

AUDIT COMMITTEE	AGENDA ITEM No. 5
25 JUNE 2012	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT – 2011 / 2012

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director (Strategic Resources)	Deadline date : N/a
Committee is asked to:	
1. Note the content and approve the annual review of the effectiveness of Internal Audit 2011 / 2012.	

1. ORIGIN OF REPORT

This report is submitted as part of the annual Audit Committee work programme for 2012 / 2013.

2. PURPOSE AND REASON FOR REPORT

The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following “2.2.4 *To consider reports dealing with the management and performance of the providers of internal audit services*”.

In accordance with the requirements of the Accounts and Audit Regulations 2011 the Council conducts an annual review of the system of internal audit to be considered as part of its governance assurance processes, including the production of the Annual Governance Statement.

3. INTERNAL AUDIT EFFECTIVENESS

3.1 The Accounts and Audit Regulations require all Councils to annually review their systems of internal control and to provide an adequate and effective Internal Audit function.

3.2 These regulations were amended in 2011. This revision required that the council undertake an annual review of the effectiveness of its internal audit and to present the results of that review to the appropriate committee. Internal Audit is defined as the means by which the Council addresses its governance and assurance requirements, ensuring that an effective internal control system is in place. Outcomes from the current governance processes are evaluated and reported in the Annual Governance Statement.

3.3 To address the Accounts and Audit Regulations 2011 requirement, an assessment of Internal Audit has been carried out which is presented for consideration by the Audit Committee. It contains an opinion on the effectiveness of the Internal Audit Service including a self-assessment against a number of publications produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). These include “*Code of Practice for Internal Audit in Local Government in the UK*” and the “*Statement on the Role of Head of Internal Audit*”.

3.4 The review was undertaken by the Chief Internal Auditor and the report (Appendix 1) is presented for Members’ consideration and comment.

4. CONCLUSION

Consideration of a range of views on the effectiveness of Internal Audit operating within the Council during 2011 / 2012 indicates that this has been both appropriate and effective. The report demonstrates that the Council has an effective system of internal audit including a policy framework, internal audit function, audit committee and effective management engagement.

5. CONSULTATION

This report has been issued to the Executive Director (Strategic Resources) and Head of Corporate Services for consideration.

6. ANTICIPATED OUTCOMES

It is reasonable from all the assurances now available to the Council to conclude that a sound system of internal audit operated throughout 2011 / 2012.

7. REASONS FOR RECOMMENDATIONS

To seek endorsement from members that internal audit within the authority is being delivered and provide effective challenge to the organisation.

8. ALTERNATIVE OPTIONS CONSIDERED

None required at this stage.

9. IMPLICATIONS

This report contains no specific financial implications.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- Internal Audit Plans;
- Internal Audit reports issued;
- Internal Audit Terms of Reference;
- Accounts and Audit Regulations 2011;
- Code of Practice for Internal Audit in Local Government in the UK, CIPFA; and
- Statement on the Role of the Head of Internal Audit, CIPFA.

11. APPENDICES

- Appendix 1 - Annual Review of the Effectiveness of Internal Audit