

**PUBLIC SECTOR INTERNAL AUDIT STANDARDS – EXTERNAL COMPLIANCE ASSESSMENT 2016**

**Response to areas suggested for improvement**

Report Ref.	Suggested Improvement	Internal Audit Comment	Action Proposed
5.2a	<p><b>Three Year Plan</b></p> <p>The current Internal Audit plan is for a year’s duration. If the level of resources available to internal audit reduces, consideration should be given to moving to a three year plan. This will assist in ensuring that there are no gaps in the coverage of critical areas of the Council’s financial systems and key service delivery risks.</p>	<p>Planning over a longer period is considered as a key part of the annual process.</p> <p>The extent of change within and around the Council, has meant that it is not practical to prepare a longer-term audit plan.</p> <p>In many respects, a 6-month plan can be more appropriate to reflect the pace of change, changes in priority, emerging issues and unplanned requests from senior management for advice, support and challenge.</p> <p>The planning process remains robust enough to ensure there are no gaps in the coverage of key risks and issues facing the Authority.</p>	<p>Longer-term audit planning will continue to be considered and implemented when there is greater stability within the Council and sector generally.</p>
5.2b	<p><b>Focus on High Priority Recommendations</b></p> <p>The service currently has three levels of recommendation, fundamental, significant and merits attention. Consideration should be given to focusing on those controls, which if audit work found to be weak, in either adequacy or application, would result in a fundamental or significant recommendation being made. This not only promotes internal audit resources being focused on the priority areas but also enables the organisation to focus on the key controls it needs to operate.</p>	<p>The nature of the classification of audit recommendations means that due attention is focussed on those with the greatest significance or priority and therefore higher risk areas.</p> <p>The follow-up process again focusses on the implementation of fundamental or significant recommendations.</p> <p>In many respects the ‘merits attention’ recommendations arise consequentially from the consideration of issues in the audit and</p>	<p>The current methodology and classification of recommendations is understood across the Council.</p> <p>The overall audit methodology will need to be reviewed should resources be reduced and a more thematic approach be required.</p> <p>This is currently being considered for the 2017/18 audit year.</p> <p>The Audit Committee will be kept informed regarding the development of any new</p>

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		<p>represent those areas where some improvement in control processes or procedures would be beneficial.</p> <p>In some cases a number of 'merits attention' recommendations across a service or system can collectively result or contribute to a negative assurance opinion.</p>	<p>approaches in response to any reduction in resources.</p>
<p><b>5.2c</b></p>	<p><b>Audit Reports per Auditor</b></p> <p>A review of the number of audits issue indicates that Barnsley issues fewer reports compared with its West and South Yorkshire neighbours. This could be for a number of reasons including working styles and the definition of a report (for example other Councils may include grant certification audits as reports). However it would be beneficial for the Council's Head of Internal Audit to review the position to determine whether the reporting framework met Barnsley's Internal Audit requirements and those of the Council's and external client requirements. In some cases short briefing style reports can be a more effective deployment of Internal Audit resources focusing on remedies to internal control weaknesses.</p>	<p>Over the last few years audit work has reflected and responded to management requests for on the one hand more significant pieces of review work and on the other a demand for advice and support for initiatives, projects and strategy groups.</p> <p>Both aspects have had the impact of reducing the audit report : auditor ratio.</p> <p>This is not seen as much in the other clients, where there is a far higher ratio.</p> <p>All pieces of work contribute to the Head of Internal Audit's annual opinion and equally in the advice and information to management.</p> <p>It is a valid point regarding using a shorter report style to capture areas of activity where a formal report is not appropriate.</p>	<p>Whilst the relatively low ratio of reports : auditor is noted, there remains an effective deployment of audit resources targeted to support management.</p> <p>However, there is an opportunity to relate some aspects of currently 'un-reported' audit work in a form that would improve the ratio.</p> <p>This will be actioned in 2016/17.</p>
<p><b>5.2d</b></p>	<p><b>Risks linked to the Audit Plan</b></p> <p>The current Internal Audit plan reflects the financial risks of the authority and also links in</p>	<p>Agreed. This is an essential aspect of the control and governance framework and how Internal Audit supports, advices and challenges.</p>	<p>This is very much a constant area of focus for Internal Audit and therefore there is no specific action to take in this regard.</p>

