

INTERNAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

Audit Committee – 23 June 2015

Report of: Chief Finance Officer

Status: For Consideration

Key Decision: No

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

Portfolio Holder Cllr. Searles

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Recommendation to Audit Committee: That Members support the conclusion of the Annual Self-assessment Review of the Effectiveness of Internal Audit Service 2014/15 against the Public Sector Internal Audit Standards, that the Council had an adequate and effective Internal Audit service which contributes towards the proper, economic and effective use of resources in achieving its objective.

Introduction

- 1 This report deals with the outcome of the annual self-assessment review of the Council's Internal Audit Function. It is the second report to be produced in accordance with the new Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. Previous 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 Strategic Management Team on 27 May 2015, prior to finalising this report.

Results of the Self-assessment of Internal Audit

- 3 Appendix A sets out the results of the self-assessment. As indicated above, the process involved the completion of the self-assessment checklist by the Audit, Risk and Anti-Fraud Manager, using the Practice Notes issued by CIPFA in order to assess compliance with the new Public Sector Internal Audit Standards. The assessment covers the arrangements, practices, performance and achievements of the Internal Audit function during the year.
- 4 The self-assessment also took account of an independent quality assessment undertaken by PricewaterhouseCoopers (PWC). A separate report on this will be presented at this Committee by the Chief Finance Officer.
- 5 Where it is assessed that full compliance has not been attained on any assessment criteria, appropriate action is proposed to enable compliance. 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 which are set out in a separate action plan will be presented by the Chief Finance Officer, as part of his report on the external review by PWC.

Conclusion

- 6 The Audit Manager's opinion therefore is that the Council's arrangements in place for Internal Audit, in 2014/15 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 an action plan which will be presented by the CFO.

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 agreed action plan 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

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Appendices

Appendix A – Self-Assessment Checklist

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

Background Papers:

[Public Sector Internal Audit Standards.](#)

Adrian Rowbotham
Chief Finance Officer