

Review of the Effectiveness of Internal Audit

Summary

- 1 To agree the arrangements for the 2012/13 review of the effectiveness of internal audit.

Background

- 2 The Accounts and Audit Regulations 2011 require local authorities to conduct an annual review of the effectiveness of their 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 which is necessary 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 In previous years, the annual review of the effectiveness of internal audit has been undertaken jointly with North Yorkshire County Council through the Shared Service Contract Board (SSCB), and in consultation with the respective audit committee chairs. The SSCB comprises the respective client officers from both councils and Veritau's Head of Internal Audit. Meetings of the SSCB are held approximately four times a year and involve consideration of performance indicators, changes in working practices and other service developments. The results of the 2011/12 review of internal audit effectiveness were reported to this committee on 28 June 2012.

- 5 In addition, the committee has recently undertaken a review of its own effectiveness. The results of this review were reported to the last meeting of the committee on 12 December 2012. An action plan was agreed to address a number of areas where it was thought that the committee's effectiveness could be improved or other changes made to support the functioning of the committee.

Proposed arrangements for 2012/13

- 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 committee. As last year, it is proposed that the outcome of the review will then be reported to the June 2013 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 committee itself (to the extent that its work relates to internal audit) as well as the performance of the audit provider. As noted in paragraph 5 above, the committee has recently completed such a review and the conclusions will therefore be taken into account as part of the review of internal audit effectiveness.

Options

- 8 The annual review of the effectiveness of internal audit is a statutory requirement. The committee therefore has two options:
- to adopt the process followed in previous years with a joint review being undertaken by the SSCB (in consultation with the audit committee chairs of both councils). This option is recommended.
 - to recommend an alternative approach.

Council Plan

- 9 The Audit and Governance Committee forms an important component of the council's corporate governance framework. As such it supports the overall aims and priorities of the council by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

Implications

- 10 The implications are:
- **Finance - none**
 - **Human Resources (HR) - none**
 - **Equalities - none**
 - **Legal** – the council has a statutory responsibility to undertake an annual review of internal audit effectiveness
 - **Crime and Disorder - none**
 - **Information Technology (IT) - none**
 - **Property - none**

Risk Management Assessment

- 11 The council may not discharge its statutory responsibilities if it fails to establish appropriate arrangements for the annual review of internal audit effectiveness.

Recommendations

- 12 Members are asked to;
- consider and agree the proposed arrangements for undertaking the review of internal audit effectiveness.

Reason

To enable Members to consider the adequacy and effectiveness of the council's internal audit arrangements.

Contact Details

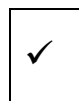
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**Report
Approved**



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Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

None

Annexes

None