

## **External Audit: Review of Internal Audit.**

### **AUDIT COMMITTEE**

Date: 24<sup>th</sup> June 2008

**Author: Chief Executive**

**Wards Affected: None**

#### **Purpose**

To present Members with results of External Audit's review of the Council's Internal Audit section carried out in February/March 2008.

#### **Recommendation**

- We welcome the Audit Commission's report on Internal Audit, that the action plan be endorsed and recommend that the Head of Internal Audit and his team be congratulated on the outcome of the review.

### **1 Reasons**

1.1 The Council's Internal Audit section is a key component of the assurance framework. It is therefore essential that the Audit Committee can have assurance that it is operating effectively and in accordance with the eleven standards set out by CIPFA in their 'Code of Practice for Internal Audit in local government in the UK'.

1.2 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it is important that it reviews the plan and work of External Audit to ensure that it can gain sufficient assurance from their work coverage. These requirements are set out in the Committee's terms of reference.

### **2 Detail**

2.1 Internal Audit is an integral part of a council's corporate governance arrangements. External Audit assesses Internal Audit's work when planning their work. In the initial year and then every third year they also undertake a more detailed review of Internal Audit against professional standards to:

- Assess the effectiveness of Internal Audit as part of the Council's arrangements for internal control.
- Determine whether External Audit can place reliance on the work of Internal Audit
- Provide Members with an independent opinion as to the adequacy of their system of Internal Audit

2.2 External Audit confirmed that:

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- Internal Audit provides the Council with an independent assessment of the adequacy and effectiveness of the internal controls operating within the Borough. It also confirmed that they are able to continue to place reliance on the work of Internal Audit for their own purposes (see paragraph 6 of the report attached as Appendix 1).
- Internal Audit's arrangements comply with the Code. All auditors are free from operational duties and the Head of Internal Audit has direct access to those with governance. Our review considered if the external work done by Internal Audit impacted on their independence, and we concluded it did not.

2.3 The attached report identifies the full findings from External Audit's triennial review carried out in February/March 2008.

### Alternative Options

Not Applicable

#### **Risk Management**

##### *Financial and Procurement Implications*

If External Audit were able to place reliance on the work of Internal Audit this will result in no additional fee being charged to the Council for extra work that External Audit would have had to carry out if reliance could not be placed on Internal Audit.

##### *Legal/Human Rights Implications*

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2006. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

External Audit has to comply with the statutory requirements of the Audit Commission Act 1998, The Local Government Act 1999 and the Code of Practice.

##### *Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)*

Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

### **Consultees:**

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Head of Internal Audit

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### **Appendices / Background papers**

Appendix 1 – External Audit's (Audit Commission) Review of Internal Audit.

### **Key Decision/Decision in Forward Plan**

Not Applicable