

Rother District Council

Report to:	Audit and Standards Committee
Date:	20 March 2023
Title:	Review of Internal Audit 2022/23
Report of:	Gary Angell, Audit Manager
Purpose of Report: Officer	To report on the effectiveness of the Internal Audit Service.
Recommendation(s):	It be RESOLVED: That the Review of Internal Audit 2022/23 be approved.

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 an item on the checklist is not compliant or only partially compliant, there is an explanatory comment. However, on this occasion, there are no items which required further action.

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 completed in 2016/17 so a further external assessment is now overdue. This has been arranged and is currently being undertaken by the Chief Internal Auditor at Lewes District and Eastbourne Borough Councils as part of a reciprocal arrangement between Rother District Council and Hastings Borough Council, Lewes District and Eastbourne Borough Councils and Wealden District Council.
7. Pending the outcome of the latest peer review, it should be noted that the 2016/17 review 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”.
8. There was only one item in last year’s action plan, namely the need to arrange a further peer review. As stated in paragraph 6 above, this has now been addressed and an update to last year’s action plan is provided in Appendix B.

Conclusion

9. In summary, no new issues have been highlighted by the latest internal assessment and the one action point from last year’s review has now been addressed.
10. The results of this assessment, and the 2016/17 peer review, 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**.
11. 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 2022/23 B – QAIP Action Plans
Relevant Previous Minutes:	AS17/14 – Internal Audit - Peer Review AS21/47 – Review of Internal Audit 2021/22
Background Papers:	Review of Internal Audit 2022/23 (Full Checklist) – copy available on request.
Reference Documents:	None.

Summary Compliance Checklist 2022/23

Appendix A

Ref	Public Sector Internal Audit Standards Compliance Check	Y	P	N	Comments
1.0	Definition of Internal Auditing				
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?	✓			
2.0	Code of Ethics				
2.1	Integrity 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	Objectivity 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>Confidentiality</p> <p>Using evidence gained from assessing conformance with other Standards, do Internal Auditors display confidentiality by:</p> <p>a) Acting prudently when using information acquired in the course of their duties and protecting information?</p> <p>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?</p>	✓			
2.4	<p>Competency</p> <p>Using evidence gained from assessing conformance with other Standards, do Internal Auditors display competency by:</p> <p>a) Only carrying out services for which they have the necessary knowledge, skills and experience?</p> <p>b) Performing services in accordance with the Standards?</p> <p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through Continuing Professional Development schemes?</p>	✓	✓	✓	
	Standards				
3.0	Attribute Standards				
3.1	1000 Purpose, Authority and Responsibility	✓			
3.1.1	1010 Recognising Mandatory Guidance in the Internal Audit Charter	✓			
3.2	1100 Independence and Objectivity	✓			
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 took on the role of Risk Management Co-Ordinator in October 2021, 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 2022/23.
3.3	1200 Proficiency and Due Professional Care	✓			
3.3.1	1210 Proficiency	✓			
3.3.2	1220 Due Professional Care	✓			
3.3.3	1230 Continuing Professional Development	✓			
3.4	1300 Quality Assurance and Improvement Programme (QAIP)	✓			
3.4.1	1310 Requirements of the Quality Assurance and Improvement Programme	✓			
3.4.2	1311 Internal Assessments	✓			
3.4.3	1312 External Assessments	✓			A new external peer review was underway at the time this self-assessment was completed.
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 2022/23.
4.0	Performance Standards				
4.1	2000 Managing the Internal Audit Activity	✓			
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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4.2	2100 Nature of Work	✓			
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	✓			
4.3	2200 Engagement Planning	✓			
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	✓			
4.4	2300 Performing the Engagement	✓			
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	✓			
4.5	2400 Communicating Results	✓			
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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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 2022/23.
4.5.6	2440 Disseminating Results	✓			
4.5.7	2450 Overall Opinion	✓			
4.6	2500 Monitoring Progress	✓			
4.7	2600 Communicating Results	✓			

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

Action Plan for 2023/24

There is no action plan for 2023/24 as no issues were identified in the annual self-assessment. Some actions may however need to be added once the outcome of the latest peer review is known.

Previous Year's Action Plan (2022/23) – Progress Update

Reference	Standard	Action Required	Officer Responsible For Delivery	Target Date	Status
3.4.3	1312 External Assessments	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	Completed - The lead officers of the Internal Audit functions at Hastings Borough Council, Lewes District and Eastbourne Borough Councils, Rother District Council and Wealden District Council have agreed to carry out reciprocal external (peer) assessments of the Internal Audit functions. The Rother Internal Audit Service is being peer reviewed by the Chief Internal Auditor of Lewes District and Eastbourne Borough Councils. The review was still in progress at the time this self-assessment was completed.