

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Barnsley Metropolitan Borough Council's Internal Audit Service

Final Report

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1. Introduction

- 1.1 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 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments, or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period.

2. Background

- 2.1 The Barnsley Internal Audit Team (BIA) provides internal audit services to Barnsley Metropolitan Borough Council (BMBC), Berneslai Homes; the South Yorkshire Police and Crime Commissioner and the South Yorkshire Police Force; The South Yorkshire Pension Authority; and the Northern College. The Service is managed by the Head of Internal Audit, Anti-fraud and Assurance (HoIA) and is made up of 16.4 full time equivalent employees, including the Corporate Anti-Fraud Team and a Corporate Governance and Assurance Manager, all of which are employed by BMBC, the Service's host authority. The members of the Internal Audit team are well qualified with three CCAB accountants, including the HoIA, and two Chartered Members of the Institute of Internal Auditors (IIA). The remainder of the team all hold the IIA Internal Audit Certificate, with three of them also being qualified Accounting Technicians and one studying for the IIA Certified Internal Auditor qualification. Several members of the team have extensive local government internal audit experience, including the HoIA and the Audit Manager, and some are able to bring knowledge and experience to the team that they have gained from internal auditing elsewhere, such the NHS, Police, and commercial sectors.
- 2.2 From an operational perspective, BIA reports directly to the executive teams and Audit Committees at their respective clients. These two bodies fulfil the roles of 'senior management' and 'the board', as defined by the Public Sector Internal Audit Standards. For BMBC, the HoIA reports directly to the Service Director Finance (the Council's Section 151 Officer) and has direct access to the Council's Chief Executive Officer, the Chair and full membership of the Audit and Governance Committee (A&GC). Regular reports on the audit plan, progress on delivering the plan and the annual opinion and outturn are made to the Council's BMBC's senior leadership team and the Audit & Governance Committee. Similar arrangements are in place for BIA's other clients.
- 2.3 BIA has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment that they have commissioned, the previous one being in 2016.
- 2.4 BIA has an audit manual that is clear and easy to follow and provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy assignment. Standard templates are used for the engagement working papers and testing schedules, engagement terms of references, action plans and audit reports. All of these documents are held in BIA's audit management application, MK Insight (MKI).
- 2.5 The MKI application is also used for managing the engagements with all staff recording time spent on the assignments in the application. Supervision of the engagements takes place at every stage of the process and is recorded in MKI.
- 2.6 BIA has a quality assurance process in place that feeds into its Quality Assurance and Improvement Programme (QAIP). There are four main elements to this process. The first element is a review of the live engagement by the supervising officer to ensure the audit has been performed properly and conforms to the PSIAS, and to ascertain whether there are any lessons to be learnt for future

reviews or for the auditor. The second element comprises a customer satisfaction questionnaire and survey, with the third and fourth elements being a review of the Service's audit procedures and documents and an annual self-assessment of BIA's overall conformity with the PSIAS. All of the above processes are used to inform BIA's QAIP.

3. Validation Process

3.1 The self-assessment validation comprises a combination of a review of the evidence provided by Barnsley Internal Audit; a review of a sample of completed internal audits, chosen by the assessor, covering all of the Service's main clients; questionnaires that were sent to and completed by a range of stakeholders from BIA's clients; and a series of (virtual) interviews using MS Teams with key stakeholders, again covering all of BIA's main clients. The questionnaire and interviews focussed on determining the strengths and weaknesses of BIA and assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.

3,2 BIA provided a comprehensive range of documents that they used as evidence to support their self-assessment and these were available for examination prior to and during this validation review. These documents included the:

- self-assessment against the standards;
- quality assurance and improvement plan (QAIP);
- evidence file to support the self-assessment;
- the audit charter;
- the annual reports and opinions for the main clients;
- the audit plans and strategies for the main clients;
- audit procedures manual;
- a range of documents and records relating to the team members; and
- progress and other reports to the respective Audit Committees.

All of the above documents were examined during the EQA.

