

Audit and Governance Committee

24 September 2007

Report of the Assistant Director (Audit and Risk Management)

Review of Internal Audit

Summary

- 1 The purpose of this report is inform Members of the results of the recent Audit Commission review of Internal Audit.

Background

- 2 The Accounts and Audit Regulations 2003 (as amended 2006) require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. Proper practices are defined as the Code of Practice for Internal Audit in Local Government 2006, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Practice was updated in December 2006. To comply with International Auditing Standards, the Audit Commission is required to periodically review the Council's internal audit function.
- 3 The Audit Commission reviewed the work of Internal Audit and assessed compliance with the standards set out in the Code of Practice. The Audit Commission's work was undertaken in April and May 2007.

Results of the Review

- 4 The Audit Commission has concluded that Internal Audit has met the requirements of all eleven standards set out in the Code of Practice. As a consequence, the Audit Commission has also confirmed that it can continue to rely on the work carried out by Internal Audit. The findings of the review will be used by the Audit Commission to inform their assessment of the Council's 'Use of Resources' for Comprehensive Performance Assessment (CPA) purposes. A copy of the full report is attached as Annex 1.
- 5 The overall conclusion represents a significant improvement on the situation when the last review was conducted four years ago, which was at a time when the District Auditor was expressing concerns about the internal audit function in the Annual Audit Letter, and had done so for a number of years.

- 6 The Audit Commission's continuing reliance on the work of Internal Audit and confirmation of the Council's 'managed audit' status helps to minimise the 'opinion' work which the external auditor has to perform, and hence the annual fee charged.
- 7 The Audit Commission has highlighted the process followed by Internal Audit to follow up on previous audit recommendations as an example of good practice. The report has also identified a few changes and/or developments in working practices which should enhance existing audit arrangements. Details of the recommendations made by the Audit Commission are included in Appendix 2 – Action Plan, of the report.

Consultation

- 8 Not relevant for the purpose of the report.

Options

- 9 Not relevant for the purpose of the report.

Analysis

- 10 Not relevant for the purpose of the report.

Corporate Priorities

- 11 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

Implications

- 12 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 is a legal requirement on the Council to maintain an adequate and effective system of internal audit.
 - **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

- 13 The Council will fail to comply with legislative requirements if it does not maintain an adequate and effective internal audit. This in turn could result in criticism by the District Auditor in the Annual Audit Letter, and adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

Recommendation

- 14 Members are asked to;
- Note the results of the Audit Commission's review of Internal Audit.

Reason

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

Contact Details

Author:

Max Thomas
Audit and Fraud Manager
Audit and Risk Management
Telephone: 01904 552940

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director (Audit and Risk Management)
Telephone: 01904 551706

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

CIPFA – Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

Annexes

Annex 1 – Review of the Council's Internal Audit Function – Audit Commission report