

Report of	Meeting	Date
Head of Audit and Risk	Governance Committee	Wednesday, 22 May 2024

Internal Audit Effectiveness Review

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

1. This report relates to the results of the self-assessment carried out by Internal Audit against the requirement of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) as a means of assessing the effectiveness of Internal Audit.

Recommendations

2. That the Committee notes the results of the self -assessment recently undertaken as part of the Governance Committee’s consideration of the system of internal control.

Reasons for recommendations

3. The Public Sector Internal Audit Standards contains a requirement to undertake a self-assessment on an annual basis with an external validation once every 5 years. The self-assessment provides the Committee with assurance that the Internal Audit Service is compliant with the Standards.

Other options considered and rejected

4. None.

Corporate priorities

5. The report relates to the following corporate priorities:

Housing where residents can live well	A green and sustainable borough
An enterprising economy with vibrant local centres in urban and rural areas	Healthy, safe and engaged communities

Background to the report

6. The Accounts and Audit (England) Regulations 2015 requires that the relevant body, at least once in a year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind the review is to ensure that the opinion in the annual report by the Head of Audit / Chief Audit Executive (CAE) can be relied upon as a key source of evidence in the Annual Governance Statement.
7. The Public Sector Internal Audit Standards came into effect on the 1st April 2013 and are applicable to the whole of the public sector. A Local Government Application Note (LGAN) was produced by CIPFA in collaboration with the Chartered Institute of Internal Auditors as a sector specific requirement within the PSIAS framework. The LGAN was re-issued in 2019 with minor amendments.
8. One of the Attribute Standards within the PSIAS refers to a Quality Assurance and Improvement Programme (QAIP) which must comprise both internal and external assessments. This is included at **Appendix A**.
9. The QAIP states that internal assessments are both on-going and periodic, whilst an external assessment must be undertaken at least once every five years. External assessment can be in the form of a full external assessment or a self-assessment with independent external validation. The majority of Lancashire districts made the decision to operate with an annual self-assessment to be independently verified by a peer review.
10. The last external validation took place in June / July 2023 and the report confirming full conformance with the Standards was presented to Committee in September 2023.

Annual Assessment

11. In order to meet the requirements of the Accounts and Audit Regulations, a self-assessment has been carried out by the Head of Audit and Risk using the checklist contained within the revised LGAN. The LGAN states that if the periodic assessment is in the form of a self-assessment, the checklist contained within the guidance should be used for assessing conformance as it covers both the PSIAS and the LGAN.
12. The self-assessment is attached at **Appendix B** to this report. This demonstrates that the Service still conforms with the Standards. There are 135 aspects of conformance, of which full conformance has been achieved for 130. There are 5 areas which are not applicable to the Internal Audit Service.
13. The action plan at **Appendix C** shows the identified actions from the 2023 self-assessment and also the actions recommended by the external validation process. There is only the one action being carried forward for the reasons explained on the action plan.

Global International Audit Standards

14. During January 2024, the new Global International Audit Standards were published which will become effective in 2025. As with the current Standards, we are aware that CIPFA will publish further guidance on how these are to be applied to local government.

Once this publication is received, work will commence within the Internal Audit Service to ensure compliance with the new Standards is met.

Climate change and air quality

15. The work noted in this report does not impact on the Councils Carbon emissions and the wider Climate Emergency and sustainability targets of the Council.

Equality and diversity

16. The material presented and discussed in this report has no direct implications on equality and diversity.

Risk

17. The completion of the annual self-assessment against the Public Sector Internal Audit Standards mitigates the risk of an Internal Audit Service which does not conform. This work provide assurance to the Council and the Governance Committee that reliance can be placed on the work of the Service and the Annual Report and Opinion used to inform the Annual Governance Statement.

Comments of the Statutory Finance Officer

18. Not applicable.

Comments of the Monitoring Officer

19. Not applicable.

Background documents

There are no background papers to this report.

Appendices

Appendix A – Quality Assurance and Improvement Programme
Appendix B - PSIAS Conformance self-assessment April 2024
Appendix C – Public Sector Internal Audit Standards Action Plan

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