3.3 The validation process was carried out from the 7th to the 18th June 2021, and involved interviews with the key personnel from BIA, plus a sample of key stakeholders from BIA's customer base, made up of members of the senior management teams and chairs of Audit Committees. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way BIA delivered services.

3.4 A questionnaire was sent to a range of other key stakeholders in advance of the assessment commencing and the results analysed during the review. A summary of the survey results is shown at appendix A of the report.

3.5 The assessor also carried out an end-to-end review of a sample of eleven completed audits, covering all of BIA's main clients, to confirm his understanding of the audit process used by BIA and embedded in their MKI audit management system.

4. Opinion

It is our opinion that Barnsley Internal Audit Service's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

The table below shows Barnsley Internal Audit Service's level of conformance to the individual standards assessed during this external quality assessment:

| Standard / Area Assessed | Level of Conformance |
|---------------------------------|-----------------------------|
| Mission Statement | Fully Conforms |
| Core principles | Fully Conforms |
| Code of ethics | Fully Conforms |
| Attribute standard 1000 | Fully Conforms |
| Attribute standard 1100 | Fully Conforms |
| Attribute standard 1200 | Fully Conforms |
| Attribute standard 1300 | Fully Conforms |
| Performance standard 2000 | Fully Conforms |
| Performance standard 2100 | Fully Conforms |
| Performance standard 2200 | Fully Conforms |
| Performance standard 2300 | Fully Conforms |
| Performance standard 2400 | Fully Conforms |
| Performance standard 2500 | Fully Conforms |
| Performance standard 2600 | Fully Conforms |

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in the audit manual and the MKI audit management application, and that Barnsley Internal Audit Service is a competent and professional service that conforms to all ten elements of the Core Principles.

One of the core principles requires internal audit services to promote organisational improvement and this EQA has demonstrated that the Service fulfils this requirement. However, there are opportunities to enhance the way the service promotes organisational improvement that the service should consider. The Service already has an action on its QAIP to review and update the Internal Audit pages on the Council's intranet site and work is underway on this task, so we have not included any action in section 8 of this report. Once this review is complete, the Service should consider using the intranet as a means of disseminating briefings to officers on good practice found during audits that could be adopted by other units in the organisation, or drawing officers attention to emerging risks that may have a wider impact on services that are peripheral to the services likely to be effected by the risk. We have included a suggest on this in section 8 of this report.

5.3 **Code of Ethics**

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that Barnsley Internal Audit Service conforms to the Code of Ethics and this is embedded in their audit manual and the MKI audit management application. It is part of their overarching culture and underpins the way the Service operates.

5.4 **Attribute Standard 1000 – Purpose, Authority and Responsibility**

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

Barnsley Internal Audit Service has one uniform audit charter that applies to all of its clients. We reviewed this document and the processes used to present it to the various Audit Committees for approval. We found the audit charter to be a comprehensive and well written document and a model example of how a good audit charter should look. We are therefore satisfied that they conform to attribute standard 1000 and the LGAN.

5.5 **Attribute Standard 1100 – Independence and Objectivity**

Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is covered in Barnsley Internal Audit Service's audit manual and is an integral part of their culture. The Service reports in its own name and directly to senior management and the Audit Committees at all of its clients. All employees sign a declaration of interest each year and declare any potential impairment to independence or objectivity for each audit they undertake. The Head of Internal Audit, Anti-Fraud and Assurance has direct

responsibility for the strategic and operational management for some functions that are subjected to periodic internal audits. This potential impairment to independence is disclosed in the Audit charter and there are mechanisms in place to preserve the independence and objectivity of the auditors that review these functions.

We have reviewed the Service's audit manual, their standard documentation, quality assurance and improvement plan, and a sample of completed audit files, together with their reporting lines and their positioning in the organisations they work with. We are satisfied that Barnsley Internal Audit Service conforms with attribute standard 1100 and the LGAN.

