

## **ANNUAL SELF-ASSESSMENT REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT SERVICE 2013/14**

### **Audit Committee – 10 June 2014**

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

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**This report supports the Key Aim of Effective Management of Council Resources**

**Portfolio Holder** Cllr. Ramsay

**Contact Officer(s)** Bami Cole Ext. 7236

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**Recommendation to Audit Committee:** That Members approve the Annual Self-assessment Review of the Effectiveness of Internal Audit Service 2013/14.

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### **Introduction**

- 1 This report deals with the outcome of the annual self-assessment review of the Council's Internal Audit Function. It is the first report to be produced in accordance with the new Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. Members of this committee had been briefed regarding the implications of the new standards in previous meetings of the committee. The new standards relate to all public sector internal audit functions and are mandatory. Appendix A sets out the details of the self-assessment, which was undertaken using the standardised checklist. The Audit Committee is required to consider the self-assessment of the effectiveness of Internal Audit as part of its standard terms of reference remit.

### **Summary of Issues Raised Within the Report**

- 2 Regulation 6.3 of the Accounts and Audit Regulations 2011 requires the Council to carry out an annual review of the effectiveness of its Internal Audit function. The regulation does not stipulate a prescriptive process by which the review may be undertaken, except that the review should be carried out in accordance with "Proper Practices" as defined by relevant professional bodies. In previous years, this has been in accordance with practice guidance issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) 2006. Following the introduction of the new PSIAS, this year's self-assessment is carried under new Practice Notes issued by CIPFA in 2013. This review sets out the outcome of the processes and the conclusions drawn from it. The results from this process will also feed into the Internal Audit Manager's Annual Report and the Council's Annual Governance Statement. The outcome of the self-assessment was

reviewed by the Chief Finance Office and the section 151 Officer prior to finalising this report.

### **Results of the Self-assessment of Internal Audit**

- 3 Appendix A sets out the results of the self-assessment. The process involved the completion of the self-assessment checklist within the Practice Notes issued by CIPFA in order to assess compliance with the new Public Sector Internal Audit Standards. Where it is assessed that full compliance has not been attained, appropriate action is proposed to enable compliance. The self-assessment was completed by the Internal Audit Manager and sent to senior management for consideration and approval, prior to the Audit Committee. The assessment covers the arrangements, practices, performance and achievements of the Internal Audit function during the year. Given the comprehensive nature of the new standards and its relative infancy, it is inevitable that there would be areas requiring further development. The result of the review process indicates that the Council's Internal Audit arrangements substantially meets the new Code Standards, however, some areas for further development have been identified in order to meet full compliance. These are set out in column marked "evidence/comments". The key aspects for further development are set out on Appendix B of the report on the New Public Sector Internal Audit Standards, which is also included with the papers for this agenda. The result of the self-assessment is also required to be reflected within the Council's Annual Governance Statement.
- 4 The Audit Manager's opinion therefore is that the Council's arrangements in place for Internal Audit, in 2013/14 were substantially compliant with the new PSIAS, but requires further development to achieve full compliance with the new standards. The areas identified as requiring further developments are set out in the action plan attached in Appendix B of the report on the new standards.

### **Key Implications**

#### Financial

This report has no financial implications.

#### Legal Implications and Risk Assessment Statement

The review of the effectiveness of the internal audit function is a regulatory requirement designed to ensure that the service is effective in carrying out its statutory duties aimed at strengthening internal control, risk management and governance processes within the Council, including the minimisation of fraud risks. The outcome of the self-assessment has identified areas for further development which will enable the audit function to achieve full compliance within a reasonable timeframe.

#### Value for Money and Asset Management

A robust internal audit function contributes to the effective management of the Council and would help mitigate against poor value for money in service provision.

## Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

## **Conclusions**

The outcome of the review indicates that the new requirements of the new Standards were substantially met. Areas for further development have been identified and set out in an action plan for management consideration.

## **Appendices**

Appendix A – Self-Assessment Checklist

## **Background Papers:**

[The Accounts and Audit \(England\) Regulations 2011](#)

[Public Sector Internal Audit Standards.](#)

**Adrian Rowbotham**  
**Chief Finance Officer**