

SUSSEX AUDIT GROUP

PEER REVIEW OF

ARUN DISTRICT COUNCIL

UNDERTAKEN BY:

*David Palmer FCPFA
Head of Business Services
Wealden District Council*

COMPLETED : July/August 2019

Assessment

1. The external review of the Arun District Council Internal Audit Service was undertaken in early August 2019. The review was conducted by David Palmer, a Fellow of the Chartered Institute of Public Finance and Accountancy and Head of Business Services at Wealden District Council. David Palmer is also the qualified Chief Audit Executive at Wealden.
2. The assessment largely took the form of a desktop exercise and a review of documentation supplied prior to the assessment.
3. At the conclusion of the desktop review, Mr Palmer met with Stephen Pearse, Internal Audit Manager and Alan Peach, Group Head of Corporate Support (and s.151 Officer). These meetings were used to validate some of the information supplied for the desktop review and to drill deeper for further evidence of compliance where required.
4. As required by the methodology, a number of stakeholders were invited to complete a survey.
 - Nigel Lynn, Chief Executive
 - Philippa Dart, Director of Services
 - Karl Roberts, Director of Place
 - Alan Peach, Group Head of Corporate Support (and S151 Officer)
 - Cllr Mrs Inna Erskine, new Chairman of A& GC
 - Cllr Terence Chapman, most recent Chairman of A&GC

Completed responses were received from five invitees.

5. The Reviewer would like to extend his thanks to those who contributed to the review and assisted in its completion.
6. The overall assessment is that the Internal Audit Service at Arun **Generally Conforms**.
7. There are a number of recommendations, particularly around resourcing the service and the positioning of Internal Audit which those charged with governance the Audit & Governance Committee, the Senior Leadership Team and the Internal Audit Manger need to address. There is a suggested timetable for each recommendation made.
8. **Reporting** While there is no requirement to report this review in its entirety, it is good practice to report the outcomes at least and to carry forward agreed improvements to the Annual Governance Statement.

David Palmer FCPFA
Head of Business Services
Wealden District Council

30 August 2019

1 Purpose and positioning

Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?

Remit				Generally Conforms
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
1	Consider refreshing the Internal Audit Charter, last reviewed in September 2016. The approval of a new Charter alongside the Internal Audit Plan provides additional context for management and those charged with governance as to the operational expectations from both parties in achieving sound governance arrangements. It would also allow the Charter to be updated to incorporate the 2019 CIPFA statements on the Role of the Head of Internal Audit and Leading Internal Audit in the Public Sector.	31 July 2020	Internal Audit Manager	Internal Audit Charter will be reviewed and updated. July 2020 target date will allow inclusion of any Committee, etc. changes resulting from the Council's review of its governance arrangements (with the potential changes due in May 2020)
2	The Internal Audit Manager should communicate the statutory role of internal audit and the expectations from the Internal Audit Charter to Senior Management. This should form part of the annual planning process and senior managers should be clear that the Charter has been approved by the Audit & Governance Committee and that there are expectations on them in assisting Internal Audit to complete their work and in acting upon recommendations in order to improve governance within the authority.	31 July 2020	Internal Audit Manager	Charter and expectations will be communicated to senior management once updated
3	There could be stronger ownership of the risk of fraud and corruption by senior managers whose responsibility it is to manage those risks. This is based on two findings. (1) With the Internal Audit Manager acting as the driver on the Strategic Risk Register annually, the <i>perception</i> can be that the management of risk is their (IA's) responsibility rather than being corporately owned and fully integrated into the work of service departments. While the reviewer understands that the Strategic Risk Register updates do go through the Governance & Risk Officer	31 March 2020	Internal Audit Manager Group Head of Corporate Support Senior Leadership Team Audit & Governance Committee	(1) Discussed with Group Head of Corporate Support. Responsibilities for risk management will also be referred to the Governance & Risk Group (2) As at Recommendation 9, long-outstanding items will be reported separately to CMT ensure that risks involved are known and accepted