5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

Attribute standard 1200 requires Barnsley Internal Audit Service's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that Barnsley Internal Audit Service has a professional and experienced, workforce who all either hold or are working towards obtaining, relevant professional qualifications. The Head of Internal Audit, Anti-Fraud and Assurance holds a CCAB qualification, while the Audit Manager holds the full chartered IIA qualification. There are also three other members of the team that hold CCAB or chartered IIA qualifications, with the remainder of the team holding relevant accountancy, internal audit or counter fraud qualifications.

The Service has staff who are experienced in analysing data and they tend to do this by using the functionality available in generic products such as MS Excel, although the Council is developing its own data analytics processes through the Power BI application. They are not currently using any specialist data analytics applications, although they have held licences for this type of application in the past.

The Service does not have any qualified specialist IT auditors in its establishment, preferring instead to obtain these from external suppliers when required. However, there is no set arrangement in place with any supplier meaning the Head of Internal Audit, Anti-Fraud and Assurance has to go through a procurement exercise each time resources are required. To speed up this process, we suggest consideration is given to setting up a call off contract with a suitable supplier for IT audit resources.

The Service is currently carrying a few vacancies which it plans to fill in the near future following a minor restructure of the Service. We suggest that the Head of Internal Audit, Anti-Fraud and Assurance takes the opportunity presented by the planned restructure to ensure that there is adequate succession planning in place for the key posts. This should ensure the Service can continue to operate should they lose one or more key employees.

It is evident from this review that the Service's employees perform their duties with due professional care. We are satisfied that Barnsley Internal Audit Service complies with attribute standard 1200 and the LGAN, although there are some opportunities to strengthen the services they provide to their clients that we have set out in section 8 of this report.

5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

This standard requires the Head of Internal Audit, Anti-Fraud and Assurance to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

Barnsley Internal Audit Service has developed a robust and effective quality assurance process that ensures engagements are performed to a high standard within the available resources. It is effective and feeds into BIA's quality assurance and improvement programme. We have examined this process during the EQA and are satisfied that Barnsley Internal Audit Service conforms to attribute standard 1300 and the LGAN.

5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

The remit of this standard is wide and requires the Head of Internal Audit, Anti-Fraud and Assurance to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Head of Audit, Anti-Fraud and Assurance must produce an audit plan for each client, and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit Committees at each client for their review and approval. The Head of Internal Audit, Anti-Fraud and Assurance must ensure that BIA's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Head of Internal Audit, Anti-fraud and Assurance to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Head of Internal Audit, Anti-Fraud and Assurance to report periodically to senior management and the Audit Committees on internal audits activities, purpose, authority, responsibility and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit panels.

Barnsley Internal Audit Service has an audit manual, supervision and quality assurance processes in place that meet the requirements of the PSIAS. They have developed comprehensive planning processes that follow best practice by taking into consideration the client's risks, objectives and risk management and governance frameworks; other relevant and reliable sources of assurance; any key issues identified by the client's managers; BIA's own risk and audit needs assessments; and the resources that are available to undertake the audits. From this information, they produce risk-based audit plans that are designed to enhance the client's risk management and governance frameworks and control processes; and objectively provide them with relevant assurance. These audit plans are reviewed and approved by the senior management and the Audit Committees at each client.

BIA is aware that there is scope to expand the use of other relevant sources of assurance and have included an action on their quality assurance and improvement plan to develop this area. As work is underway to develop a suitable framework, we have not included this item in section 8 of the report.

Details of the completed audits and the risk and control issues found, together with the progress being made on delivering the audit plans and the performance of BIA, is regularly reported to the Audit Committees, with an annual report opinion for each client being issued at the end of the year.

The clear indication from this EQA is that Barnsley Internal Audit Service is effectively managed and conforms to standard 2000 and the LGAN.

5.9 **Performance Standard 2100 – Nature of Work**

Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by Barnsley Internal Audit Service and is set out in their audit manual, the MKI audit management system, and their working methodologies. During this EQA, we selected a sample of completed audit engagements from different clients and examined them to see if they conformed to standard 2100 and Service's own methodologies. We found that the sample audits complied with both.

