internal assessments are necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and Attribute and Performance Standards. The Audit Manager therefore carries out an annual self-assessment review of the Internal Audit function in order to meet this requirement and uses a comprehensive checklist to ensure that all aspects of the Standards are covered. Given the length of this document, the results of the review have been summarised for this report, but the detailed checklist is also available to view upon request. The Summary Compliance Checklist can be found in Appendix A.
4. Internal Auditors are expected to comply with the Standards as far as possible and where compliance is not possible, to explain why. The level of compliance with each aspect of the Standards is indicated in the checklist by a tick in the relevant column; **Y** (Yes - Compliant), **P** (Partial Compliance) or **N** (Not Compliant). Where further work is required, there is a corresponding item in the Action Plan for 2022/23 (shown at Appendix B).

5. Any material non-compliance with the Standards would need to be highlighted in the Annual Governance Statement but no such issues were found.
6. In addition to periodic self-assessment, the Standards also require an external (peer) assessment to be carried out at least once every five years. The last peer review was arranged via the Sussex Audit Group and was conducted by the Chief Internal Auditors at Arun and Horsham District Councils in 2016/17. This concluded that that “the Internal Audit Service of Rother District Council generally conforms with the Public Sector Internal Audit Standards (PSIAS) and general good practice for the profession”. However, a further review is now overdue.
7. The most cost-effect method of completing this work would be to enter into similar reciprocal arrangement to that used last time. However, the Sussex Audit Group has not met since the COVID-19 pandemic first hit (although there has been some recent interest in reviving the forum) and some of the audit teams in East and West Sussex have since merged or sourced their own external provider. It is therefore unclear at this stage whether there will be any appetite for such an arrangement.
8. The alternative would be to hire the services of an external provider to carry out the work, but this could be expensive, and may only go ahead if the funds are available to do. The Audit Manager will however investigate the cost of engaging a suitable provider and will report back on progress later in the year.
9. A progress update on the Action Plan from last year's review is also provided in Appendix B. This shows that action has now been taken on all of the points raised.

## Conclusion

10. In summary, only one new issue has been highlighted by the latest internal assessment and all three action points from last year's review have now been addressed.
11. The results of this assessment, and the earlier peer review, therefore demonstrate the Internal Audit Service continues to achieve a good level of compliance with the Standards and none of the areas of partial compliance are significant in nature. On this basis, the Audit Manager concludes that **there is a high level of effectiveness overall**.
12. The Section 151 Officer and Monitoring Officer support the conclusion.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

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Appendices:	A – QAIP Summary Compliance Checklist 2021/22

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	B – QAIP Action Plans
Relevant Previous Minutes:	AS17/14 – Internal Audit - Peer Review AS20/52 – Review of Internal Audit 2020/21
Background Papers:	Review of Internal Audit 2021/22 (Full Checklist) – copy available on request.
Reference Documents:	None.

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## Summary Compliance Checklist 2021/22

## Appendix A

Ref	Public Sector Internal Audit Standards Compliance Check	Y	P	N	Comments
<b>1.0</b>	<b>Definition of Internal Auditing</b>				
1.1	Using evidence gained from assessing conformance with other Standards, is the Internal Audit activity: a) Independent? b) Objective?	✓ ✓			
1.2	Using evidence gained from assessing conformance with other Standards, does the Internal Audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓			
<b>2.0</b>	<b>Code of Ethics</b>				
2.1	<b>Integrity</b> Using evidence gained from assessing conformance with other Standards, do Internal Auditors: a) Perform their work with honesty, diligence and responsibility? b) Observe the law and make disclosures expected by the law and the profession? c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of Internal Auditing or to the organisation? d) Respect and contribute to the legitimate and ethical objectives of the organisation?	✓ ✓ ✓ ✓			
2.2	<b>Objectivity</b> Using evidence gained from assessing conformance with other Standards, do Internal Auditors display objectivity by not: a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? b) Accepting anything that may impair or be presumed to impair their professional judgement? c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	✓ ✓ ✓			

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2.3	<p><b>Confidentiality</b></p> <p>Using evidence gained from assessing conformance with other Standards, do Internal Auditors display confidentiality by:</p> <ul style="list-style-type: none"> <li>a) Acting prudently when using information acquired in the course of their duties and protecting information? ✓</li> <li>b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation? ✓</li> </ul>				
2.4	<p><b>Competency</b></p> <p>Using evidence gained from assessing conformance with other Standards, do Internal Auditors display competency by:</p> <ul style="list-style-type: none"> <li>a) Only carrying out services for which they have the necessary knowledge, skills and experience? ✓</li> <li>b) Performing services in accordance with the Standards? ✓</li> <li>c) Continually improving their proficiency and effectiveness and quality of their services, for example through Continuing Professional Development schemes? ✓</li> </ul>				
	<b>Standards</b>				
<b>3.0</b>	<b>Attribute Standards</b>				
<b>3.1</b>	<b>1000 Purpose, Authority and Responsibility</b>	✓			
3.1.1	1010 Recognising Mandatory Guidance in the Internal Audit Charter	✓			
<b>3.2</b>	<b>1100 Independence and Objectivity</b>	✓			
3.2.1	1110 Organisational Independence	✓			
3.2.2	1111 Direct Interaction with the Board	✓			
3.2.3	1112 Chief Audit Executive Roles Beyond Internal Auditing	✓			The Audit Manager has recently taken on the role of Risk Management Co-Ordinator, but he has no responsibility for managing the risks identified. Members will be informed should this role impair his independence or objectivity.

