

EXTERNAL REVIEW OF INTERNAL AUDIT - UPDATE

Audit Committee - 15 March 2016

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

Executive Summary: The outcome of the PwC external review of Internal Audit was presented to the Audit Committee on 23 June 2015. Members approved the Action Plan included in the report and requested that they receive updates at future meetings.

This report contains the progress made against the action plan.

This report supports the Key Aim of Effective Management of Council Resources.

Portfolio Holder Cllr. Searles

Contact Officer Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: That Members note the progress made against the Action Plan and continue to receive updates at future meetings.

Introduction and Background

- 1 New mandatory Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013. The standards provide a comprehensive and consistent framework for internal audit across the UK public sector. The standards include a requirement for an external quality assessment.
- 2 The purpose of the review was not only to ensure that the Internal Audit Team are compliant with the new standards but also to provide assurance that the Internal Audit Service is effective at strengthening internal control, risk management and governance processes within the Council and makes appropriate recommendations through its audit reviews to improve both the internal control framework and the achievement of value for money.
- 3 The Internal Audit Team is a shared service between Dartford Borough Council and Sevenoaks District Council. The shared services agreement between the parties has been in operation since April 2010. The establishment consists of an Audit Manager, a Principal Auditor, 2.8 FTE Senior Auditors, an Auditor and an Admin Assistant at 0.5 FTE.

- 4 This review was to consider the service as a whole but also consider where practices and approaches differ between the two authorities, including practical difficulties experienced by the shared service function, and how these have been addressed.

Scope of the Review

- 5 The scope of the review included evaluating the compliance of Internal Audit against the PSIAS criteria and evaluating the effectiveness of Internal Audit by focussing on the following areas:
 - Organisation.
 - Independence.
 - Audit team.
 - Quality assurance.
 - Managing the work (including adding value to the council).

Outcome of the Review

- 6 The Executive Summary and Summary of Recommendations produced by PwC were included in the report to the Audit Committee on 23 June 2015.
- 7 The outcome of the review showed that the PSIAS were largely complied with and suggested ways for the service to move forward.
- 8 The Action Plan was specifically designed to address the identified gap between existing operations and practices; and the requirements of the PSIAS. It also takes account of expectations for the service and how these could be addressed, including the need to ensure delivery of an added value assurance process.

Progress since the Review

- 9 The action plan including progress made on each item is attached in Appendix A.
- 10 The action plan highlights that progress to date has been positive with a large number of the actions already implemented or in the process of being implemented. It should be recognised that some of these actions will take time to bed in before they make a real difference to the quality of the service provided by the Internal Audit Team.
- 11 The Principal Auditor is now in post and will be key to supporting the Audit, Risk and Anti-Fraud Manager in driving forward a number of the proposed improvements to the Internal Audit Service and will also supervise the auditors in the delivery of the Annual Internal Audit Plan.

- 12 The Auditor post is also now filled which has brought the team back to full establishment so there is no longer a need to employ temporary staff.
- 13 The PwC report recognised that the relationship between Internal Auditors and managers needed to be strengthened. Meetings have been held with managers and actions are being put in place that should strengthen the relationship going forward.
- 14 A Development Workshop was held for the team on 18 December 2015 which provided an opportunity to re-energise the team and re-focus on new ways of working which in turn will facilitate the delivery of expectations and added value; as well as ensuring that the team are fully compliant with the PSIAS.

Next Steps

- 15 It is planned that PwC will carry out a follow-up review during 2016 to give assurance that the Internal Audit Team is providing, or in the process of providing, the service that the council requires going forward.
- 16 Further updates will be provided to the Audit Committee.

Key Implications

Financial

The cost of the follow-up review will be split equally between the two partner authorities.

Legal Implications and Risk Assessment Statement.

Compliance with the new standards is a regulatory requirement designed to make the Internal Audit Service more effective. Compliance with the new standards should ensure that the service is effective in carrying out its statutory duties, aimed at strengthening internal control, risk management and governance processes within the Council, including the minimisation of fraud risks.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

As the Council continues to operate in challenging financial times, the actions being taken and planned should ensure that the Internal Audit Team is able to add more value and contribute to the future success of the Council.

Appendices

Appendix A - Action Plan (Update as at February 2016)

Background Papers:

[External Review of Internal Audit - Audit Committee 23 June 2015](#)

[External Review of Internal Audit - Audit Committee 13 January 2015](#)

[Report on the Public Sector Internal Audit Standards - Audit Committee 10 June 2014](#)

**Adrian Rowbotham
Chief Finance Officer**