

## **REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

**Submitted by:**           **Audit Manager**

**Portfolio**                   **Resources and Efficiency**

**Ward(s) affected**       **All**

### **Purpose of the Report**

For Members to consider the findings of the annual review of the effectiveness of the system of Internal Audit for 2011/12.

### **Recommendation**

**That the report outlining the findings from the review of the effectiveness of the system of Internal Audit for 2011/12, together with the action plan be agreed.**

### **Reasons**

That Members agree with the findings of the review which concludes that the system of Internal Audit for 2011/12 can be relied upon when considering the Annual Governance Statement.

## **1.     Background**

- 1.1     In accordance with the Accounts and Audit (Amendment) (England) Regulations 2011 the Council is required to undertake an annual review of the effectiveness of its system of Internal Audit.
- 1.2     A self assessment checklist from CIPFA's Code of Practice for Internal Audit in Local Government 2006 is completed annually by the Audit Manager. This checklist provides an assessment of the work undertaken by Internal Audit during the financial year and provides an evaluation of how the section complies with this code.
- 1.3     The review which has taken place during 2011/12 has involved updating last years self-assessment for 2010/11 and formulating a revised action plan for work to be completed during the forthcoming financial year.

## **2.     Issues**

- 2.1     The results of the self-assessment review undertaken by the Audit Manager are outlined in Appendix A, a summary of the evidence, in the form of a list of contents has been provided at Appendix B.
- 2.2     Progress against the action plan for 2011/12 is shown in Appendix C. The action identified has been achieved and a formalised retention of records schedule is now in place
- 2.3     The internal review shows that the system of Internal Audit is operating effectively and can be relied upon when considering the Annual Governance Statement for 2011/12.
- 2.4     The CIPFA Code of Practice for Internal Audit 2006 is currently in the process of being reviewed and updated by CIPFA. The new guidance which has also been aligned with the Institute of Internal Auditors code of practice will be issued for consultation in July 2012 with

a view to the document being published in December 2012. Requirements to comply with the new code will be in place from April 2013.

3. **Options Considered**

- 3.1 Not to complete a self assessment would be in breach of the legislation already outlined in the background.

4. **Proposal**

- 4.1 The completed checklist against the Code of Practice and updated action plan have been included as Appendices to this report.

5. **Reasons for Preferred Solution**

- 5.1 The adoption of 'good practice' processes and procedures inevitably contributes to reducing risks and liabilities to the Council. Internal Audit plays an important role in this regard and clearly its systems and processes should be effective.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 6.1 An effective system of Internal Audit means that the Authority can place reliance on the assurances of the systems of internal control. If controls are operating effectively the potential for fraud and corruption is reduced. There is also an assurance that resources are being used efficiently and effectively as the Council transforms to achieve excellence.

7. **Legal and Statutory Implications**

- 7.1 Under the Accounts and Audit Regulations 2011 the Council is required to undertake an annual review of the effectiveness of its system of Internal Audit.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from this proposal.

9. **Financial and Resource Implications**

- 9.1 There are no financial implications identified from this proposal; the Action Plan will be resourced as part of the work plan for the Audit Manager.

10. **Major Risks**

- 10.1 If the Authority does not maintain an effective system of Internal Audit; reliance cannot be placed on the adequacy of the internal controls operating throughout the Authority.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Not applicable

13. **List of Appendices**

Appendix A - Completed Checklist against the CIPFA Code of Practice

Appendix B - Key to Evidence for Self Assessment

Appendix C - Progress against 2011/12 Action Plan.

Appendix D - Updated Action Plan for 2012/13

15. **Background Papers**

File of evidence compiled against the CIPFA Code of Practice Checklist