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	<p>with the risk management processes of the authority. It is critical that the Council's strategic risk register remains relevant and reflects the environment the Council is working in, especially in the light of the changing availability of resources. This is a key responsibility of strategic management. It is Internal Audit's responsibility to ensure it reviews those strategic risks and the control environment supporting them. The Audit Committee, Strategic Directors, Section 151 Officer and Internal Audit Service need to continue ensuring that the Internal Audit resources are directed and balanced, so that Service delivery, organisational governance and financial administrative controls are reviewed and maintained.</p>	<p>Whilst there is always scope for improvement, the risk management arrangements within the Authority are well established, pragmatic and consequently can be relied upon by Internal Audit for the purposes of planning and review work. The Audit Committee has received a report on the audit planning methodology and will consider the draft Plan at its March meeting. This will demonstrate the linkages to risks across the Council.</p> <p>This aspect of focus will always remain a priority for Internal Audit in seeking to support the further embedding of effective and appropriate risk management arrangements across all parts of the Council.</p>	<p>The annual audit planning process focusses heavily on the risk registers and through the detailed consultation process with senior management, ensures audit activity remains aligned to risk.</p> <p>The Audit Committee will receive information throughout the year as part of Progress reports from Internal Audit about risk issues, as well as specific Strategic Risk register updates.</p>
5.2e	<p><b>Assurance Mechanisms</b></p> <p>In order to make the best use of Internal Audit resources it is important that attention is directed to significant/critical risks including process/system development and areas where Internal Audit's expertise is effective. Care should continue to be taken when preparing the Internal Audit plan that Internal Audit is not used to provide assurances outside its professional authority. The Authority could benefit from an assurance mapping process which clearly designates responsibility for critical risks and how assurances are achieved for those risks.</p>	<p>The audit planning process and the detailed consultation with senior managers seeks to ensure a risk-informed programme of work designed to provide assurances regarding the effectiveness of the control, risk and governance arrangements put in place and managed by management.</p> <p>All audit activities within the plan are structured on that basis and therefore do not fall outside of the services authority or competence.</p> <p>It has been acknowledged for some time by senior management that the development of a corporate assurance map would be of use.</p>	<p>Internal Audit has and will continue to support management in the development of an assurance map for the Council. There are specific days allocated to this within the 2016/17 plan.</p> <p>No specific action is required of Internal Audit in this regard beyond that already planned.</p>

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		<p>Work in this area had developed over the last few months and it is hoped that such an assurance map will be in place during 2016/17. Internal Audit have and will play a key role in supporting, implementing and subsequently monitoring the assurance map.</p>	
<p><b>5.2f</b></p>	<p><b>Adults</b></p> <p>A review of the Internal Audit Plan for 2015/16 shows that 65 Internal Audit days were allocated to the Communities Department which incorporates Adults Services. The days allocated to People and Place were 175 days and 112 respectively. Given that Adults services is one of the most critical resource demanding areas of Council activity, consideration should be given to whether the resources allocated to Adults, is sufficient and reflects the current level of risk.</p>	<p>Due to how the functions and services of the Council are structured, a number of areas of work supporting the 'Adults' agenda were undertaken outside of the Communities Directorate, i.e. within Finance and the People Directorate e.g., DOLS and personal budgets.</p> <p>The '65' days therefore presents a slightly false position.</p> <p>However, the point is acknowledged and the 2016/17 planning process and had a key focus on this general area.</p>	<p>The 2016/17 audit plan has considered the area and with management and includes an appropriate programme of work.</p> <p>The Audit Committee will receive information about this work through the periodic Progress reports.</p>
<p><b>5.2g</b></p>	<p><b>Delivery of Training</b></p> <p>Whilst not a specific requirement of PSIAS and the responsibility could sit within other areas of the organisation, it was noted that the Internal Audit Service had not delivered any formal training in the form of courses to other areas of the organisation, or service managers.</p> <p>The provision of training by Internal Audit gives the Service exposure to the rest of the organisation and allows it to sell itself to service</p>	<p>This is somewhat an anomaly of 2015/16. In most years Internal Audit undertakes or contributes to training of some kind.</p> <p>Training activity has in the past been in areas such as anti-fraud and corruption, contracts and procurement, general governance and audit committee effectiveness.</p> <p>The Internal Audit service also contributes to the maintenance and development of the Council's on-line training facility (BOLD).</p>	<p>Some provision has been made in the 2016/17 Plan for specific training for Berneslai Homes and a number of the external clients.</p> <p>Training has generally been requested by management and accommodated where possible by Internal Audit during the year. Consequently, and again for 2016/17, any such requests will be considered and resourced from contingency days. Again, the Audit Committee will receive information about such activity in the Progress reports.</p>

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	managers and also be pro active in delivering improvements to the governance arrangements of the Council. Consideration should be given to the delivery of such training in the future.	More focus is attached corporately to the on-line method of training, awareness, advice and guidance.	