

**SOUTH RIBBLE BOROUGH COUNCIL AND CHORLEY
BOROUGH COUNCIL AUDIT AND RISK SERVICE**

**PEER REVIEW OF INTERNAL AUDIT AGAINST THE UK
PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

JUNE/JULY 2023

September 2023

Review Team

Colin Ferguson, Head of Audit & Assurance Blackburn with Darwen Borough Council

Dawn Allen, Audit, Risk and Performance Lead, Wyre Council

Ian Evenett, Internal Audit Manager, Burnley Borough Council

1 Introduction

- 1.1 All principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2015 (amended), the Accounts and Audit (Wales) regulations 2005, section 95 of the Local Government (Scotland) Act 1973 and the Amendment to the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the (CIPFA) Local Government Application Note.
- 1.2 A professional, independent and objective internal audit service is one of the key elements of good governance in local government.
- 1.3 The PSIAS require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
- 1.4 The Lancashire Districts Chief Auditor Group (LDCAG) has established a 'peer-review' process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by 'self-assessment with independent external validation' and this report presents the summary findings of the review carried out on behalf of Chorley and South Ribble Borough Councils.
- 1.5 "An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs." This review has been carried out by the Heads of Internal Audit at Burnley and Blackburn with Darwen Borough Councils and the Audit, Risk and Performance Lead at Wyre Borough Council. Their 'pen pictures', outlining background experience and qualifications, are included at Appendix A.

2 Approach/Methodology

- 2.1 The LDCAG has agreed a detailed Memorandum of Understanding (MoU) that outlines the broad methodology for the conduct of this review. A copy of the MoU is available upon request. However, in summary, the key elements of the process are:
 - The peer review is undertaken in three stages: pre-review; on-site review; post-review and covers audit activity during the period covered in the latest Head of Internal Audit Annual Report and Opinion. For example, reviews commencing after 1 July 2020 will cover the audit year 1 April 2019 to 31 March 2020.
 - Each authority is required to complete and share its self-evaluation of the Internal Audit service together with any relevant supporting evidence/documentation in advance of on-site review commencement. The LDCAG has agreed that the self-assessment will use the **CIPFA Local Government Application Note (LGAN)** questionnaire. Typically,

supporting evidence will include the Internal Audit Plan & Charter, The Head of Internal Audit Annual Report and Opinion, Quality Assurance and Improvement Programme and examples of final audit reports.

- To support the remote or on-site review, a customer survey form will be issued to key personnel within the authority being reviewed.
- The review itself comprises a combination of ‘desktop’ and ‘actual on-site’ or remote review.
- The review cannot reasonably consider all elements of the LGAN self-assessment and the review team must use the ‘desktop’ period to determine strengths, weaknesses and subsequent key lines of enquiry in order that the review itself is risk-based, timely and adds real value. Each authority will be assessed against the four broad themes of: Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- Upon conclusion, the Review team offers a ‘true and fair’ judgement and it is proposed that each Authority will be appraised as **Conforms**, **Partially Conforms** or **Does Not Conform** against each thematic area of the LGAN, from which an aggregation of the four themed scores gives an overall Authority score.

3 Summary Findings

3.1 Following a detailed examination process, the review team has concluded the following judgements:

Area of Focus	Judgement
Purpose & Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
Overall Judgement:	Conforms

Assessment against the individual elements of each area of focus is included in the table at Appendix B

3.2 Positive Observations (i.e. good practice, innovation)

3.2.1 Internal Audit is seen as a professional and well-respected service with capable officers that have the full support of management and members.

3.2.2 The internal audit service is a shared service which reports to two separate Governance Committees (Audit Committees). The team operate a six month audit plan for each council which means that there are four audit plans to manage, this is done effectively by the team.

3.3 Significant Observations (i.e. leading to a 'does not conform' judgement)

3.3.1 No significant observations of non-conformance were identified.

3.4 Minor Observations (i.e. areas for improvement/development, minor elements of non-conformance, gaps in 'good practice' statement).

3.4.1 There is a regular sign up of staff to evidence the compliance with conflict of interest requirements but this could be widened to include ethics and standards covered by the PSIAS. (4.1 and 1120).

3.4.2 There was evidence of review of working papers and reports for engagements, however this was in the form of emails. This could be incorporated into the Audit Engagement – Quality Control Checklist (1310) and formally recorded.

3.4.3 Some of the documentation provided (specifically the Charters) need to be updated to match the latest Job titles. (1000).

