

**To the Chair and Members of the
AUDIT COMMITTEE**

PUBLIC SECTOR INTERNAL AUDIT STANDARDS – PEER REVIEW 2017

EXECUTIVE SUMMARY

1. The Committee is asked to consider the report attached resulting from an external peer review of the Internal Audit Service, which was completed to fulfil a requirement of the Public Sector Internal Audit Standards (Audit Standards). The peer review was completed by the Head of Audit and Risk at Kirklees Council, supported by an Internal Audit Manager from Kirklees Council's audit team.
2. The conclusion from the review is that Doncaster Council's Internal Audit Service complies with the Audit Standards, achieving the highest level of compliance, i.e. "*general conformance*" with the standards. This is a pleasing outcome for Internal Audit, which enables the Audit Committee & St Leger Homes to have confidence that the annual opinion of the Head of Internal Audit is supported by a professional and competent service and is evidenced based.
3. The report notes that the following good practices were identified during the external assessment:
 - Sufficient and relevant expertise exists in order to effectively fulfil the roles and responsibilities of the Internal Audit Service.
 - The Head of Audit is respected, professionally qualified and supportive. The audit team is also well respected within the organisation providing constructive, pro-active support to deliver improvements.
 - The Internal Audit Service receives a high level of satisfaction based upon management interviews and individual audit review feedback forms.
 - The Internal Audit Service effectively contributes to the role of the Audit Committee by providing sufficient, reliable and timely information along with professional support.
 - The Internal Audit follow-up arrangements are valued by the Audit Committee and management and the arrangements were found to be robust and effective.
4. The report identifies seven observations noted either by the reviewers themselves, or by Members and officers interviewed by the reviewers. The observations are scheduled in Appendix B of the attached peer review report. It should be noted that these are not questions of compliance; they are provided for the Service consider adoption where the Service feels they can benefit from the comments made. It is

worth noting for comparison purposes that in 3 other peer review reports issued to date in the region, the numbers of 'observations' made have been 7, 13 and 14, so Doncaster's is low relative to the current average.

5. We are grateful for the observations provided and have given a response and proposed action to each of them – see appendix B to the attached report. The peer review report does confirm that we were already aware of many of the observations and were already planning to implement improvements relating to them. Briefly, the seven observations and current status are provided in the table below. The minor nature of some of the observations can be noted in the table:

Observation / Action	Status
<p>The audit planning process should be widened to include reporting of the audit universe to the Audit Committee. This change may dovetail with the assurance mapping exercise being co-ordinated by the Head of Internal Audit</p>	<p>The audit universe and current assurance mapping will be presented to management and the Audit Committee alongside the draft Audit Plan 2017/18.</p> <p>Further development of assurance mapping is planned for 2017/18 as part of the Governance Group work plan</p>
<p>The Head of Internal Audit should add explanation to reporting arrangements of plan completion in the performance information section in Progress Reports. This would help management and Members monitor plan completion progress and to understand the implications of undertaking unplanned commissions</p>	<p>Information in the audit progress reports and annual report will be extended to include details of the calculation methodology and, where relevant, the implications of prior year and unplanned work.</p>
<p>Formal collaborative working with a neighbouring authority was undertaken for a period of years, partly to widen the opportunities to maintain and extend skills, knowledge and competencies of the Internal Audit Service. This arrangement has ceased</p> <p>Opportunities for more horizon scanning and wider dissemination of best practice generally in areas under audit review, that may be gleaned from other authorities with landlord responsibilities, which they identified would be particularly welcome</p>	<p>A team development plan already exists that is designed to ensure the service has the skills it needs to deliver current and future requirements. Personal Development Plans are agreed each year and aim to achieve personal developments consistent with business requirements.</p> <p>Opportunities for collaboration, information sharing and service development are kept under review on an ongoing basis.</p> <p>A formal assessment of service needs will be completed during 2017/18, to inform the internal audit service provision from 2018/19.</p> <p>A review step will be built into audit work to explicitly consider alternatives to assist services in their development, to add better value to the audits completed.</p>