Internal audit's credibility and value is enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact on the organisation. On the whole BIA's clients value the work the Service does in this area and often turn to them for advice and guidance when faced with emerging risks or are developing or changing systems.

The clear indication from this EQA is that Barnsley Internal Audit Service conforms to performance standard 2100 and the LGAN.

5.10 **Performance Standard 2200 – Engagement Planning**

Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

As mentioned in section two of this report, Barnsley Internal Audit Service has an audit manual, supervision and quality assurance processes in place that covers engagement planning in detail and meets the requirements of the PSIAS. During this EQA, we selected a sample of completed audit engagements, and examined them to see if they conformed to standard 2200. We found that they all conformed to the standards and the Service's own audit procedures, and therefore we conclude that Barnsley Internal Audit Service conforms to performance standard 2200 and the LGAN.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

As mentioned above, Barnsley Internal Audit Service has an audit manual, supervision and quality assurance processes in place that meets the requirements of the standards. During this EQA, we selected a sample of completed audit engagements from all of their main clients and examined them to see if they conformed to the standards. We found that they all conformed to the standards and Service's own audit manual, and therefore we conclude that Barnsley Internal Audit Service conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit panels and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS,

reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".

The audit manual, supervision and quality assurance processes cover the communication of results in detail and meet the requirements of the PSIAS. We selected a sample of completed audit engagements and examined them to see if they conformed to the standards. We found that they all conformed to the standards and the Service's own audit manual although we suggest they make one minor enhancement to the engagement terms of reference.

We also reviewed the progress and annual reports to the Audit Committees and found that on the whole these also conformed to the standards and BIA's own internal procedures. However, to improve clarity we recommend that the Head of Internal Audit, Anti-Fraud and Assurance amends the wording used for the annual opinion to specifically refer to assurance on the control, risk management and governance framework. The current opinions only refer to assurance on the control framework even though the service has examined the risk management and governance frameworks in place at their clients and referred to them in the annual reports. A recommendation has been included in section 8 of this report.

We therefore conclude that Barnsley Internal Audit Service conforms to performance standard 2400, although there are some enhancements that can be made to strengthen their conformance to the standards, and we have set these out in section 8 of this report.

5.13 Performance Standard 2500 – Monitoring Progress

There is a comprehensive follow-up process in place at all of BIA's clients, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the relevant Audit Committees. From this EQA, it is evident that Barnsley Internal Audit Service conforms to performance standard 2500 and the LGAN.

5.14 Performance Standard 2600 – Communicating the Acceptance of Risk

Standard 2600 considers the arrangements which should apply if the Head of Internal Audit, Anti-Fraud and Assurance has concluded that a client's management has accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any during this EQA. From this external quality assessment, it is evident that Barnsley Internal Audit Service conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards.

8. Issues for management action

8.1 Although Barnsley Internal Audit Service conforms to the PSIAS there are a few issues that management should consider addressing. Some of these relate directly

