

Audit and Governance Committee

19 April 2011

Report of the Assistant Director of Customer & Business Support Services
(Financial Services)

Review of the Effectiveness of the System of Internal Audit 2010/11

Summary

1. To advise members of the process for the 2010/11 review of the effectiveness of the council's system of Internal Audit, as part of the review of the overall system of internal control required for the 2010/11 draft Annual Governance Statement (AGS).

Background

Legislative Requirements

2. The Accounts and Audit Regulations 2003, as amended, require each local authority to conduct an annual review of the effectiveness of its system of internal audit, and to report the findings of this review to an appropriate committee. The changes came into effect from 1 April 2006 onwards. The process is intended to form part of the wider review of the effectiveness of the system of internal control which is necessary to prepare the Annual Governance Statement (which is a later item on this agenda).
3. All local authorities have a statutory requirement to make provision for internal audit in accordance with proper standards of professional practice, as set out in the CIPFA Code of Practice for Internal Audit in Local Government. Internal audit is defined as an assurance function that provides an independent and objective opinion to the organisation on the effectiveness of the control environment. As such internal audit forms an essential part of the council's corporate governance arrangements.
4. In line with previous years processes, it is proposed that the annual review of the effectiveness of the system of internal audit for 2010/11 should be undertaken by the Shared Service Contract Board (SSCB) with the process overseen by the chair of the Audit Committee. This will ensure consistency and avoid unnecessary duplication of work by the two Council's client officers.

Options

1. Undertake the review of effectiveness of Internal Audit in line with the recommendation contained in this report.
2. Undertake a different approach to review to be determined by Members.

Analysis

5. Not relevant for the purpose of the report.

Corporate Priorities

6. This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It also contributes to the improving Effective Organisation corporate priority.

Implications

7. The implications are;
 - **Financial** – there are no financial implications to this report.
 - **Human Resources (HR)** – there are no HR implications to this report.
 - **Equalities** - there are no equalities implications to this report.
 - **Legal** - there are no legal implications to this report
 - **Crime and Disorder** – there are no crime and disorder implications to this report.
 - **Information Technology (IT)** - there are no IT implications to this report.
 - **Property** - there are no property implications to this report.

Risk Management Assessment

8. The Council will fail to comply with the Accounts and Audit Regulations if it does not undertake an annual review of the effectiveness of internal audit, as part of the wider review of the effectiveness of the system of internal control. The Council could be criticised by the external auditor, and this in turn would adversely impact on the Council's CAA score for the Use of Resources.

Recommendation

9. Members are asked agree to a review of Effectiveness of Internal Audit to be undertaken by the Shared Services Contract Board.

Reason

To enable Members to consider the adequacy and effectiveness of the council's control environment.

Contact Details

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Report Approved



Date 5.4.10

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- Accounts and Audit Regulations 2003
- Accounts and Audit (Amendments) (England) Regulations 2006
- Department of Communities and Local Government (DCLG) – Guidance on the accounts and audit regulations
- CIPFA Rough Guide to the Review of Effectiveness of the System of Internal Control
- CIPFA Code of Practice For Internal Audit in Local Government in United Kingdom 2006