



# **Final report**

## **Validation of a self-assessment**

### **West Suffolk Council Internal Audit Function**

**5 April 2023**

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# Validation of a self-assessment of West Suffolk Council's Internal Audit Function (March 2023)

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and further revised on 1 April 2017. The standards are currently being reviewed and changes are expected in 2024. The purpose of the PSIAS is to improve the professionalism and standing of internal audit, to support good governance in local government and to add value. The standards require periodic self-assessments and an assessment by an external person every five years. West Suffolk Council's internal audit function was last reviewed in 2018 and a re-evaluation was therefore due. The 2018 review was a full external quality assessment (EQA) and the Council decided to have a validation of a self-assessment this time. The review also included checking compliance with the Local Government Advisory Note (LGAN), where this has requirements in addition to those in the PSIAS, and against the ten questions asked in CIPFA's May 2022 publication, Untapped Potential.

The review was carried out through a process of interview and document review. As this was a validation of a self-assessment, the document review work was mostly undertaken by internal audit and then checked by me. I carried out full interviews, as for an EQA, and a list of interviewees is included at appendix 2. I should like to thank all those who took the time to talk to me for their help. The team reviewed five audits and I reviewed a further two, all carried out during the 2021 to 2022 and 2022 to 2023 financial years. We also examined key documents, including the Internal Audit Charter and reports to the Performance and Audit Scrutiny Committee (PASC).

The internal audit function at West Suffolk Council **conforms with the PSIAS** (see appendix 3 for details of the PSIAS ratings). I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity and the function is valued and well-regarded across the Council. I was particularly impressed with the way in which the internal audit opinion is presented and the link made to this opinion on each piece of audit work. I identified a number of minor changes that could be made to meet or more fully demonstrate adherence to the Standards and have made three recommendations (R) and six suggestions (S) to support these developments. The Service Manager (Internal Audit) (referred to as the CAE or Chief Audit Executive below) will need to take action to implement these and an action plan is included as appendix 1.

## Appendix C

### Summary findings and recommendations

Standard	Conformance	Findings	Recommendations and suggestions	Recommendation number
<b>Mission</b>	Conforms	The mission is quoted in the Charter as required.		
<b>Core principles of internal audit</b>	Conforms	Internal Audit conforms to the Core Principles of Internal Audit. The recommendations and suggestions made below will help to reinforce these principles.	Consider setting out how the internal audit function delivers against the Core Principles and the Code of Ethics in the Internal Audit Charter and the Internal Audit Manual	S1
<b>Code of Ethics</b>	Conforms	All interviewees stressed the emphasis placed on ethics by Internal Audit and their independence and objectivity.	See S1	
<b>Attribute standards</b>				
<b>1000</b> Purpose, authority and responsibility	Conforms	The Charter includes almost all the required information but there is no reference to assurance provided to outside parties, for example, ARP (Standard 1000.A1) and the Core Principles and Code of Ethics are simply quoted rather than defined in the West Suffolk context (Standard 1010).	Set out how internal audit provides assurance to outside parties in the Charter See also R3  See S1	R1
<b>1100</b> Independence and objectivity	Conforms	No concerns were raised about Internal Audit's independence and objectivity and several		

Standard	Conformance	Findings	Recommendations and suggestions	Recommendation number
		interviewees mentioned this as something that they valued.		
<b>1200</b> Proficiency and due professional care	Conforms	The team is well qualified, both professionally and by experience. It is thoughtful in its audit planning and carries its work out with care.		
<b>1300</b> Quality assurance and improvement programme (QAIP)	Conforms	The requirements around quality assurance are met. Quality Assurance and Improvement Programme (QAIP) activities go beyond what is described in the manual and provide a broad challenge to the audit team to develop and improve.	Consider expanding the QAIP section in the manual to reflect what is done in practice	S2
<b>Performance standards</b>				
<b>2000</b> Managing the internal audit activity	Conforms	<p>Internal audit is well managed and audit planning is robust and risk based. This could be given greater emphasis in the annual plan:</p> <ul style="list-style-type: none"> <li>• There is no explicit reference to national issues and risks in the plan (LGAN)</li> <li>• The plan allocates percentages of audit time to each area of audit activity.</li> </ul>	<p>Highlight the national issues and risks considered in developing the plan</p> <p>Include time for managing the audit team in the annual plan</p>	<p>S3</p> <p>R2</p>