3.4.4 The Council's own internal review had identified that they had not assessed how they compare themselves against CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption (2120). This has therefore been included in the 2022/3 Annual Governance Statement.

3.4.5 The Annual Opinion Report does not include any specific reference to any scope or resource limitations placed on the service during the year or any other issues that the CAE judges is relevant to the preparation of the governance statement. (2450).

3.5 PSIAS Action Table (Details any suggested actions to improve the service, its status or impact and quality of the service provided) Appendix C.

Review Team

Colin Ferguson

Colin is a fully qualified member of the Association of Chartered Certified Accountant with 31 years' experience of internal audit in the local government sector. He is currently Head of Audit & Assurance for Blackburn with Darwen Borough Council. Colin started his finance career working in external audit in the private sector with KPMG. Prior to joining Blackburn Colin worked in internal audit with Lancashire County Council. Colin manages the preparation and delivery of the Blackburn annual audit plan across a wide range of Council services and schools. His responsibilities also include insurance and risk management.

Dawn Allen

Dawn is the Audit, Risk and Performance Lead at Wyre Borough Council and has over 20 years of audit experience. She is a fully qualified member of the Association of Accounting Technicians, has completed her IIA Certificate in Internal Audit and Business Risk and is currently gathering her evidence base to become a fully qualified Chartered Internal Auditor through the Institute of Internal Auditors experience route.

Ian Evenett

Ian is the Internal Audit Manager at Burnley Borough Council. His internal audit experience spans over 30 years. He is a part qualified member of CIPFA and has specialisms in computer and contract audit areas. His experience includes London Authorities and District Councils.

Appendix B

Detailed Assessment

PSIAS Ref		Conforms	Partially conforms	Does not conform	Comments
	Purpose & positioning				
1000	• Remit	X			See 3.4.3
1000	• Reporting lines	X			
1110	• Independence	X			See 3.4.1
2010	• Risk based plan	X			
2050	• Other assurance providers	X			
	Structure & resources				
1200	• Competencies	X			
1210	• Technical training & development	X			
1220	• Resourcing	X			
1230	• Performance management	X			
1230	• Knowledge management	X			
	Audit execution				
1300	• Quality Assurance & Improvement Programme	X			See 3.4.2
2000	• Management of the IA function	X			See 3.4.4
2200	• Engagement planning	X			
2300	• Engagement delivery	X			
2400	• Reporting	X			
2450	• Overall opinion	X			See 3.4.5

Conforms	X	Partially Conforms		Does Not Conform	
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South Ribble Borough Council and Chorley Borough Council Shared Assurance Service – PSIAS Action Table

The following points for consideration to develop the Audit Function arise from the review undertaken:

PSIAS Ref (Appendix 2)	Report ref	Point For Consideration	Responsible	Action
1120	3.4.1	There is a regular sign up of staff to the compliance with conflict-of-interest requirements but this could be widened to include ethics and standards covered by the PSIAS	Head of Audit and Risk	Conflict of interest will be strengthened to include ethics and standards.
1310	3.4.2	There was evidence of review of working papers for engagements, however this was in the form of emails. This could be incorporated formally recorded into the Audit Engagement – Quality Control Checklist	<p>Whilst this action is acknowledged, it is not accepted. The beginning of each year has a standing item on the IA team meeting agenda regarding IA procedures and this is used to identify ways to work more efficiently and streamline our operations.</p> <p>As we are only a small team providing a comprehensive audit service to 2 separate authorities and 2 wholly owned companies, we have tried to actively reduce any surplus documentation that does not add any additional value / evidence.</p>	

PSIAS Ref (Appendix 2)	Report ref	Point For Consideration	Responsible	Action
1000	3.4.3	Some of the documentation provided (specifically the charters) need to be updated to match the Job titles.	Head of Audit and Risk	All I A documentation will be reviewed to ensure all job titles are updated.
2120	3.4.4	The Council's own internal review had identified that they had not assessed how they compare themselves against CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption (2120). This has therefore been included in the 2022/3 Annual Governance Statement.	Head of Audit and Risk	As per AGS action plan
2450	3.4.5	The Internal Audit Annual Opinion Report should include commentary on any impairments or restrictions in scope or resources placed on it during the year and any other issues that the CAE judges are relevant to the preparation of the governance statement. Where no issues are noted, consider including a statement to this effect.	Head of Audit and Risk	Additional wording to be added to the annual report.

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