

AUDIT COMMITTEE

External Auditor's Report – Review of Internal Audit 30 June 2009

Report of the Internal Audit Manager

PURPOSE OF REPORT

To inform the Committee of, and seek its views on, the results of a review of the Council's Internal Audit function, carried out by the external auditors, KPMG, as part of the 2007/08 audit.

This report is public

RECOMMENDATIONS

- (1) That the Committee accepts and comments as appropriate on the external auditor's report and the action plan devised in response to the recommendations made.
- (2) That the Internal Audit Manager should report to a future meeting of the Committee on the progress made with implementing agreed actions.

1.0 Introduction

- 1.1 As part of its responsibilities to review local authorities' internal control arrangements, the appointed external auditors are required to review and comment on an annual basis on the effectiveness of Internal Audit arrangements. In practice, this takes the form of a detailed review every three years, with an overview/update being carried out in intervening years. The Council's auditors, KPMG undertook a detailed review as part of their 2007/08 audit, the focus for which was the CIPFA 2003 Code of Practice for Internal Audit in Local Government in the United Kingdom.

2.0 Proposal Details

- 2.1 The external auditor's report is attached to this report as Appendix A. It is proposed that the Committee accepts and endorses the report, making any comments as appropriate, and endorses the recommendations and associated action plan.

- 2.2 The report is positive about the quality of the Internal Audit function and it is pleasing that the external auditor has concluded that “... *the section contributes to the overall internal control environment of Lancaster City Council*” and that it has “... *developed good practice in a number of areas*”. The report has concluded that the section meets seven out of the eleven standards in the Code.
- 2.3 Notwithstanding the positive conclusions reached, the external auditor has identified a number of areas where further improvements could be made to help Internal Audit fully meet the organisational and operational standards that are set out in the CIPFA Code. These include:
- developing an annual certificate for staff to complete to register independence, compliance with ethical behaviour, confidentiality and to show an understanding of the fraud guidelines;
 - distributing the Annual Audit Plan to the Departmental Management Teams; and
 - introduction of a formal quality assurance process.
- 2.4 The report and action plan have been agreed with the Council’s External Audit Manager by the Internal Audit Manager and the Head of Financial Services. Arrangements are being made to implement the agreed actions (as set out in pages 20 to 22 of the report).

3.0 Details of Consultation

- 3.1 Not applicable.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 The options available to the Committee are either to accept and endorse the external auditor’s report and the resulting action plan as presented, or to request further consideration of any aspect of the review and the agreed actions.

5.0 Conclusion

- 5.1 The external auditor’s report into its review of the Internal Audit function provides assurance that it is substantially meeting the organisational and operational standards expected by the Code of Practice. The report includes an action plan setting out areas in which further improvements are to be made to the service provided.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

FINANCIAL IMPLICATIONS

None arising from this report

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

None arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

None

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