

# Review of Internal Audit

York City Council

Audit 2009/10

March 2010



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# Introduction

- 1 The Accounts and Audit Regulations 2003 (as amended) require local authorities to maintain an internal audit function, and to conduct an annual review of its effectiveness. As external auditors, part of our assessment of the Council's overall control environment requires us to consider whether Internal Audit arrangements are both adequate in principle and properly applied in practice. We are required to make this assessment at least once every three years, or whenever there is a significant change in Internal Audit arrangements.
- 2 Since September 2007, North Yorkshire County Council and York City Council have been working in partnership to develop a shared service covering all the functions of internal audit, counter fraud and information governance. A limited company – Veritau – was established as the vehicle to take forward this arrangement and internal audit staff from both councils were transferred to this company with effect from 1 April 2009. This change has triggered the need for us to update our review.

# Audit approach

- 3 Professional standards for Internal Audit are contained in the CIPFA Code of Practice for Internal Audit in Local Government. Our review has focussed on a comparison of Internal Audit's working practice against the Code of Practice requirements, with particular reference to :
- a review of Internal Audit's organisational structure;
  - the contents of Internal Audit's 2009/10 work plan;
  - staffing and resourcing arrangements;
  - a review of Internal Audit's Audit Manual against the professional and statutory requirements contained within the Code; and
  - a sample review of Internal Audit's files.
- 4 Our findings are set out below.

# Main findings

### Organisational structure

- 5 Internal Audit's formally approved terms of reference are set in the Council's Financial Regulations. These are comprehensive, and kept up to date. Their scope is appropriate to a local authority internal audit function.
- 6 Internal Audit are clearly independent of the Council, as staff are employed by a separate organisation, and they have no operational responsibilities that could compromise the scope of their work.
- 7 The Council has an independent Audit and Governance Committee which has been identified within the organisation as "those charged with governance". The Committee approves Internal Audit's work plans, reviews progress during the year against plan and considers Internal Audit's annual report.

### Staffing and training

- 8 Internal Audit is adequately resourced. Most staff either have, or are studying for, professional qualifications and other staff have extensive internal audit experience. Joint arrangements with North Yorkshire County Council, delivered through Veritau, provide benefits in terms of offering staff wider experience and the scope to develop more specialist skills.
- 9 A training plan is in place and kept up to date. Staff with professional qualifications are required to comply with their institute's requirements for continuing professional development.

### Audit strategy and planning

- 10 Internal Audit's annual work plan is approved by the Audit and Governance committee. This plan is developed using a risk-based approach. Systems identified in the plan as key are tested annually, in addition there is:
  - cyclical coverage of non-key systems and processes
  - adequate coverage of fraud and corruption risks
  - regular visits to schools, leisure centres and other council establishments.
- 11 The Assistant Director of Resources (Governance and Customer Services) reviews and challenge the proposed audit plan before it is finalised and presented to members for approval.

### Undertaking audit work

- 12 There is a comprehensive audit manual, which is designed to meet Code of Practice requirements. The sample of audit files we tested confirmed that the requirements of the manual are being met in practice. Sufficient evidence is retained on file to support the judgements made and conclusions reached, and work is subject to an appropriate level of review.

# Main conclusions

- 13 Internal Audit continues to meet its professional and statutory duties, and our review did not identify any significant areas of concern.

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