- to the standards while others relate more to the effectiveness of the service they provide to their clients and potential opportunities to grow the business.
- 8.2 The Service does not have any qualified specialist IT auditors in its establishment, preferring instead to obtain these from external suppliers when required. However, there is no set arrangement in place with any supplier meaning the Head of Internal Audit, Anti-Fraud and Assurance has to go through a procurement exercise each time resources are required. To speed up this process, we suggest consideration is given to setting up a call off contract with a suitable supplier for IT audit resources.
 - 8.3 BIA has used specialist software applications in the past for data analytics, but they are no longer doing so. The Council is developing its own data analytics processes, but it is likely to be some time before this is fully functional and as such the Head of Internal Audit, Anti-Fraud and Assurance should consider obtaining a suitable application as an interim measure. There are a number of applications on the market that can be considered, although a common application that is used in the local government sector is IDEA, which is often coupled with the SmartAnalyser add-on tool, to provide an effective and efficient way of auditing the core financial and HR systems, and SmartExporter which is a SAP data extraction and analysis solution. BIA is aware of the benefits achievable from developing their data analytics capability and have already included actions on their QAIP relating to the development of Power BI. However, until this is developed, we suggest they explore the functionality available in the specialist applications such as IDEA or one of the alternative products that are on the market.
 - 8.4 The Service is currently carrying a few vacancies which it plans to fill in the near future following a minor restructure of the Service. We suggest that the Head of Internal Audit, Anti-Fraud and Assurance takes the opportunity presented by the planned restructure to ensure that there is adequate succession planning in place for the key posts. This should ensure the Service can continue to operate should they lose one or more key employees.
 - 8.5 The engagement terms of reference include a section entitled key contacts and lists the people from the client and Barnsley Internal Audit Service that will be involved in the audit process. The standards expect the terms of reference to include an initial distribution list for the draft audit reports and this is not currently included. In practice this tends to be the client key contacts. To enhance conformance with the standards we suggest that the list of key contacts for the client are also designated as the initial recipients of the draft audit report.
 - 8.6 The Head of Internal Audit, Anti-Fraud and Assurance's annual opinion for the majority of the Service's clients currently refers to providing assurance on the control framework, whereas the standards require the opinion to specifically provide an opinion on the control, risk and governance frameworks. The one exception to this is the annual opinion used for South Yorkshire Police which does include the three elements. To enhance conformance with the standards we recommend that the annual opinion used for all of the Service's clients is revised to include the control, risk and governance frameworks.
 - 8.7 Once the review of the internal audit pages on the Council's intranet is complete, the Service should consider using the intranet as a means of disseminating briefings to officers on topics such as good practice found during audits that could be adopted by other units in the organisation, or emerging risks that may have a wider impact on services that are peripheral to the services likely to be effected by the risk.
 - 8.8 A summary of the agreed actions to address the above issues is included at the end of this report.

9. Action Plan

| 1. Scope of the Head of Audit, Anti-fraud and Risk's annual assurance opinion (Medium priority) | |
|---|---|
| Rationale | Agreed Action |
| The Head of Internal Audit, Anti-Fraud and Assurance's annual opinion currently refers to providing assurance on the control framework, whereas the standards require the opinion to specifically provide an opinion on the control, risk and governance frameworks. To enhance conformance with the standards we recommend that the annual opinion is revised to include all three elements. | The annual opinion, reflected in the annual report will be reviewed to ensure there is are three clear opinions in relation to controls, risk and governance. |
| Action Responsibility | Head of Internal Audit, Anti-Fraud and Assurance |
| Deadline | For all client annual reports for 2021/22 |

| 2. Initial report distribution list in the assignment terms of reference (Low priority) | |
|---|---|
| Rationale | Agreed Action |
| The engagement terms of reference include a section entitled key contacts and lists the people from the client and Barnsley Internal Audit service that will be involved in the audit process. The standards expect the terms of reference to include an initial distribution list for the draft audit reports and this is not currently included. In practice this tends to be the client key contacts. To enhance conformance with the standards we suggest that the list of key contacts for the client are also designated as the initial recipients of the draft audit report. | The template for the terms of reference for each piece of work will be changed to show the draft and final report distribution. |
| Action Responsibility | Head of Internal Audit, Anti-Fraud and Assurance |
| Deadline | For all terms of reference from 1st July 2021 |

| 3. Call off contract for specialist IT auditors (Advisory) | |
|---|---|
| Rationale | Agreed Action |
| The Service does not have any qualified specialist IT auditors in its establishment, preferring instead to obtain these from external suppliers when required. However, there is no set arrangement in place with any supplier meaning the Head of audit, Anti-fraud and Risk has to go through a procurement exercise each time resources are required. To speed up this process, we suggest consideration is given to setting up a call off contract with a suitable supplier for IT audit resources. | Enquiries will be made to identify and secure an appropriate IT audit specialist to advice and/or undertake specific IT audit work. |
| Action Responsibility | Head of Internal Audit, Anti-Fraud and Assurance |
| Deadline | 31st December 2021 |

