

PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
Definition of Internal Audit 1110 Organisational Independence 1130 Impairment to Independence or Objectivity 1210 Proficiency	3.3.1	The Peer Review Team identified the potential for conflict of interest / priorities arising from the Chief Audit Executive also being the Head of Finance and s151 Officer, therefore the needs of the s151 role could clearly outweigh the needs of the CAE role. This is closely linked to independence.	Head of Finance Management Team	<i>In the event of a potential conflict of interest then as required an officer outside of Internal Audit will act as the Chief Audit Executive instead of the Head of Finance. These officers are identified as the Accountancy Division Manager or the Finance and Commercial Manager</i>
Definition of Internal Audit 1000 Purpose, Authority & Responsibility 1110 Organisational Independence	3.3.2	The Peer Review Team identified potential independence conflicts arising from the Head of Finance also acting as the Chief Audit Executive. Some functions of the CAE are not carried out by him but are in reality carried out by the Audit Manager. The CAE cannot claim that they are truly independent when responsible for the organisations financial affairs, aspects of which fall with the Internal Audit remit. It is recognised that this structure has only existed since January 2017. The Peer Review Team must highlight this as a potentially significant area that could impact on the Audit Team's ability to conform with the Standards in future.	Head of Finance Management Team	<i>In the event of a potential conflict of interest then as required an officer outside of Internal Audit will act as the Chief Audit Executive instead of the Head of Finance. These officers are identified as the Accountancy Division Manager or the Finance and Commercial Manage</i>

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<p>1300 Quality Assurance & Improvement Programme 1310 Requirements of the Quality Assurance & Improvement Programme 1320 Reporting on the Quality Assurance & Improvement Programme 1321</p>	3.3.3	The Peer Review Team found that the Quality Assurance & Improvement Programme (QAIP) whilst technically in existence lacked detail. The QAIP could contain more information including more detail on how issues that do not conform with the Standards are going to be addressed to enable future compliance.	Internal Audit Manager	<i>We will formally document the QAIP and include a clear action plan.</i>
<p>2020 Communication & Approval</p>	3.3.4	The Standards state that certain documents produced by an Audit Team should be presented to Senior Management and the Board which in Burnley's case would be the Management Team and Audit & Standards Committee. Whilst the key documents referred to in the Standards exist, not all had been to both Management Team and Audit & Standards Committee. This should be addressed to ensure continued conformity with the Standards going forward.	Internal Audit Manager Management Team	<i>We will ensure that key documents are provided to Management Team as well as to Audit and Standards Committee for approval.</i>

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N/A Identified by Observations	3.3.5	<p>The Peer Review Team believes the Audit Charter could be updated to include some areas currently not detailed and expand some of the other areas slightly with more detail. The Charter has not been updated in line with the changes to the Standards which came into effect on 1st January which include the Mission and 10 Core Principles. Inclusion of these elements would link bank to the Standards and would improve the quality of the Audit Charter itself.</p> <p>Management should therefore consider whether they are satisfied with current Charter and whether to ask for it to be updated.</p>	Internal Audit Manager	<i>The Internal Audit Charter will be updated to include these points.</i>
N/A Identified by Interviews	3.3.6	<p>The Audit Manager stated that only high risks are monitored as part of the follow-up process but also stated that there have been no high-risks identified in audit work during recent financial years. This in effect means that no-follow work takes place. Follow-up work is defined within the Standards and this could lead to non-conformance with the Standards in the future.</p> <p>Management should consider whether follow-up of other risks should take place if no risks are deemed high risk which automatically results in follow-up.</p>	Internal Audit Manager Internal Audit Team	<i>A revised approach to Follow-up will be taken to gain responses to audit action plans a set period after the audit is completed. This will be reported to Management Team</i>
N/A Identified by Interviews	3.3.7	<p>An issue highlighted to the Peer Review Team was the scoping of an Audit Engagement. We were told that Audit only include parts of some areas and it was felt that they miss the obvious or key parts of an area</p>	Internal Audit Manager Internal Audit Team	<i>Evidencing of scoping decisions will be documented and clearly communicated</i>

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N/A Identified by Interviews		<p>out of the scoped work on some occasions. The Peer Review Team realise that there are potential explanations for this but include the issue in this report to enable the Audit Team and Management be satisfied that no issues on scoping could impact on future conformity with the Standards..</p> <p>Management and the Audit Manager should consider whether they are satisfied with current arrangements on scoping of audit work or if some change in processes is required.</p>		<i>to the auditee at the start of the audit.</i>
	3.3.8	<p>The interview process highlighted comments that whilst the Audit Team is certainly not invisible within the Council which is very positive, there were comments that it was not clear of what else the Audit Team can do or provide in addition to the anticipated scheduled Audit Engagements which could help and support Services in achieving their objectives.</p> <p>Management should consider whether they are satisfied with the current position of whether the Audit Team should make Services more aware of how they could support Services.</p>	Internal Audit Manager	<i>As part of the annual planning exercise Internal Audit will contact all heads of service to seek views on areas of internal audit activity and promotion of other services which will support the service.</i>
N/A Identified by Interviews	3.3.9	<p>The Peer Review Team also believes that the Audit Team is not easily visible to the Council's Senior Management Team. This is not a criticism of the Council's Management Team and we recognise that the Council's Head of Finance also acts as the Chief Audit Executive. However, it was clear that the day to</p>	Internal Audit Manager Management Team	<i>We will ensure that key documents are provided to Management Team as well as to Audit and Standards Committee</i>

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N/A Identified by Interviews		<p>day decisions and running of the Audit Team is carried out by the Audit Manager and whilst it was clear reports do go to Audit & Standards Committee it was not as clear as to what does or doesn't go to the Council's Management Team.</p> <p>Management and the Audit Manager should consider whether they are satisfied with current arrangements and what could be done to change these perceptions which could impact on future conformance with the Standards.</p>		<i>for approval</i>
	3.3.10	<p>The Peer Review Team became aware that there are plans to move the Senior Auditor to the Accountancy Team in September 2017. The Peer Review Team are not commenting on that decision as this clearly is a decision for Management. However, the Peer Review Team felt that they must highlight to Management that this decision could weaken the level of compliance with the Standards after that move takes place. Independence is maintained currently by being able to bypass the Audit Manager and utilise the Senior Auditor with support of the Audit Assistant to carry out audit work that the Audit Manager is unable to do due to independence conflicts as he has been a key part of systems design, contract support & evaluation, bid writing/support etc. This could not be maintained after the move which will in turn reduce Standards compliance.</p>	Head of Finance	<i>Independence within the individual audits will be maintained through the restructuring of the service. All members of the Internal Audit Team will be play an important part of this transformation. The requirements of independence will be built in as part of the new structure.</i>

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		Management should consider how they will maintain the necessary levels of independence with the Audit Team to enable continuing conformance with the Standards in this area.		