

PERFORMANCE AND GOVERNANCE COMMITTEE – 28 JUNE 2011

ANNUAL SELF ASSESSMENT REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT SERVICE 2010/11

Report of the: Director of Corporate Resources

Status: For Consideration

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

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Mrs. Tricia Marshall

Recommendation: It be RESOLVED that the Annual Self Assessment Review of the Effectiveness of Internal Audit Service 2010/11 be approved.

Background

- 1 Regulation 6.3 of the Accounts and Audit Regulations 2003 (Amendment) 2006 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. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued good practice guidance in 2006 to assist Councils in carrying out the required review. The process involves the use of a self-assessment toolkit to carry out the review. This review was therefore conducted using the CIPFA guidance. The Performance and Governance Committee as part of its terms of reference is required to consider and approve the outcome of the review. The outcome of the review will also feed into the Annual Governance Statement process which will also be reported at the June meeting of this Committee.
- 2 This is the first review to be undertaken following the shared services agreement between Sevenoaks District Council and Dartford Borough Council for the provision of an Internal Audit Service.

Introduction

- 3 This report deals with the outcome of the annual self-assessment of the Council’s internal audit function.

Results of the self assessment of internal audit

- 4 The result of the self assessment and any areas identified for further development is attached as an Appendix to this report. The process involved the completion of the CIPFA self assessment toolkit by the Internal Audit Manager which addresses the arrangements, practices and achievements of the Internal Audit function during the year. Subsequently the process and outcomes were independently reviewed by a committee of the Officers' Risk Management Group on 14 June 2011 lead by the Professional Service Manager. The outcome of this review was subsequently considered by Management Team on Wednesday 15 June 2011. The result of the review process indicates that the Council's Internal Audit arrangements substantially meet the CIPFA Code requirements. Thus indicating that no significant failings or omissions were identified within the scope of the review.
- 5 The Audit Manager's opinion therefore is that the Council's arrangements in place for Internal Audit in 2010/11 were **effective**. However some aspects of the service were identified which would benefit from further development. These are separately identified under the column headed "Areas for Further Development". Progress on these aspects would be reported to this committee in due course.

Conclusions

The outcome of the review indicates that there are no significant concerns regarding the effectiveness of the service.

Key Implications

Financial

- 6 This report has no financial implications.

Community Impact and outcomes

- 7 Not applicable

Legal, Human Rights etc.

- 8 This report has no additional legal implications.

Resource (non-financial)

- 9 Not applicable

Value for Money and Asset Management

- 10 A robust internal audit function enables the Council's external auditors to place reliance on the work of internal audit, thus limiting the amount of external audit days that will be charged to the Council.

Equality

11 There are no additional equality implications for this report.

Sustainability Checklist

12 Not applicable.

Risk Assessment Statement

13 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. Consequently a weak internal audit service may signal weaknesses in other key areas of the Council's internal control, risk management and governance processes. The outcome of the review indicates that the arrangements are effective in meeting good practice requirements and therefore comply with regulatory requirements, thus providing assurance that relevant risks are effectively being managed.

Sources of Information:

Accounts and Audit Regulations 2003
(Amendment) 2006

CIPFA Code of Practice for Internal
Audit in Local Government (2006)

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