

## REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

### Introduction

The purpose of this report is to review the effectiveness of the Council's system of internal audit in accordance with the Accounts and Audit Regulations 2006. The methodology adopted was that the PricewaterhouseCoopers undertook a full scale review of the service during the early part of 2007 / 2008.

In addition to detailed testing of the service, PwC requested questionnaire results from the Council's Directors and the Head of Internal Audit completed a self-assessment of compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Both were then subject to scrutiny.

The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1<sup>st</sup> April 2006. One of the amended regulations requires the Council to have an independent review of the effectiveness of its system of internal audit once a year, and for the findings of this review to be considered as part of the procedure for drafting the Statement of Internal Control (now replaced with the Annual Governance Statement).

PwC produced their report in August 2007 and this was formally discussed at Audit Committee in November 2007. PwC undertook a follow up review in December 2008. A draft report has been produced and issued in March 2009 to the Executive Director (Resources), Head of Strategic Finance and the Chief Internal Auditor for comment.

### Summary of Findings

The original report documented 19 recommendations which required attention. These covered the areas of:

- Risk focussed auditing;
- Skills base of internal audit;
- Impact and effectiveness;
- Methodology and tools;
- Monitoring of service provision;
- Reporting arrangements; and
- Accountability.

The follow up review has established that the majority of recommendations have been actioned and implemented, for example, the development of an assurance framework to assist in the delivery of a risk based audit plan. Some original recommendations have been superseded following changes in reporting lines or activities. For example, at the time of the original review, the Chief Internal Auditor coordinated the development and embedding of risk management together with the updating of the risk registers. With the transfer of this to the Head of Strategic Finance and to the Resilience Manager, this recommendation has become defunct.

The format of audit reports have evolved over time, and a number of amendments have been incorporated in recent years. It has been recommended that officers are consulted on the current format to ensure that it still meets their needs. A separate survey will be issued to cover this in due course.

There are a number of new recommendations which have been developed and the action plan will be implemented to take this forward. Previously, the Chief Internal Auditor has undertaken a review of the service against best practice and this self assessment has been presented to Audit Committee for challenge and ultimately endorsement. It has now been recommended that an independent review is put in place. Discussions are being held with a separate local authority in the area to undertake a "peer review" this time, therefore providing an independent opinion on the service.

### Conclusions

The evidence collected demonstrate the Council operates in compliance with professional standards, and initiates change where improvements to the internal control environment is required. The review has identified a number of areas where ongoing improvements could be made. Once finalised, the report will be presented to a future Audit Committee. In conclusion, there are no material weaknesses which impact on the overall effectiveness of the internal control environment.

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