Standard	Conformance	Findings	Recommendations and suggestions	Recommendation number
		<p>100 per cent of time is dedicated to reviewing work, with no allowance for audit planning, reporting to PASC, etc (LGAN)</p> <ul style="list-style-type: none"> <li>• Although the CAE relies on independent assurance providers (inspectors, external audit and others), this is not detailed in the Annual Plan (Standard 2050, LGAN).</li> </ul>	<p>Set out more detail about independent assurance providers in the Internal Audit Annual Plan</p> <p>See also R1</p>	R3
<p><b>2100</b> Nature of work</p>	Conforms	<p>Internal audit's work covers all the areas required by the PSIAS and LGAN. The way in which audits are planned, setting out areas that are and are not going to be covered (for example, fraud risks, ethical and environmental concerns), demonstrates this coverage.</p>		
<p><b>2200</b> Engagement planning</p>	Conforms	<p>Engagement planning is thorough and well evidenced. It could be further improved if the audit briefing note set out opportunities for making significant improvements as part of audit's work (Standards 2201 and 2210.A3).</p>	<p>Expand audit briefing notes to set out how internal audit looks for opportunities to make improvements and achieve value for money</p>	S4

<b>Standard</b>	<b>Conformance</b>	<b>Findings</b>	<b>Recommendations and suggestions</b>	<b>Recommendation number</b>
<b>2300</b> Performing the engagement	Conforms	Audit engagements are well performed, well documented and well managed. The CAE has recently started carrying out audit work and the self-assessment suggests that consideration needs to be given to a review process for his work. (Standard 2340, LGAN).	Consider how to undertake supervision of audit work carried out by the CAE	S5
<b>2400</b> Communicating the results	Conforms	Audit reports are clear and complete and they acknowledge satisfactory performance by giving an assurance rating against each area examined.  The annual opinion meets the requirements of Standard 2450 but more emphasis could be given to internal audit's role in supporting the delivery of WSC's strategic objectives, as is already done in the annual plan.	Include details of how internal audit's work contributes to the Council's strategic objectives as part of the annual report.	S6
<b>2500</b> Monitoring progress	Conforms	The follow-up process complies with the standards.		
<b>2600</b> Communicating the acceptance of risks	Conforms	There was no evidence that risks have been left unmitigated following an audit, highlighting the priority given to audit findings.		

<b>Untapped Potential</b>	<b>Findings</b>	<b>Recommendations and suggestions</b>	<b>Recommendation number</b>
Does internal audit receive the right level of support and engagement from the audit committee?	The PASC chair, members of the audit team and others were all comfortable with the support provided by/ received from the committee.		
Does internal audit get good engagement from across the organisation when it plans and conducts audits?	Interviews and the review of working papers indicate that engagement is good.		
Do managers within the organisation seek advice or assurances from internal audit?	Interviewees said that audit is a useful sounding board and helpful in providing advice, reassurance and assurance. Members of the team contribute to the council by sitting on groups and providing early audit input to developments.		
Has the head of internal audit indicated that resources (capability or capacity) need to increase? What steps are being taken to address this?	There are currently no concerns about resources.		
Does internal audit conform to PSIAS (and LGAN) as demonstrated by an independent external quality assessment	The 2018 review and this review show that the team generally conforms to the PSIAS and LGAN.		