Observation / Action	Status
<p>Service management interviews raised the importance of the three current management staff in concluding the most complex assignments, and highlighted the need to consider resilience, continuity, and development issues on an ongoing basis and in particular how capacity could be addressed if any of the three were to leave in the short to medium term. Options would include developing and providing more opportunities and exposure to other staff within the team, mainly principal auditors.</p>	<p>The completion of complex work and the enhanced involvement of other staff in finalising and reporting complex work will be considered through the 2017/18 Personal Targets and Development Planning Processes.</p> <p>A formal assessment of service needs will be completed during 2017/18, to inform the internal audit service provision from 2018/19.</p>
<p>For the purpose of clarity and transparency, the details of the audit services provided to St Leger Homes and Drainage Boards should be included within the Internal Audit Charter and the Strategy should be updated in respect of the ending of the audit of the Children's Services Trust</p>	<p>An updated Audit Charter and Strategy will be presented to the Audit Committee in July 2017, to incorporate comments made by the Peer Review and changes to auditing standards that are currently being consulted on.</p>
<p>Internal Audit job descriptions should be revised to include reference to the PSIAS.</p>	<p>All job descriptions will be updated as part of the full service assessment referred to in earlier points.</p>
<p>The standards self-assessment identified a number of development issues which were incorporated into an action plan. Several of these have been completed but a number remain ongoing. The Head of Internal Audit should ensure full implementation of the remaining issues in the self-assessment action plan.</p>	<p>The action plan will be merged with the Quality Assurance and Improvement Programme referred to in the recommendations made in the peer review, and reported to the Audit Committee on a regular basis to enable monitoring of progress.</p>

6. The actions identified in the report have been added to the service's current Quality Assurance Improvement Plan, and progress against them will be reported to the Audit Committee on an ongoing basis in the future.

EXEMPT REPORT

7. The report does not contain exempt information.

RECOMMENDATIONS

8. The Audit Committee is asked to:
- Note the content of the assessment and approve the action plan.
 - Seek further information / updates as required.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. Effective Internal Audit arrangements add value to the Council in managing its risks and achieving its key priorities. The peer review of the effectiveness of Internal Audit provides assurance to citizens and the borough that the Internal Audit arrangements contribute effectively to the Council's system of internal control in order to manage risks to the required level and helps ensure that resources are being utilised efficiently in providing value for money services.

BACKGROUND

10. The Audit Standards require an external assessment of internal audit services to be conducted at least once every five years, from 2013. The peer review was arranged through the West and South Yorkshire Heads of Internal Audit Group, where it was agreed that each head of audit would undertake a peer review assessment of another audit service within the group. The assessment for Doncaster was led by the Head of Audit and Risk from Kirklees Council during February 2017.
11. The Head of Internal Audit has set out his agreed actions in response to the service improvement opportunities action plan within the report. It is also noteworthy that the number of recommendations made (6 no.) is the lowest of the reviews conducted to date.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

12. There are no specific options to consider within this report as it provides an opportunity for the Committee to review and consider the results from the assessment with the PSIAS standards.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

13.

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none">• <i>Mayoral Priority: Creating Jobs and Housing</i>• <i>Mayoral Priority: Be a strong voice for our veterans</i>• <i>Mayoral Priority: Protecting Doncaster's vital services</i>	

	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	<p>The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council.</p>
	<p>Working with our partners we will provide strong leadership and governance.</p>	<p>The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners.</p>

RISKS AND ASSUMPTIONS

14. Internal Audit contributes to and strengthens the effective management of risks in relation the Council's governance and control arrangements.

LEGAL IMPLICATIONS

15. There are no specific legal implications associated with this report.
16. There is a statutory requirement on the Council to have in place an adequate and effective internal audit function. This review provides independent external assurance to the Committee that the Councils Internal Audit Function meets best practice professional auditing standards as required by the regulations through achieving the highest rating possible from this review.

FINANCIAL IMPLICATIONS

17. There are no specific financial implications associated with this report. The only cost will be the opportunity cost of Doncaster's Internal Audit review of Bradford's Internal Audit Service as part of the reciprocal arrangement. The direct costs of having to pay for an assessment undertaken outside the group would be well in excess of £10k per organisation and so these arrangements are considered to provide good value for money.

HUMAN RESOURCES IMPLICATIONS

18. There are no specific human resources issues associated with this report.

TECHNOLOGY IMPLICATIONS

19. There are no specific technological implications resources issues associated with this report.

EQUALITY IMPLICATIONS

20. We are aware of the Council's obligations under the Public Sector Equalities Duties and there are no identified equal opportunity issues within this report.

CONSULTATION

21. Audit Committee, at its April 2014 meeting, approved the proposals for the peer review arrangements through the West and South Yorkshire Heads of Internal Audit Group. The review team consulted with key stakeholders and service users in carrying out their work and took account of their views and contributions in making their recommendations for the improvement of the service.

BACKGROUND PAPERS

22. United Kingdom Public Sector Internal Audit Standards and audit working files.

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit, Tel 01302 862939,
Email: colin.earl@doncaster.gov.uk

Colin Earl
Head of Internal Audit