

Rother District Council

Report to:	Audit and Standards Committee
Date:	25 March 2024
Title:	Review of Internal Audit 2023/24
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 2023/24 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 require 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 latest peer review was completed in February 2023 by the Head of Internal Audit at Lewes District and Eastbourne Borough Councils. The results of this review were reported to the Audit and Standards Committee on 19 June 2023 (Minute AS23/12). No significant issues were found, and the Assessor concluded that Rother District Council's Internal Audit function "generally conforms" with the Standards.
7. The peer review report also made some recommendations for further improvement. These were all minor in nature, and several had already been addressed before the final report was issued. The three recommendations that required further action were added to an action plan. An update to last year's action plan is provided in Appendix B.

New Standards

8. New Global Internal Audit Standards were published by the Institute of Internal Auditors on 9 January 2024. These will replace the Public Sector Internal Audit Standards and all Internal Audit functions are expected to conform with them by 9 January 2025. Moreover, all future self-assessments and peer reviews will need to be conducted in accordance with these standards.
9. The new standards are far more detailed and complex than the old ones and they are structured completely differently as they now cover all sectors rather than just the Public Sector. Consequently, it will take time for the Audit Manager to fully understand the implications of the new standards, to assess what changes are required, and to determine whether there are likely to be any potential challenges for compliance. The action plan for 2024/25 therefore sets out the steps required to ensure conformance with the new standards. This can be found in Appendix C.
10. The full extent of the changes required will be reported to this Committee at a later date once the Audit Manager has determined the best way forward.

Conclusion

11. In summary, no new issues have been highlighted by the latest internal assessment, and all old year action points have been resolved. A new action point has however been added for the coming year to help ensure compliance with the new Global Internal Audit Standards.
12. The results of the internal assessment, and the latest 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**.
13. The Section 151 Officer and Monitoring Officer support this 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 2023/24 B – QAIP Action Plan for 2023/24 – Progress Update C – QAIP Action Plan for 2024/25
Relevant Previous Minutes:	AS22/59 – Review of Internal Audit 2022/23 AS23/12 – Internal Audit - Peer Review
Background Papers:	Review of Internal Audit 2023/24 (Full Checklist) – copy available on request.
Reference Documents:	None.

Summary Compliance Checklist 2023/24

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	✓			
3.2.4	1120 Individual Objectivity	✓			
3.2.5	1130 Impairment to Independence or Objectivity	✓			This situation has not arisen in 2023/24.

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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	✓			Latest peer review completed February 2023.
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 2023/24.
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 2023/24.
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)

Quality Assurance and Improvement Programme – Progress Update on Old Year Action Plan

Action Plan for 2023/24 (Peer Review Recommendations)				
Peer Review Reference	Action Required	Officer Responsible For Delivery	Target Date	Status
Item C	Statements of Good Practice – All auditors should sign a statement that they agree to abide by the Internal Audit Charter and Code of Ethics on an annual basis.	Audit Manager	31 August 2023	Complete – All auditors have now signed a declaration to this effect and will be expected to do so each year.
Item E	Senior Managers and Chair feedback – Meet with the Chair of the Audit and Standards Committee to discuss his concerns and improve his understanding of how Internal Audit operate.	Audit Manager	31 August 2023	Complete – This was discussed with the Chair and his ‘concerns’ turned out to be a misunderstanding. The Chair also met with the Internal Audit team and now has a better understanding of how they operate.
Item F	Senior Managers and Chair feedback – Meet with those officers who expressed reservations about the value of the Internal Audit service with a view to understanding their concerns and addressing any issues arising.	Audit Manager	31 August 2023	Complete – Two managers made such remarks. One was simply expressing the view of others and the other left the Council before the matter could be discussed.

Quality Assurance and Improvement Programme – New Action Plan

Action Plan for 2024/25			
Issue	Action Required	Officer Responsible For Delivery	Target Date
The Internal Audit team need to be compliant with new Global Internal Audit Standards by 9 January 2025.	1. Review the new standards. Assess what changes are required and determine any potential challenges.	Audit Manager	30 June 2024
	2. Update the Audit and Standards Committee on the implications of the new standards and the plan of action for compliance.	Audit Manager	30 September 2024
	3. Get all documentation (e.g. Internal Audit Charter, Audit Manual, etc) and procedures aligned with the new standards.	Audit Manager	31 December 2024
	4. Carry out the first self-assessment of compliance with the new standards.	Audit Manager	31 January 2025