<b>Untapped Potential</b>	<b>Findings</b>	<b>Recommendations and suggestions</b>	<b>Recommendation number</b>
undertaken within the last five years?			
What action is internal audit taking to continually improve its quality, engagement and impact for the organisation? Is internal audit considering the skills and competencies it will need in the future as well as now?	The team works closely together to challenge itself to improve and develop. It carries out a broad array of QAIP activities and seeks feedback on its work, formally and informally. It is carrying out more added value work, reflecting the priorities of the council and looking for new ways to do so, including exploring data analytics for use in the coming audit year.		
Is there a clear view of the assurance that internal audit does and does not provide? What assurance is provided by other functions or parties? Are there gaps in the assurance that management or the audit committee require?	Internal audit is very clear in its planning and reporting documents about the contribution each assignment will make to the Council's strategic priorities and also to the auditor's annual opinion.  It receives assurance from other parties, particularly in relation to the Anglia Revenues Partnership, and this could be made more explicit in the annual plan and annual report.	See R3 and S6 above	
How do internal audit plans map to the organisation's strategic priorities and risks?	Both the annual plan and the individual briefing notes for each audit set out the links to the Council's strategic priorities and risks on the strategic risk register.		
How is internal audit developing its approach to providing assurance?	Internal audit is unusual in providing assurance in its annual report across four different dimensions, giving		



<b>Untapped Potential</b>	<b>Findings</b>	<b>Recommendations and suggestions</b>	<b>Recommendation number</b>
	<p>different ratings for different areas of activity. This approach is to be commended.</p> <p>Each audit brief sets out how that assignment will contribute to the different aspects of the annual opinion, a practice that I shall be recommending elsewhere.</p>		
<p>What factors currently determine the internal audit strategy? Will the strategy deliver internal audit needs in the future?</p>	<p>The strategy focusses on being flexible and adding value while also covering the areas needed to form the annual opinion. The emphasis on flexibility will support the team to continue to deliver in the future.</p>		

The Service Manager (Internal Audit) has details of the findings, standard by standard.

Elizabeth Humphrey CPFA

## Appendix 1: action plans

### Recommendations

<b>No</b>	<b>Recommendation</b>	<b>Response</b>	<b>Responsible officer</b>	<b>Action date</b>
R1	Set out how internal audit provides assurance to outside parties in the Charter	Agreed – this will be covered when the Internal Audit Charter is next reviewed	Service Manager Internal Audit	June 2024
R2	Include time for managing the audit team in the annual plan	Agreed – this will be covered in the Internal Audit Plan 2023 to 2024	Service Manager Internal Audit	June 2023
R3	Set out more detail about independent assurance providers in the Internal Audit Annual Plan	Agreed – this will be covered in the Internal Audit Plan 2023 to 2024	Service Manager Internal Audit	June 2023

## Suggestions

No	Suggestion	Response	Responsible officer	Action date
S1	Consider setting out how the internal audit function delivers against the Core Principles and the Code of Ethics in the Internal Audit Charter and the Internal Audit Manual	Agreed – this will be covered when these documents are next reviewed.	Service Manager Internal Audit	Internal Audit Manual June 2023  Internal Audit Charter June 2024
S2	Consider expanding the QAIP section in the manual to reflect what is done in practice	Agreed – this will be covered when the Internal Audit Manual is next reviewed.	Service Manager Internal Audit	June 2023
S3	Highlight the national issues and risks considered in developing the plan	Agreed – this will be covered in the Internal Audit Annual Plan 2023 to 2024.	Service Manager Internal Audit	June 2023
S4	Expand audit briefing notes to set out how internal audit looks for opportunities to make improvements and achieve value for money	Agreed – our standard template for briefing notes will be amended to ensure this is captured.	Service Manager Internal Audit	June 2023
S5	Consider how to undertake supervision of audit work carried out by the CAE	Agreed – this will be considered and incorporated into the Internal Audit Manual.	Service Manager Internal Audit	June 2023
S6	Include details of how internal audit's work contributes to the Council's strategic objectives as part of the annual report.	Agreed – this will be covered in the 2022 to 2023 Internal Audit Annual Report.	Service Manager Internal Audit	June 2023

## **Appendix 2: interviewees**

Chair Performance and Audit Scrutiny Committee

Director of Resources and Property

Service Manager (Legal and Governance)

Service Manager (Finance and Procurement)

Service Manager (Customer and Digital)

HR Team Leader

Geographic Information System (GIS) Officer

Service Manager (Internal Audit)

Senior Auditors and Auditor

### Appendix 3: conformance gradings

<b>Conforms</b>	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
<b>Partially conforms</b>	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
<b>Non-conforming</b>	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the audit committee.