

Report of the Director of Finance and IT to the meeting of the Governance and Audit Committee to be held on the 15th June 2023

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Subject:

External Review of Internal Audit

Summary statement:

This report provides feedback on the recent CIPFA review to determine the Internal Audit function's compliance with the UK Public Sector Internal Audit Standards.

EQUALITY & DIVERSITY:

An effective Internal Audit Service provides assurance that the appropriate governance and accountability arrangements are in place which allows service objectives to be delivered in accordance with the Council's equality policies

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Portfolio:

**Corporate
Improvement Area:**

Corporate

1. SUMMARY

- 1.1 This report provides feedback on the recent Chartered Institute of Public Finance and Accountancy (CIPFA) review to determine the Internal Audit function's compliance with the UK Public Sector Internal Audit Standards (PSIAS).

2. BACKGROUND

- 2.1 The Accounts and Audit Regulations 2015 require the Council to have an Internal Audit (IA) function which operates in accordance with best professional practice. Compliance with the Public Sector Internal Audit Standards (PSIAS) is acknowledged as adhering to best practice. One of the requirements is the need for an external assessment of the IA service under Standard 1312 - External Assessments which states. External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 2.2 In 2018 the last time an external assessment was carried out the Governance and Audit Committee took the Peer Review Option which was undertaken by the Internal Audit Team from Doncaster Metropolitan Council. That assessment was that Bradford Council's Internal Audit Service **Partially Conforms** with the Standards. Deviations from the Standards were highlighted but these did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- 2.3 The main reasons for this assessment were
- The service had a low level of resources, which restricted the programme of work performed.
 - Only 46% of the mainstream Bradford Council block of the overall audit programme was completed by January 2018. It is noted that other blocks of the overall audit programme – i.e. Schools, Grants, Pension Fund were much further progressed and, when taking these into account, the progress in completing the overall audit programme was 62%.
 - The Head of Internal Audit had other responsibilities which accounted for 50% of their time.
 - Some documentation needed updating and some reporting requirements were not met.
 - The annual audit opinion given by the HoIA did not explicitly include a conclusion on risk management or governance arrangements.
- 2.4 In response to this report a service improvement plan was adopted by the s151 post holder. This saw the recruitment of four additional Senior Auditors to support the team and a number of updates to working practices were initiated.
- 2.5 In June 2022 the Governance and Audit Committee approved the appointment of an independent assessor to undertake the PSIAS review. After a procurement process the Chartered Institute of Public Finance and Accountancy were selected to complete the review
- 2.6 The assessment has taken place over the last three months and the final report is attached as Appendix A. The assessment concludes that the Internal Audit Service generally conforms with the Public Sector Internal Audit Standards which is the

highest level of compliance. A number of improvement actions have been included in the report which Internal Audit management have agreed to. The four most important actions are identified below.

- Present the full audit charter to the Governance and Audit Committee Annually
- Define the term Senior Management in the audit charter.
- Define the terms 'assurance services and 'consulting services' in the audit charter
- All audits in the published audit plans should be prioritised and aligned to the Council's or Pension Fund objectives

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

4.1 The cost of the external review was approximately £6k.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

5.1 The external assessment provides assurance that Internal Audit is focused on the risk management, internal control and proper governance arrangements which operate within the Council.

6. LEGAL APPRAISAL

6.1 The Committee must satisfy itself that it has fulfilled its obligations as set out in the 2015 Regulations, which were drawn up to set out provisions on financial management, annual accounts and audit procedures applying to local authorities. Carrying out an external review of Internal Audit as proposed in this report contributes to adhering to the best practice professional auditing standards as required by the regulations

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

➤ There are no direct sustainability implications.

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

➤ There are no direct impacts on Gas Emissions

7.3 COMMUNITY SAFETY IMPLICATIONS

➤ There are no direct community safety implications.

7.4 HUMAN RIGHTS ACT

- There are no direct Human Rights Act implications.

7.5 TRADE UNION

- There are no implications for the Trade Unions arising from the report.

7.6 WARD IMPLICATIONS

- There are no Ward Implications

7.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

- None

7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

10. RECOMMENDATIONS

- 10.1 That the Committee note the report and agree the Improvement Plan included in the CIPFA external quality assessment of the Internal Audit Service.

11. APPENDICES

Appendix A: External Quality Assessment of Conformance to the Public Sector Internal Audit standards. City of Bradford Metropolitan District Council Internal Audit Service

12. BACKGROUND DOCUMENTS

Public Sector Internal Audit Standards 2017
Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards CIPFA 2019