

Audit Committee: Effectiveness of the system of Internal Audit (Update)

AUDIT COMMITTEE

Date: 27th January 2009

Author: Head of Internal Audit

Wards Affected: None

Purpose

In order to comply with The Accounts and Audit (Amendment) (England) Regulations 2006 the Council must, at least once a year, conduct a review of the effectiveness of its system of internal audit. This is the second year in which the Council has had to carry out this review.

Recommendation

- It is recommended that Members review the update of the effectiveness of internal audit using the sources of assurance detailed in this report and previously reported to the March 2008 meeting of this committee.
- It is recommended that where Members note any non-compliance with best practice they request the Head of Internal Audit to bring back a future meeting of the Committee details of changes to procedures or amendments to documents for approval.

1 Reasons

- 1.1 The Accounts and Audit Regulations 2006 state that 'the relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit'. The regulations go on to state that the findings of this review be considered by a committee of the relevant body, or by members of the relevant body as a whole, as part of the wider consideration of an organisation's system of internal control.
- 1.2 Internal Audit is one of the key areas of assurance for the Audit Committee and therefore has a significant impact on the Council's Annual Governance Statement. It is important that the Committee can be assured that the system for Internal Audit itself is effective.
- 1.3 The regulations and guidance relating to the assessment of the system of internal audit allow for different methods of review but it is accepted that where an Audit Committee exists that this would be an appropriate body to conduct the review.

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2 Detail

Introduction

- 2.1 A report was presented to the March 2008 meeting of this Committee on the review of the effectiveness of the system of internal control. At that meeting Members agreed that:
- the Audit Committee would be a suitable body to review the effectiveness of the system of internal control.
 - when External Audit's review of Internal Audit had been completed, and the Use of Resources assessment for 2007/08 had been finalised, the Head of Internal Audit would bring a report back to the Committee updating it on the findings of these reviews.

External Audit's review of Internal Audit

- 2.2 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 on the adequacy of their system of internal audit.
- 2.3 External Audit confirmed that:
- "Internal Audit provides the Council with an independent assessment of the adequacy and effectiveness of the internal controls operating within the Borough. It is also confirmed that they are able to continue to place reliance on the work of Internal Audit for their own purposes."
 - "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 responsibility for governance. Our review considered if the external work done by Internal Audit impacted on their independence, and we concluded it did not."
- 2.4 The full report was presented to the June meeting of this Committee.

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Use of Resources Assessment

- 2.5 The Council's Use of Resources work for 2007/08 contributes to the Council's star rating under the Comprehensive Performance Framework (CPA), which will be published in February 2009.
- 2.6 The Audit Commission have confirmed that the overall theme score for Internal Control will continue to be 3. In addition the notable practice score of 4 for probity and propriety has been maintained for a second successive year, as a result of continuing development and embedding of arrangements. In particular, the Use of Resources Briefing note states that the Council continues to "perform strongly in the areas of probity and propriety with its general notable practice in this area continuing to be recognised as such by the Audit Commission". A copy of the notable practice submission is attached as Appendix 1.

Alternative Options

Not Applicable

Risk Management

Financial and Procurement Implications

There are no direct financial implications arising from this report however individual audit reports address the suitability of internal controls within the systems examined.

Legal/Human Rights Implications

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2003. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972. The Accounts and Audit (Amendment) (England) Regulations 2006 the Council must, at least once a year, conduct a review of the effectiveness of its system of internal audit.

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

Internal Control, Audit Committee and the Statement on Internal Control all feature significantly in the CPA Use of Resources Assessment.

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.

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Appendices / Background papers

Appendix 1: Use of Resources Notable Practice Submission

Key Decision/Decision in Forward Plan

Not Applicable