	<p>Group and CMT before going to Audit & Governance Committee, the current arrangements infer that Internal Audit is driving risk management.</p> <p>(2) In addition, it was noted that there are a number of long-outstanding audit recommendations that are raised with CMT and in the AGS but remain unaddressed. It is also understood that there are a small number of senior managers who fail to respond promptly to requests for information and/or progress audit recommendations and who, by default, are therefore accepting the risks rather than addressing them.</p> <p>There is a need for greater accountability both in the ownership of risk and in responding to risks identified.</p>			Where appropriate (e.g. for the preparation of the AGS), CMT will be advised their support and to advise on requirements / timescales prior to requests for information being sent to senior management
Reporting lines				Generally Conforms
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
4	In addition to the views of the Chief Executive, to consider inviting the Chair of the Audit & Governance Committee to contribute feedback on the performance of the Internal Audit Manager as part their annual performance appraisal.	October / November 2019	Group Head of Corporate Support Audit & Governance Committee	The Chairman of the Audit & Governance Committee will be invited to provide feedback in future appraisals
5	To include within the Internal Audit Charter such explanations as are necessary to explain how conflicts of independence are handled (a "comply or explain" approach) so that a protocol is in place ahead of the situation being encountered.	31 July 2020	Internal Audit Manager	Internal Audit Charter will be reviewed and updated
6	Consideration to the level of information presented to Members. This varies considerably within the Sussex Audit Group and the Internal Audit Manager may consider there are opportunities for improving the transparency and clarity of reporting. The Audit & Governance Committee also need to consider whether the current level of information requested provides sufficient assurance to those charged with governance.	31 July 2020	Internal Audit Manager Group Head of Corporate Support Audit & Governance Committee	Information presented to Members will be reconsidered and agreed once any governance changes have been implemented by the Council in May 2020
7	In consultation with the Group Head of Corporate Support and with the co-operation of colleagues in the Sussex Audit Group, to consider reporting on performance against a broader set of	31 July 2020	Internal Audit Manager	Reference will be made to the performance indicators reported on by other SAG members. Consideration will

	indicators. Possible examples are those previously agreed by the Sussex Audit Group or a combination from CIPFA's publications on <i>An Effective Internal Audit Service</i> or <i>The Rough Guide to Service Reviews in Internal Audit</i> .			also be given to the annual audit plan so that an appropriate set can be agreed for future monitoring / reporting
8	To consider reducing some of the detailed findings within systems, at least within the published report.	31 July 2020	Internal Audit Manager	Requirements will be agreed with the committee covering audit after any Council governance changes have been made in May 2020. <i>(NB – in some cases members have been interested in more information than already provided in summaries)</i>
9	To consider removing the historic data from reports at least where this extends beyond the length of the strategic audit plan. At least, it is inconsistent with the Internal Audit Charter which allows managers to accept risks and at worst it undermines the effectiveness of Internal Audit. A more appropriate methodology might be through a register of accepted risks compiled in conjunction with the recommendations in the section on Remit. (See also recommendation 3(2) above)	31 July 2020	Internal Audit Manager	This will be implemented and reported to CMT and the Committee when the 2019/20 annual reports are prepared
Independence				Generally Conforms
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
10	While there are no conflicts of interest at present, it cannot be assumed that this will never be the case and it may be prudent for the Internal Audit Manager to include such provision within the next version of the Internal Audit Charter. Such provision might also include the rotation of audits.	31 July 2020	Internal Audit Manager	Internal Audit Charter will be reviewed and updated
11	Consider the positioning of the responsibility for risk management within the Council. While the pairing of audit and risk are common it can act as a limiter on the consideration and ownership of risk as it can be viewed as something which is exclusive to Internal Audit rather than being integrated into everyone's role. (See also recommendation 3(1) above)	31 March 2020	Internal Audit Manager	Responsibilities for risk management will be referred to the Governance & Risk Group

Risk based plan				<i>Generally Conforms</i>
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
12	Subject to capacity, consider repeating the user satisfaction survey. With the pressures on service managers in local government, it is not a priority for many to find the time to complete internal questionnaires and surveys however it would be beneficial to have a wider understanding of the positioning of Internal Audit, its effectiveness and the extent to which it is seen to add value within the organisation. With the 2015 survey as a benchmark any change in perception can be identified, explored and can feed into any improvement programme for the service.	31 July 2020	Internal Audit Manager	The survey had been in abeyance during the 2016-18 restructure as some senior managers had limited exposure to audit. This can be resumed in 2020
Integration with other assurance providers				<i>Fully Conforms</i>
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
	None			

2 Structure & resources

Does the internal audit service have the appropriate structure and resources to effectively deliver the internal audit remit?