| 4. Expand the use of data analytics (Advisory) | |
|--|--|
| Rationale | Agreed Action |
| BIAS has used specialist software applications in the past for data analytics, but they are no longer doing so. The Council is developing its own data analytics processes, but it is likely to be some time before this is fully functional and as such the Head of Audit, Anti-fraud and Risk should consider obtaining a suitable application as an interim measure. There are a number of applications on the market that can be considered, although a common application that is used in the local government sector is IDEA, which is often coupled with the SmartAnalyser add-on tool, to provide an effective and efficient way of auditing the core financial and HR systems, and SmartExporter which is a SAP data extraction and analysis solution. BIAS is aware of the benefits achievable from developing their data analytics capability and have already included actions on their QAIP relating to the development of Power BI. However, until this is developed, we suggest they explore the functionality available in the specialist applications such as IDEA or one of the alternative products that are on the market. | Option for data analytic software will be explored alongside the in-house development of PowerBi. Subject to the timescales for the use of PowerBi as an analytical tool for Internal Audit, the market leading applications will be considered for use as an interim solution. |
| Action Responsibility | Head of Internal Audit, Anti-Fraud and Assurance |
| Deadline | 31st December 2021 |

| 5. Succession planning (Advisory) | |
|---|---|
| Rationale | Agreed Action |
| The Service is currently carrying a few vacancies which it plans to fill in the near future following a minor restructure of the Service. We suggest that the Head of Internal Audit, Anti-Fraud and Assurance takes the opportunity presented by the planned restructure to ensure that there is adequate succession planning in place for the key posts. This should ensure the Service can continue to operate should they lose one or more key employees. | The revised structure needs to address the immediate requirements of the Council and other clients. However, a more medium / longer term resource plan will be developed to ensure succession planning across the structure. |
| Action Responsibility | Head of Internal Audit, Anti-Fraud and Assurance |
| Deadline | 31st March 2022 |

| 6. Using the Internal Audit intranet pages to disseminate information (Advisory) | |
|---|--|
| Rationale | Agreed Action |
| Once the review of the internal audit pages on the Council's intranet is complete, the Service should consider using the intranet as a means of disseminating briefings to officers on topics such as good practice found during audits that could be adopted by other units in the organisation, or emerging risks that may have a wider impact on services that are peripheral to the services likely to be effected by the risk. | The review of the Services intranet site is part of the QAIP following a corporate review of the Council's intranet format. A 'FAQ' and general advice element will be developed as part of the intranet site review. |
| Action Responsibility | Head of Internal Audit, Anti-Fraud and Assurance |
| Deadline | 31st October 2021 |

10. Definitions

| | |
|---------------------------|--|
| Fully Conforms | The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects. |
| Partially Conforms | The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards. |
| Does Not Conform | The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board. |

| Action Priorities | Criteria |
|------------------------|--|
| High priority | The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently. |
| Medium priority | The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months. |
| Low priority | The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent. |
| Advisory | These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice. |

The co-operation of the Head of Internal Audit, Anti-Fraud and Assurance, the Audit Manager, and Auditor at BIA in providing the information requested for this EQA, is greatly appreciated. Our thanks also go to chairs of Audit Committees and the Finance Directors from BIA's clients that made themselves available for interview during the EQA process and/or completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

27th June 2021

This report has been prepared by CIPFA at the request of the Barnsley Internal Audit Service's Head of Internal Audit, Anti-Fraud and Assurance, the terms for the preparation and scope of the report have been agreed with him. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of the Barnsley Internal Audit Service, including the senior management and boards of Barnsley Internal Audit Service's clients, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Appendix A

Summary of Survey Results

As part of the EQA process, CIPFA used a questionnaire to obtain the views of the key stakeholders from Barnsley Internal Audit Service's main clients. The questionnaire was sent to a total thirty-one key stakeholders and nineteen (61%) completed questionnaires were returned.

