

External Quality Assessment Action Plan

Appendix 2

Issues for management action	Priority	Management Response
<p>The Head of Internal Audit and Risk Management should explore all options for raising the profile of internal audit to demonstrate to all officers and members that they are an independent, objective, insightful and proactive assurance and consulting service that adds value to its clients.</p>	<p>Advisory</p>	<p>Agreed. This will be undertaken, in conjunction with the following two actions, during 2024.</p>
<p>The Council should undertake a self-assessment of the Head of Internal Audit and Risk Management's compliance with the five principles from the CIPFA guidance on the "Role of the Head of Internal Audit". We recommend undertaking such a self-assessment as this will not only help with raising the profile of the Head of Internal Audit and Risk Management but may identify aspects of the principles that need enhancing. These should be included in the service's quality assurance and improvement programme (QAIP). The self-assessment should be overseen by the Executive Director for Transformation and Resources.</p>	<p>Advisory</p>	<p>Agreed. A self-assessment will be undertaken during 2024.</p>
<p>The Head of Internal Audit and Risk Management, together with the Executive Director for Transformation and Resources, should consider the contents of the CIPFA publication "Internal Audit: Untapped Potential" as this not only provides a wealth of useful information, but also makes recommendations around how local authorities can make best use of their internal audit services. Appendix B, entitled "Maximising the Impact of Internal Audit" is particularly significant to raising the service's profile and can be developed into a self-assessment of the service.</p>	<p>Advisory</p>	<p>Agreed. An evaluation of the publication will be undertaken during 2024.</p>
<p>The Head of Internal Audit and Risk Management has responsibility for the Council's risk management function, and this is set out clearly in the audit charter, along with the mechanism that will be followed when this function is being audited, to ensure the independence and objectivity of the Head of Internal Audit and Risk Management, and the internal audit service as a whole, are maintained. To enhance transparency and ensure these arrangements remain fit for purpose we recommend that the Audit Committee regularly reviews and challenges the effectiveness of these arrangements.</p>	<p>Low</p>	<p>Agreed. Audit Committee regularly review the Internal Audit Charter. Following the EQA, an updated Internal Audit Charter is being drafted and will be presented to Audit Committee for approval. The Internal Audit Charter will continue to be subject to regular review by Audit Committee.</p>

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<p>While we acknowledge that there is a cost attached to obtaining an up-to-date version of IDEA, we believe the HIA&RM should consider this as the functionality within the latest version of IDEA is significantly greater than the previous versions. This would enable the service to enhance their data analytics capabilities, such as undertaking data matching and data mining exercises, developing the continuous auditing / monitoring of key systems such as the fundamental financial systems, and providing enhanced assurance by testing the whole data population when carrying out audits rather than sample testing and extrapolating the results to the whole population.</p>	Advisory	Agreed. This will be considered.
<p>Internal audit should consider using the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Council should already be able to access, and/or the data held by the Local Government Association in their LG Inform application. These are adaptable tools that should not be overlooked, particularly when preparing audit terms of reference as they can highlight areas where there may be scope to add value to the Council.</p>	Advisory	Agreed.
<p>The HIA&RM has developed a comprehensive quality assurance and improvement programme that is designed to ensure engagements are performed to a high standard. This was reported to and agreed by the Audit Committee in January 2023. However, we have observed that this document does not follow best practice and include an action plan setting out the improvements that the service needs to make and a time frame for achieving them. We suggest that the quality assurance and improvement plan include an action plan and progress on delivering this is reported regularly to the Audit Committee.</p>	Advisory	Agreed. Progress on improvement actions has been reported to Executive Management Team and Audit Committee. This will be formalised into an action plan format and used in future reporting to Executive Management Team and Audit Committee.
<p>We are aware the HIA&RM has started to review the service's audit universe to ensure that it is comprehensive and takes into consideration the local, national and emerging issues facing local authorities, however, we recommend that this exercise is accelerated to ensure the service has a comprehensive audit universe in place, that is linked to the relevant strategic and operational risks in time for the 2023/24 audit planning cycle. Such an audit universe could also then be used to underpin the draft assurance map.</p>	Medium	Agreed. This work was in progress and we aim to have this in place as part of audit planning, from February 2024.

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<p>We have also observed from the draft assurance map, that the HIA&RM does not appear to be intending to place much reliance on other potential sources of assurance. Whilst the standards only recommend that the HIA&RM needs to consider other potential sources of assurance, we feel there is a risk that the service may be missing an opportunity here as there are many external and internal sources of assurance that could provide a degree of assurance, albeit limited, and feed into the HIA&RM's annual report and opinion.</p>	Low	Agreed. This has been considered further during 2023/24.
<p>In addition, there are opportunities to enhance the way the Council obtains assurance by the service considering working with the service directorates to undertake some joint reviews of specific functions. For example, it is common for both adults and children's social care functions to have comprehensive quality assurance and improvement processes in place that focus on the assessment and delivery of the individual care packages. Whilst internal audit is not qualified or skilled to undertake this type of review, they are able to review the processes that feed into and support the care assessments. Undertaking joint reviews with the social care functions can provide a more holistic view of those services and has the potential to add greater value to their operations and the Council as a whole. We have included actions relating to these observations in section 9 of the report.</p>	Advisory	Agreed. This has been considered further and implemented during 2023/24.
<p>To ensure that the Audit Committee are kept abreast of progress and any issues affecting delivery of the plan or changed priorities in a timely manner, most internal audit services tend to update committees more frequently with the norm being three or four times a year. We therefore suggested consideration is given to increasing the number of times progress is reported to the Audit Committee.</p>	Advisory	Agreed. This will be considered as part of formulating the Audit Committee Work Programme for 2024/25.
<p>Although Advance Northumberland is a separate legal entity, it does not have its own audit charter but instead relies on one for the Council. To conform with the requirements of the standards which require all of the service's clients to have their own audit charter, we recommend that a separate audit charter is put in place for Advance Northumberland.</p>	Medium	Agreed. An Internal Audit Charter specifically for Advance Northumberland is being drafted.

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<p>The service provides internal audit services to Advance Northumberland, a separate external legal entity, albeit wholly owned by the Council, however, the service does not have any form of contract or service level agreement in place with Advance Northumberland, unlike the other Council functions that provide services to Advance Northumberland. To enhance the transparency around the relationship between internal audit and Advance Northumberland, we recommend that a separate service level agreement is put in place.</p>	<p>Medium</p>	<p>Agreed. A separate service level agreement for services provided to Advance Northumberland will be drafted for consideration and approval by Advance Northumberland.</p>
<p>To enhance the flow and readability of the current audit charter, we suggest that the HIA&RM compares it to those produced by other local authorities to identify a style and format that is easier for a lay person to read and understand.</p>	<p>Advisory</p>	<p>Agreed. Revised Internal Audit Charter is being drafted.</p>
<p>Management should be mindful of the fact that a consultation on revising the Institute of Internal Auditors Global IPPF which is incorporated into the PSIAS, has recently taken place and any changes to the standards arising from the consultation may affect the service's future conformance to the standards. It is, therefore, suggested that the Audit Manager keeps a watching brief on the developments to the standards and how this may impact the service in the medium term.</p>	<p>Advisory</p>	<p>Noted.</p>