

**Review of the Effectiveness of the System of Internal Audit  
2011/12**

**Summary**

1. To agree the arrangements for the 2011/12 review of the effectiveness of internal audit.

**Background**

2. The Accounts and Audit Regulations 2011 require each local authority to conduct an annual review of the effectiveness of its internal audit, and to report the findings of this review to an appropriate committee. The process is intended to form part of the wider review of the effectiveness of the system of internal control (required to prepare the Annual Governance Statement - AGS).
3. Best practice guidance issued by the Chartered Institute of Public Finance (CIPFA) also recommends that audit committees should periodically review their own effectiveness so as to ensure that they continue to properly fulfil their responsibilities.
4. For 2010/11, the annual review of the effectiveness of internal audit was undertaken jointly with the North Yorkshire County Council by the Shared Service Contract Board (SSCB), and in consultation with the respective Audit Committee chairs. The SSCB comprises the respective client officers from the City of York and the County Council, and Veritau's Head of Internal Audit. Meetings of the SSCB are held approximately six times a year and involve consideration of performance indicators, changes in working practices and other service developments.

The results of the 2010/11 review were reported to this Committee on 28 June 2011.

5. Earlier this year, CIPFA undertook a survey of heads of internal audit to assess the current arrangements for audit committees in local government. The results of the survey were published in May 2011 and reported to this Committee on 30 June 2011. CIPFA are now using the findings of the survey to develop further guidance and support to audit committees. It is also recognised that the role of audit committees may change in the future as a result of the government's proposals for the future of public audit and the expectation that local authorities will be given responsibility for the appointment of their own external auditors. The consultation period ended on 30 June 2011 but it is not yet known when the final plans for external audit arrangements will be published.

### **Proposed Arrangements for 2011/12**

6. The Regulations require either the Council itself or a committee of the Council to review the effectiveness of internal audit, and for the review to be performed annually. The Council has delegated this responsibility to the Audit and Governance Committee and included it within the terms of reference for the Committee. To ensure consistency and avoid unnecessary duplication, it is proposed that the SSCB should again undertake the detailed work, with the process overseen by the chair of the Audit and Governance Committee. As last year, it is proposed that the outcome of the review will then be reported to the June 2012 meeting of this Committee.
7. The best practice guidance states that the review of the effectiveness of internal audit should also include consideration of the effectiveness of the Audit and Governance Committee itself (to the extent that its work relates to internal audit) as well as the performance of the audit provider. The Audit and Governance Committee has not reviewed its own effectiveness, and this will be an action to undertake during 2011/12

### **Options**

8. Not relevant for the purpose of the report.

## Corporate Priorities

9. 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

10. 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

11. 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.

## Recommendation

12. Members are asked to agree the proposed review arrangements for 2011/12

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 17.11.11

## Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

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**For further information please contact the author of the report**

## Background Papers

CIPFA Better Governance Forum – Audit Committee Update issue  
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