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3.2.4	1120 Individual Objectivity	✓			
3.2.5	1130 Impairment to Independence or Objectivity	✓			This situation has not arisen in 2021/22.
<b>3.3</b>	<b>1200 Proficiency and Due Professional Care</b>	✓			
3.3.1	1210 Proficiency	✓			
3.3.2	1220 Due Professional Care	✓			
3.3.3	1230 Continuing Professional Development	✓			
<b>3.4</b>	<b>1300 Quality Assurance and Improvement Programme (QAIP)</b>	✓			
3.4.1	1310 Requirements of the Quality Assurance and Improvement Programme	✓			
3.4.2	1311 Internal Assessments	✓			
3.4.3	1312 External Assessments			✓	The last peer review was completed in 2016/17 A further external assessment is now overdue.
3.4.4	1320 Reporting on the Quality Assurance and Improvement Programme	✓			
3.4.5	1321 Use of "Conforms with the Public Sector Internal Audit Standards"	✓			
3.4.6	1322 Disclosure of Non-conformance	✓			This situation has not arisen in 2021/22.
<b>4.0</b>	<b>Performance Standards</b>				
<b>4.1</b>	<b>2000 Managing the Internal Audit Activity</b>	✓			
4.1.1	2010 Planning	✓			
4.1.2	2020 Communication and Approval	✓			
4.1.3	2030 Resource Management	✓			
4.1.4	2040 Policies and Procedures	✓			
4.1.5	2050 Coordination	✓			
4.1.6	2060 Reporting to Senior Management and the Board	✓			
4.1.7	2070 External Service Provider and Organisational Responsibility for Internal Auditing	-	-	-	N/A - Service provided by in-house team.

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Ref	Public Sector Internal Audit Standards Compliance Check	Y	P	N	Comments
<b>4.2</b>	<b>2100 Nature of Work</b>	✓			
4.2.1	2110 Governance		✓		Internal Audit has never specifically evaluated the design, implementation and effectiveness of the Council's ethics-related objectives, programmes and activities but any significant governance issues would be highlighted in other audit work. No further action is therefore required
4.2.2	2120 Risk Management	✓			
4.2.3	2130 Control	✓			
<b>4.3</b>	<b>2200 Engagement Planning</b>	✓			
4.3.1	2201 Planning Considerations	✓			
4.3.2	2210 Engagement Objectives	✓			
4.3.3	2220 Engagement Scope	✓			
4.3.4	2230 Engagement Resource Allocation	✓			
4.3.5	2240 Engagement Work Programme	✓			
<b>4.4</b>	<b>2300 Performing the Engagement</b>	✓			
4.4.1	2310 Identifying Information	✓			
4.4.2	2320 Analysis and Evaluation	✓			
4.4.3	2330 Documenting Information	✓			
4.4.4	2340 Engagement Supervision	✓			
<b>4.5</b>	<b>2400 Communicating Results</b>	✓			
4.5.1	2410 Criteria for Communicating	✓			
4.5.2	2420 Quality of Communications	✓			
4.5.3	2421 Errors and Omissions	✓			

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Ref	Public Sector Internal Audit Standards Compliance Check	Y	P	N	Comments
4.5.4	2430 Use of “Conducted in Conformance with the Public Sector Internal Audit Standards”	✓			Conformance with the Standards is not something that is stated in individual audit reports but overall conformance with the Standards is confirmed each year in the Audit Manager’s annual report.
4.5.5	2431 Engagement Disclosure of Non-conformance	✓			This situation has not arisen in 2021/22.
4.5.6	2440 Disseminating Results	✓			
4.5.7	2450 Overall Opinion	✓			
<b>4.6</b>	<b>2500 Monitoring Progress</b>	✓			
<b>4.7</b>	<b>2600 Communicating Results</b>	✓			

**Key to level of compliance:** **Y** (Yes - Compliant), **P** (Partial Compliance) or **N** (Not Compliant)



## Action Plan for 2022/23

Reference	Standard	Issue Found	Action Required	Officer Responsible For Delivery	Target Date
3.4.3	1312 External Assessments	An external assessment of Internal Audit's conformance with the Standards should be carried out at least once every 5 years. The last review was in 2016/17  A further assessment is therefore overdue.	Liaise with the Sussex Audit Group to explore the possibility of a reciprocal arrangement with other local authorities in West Sussex. If that is not possible, investigate the cost of engaging an external provider and proceed if funds are available to do so.	Audit Manager	31 December 2022

## Previous Year's Action Plan (2021/22) – Progress Update

Reference	Standard	Action Required	Officer Responsible For Delivery	Target Date	Status
3.4.2	1311 Internal Assessments	Re-introduce QA questionnaires in 2021/22 to obtain stakeholder feedback on the quality of the audit work performed.	Audit Manager	30 September 2021	<b>Completed</b> – QA questionnaires have now been re-introduced.
4.1.1	2010 Planning	Produce a risk-based plan that is sufficiently flexible to reflect the changing risks and priorities of the Council.	Audit Manager	22 March 2021	<b>Completed</b> – A risk-based plan was produced for 2021/22 and was reported to the Audit and Standards Committee on 22 March 2021.
4.3.4	2230 Engagement Resource Allocation	Quantify the audit resources needed for 2021/22 as part of the audit planning process.	Audit Manager	22 March 2021	<b>Completed</b> – This was done as part of the preparations for the 2021/22 Audit Plan and was also reported to the Audit and Standards Committee on 22 March 2021.