

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO
AUDIT & RISK COMMITTEE**

Date 15 July 2013

HEADING **Review of the Effectiveness of the System of Internal Audit**

Submitted by: Audit Manager

Portfolio Finance and Resources

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 2012/13.

Recommendations

That the report outlining the findings from the review of the effectiveness of the system of Internal Audit for 2012/13, 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 2012/13 can be relied upon when considering the Annual Governance Statement.

1. Background

- 1.1 In accordance with the Accounts and Audit 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 2012/13 has involved updating last year's self-assessment for 2011/12 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 2012/13 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 2012/13.
- 2.4 With effect from 1 April 2013 the CIPFA Code of Practice for Internal Audit in Local Government has been replaced with a new set of standards. The Public Sector Internal Audit Standards (PSIAS) have been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA) to ensure a consistent set of standards for Internal Auditors irrespective of the sector in which they work. There have been a few changes that will be required to be undertaken in terms of working practices; however the main changes seem to be in relation to the terminology used. CIPFA have produced an application note designed to assist/clarify the standards that have been produced. This guidance note will be used during the course of 2013/14 to ensure that Internal Audit is compliant with the new standards that have been produced. As with the previous CIPFA code the Audit Manager will be required to complete a checklist to demonstrate compliance with the PSIAS and this will be used as part of the evidence for the production of the Annual Governance Statement.

3. **Options Considered** (if any)

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

4. **Proposal**

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**

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 Corporate Priorities**

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**

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**

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 2012/13 Action Plan.
Appendix D - Updated Action Plan for 2013/14

15. **Background Papers**

File of evidence compiled against the CIPFA Code of Practice Checklist