



Audit Commission Report – Review of Internal Audit 20 September 2006

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 Audit Commission as part of its 2005/06 audit.

This report is public

RECOMMENDATIONS

- (1) That the Committee accepts and comments as appropriate on the Audit Commission'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 Audit Commission is 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 Commission's 2005/06 audit included a detailed review, 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 Audit Commission'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 very positive about the quality of the Internal Audit function and it is pleasing that the Audit Commission's conclusions and opinions indicate that it is operating to organisational and professional standards which enable the Commission to:

- be able to place reliance on Internal Audit's work for the purposes of its own audit;
- consider internal audit to be an effective part of the Council's arrangements for ensuring economy, efficiency and effectiveness through its role in the Council's systems of internal control; and
- consider that Internal Audit demonstrate good practices in many areas and are well respected within the Council.

2.3 Notwithstanding the positive conclusions reached, the Audit Commission has identified a number of areas where further improvements could be made to help Internal Audit to fully meet the organisational and operational standards that are set out in the CIPFA Code. The most significant of these relate to:

- the development and approval of an audit strategy in line with CIPFA standards, setting out how Internal audit will be delivered and developed;
- consideration of the extent to which controls are compliance tested; and
- extension of the existing quality assurance arrangements.

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 14 to 23 of the report).

2.5 One of actions, relating to a new requirement under the Accounts & Audit (Amendment) Regulations 2006 that local authorities undertake an annual review of the effectiveness of their Internal Audit functions, is the subject of a report elsewhere on this agenda.

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 Audit Commission's report and the resulting action plan as presented, or to revise and/or request further consideration of any aspect of the review and agreed actions.

5.0 Conclusion

5.1 The Audit Commission's report into its review of the Internal Audit function provides assurance that it is operating to high organisational and operational standards, and sets out a number of areas in which further improvements may 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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