

ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2009/10

1. Characteristic - Internal Audit has a high profile in the structure of the Council and has a high level of independence.

Evidence

- Internal Audit operates under its own terms of reference that are embedded under Part 4 (Section C3) of the Council's constitution.
- Internal Audit reports directly to the Audit Committee in the name of the Audit Manager.
- The Audit Manager has a direct reporting line into the Section 151 Officer and Senior Management Team.
- The scope of internal audit's work covers the Council's whole control environment, including partnership arrangements where these exist.
- They act under Section 151 of the 1972 Local Government Act and the Constitution allows complete freedom to investigate instances of fraud and corruption, to undertake investigations and to access records and documents, etc. of the Council as required.

Conclusion

Internal audit has a high profile in the structure of the organisation and has a high level of independence.

Action/Areas to be developed

None

2. Characteristic - Internal Audit adopts best professional practice

Evidence

- The Council's function operates in accordance with the CIPFA code of practice for internal audit in local government (2006). This defines the way, through a series of standards, in which the internal audit service should be established and undertake its functions. This includes the ethical responsibilities of auditors.
- Internal Audit undertakes an annual review via a checklist contained in the 2006 code against the standards and this is reviewed by External Audit.
- Compliance is independently tested through the Audit Commission's Annual Use of Resources (UOR) Assessment and through a triennial (3-year) review of internal audit activities by the Council's appointed external auditors.

- In addition, a peer review undertaken by Price Waterhouse Coopers (PWC) in 2009 concluded that overall they were satisfied (apart from some points addressed in an action plan) that the Council has appropriate constitutional and managements arrangements in place for its internal audit service.
- The actions from the review have largely been addressed, in particular, the requirement to produce a more focussed risk based audit plan. This was approved at the sub-committee meetings on 16th December 2009 and 24th February 2010.
- The Internal Audit Strategy was updated and reported to this sub-committee in December 2007, with a further review due in 2011

Conclusion

Internal audit adopts best professional practise in undertaking its functions.

Areas to be developed

None

3. Characteristic - Internal Audit has good planning arrangements.

Evidence

- All service managers and senior management are consulted on the strategic and annual audit plans and on the scope of each audit where this is required (evidence maintained in individual audit files).
- The strategic audit plan is now largely based on risk.
- The plan takes into account corporate and wider issues such as partnerships, external funding, business continuity and risk management.
- The plan is considered and approved by the Audit Committee under its terms of reference prior to the planning period (plan for 2010/11 was reported on 24th February 2010).
- In addition, audit briefs are prepared where appropriate in conjunction with management for each audit (evidence maintained in individual audit files).

Conclusion

Internal audit adopts best practice in relation to planning its work.

Areas to be developed

None

4. Characteristic - Internal Audit has good reporting and follow up arrangements.

Evidence

- All Reports are issued to the appropriate management with copies to the Section 151 officer.
- Recommendations are prioritised according to the degree of risk on the internal control environment.
- Findings are discussed with management as they arise (evidence maintained in individual audit files).
- Draft reports are issued and discussed with management and actions agreed in response to recommendations (evidence maintained in individual audit files).
- On major financial systems, the final report includes a “Statement on Internal Control” comment relevant to each system.
- The Audit manager submits an annual report in the form of an Assurance Statement to support the Council’s overall Statement on Internal Control. This report includes an opinion on the control environment along with any qualifications, based on the work of internal audit.
- In accordance with reporting requirements, the Audit Committee receives on a quarterly basis, details of all audits with high-risk control issues. Greater detail is supplied on the fundamental financial systems.
- The Committee are informed of high-risk recommendations and these are reported back on a regular basis.

Conclusion

Internal audit adopts best practice in relation to reporting and incorporates the necessary statutory requirements.

Areas to be developed

None

5. Characteristic – Internal audit compliments and adds value to the overall activities and priorities of the Council by challenging and acting as a catalyst for change.

