

**REPORT OF:     AUDIT AND RISK MANAGER**

**TO:                 ACCOUNTS AND AUDIT COMMITTEE**

**DATES:            25<sup>th</sup> January 2017**

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## **PUBLIC SECTOR INTERNAL AUDIT STANDARDS PEER REVIEW OF INTERNAL AUDIT**

### **PURPOSE OF REPORT**

1. To inform the Accounts and Audit Committee of the outcome of the Peer Review of Internal Audit undertaken by Burnley Borough Council and Hyndburn Borough Council Internal Audit Managers.

### **RECOMMENDATION**

2. That the Accounts and Audit Committee note the outcome of the Peer Review process.

### **REASONS FOR RECOMMENDATION**

3. To ensure that the Accounts and Audit Committee are provided with assurance regarding the effectiveness of the Internal Audit function at Pendle and compliance with the Public Sector Internal Audit Standards.

### **Background**

4. The Public Sector Internal Audit Standards (PSIAS) were adopted by this Committee in April 2013. One of the requirements of these standards is that an external review of Internal Audit is carried out within five years of the adoption of the standards.
5. It was agreed at the Lancashire District Councils Audit Group that a Peer Review would take place on a reciprocal arrangement in order to minimise costs. The Managers of the Internal Audit Service at Hyndburn and Burnley Borough Councils were subsequently appointed to carry out the peer review process at Pendle.
6. The review consisted of a review of all Internal Audit's processes and files and detailed interviews with the Council's Auditors (Farhan Khaliq and Awes Tariq) and the Audit & Performance Manager. This was followed by the issue of questionnaires to the Directors, Chair of this Committee and the Management Team in order to gain an understanding of Internal

Audit's standing within the Council. The Reviewers then interviewed the same people to delve further into the questionnaire responses.

7. The self-assessment compliance checklist associated with the CIPFA guidance for the PSIAS consists of 327 questions which were used as the basis for the review. There were only 4 questions where recommendations for improvement were made.
8. The review concluded that the Council's Internal Audit Unit conforms to the PSIAS and we have therefore, successfully achieved the standard required. The report stated that:-

"Within the checklist there are 327 questions on CIPFA LGAN Checklist with the Standards. The Peer Review identified only 4 points for consideration into the service's QAIP (Quality Assurance & Improvement Programme). This is a significant and remarkable level of compliance with the Standards at 99%. Whilst not specifically covered by the Peer Review there were some specifically positive points of action. The service's benchmarking outcomes indicate an economic and efficient service. The auditors were experienced and knowledgeable on the audit areas which enables this and the audit process is streamlined to achieve tight delivery timescales. The assurance coverage was tailored to the requirements of the organisation.

The internal audit recommendations database or IARD was a particularly good way of ensuring accountability for the timely implementation of recommendations. There was comprehensive management feedback on every audit. The working papers and audit documenting process was lean and enabled the rapid reporting by exception which the service has developed. The impact of the service within the organisation was very positive and all the responders to the questionnaires sent out gave agree (84%) or partially agree (16%) return."

9. The review has now been completed and the report which was compiled by Burnley Borough Council and Hyndburn Borough Council is attached at Appendix A for the approval of the Committee.

## IMPLICATIONS

**Policy:** There are no policy implications arising directly from the contents of this report

**Financial:** The financial implications of carrying out the Peer Review involve the time resource of the Audit Staff and this will be absorbed into the overall Internal Audit Planning process.

**Legal:** There are no legal implications concerned with this report

**Risk Management:** There are no risk management implications arising from the content of this report.

**Health and Safety:** There are no Health and Safety implications arising directly from the contents of this report

**Climate Change:** There are no climate change implications arising from the contents of this report.

**Community Safety:** There are no community safety issues arising from the contents of this report.

**Equality and Diversity:** There are no equality and diversity issues arising from the contents of this report