| No. | Question | Percentage (%) | | | |
|-----|---|----------------|-----------------|-----------|-----|
| | | Agree | Partially Agree | Not Agree | N/A |
| 1 | The internal audit service is seen as a key strategic partner throughout the organisation. | 95 | 5 | 0 | 0 |
| 2 | Senior managers understand and fully support the work of internal audit. | 95 | 5 | 0 | 0 |
| 3 | Internal audit is valued throughout the organisation. | 89 | 11 | 0 | 0 |
| 4 | The internal audit service is delivered with professionalism at all times. | 95 | 5 | 0 | 0 |
| 5 | The internal audit service responds quickly to changes within the organisation. | 79 | 16 | 0 | 5 |
| 6 | The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate. | 69 | 26 | 5 | 0 |
| 7 | The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes | 74 | 26 | 0 | 0 |
| 8 | The internal audit service's recommendations consider the wider impact on the organisation | 89 | 11 | 0 | 0 |
| 9 | The internal audit service ensures that recommendations made are proportionate, commercial and practicable in relation to the risks identified. | 68 | 32 | 0 | 0 |
| 10 | There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service | 95 | 5 | 0 | 0 |
| 11 | The internal audit service includes consideration of all risk areas in its work programme. | 79 | 21 | 0 | 0 |

| No. | Question | Percentage (%) | | | |
|-----|---|----------------|-----------------|-----------|-----|
| | | Agree | Partially Agree | Not Agree | N/A |
| 12 | Internal audit advice has a positive impact on the governance, risk management, and the system of control of the organisation. | 95 | 5 | 0 | 0 |
| 13 | Internal audit activity has enhanced organisation-wide understanding of governance, risk management, and internal control. | 74 | 26 | 0 | 0 |
| 14 | The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas. | 79 | 21 | 0 | 0 |
| 15 | The internal audit service raises significant control issues at an appropriate level and time in the organisation. | 89 | 11 | 0 | 0 |
| 16 | The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives. | 74 | 26 | 0 | 0 |
| 17 | Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation | 68 | 32 | 0 | 0 |
| 18 | Internal audit activity promotes appropriate ethics and values within the organisation | 84 | 16 | 0 | 0 |

Below are some comments extracted from completed surveys that management may wish to consider:

- At times Barnsley Internal Audit Service audit specialist, professional services. An 'even better' would be, and where appropriate, for a professional from the relevant service area (or external to the LA) who has the technical knowledge of the specialist area, to be part of the Internal Audit Team's audit. This could add value in supporting the Barnsley Internal Audit Service with providing the context and technical knowledge of that area, informing their audit and findings.
- Internal audit is really valued by services to provide a supportive check, challenge and assurance. It is integral to our programmes for continuous improvement.
- Internal audit support is invaluable on project work which is where my service has most dealings. Notable moves to being a more agile service in the last couple of years.
- The internal audit are a valued strategic partner and are very much an enabling function and critical friend. We work closely with audit colleagues and they play much more of an active role on key boards to have their input as things are developed and designed rather than just assuring it at a later date. I have found all the internal audit officers that I have come into contact with to be professional and competent.

- I have worked with various auditors over the last 5 years within Barnsley; they all approach their assignments with professionalism, listen and respond. They appear to have a good reputation across the Council; and always willing to help and support when required.
- The service provides appropriate challenge while fostering positive working relationships.
- As Internal Audit are external to the organisation the relationship is perhaps more distant than would be the case in an in-house arrangement. The nature of our business also means that some audit topics are "one off" in terms of the experience of the auditors carrying out the work, although this can be a good thing for both auditor and auditee. Given some of the risks we face Internal Audit cannot cover the whole range of risks in the risk register, however, they do address those that are susceptible to audit and have responded positively to our desire to use IA activity in areas where we have identified problems as part of the process of driving improvement. We have noticed a marked and welcome change in the attitude to ensuring both delivery of the plan and the chasing of responses. While we might not always welcome being chased it is right that the auditors should keep us focussed in this way. On a personal level having experienced IA in a number of local authorities and been responsible for managing it as a District Council s151 officer I am impressed by the quality of the service provided by BMBC.