Evidence

- Internal audit provides a supportive role in corporate reviews and developments on governance, whistle blowing, fraud/corruption, security, ethics, codes of conduct and data quality. These issues are subject to regular review as part of the Council's UOR and other corporate assessments.
- In accordance with the action plan from the PWC review, from 2010/11 resources have been moved away from non-audit work to focus more on Value for Money in audit work. Therefore, integral to all audits, activities under review are routinely tested for value for money and operational efficiency, etc. to aid improvement (evidence on audit files).
- Overall, a key function of Internal Audit in relation to continuous improvement is to provide an independent assurance to management that the systems implemented and the processes undertaken are sufficiently robust to contribute to the achievement of corporate priorities and to meet legislative and policy requirements.

Conclusion

The role of internal audit and the nature of its work ensure that it is able to review operations and offer advice and knowledge to add value to the Council.

Areas to be developed

None

6. Characteristic – Internal audit is involved in major service developments and projects as required.

Evidence

- Internal audit is consulted on a regular basis and members of the team sit on relevant project groups.
- Staff keep abreast of all potential high risks including changes to IT and major project and contracts.
- During the last year, Internal Audit helped to set up new processes and systems for the new Etwall Leisure Centre, S106 contributions and the Risk Management Strategy .

Conclusion

Internal audit is routinely consulted and involved in major service developments and projects.

Areas to be developed

None

7. Characteristic – Internal Audit is pro-active in embedding the internal control framework in the Council’s activities and supports that process.**Evidence**

- This is integral to the work of internal audit. In particular, its terms of reference include its responsibilities in respect of the review of, and reporting an opinion on, the internal control environment of the organisation.
- Internal Audit ensures that all reviews give assurance to management on internal controls or provide recommendations for their improvement. Therefore, they have an important role to play in influencing and improving the internal control systems of the Council.

Conclusion

Under its terms of reference, internal audit is responsible for embedding the internal control framework in the Council’s activities.

Areas to be developed

None

8. Characteristic - Internal Audit staff are sufficiently experienced, qualified and knowledgeable and receive regular development and training.**Evidence**

- The skills and competencies required for each post have been determined and set out in the relevant job descriptions and person specifications.
- All staff have training and development plans as part of the Council’s Personal Development Review process.
- All staff attends regular courses on audit, which is provided by a nationally recognised and accredited body (CIPFA).
- Internal Audit is a member of the countywide auditor’s forum and have access to the network provided by the Midland Auditor’s group.
- Access is also provided for updates, documents and material etc, from the Council’s subscription to CIPFA’s Technical Information Service and Finance Advisory Network.

- To broaden the skills set and further enhance the role of Internal Audit, as recommended by PWC, joint working with another Local Authority will be considered in 2010.

Conclusion

Internal audit staff are experienced and knowledgeable and receive regular development and training. However, this could be enhanced by working with another Local authority.

Areas to be developed

Joint working opportunities with other Local Authorities will be considered during 2010.

9. Characteristic – Internal Audit is subject to external scrutiny from time to time to ensure resources and associated working arrangements are regularly reviewed and developed.

Evidence

- Through the Use of Resources Assessment, External Audit, and the triennial reviews that have taken place, including the independent review by PWC, there has been robust scrutiny of Internal Audit.
- With responsibility for overseeing the function and role of internal audit, the Audit Committee is also a part of the system of internal audit.

Conclusion

Internal audit is subject to regular external review and scrutiny against best practice. This is used to continuously improve the Council's internal audit function.

Areas to be developed

None

10. Characteristic – The performance and quality of internal audit is kept under constant review.

Evidence

- A revised and comprehensive set of performance indicators was agreed at the sub-committee meeting on 16th December 2009 following the PWC review and with evidence from best practice in other Local Authorities. This will be implemented from 1st April 2010

- The Audit Manager undertakes quality control checks on individual audits undertaken by his team on a sample basis as agreed with the External Auditor and the Head of Finance and Property Services similarly reviews the work of the Audit Manager.
- All recommendations during the year were agreed by management and have or are being actioned (as evidenced on individual audit files).
- As part of their assessment of the internal control environment and to assist in documenting key financial controls, the External Auditor considers the work of Internal Audit each year. Their Annual Audit Letter for 2008/09 confirmed that there no issues that warranted a report to the Council.

Conclusion

The performance and quality of Internal Audit is kept under review and has been enhanced with more comprehensive performance monitoring.

Areas to be developed

None