

**North East Derbyshire District Council**  
**Audit and Corporate Governance Scrutiny Committee**

**22nd September 2021**

**External Review of Internal Audit**

**Report of the Internal Audit Consortium Manager**

**Classification:** This report is public

**Report By:** Internal Audit Consortium Manager

**Contact Officer:** Jenny.Williams@ne-Derbyshire.gov.uk

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**PURPOSE**

The purpose of this report is to inform members of the results of the external review of internal audit that took place in May 2021.

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**RECOMMENDATION**

1. That the results of the external review of internal audit be noted.

Approved by the Portfolio Holder – Councillor Paul Parkin

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**IMPLICATIONS**

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**Finance and Risk:** Yes  No

**Details:**

The external review confirms that the internal audit service meets the requirements of the PSIAS and therefore risk is reduced as internal audit is effectively reviewing the council's risk, governance and control processes.

On Behalf of the Section 151 Officer

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**Legal (including Data Protection):** Yes  No

**Details:**

The Public Sector Internal Audit Standards require that an external review of internal audit takes place every 5 years and this review meets that requirement.

On Behalf of the Solicitor to the Council

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**Staffing:** Yes  No

**Details:**

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On behalf of the Head of Paid Service

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## DECISION INFORMATION

Decision Information	
<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <b>BDC:</b> Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input checked="" type="checkbox"/> <b>NEDDC:</b> Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>District Wards Significantly Affected</b>	None
<b>Consultation:</b> Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes  Details: Ward Members

Links to Council Ambition (BDC)/Council Plan (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.
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Having an internal audit resource that complies with the Public Sector Internal Audit Standards ensures that internal audit can effectively contribute to ensuring that the council's resources and priorities are focused on achieving the Council Plan.
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## **REPORT DETAILS**

### **1 Background**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) were introduced from the 1<sup>st</sup> April 2013 and Internal Audit has been working to those standards since that date. The PSIAS require that internal and external assessments of internal audit must take place.
- 1.2 An internal self-assessment against the PSIAS utilising the recommended CIPFA checklist has been undertaken on an annual basis by the Internal Audit Consortium Manager and these have concluded compliance with the Standards.
- 1.3 The PSIAS require that an external assessment of internal audit should be carried out at least once every 5 years by a qualified, independent assessor or team. The previous external review took place in 2016.
- 1.4 The selected assessor (Robin Pritchard from Business Risk Solutions) is CIPFA qualified and has over 40 years internal audit experience including being Chief Internal Auditor at Staffordshire County Council and a national partner responsible for internal audit at a number of professional service firms. Robin also spent 6 years as a professor of internal audit and risk management at Birmingham City University. Robin is an experienced External Quality Assessor and has undertaken over 50 reviews of this nature.

### **2. Details of Proposal or Information**

#### **Format of the assessment**

- 2.1 The assessment took place throughout May 2021 and was conducted remotely due to COVID-19. The assessment involved a review of the Consortium's documentation, working practices, committee reports and working paper files. The audit committee chairs and senior managers were also invited to complete a questionnaire.
- 2.2 This approach enabled Robin to assess the Internal Audit Consortium's conformance with the PSIAS against the recommended checklist and associated standards.

#### **Results of the Review - Headlines**

- 2.3 The report concludes that the Internal Audit Consortium are delivering internal audit services to a standard that generally conforms with the PSIAS. There are no areas where the service does not comply with the standards. This means that Members can have confidence in the service provided by the audit team. It is acknowledged that the audit team has significant experience and a

range of qualifications allowing a robust internal audit standard to be maintained and delivered.

- 2.4 The external review report includes benchmarking against other provision in both the sector and the wider industry and this shows that the team compares favourably in comparison with its peers and other sectors (Appendix 1 pages 18 - 20).
- 2.5 As would be expected, the report has made a number of recommendations that are aimed at highlighting where further development can be made to enhance the value of the service being provided.
- 2.6 The assessor's full report can be seen at Appendix 1.

### **Key Points Arising out of the Review**

- 2.7 The key theme throughout the report and associated recommendations is in relation to enhancing and developing the use of risk- based auditing and linking more to the council's own risk management definitions and appetite.
- 2.8 The recommendations are graded red, amber and green to reflect their relative importance. There are no red recommendations.
- 2.9 Feedback from the client questionnaires was extremely positive.
- 2.10 I am now in the process of finalising an action plan to address the recommendations arising. Progress against the action plan will then be included as part of the 2021/22 annual report.

### **3 Reasons for Recommendation**

- 3.1 To ensure that Members are aware of the results of the external review of internal audit that is required by the Public Sector Internal Audit Standards.

### **4 Alternative Options and Reasons for Rejection**

- 4.1 Not Applicable

## DOCUMENT INFORMATION

Appendix No	Title
Appendix 1	External Review of Internal Audit Report June 2021
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
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