

# **Final Report for the external assessment of the internal audit function**

## **Central Bedfordshire Council**

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Standards & Guidance**

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## Review of Central Bedfordshire Council's Internal Audit service (January 2016)

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. The standards require periodic self-assessments and an assessment by an external person every five years. Now that Central Bedfordshire Council's audit team has been operating under the standards for almost three years, this was deemed a good time for the first external review.

The review was carried out through a process of interview and document review. A list of interviewees is included as appendix 2. I should like to thank all those who took the time to talk to me for their help. We reviewed seven audits carried out during the 2014/15 and 2015/16 financial years and we examined key documents including the Charter and reports to the Audit Committee.

We identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance. We have made some practical and pragmatic medium priority recommendations (R) and lower priority suggestions (S) to improve compliance with the standards without requiring significant extra work. The Head of Internal Audit and Risk will need to take action to implement them and an action plan is included as appendix 1.

### Summary findings and recommendations

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
<b>Attribute standards</b>				
<b>1000</b> Purpose, authority and responsibility	Partial	<b>1000.C1</b> The Charter defines consulting activity but not assurance activity, although references are made to it in the Charter	Include a definition of assurance activity in the Charter	R1
<b>1100</b> Independence and objectivity	Full	Independence and objectivity are well managed. All interviewees emphasised the importance of these aspects of audit behaviour		
<b>1200</b> Proficiency and due professional care	Full	It was clear from the audit files that audit work is carried out with proficiency and care. The team is well qualified, with good access to training and development		
<b>1300</b> Quality assurance and improvement programme	Full	Quality and improvement is given priority and the lessons learned document completed at the end of most audits is a useful addition to the standard approach		

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
<b>Performance standards</b>				
<b>2000</b> Managing the internal audit activity	Partial	<b>Standard 2030</b> The Charter states that the Chief Finance Officer would be told if there were insufficient audit resources, but not the Audit Committee	Include referral of insufficient resources to the Audit Committee in the Charter	R2
		<b>Standard 2060</b> Internal audit activities are reported to the Audit Committee in the annual audit opinion. This report is not, however, presented to senior managers	Ensure that senior managers also see the annual audit opinion	R3
<b>2100</b> Nature of work	Full	All the expected areas of work are covered over the period of the three year audit plan. No specific ethics audits have been undertaken for two years, but further work is planned for this area in 2016/17		
<b>2200</b> Engagement planning	Full	Engagement planning is thorough and follows the requirements of the audit manual. Ways in which value can be added are considered at each audit but it was not always clear if this included value for money	Consider amending the references to added value to include value for money	S1
<b>2300</b> Performing the engagement	Full	The audit manual, and the B5 matrix in particular, ensure that engagements are carried out according to the plan. Security in the section is given priority		
<b>2400</b> Communicating the results	Full	Reports are clear and reflect the work undertaken. The majority of audits reviewed exceeded their time budget although they were delivered to the planned deadlines. In many cases the extra time was needed because of the clients. The lessons learned document identifies why more time was needed than anticipated	Use the lessons learned to improve achievement of budgets	S2
		<b>Standard 2450</b>		

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		The Charter states that the opinion concludes on the control environment, rather than on the broader control framework	The Charter should state that the Opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control	R4
<b>2500</b> Monitoring progress	Full	A pragmatic, risk-based approach is taken to follow up work, ensuring best use of resources while minimising risk of inaction		
<b>2600</b> Communicating the acceptance of risks	Full	There was no evidence that risks have been left unmitigated following an audit, highlighting the importance placed by the Council on audit findings		
<b>Code of Ethics</b>	Full	The importance of following the code of ethics is given priority and is mentioned regularly in team meetings. All interviewees stressed the emphasis placed on ethics by the audit team		

The Head of Internal Audit and Risk has details of the findings, standard by standard.  
Elizabeth Humphrey CPFA

## Appendix 1: action plan

### Recommendations

No	Recommendation	Response	Responsible officer	Action date
R1	Include a definition of assurance activity in the Charter	The Charter has been updated, using phrasing agreed with the external assessor.	Head of Internal Audit and Risk	Immediate
R2	Include referral of insufficient resources to the Audit Committee in the Charter	Paragraph 9.1 of the Charter has been expanded to include reference to the Audit Committee.	Head of Internal Audit and Risk	Immediate
R3	Ensure that senior managers also see the annual audit opinion	Arrangements have been made for senior managers to review the Annual Audit opinion prior to presentation to the June Audit Committee	Head of Internal Audit and Risk	June 2016
R4	The Charter should state that the Opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control	Paragraph 8.2 of the Charter has been expanded to reflect this.	Head of Internal Audit and Risk	Immediate

### Suggestions

No	Suggestion	Response	Responsible officer	Action date
S1	Consider amending the references to added value to include value for money	The engagement planning document has been amended to ensure that value for money is considered as part of scoping audits.	Head of Internal Audit and Risk	Immediate
S2	Use the lessons learned to improve achievement of budgets	Internal Audit quality assurance processes have already recognised that this is an area for improvement and there will be a focus on trying to keep within budgets.	Head of Internal Audit and Risk	Ongoing

## Appendix 2: interviewees

Person	Position
Teresa Bennet	Senior Auditor
Cllr Michael Blair	Chair of Audit Committee
Cllr David Bowater	Vice Chair of Audit Committee
Mike Brandrick	Senior Auditor
Richard Carr	Chief Executive
Judith Cohen	Senior Auditor
Ralph Gould	Head of Financial Control
Clint Horne	Audit Manager
Adrian Howe	Audit Manager
Julie Luckman	Fraud, Welfare and Partnership Manager
Ebenezer Mogaji	Senior Auditor
Gary Muskett	Head of Revenues and Benefits
Cathy O'Carroll	External Audit, Ernst & Young
Kathy Riches	Head of Internal Audit and Risk
Bernard Sykes	IT – Operations and Network Manager
Bernie Tighe	Temporary Senior Auditor
Charles Warboys	S151 officer, Chief Finance Officer