Competencies to deliver IA remit				<i>Generally Conforms</i>
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
13	Consideration could be given to joint / collaborative working with another local authority / other local authorities. Wealden and Eastbourne/Lewes have expressed an interest in working with Arun to develop arrangements depending on Arun's appetite.	31 March 2020	Internal Audit Manager Group Head of Corporate Support	The Group Head of Corporate Support and Internal Audit Manager are scheduled to meet with Wealden late in 2019 to discuss possible opportunities for collaboration
Technical training & development				<i>Fully Conforms</i>
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
	None			
Resourcing				<i>Partially Conforms</i>
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
14	Active consideration should continue to be given to the resilience of the service and specifically to succession planning / alternative provision. Like many smaller organisations, the service currently has a single point of failure in its Internal Audit Manager. While the Group Head of Corporate Services has considerable previous experience in this role, any interim management would create an immediate conflict of interest give his s.151 role.	31 March 2020	Internal Audit Manager Group Head of Corporate Support	The future staffing of the section is currently under consideration by the Group Head of Corporate Support and Internal Audit Manager

15	In the shorter term, contingency arrangements ought also to be investigated and put into place. It would be prudent to have these formalised to allow immediate implementation should the need arise. Irrespective of which option is pursued in such a circumstance, daily rates should be agreed and formalised such that it would be possible to engage staff quickly in the event of a shortfall in resource or increase in demand.	31 December 2019	Internal Audit Manager Group Head of Corporate Support	The Group Head of Corporate Support and Internal Audit Manager are scheduled to meet with Wealden late in 2019 to discuss possible opportunities for collaboration
Performance management				<i>Generally Conforms</i>
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
16	A more robust system of performance management would provide a stronger evidence base for assessing the delivery against targets each year. More importantly, and given the current staffing situation, it would also provide a more robust mechanism for managing poor performance. (See also recommendation 7 above)	31 July 2020	Internal Audit Manager Group Head of Corporate Support	Reference will be made to the performance indicators reported on by other SAG members and an appropriate set agreed for future monitoring / reporting
Knowledge management				<i>Generally Conforms</i>
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
17	While the Internal Audit Manager is very proactive in maintaining his CPD there would be scope to vire unused salary to invest in the ongoing training and development of the existing staff. This would be in addition to learning which is shared within the team from the circulation of CIPFA/IIA publications, webinars etc.	Ongoing	All Audit Staff	Requirements for training existing staff are considered in the annual PDR process and have currently been met from the existing budget. An allowance has been retained in the section's budget for potential training costs for a new member of staff

3 Audit execution

Does the internal audit service have the processes to deliver an effective and efficient internal audit service?

Management of the internal audit service				Generally Conforms
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
18	Consider increasing transparency, assurance and good governance by promoting the review of effectiveness for internal audit more fully. The greater the understanding of the Audit Committee, the more effective they can be in their role as those charged with governance. Once established, it may also be beneficial to routinely include changes or improvements to the self-evaluation within the progress reports so that the self-assessment is a living document.	31 July 2020	Internal Audit Manager	A self-assessment document (based on a CIPFA template) is reported annually to the Audit & Governance Committee for comment / agreement. It was agreed with the Chairman that this would be deferred for a year in July 2019 due to the newness of the Chairman and several members of the Committee
19	Reinstate the customer satisfaction surveys after consultation with Sussex Audit Group members with a view to a consistent approach across Sussex. (See also recommendation 12 above)	2020/21 Financial Year	Internal Audit Manager	Satisfaction survey questions have been given past consideration against those used elsewhere. The process will be resumed for appropriate audits when completed and also across service area management
Engagement planning				Generally Conforms
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
20	Continue to provide a degree of contingency time within the annual Audit Plan and, as soon as possible, increase this to around 20 days. Aside from providing a buffer in the event of e.g. unforeseen absence, it is also important to recognise that losing a member of a well-established and experienced team long-term or permanently would have a significant impact and that newly appointed staff will have a higher training and familiarisation requirement.	Ongoing	Internal Audit Manager	Future plans will be prepared to reflect the future resourcing and requirements of the section

Performance of Audit work / audit delivery				Generally Conforms
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
21	The arrangements for managing audits are effective tools in delivering consistent outcomes and levels of independence as well as contributing to sound performance management. As resources allow, it would be advisable to re-introduce these management controls within the team.	31 July 2020	Internal Audit Manager	This will be considered alongside the other planning and performance monitoring changes
Reporting				Generally Conforms
#	Remedial actions	Target date	Responsibility	Actions Planned / Taken
22	Consideration to how to improve the positioning of Internal Audit and in so doing, address the issue of managers who do not respond to audit requests for information and/or fail to progress agreed audit recommendations. (See also recommendations 2 and 3(2) above)	31 July 2020	Internal Audit Manager Group Head of Corporate Support	As per Recommendations 2 and 3(2)