

NOTE ALL PARAGRAPHS SHOULD BE NUMBERED WITH SUB-PARAGRAPHS BEING  
CI. NUMBERED 2.1, 2.2 ETC.

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO  
AUDIT & STANDARDS COMMITTEE**

**Date 3 July 2017**

**HEADING**                      **Review of the Effectiveness of the System of Internal Audit**

**Submitted by:**              Head of Audit & Elections

**Portfolio**                      Finance IT and Customer

**Ward(s) affected**          All

**Purpose of the Report**

For members to consider the findings of the annual review of the effectiveness of the system of Internal Audit for 2016/17.

**Recommendations**

**That the report outlining the findings from the review of the effectiveness of the system of Internal Audit for 2016/17, together with the action plan be agreed.**

**Reasons**

That members agree with the findings of the review which concludes that the system of Internal Audit for 2016/17 can be relied upon when considering the Annual Governance Statement.

1.        **Background**

- 1.1        In accordance with the Accounts and Audit Regulations 2015 the Council is required to undertake an annual review of the effectiveness of its system of Internal Audit.
- 1.2        A self-assessment against a checklist for compliance against the Public Sector Internal Audit Standards (PSIAS) has been completed by the Head of Audit & Elections in order to demonstrate this.
- 1.3        The PSIAS came into effect on 1 April 2013 and were produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA) to ensure a consistent set of standards for Internal Auditors irrespective of the sector in which they work. The new standards mean that a few changes will be required to be undertaken in terms of working practices; however the main changes seem to be in relation to the terminology used. CIPFA have produced an application note designed to assist/clarify the standards that have been produced. This guidance note has been applied during the completion of the assessment to ensure that Internal Audit is compliant with the new standards.

Classification: NULBC **UNCLASSIFIED**

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2. **Issues**

- 2.1 The results of the self-assessment review undertaken by the Head of Audit & Elections have been made available electronically to members via the member's intranet site, together with a copy of all the evidence in support of the self-assessment. A copy of the full assessment is referenced as Appendix A and can be viewed by clicking on the link at the end of this report. A copy of the list of evidence that has been produced has been provided at Appendix B.
- 2.2 On completing the checklist the Head of Audit & Elections is required to indicate whether or not there is compliance with the PSIAS by answering 'yes' 'Y' partial 'P' or no 'N'. Where we have answered 'P' or 'N' these areas have been carried forward to an action plan which identifies areas for improvement. A review of the action plan for 2016/17 has been undertaken and this can be found at Appendix C. There are some actions that are still on going, where this is the case these have been carried forward to a revised and updated action plan for the current financial year 2017/18. The revised action plan for 2017/18 can be found at Appendix D.
- 2.3 Members will be aware that during 2016-17 an External Assessment of Internal Audit was undertaken by CIPFA and the final report was presented to the committee in April 2017. It is a requirement of the Standards that an external assessment is completed once every 5 years. A copy of the final report is provided as Appendix E.
- 2.4 Despite the fact that a detailed action plan has been completed in order to demonstrate full compliance with the PSIAS, it is felt that overall the internal review shows that the system of Internal Audit is operating effectively and therefore can be relied upon when considering the Annual Governance Statement for 2016/17. The areas identified in the action plan will seek to further improve and develop the audit service.

3. **Options Considered** (if any)

Not to complete a self assessment would be in breach of the legislation already outlined in the background.

4. **Proposal**

The completed checklist against the PSIAS has been made available electronically for members and the action plan resulting from this has been included as an appendix to this report.

5. **Reasons for Preferred Solution**

The adoption of 'good practice' processes and procedures inevitably contributes to reducing risks and liabilities to the Council. Internal Audit plays an important role in this regard and clearly its systems and processes should be effective.

6. **Outcomes Linked to Corporate Priorities**

An effective system of Internal Audit means that the Authority can place reliance on the assurances of the systems of internal control. If controls are operating effectively the potential for fraud and corruption is reduced. There is also an assurance that resources are being used efficiently and effectively.

7. **Legal and Statutory Implications**

Under the Accounts and Audit Regulations 2015 the Council is required to undertake an annual review of the effectiveness of its system of Internal Audit.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from this proposal.

9. **Financial and Resource Implications**

There are no financial implications identified from this proposal; the Action Plan will be resourced as part of the work plan for the Head of Audit & Elections.

10. **Major Risks**

- 10.1 If the Authority does not maintain an effective system of Internal Audit; reliance cannot be placed on the adequacy of the internal controls operating throughout the Authority.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Not applicable

13. **List of Appendices**

Appendix A - Self Assessment – please press on the link for this appendix  
Appendix B - Key to Evidence for Self-Assessment  
Appendix C - Progress against Action plan for 2016/17  
Appendix D - Action Plan for 2017/18.  
Appendix E - Final Report – External Quality Assessment of Internal Audit

14. **Background Papers**

File of evidence compiled against the PSIAS