

AUDIT AND GOVERNANCE COMMITTEE

22 May 2009

ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

Report of the City Treasurer and City Solicitor

1. Purpose of Report

- 1.1 The purpose of this report is to set out the findings of the annual review of the effectiveness of internal audit, as required by the Accounts and Audit Regulations 2003 (as amended 2006).

2. Description of Decision

- 2.1 The Audit and Governance Committee is asked to consider the findings of the self-assessment and external review undertaken by the Audit Commission.

3. Background

- 3.1 The methodology for the review was approved by the Audit and Governance Committee in March 2007 and is as follows:
- Internal Audit Services undertake an annual self-assessment, based upon a checklist within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the CIPFA Code);
 - The self assessment is then independently reviewed by the Council's external auditors, who carry out whatever testing they deem appropriate to verify the findings of the self-assessment;
 - The City Treasurer and City Solicitor jointly consider the findings of both the self-assessment and the Audit Commission review, and report their findings to the Audit and Governance Committee.
- 3.2 The findings of the annual review of the effectiveness of internal audit will also be fed into the process for the production of the Annual Governance Statement.

4. Findings of the 2008/2009 Review

- 4.1 The checklist in the CIPFA Code has been used to undertake the annual self-assessment by the head of internal audit. The standards covered in the checklist are set out in Appendix 1, together with the findings from the self-assessment.
- 4.2 The self-assessment concluded that the Council's internal audit arrangements continue to comply with the CIPFA Code.
- 4.3 However, given that the Audit and Governance Committee and its Terms of Reference have been in place since 2006, it is now considered appropriate that the Committee undertakes a formal review of its remit and how effective it has been in fulfilling its role. It is proposed that this be done by holding a workshop with Committee members in July/August 2009, and for the results to be reported to the next Committee meeting thereafter.
- 4.4 The Audit Commission have separately reviewed the effectiveness of the internal audit arrangements by reference to the CIPFA Code, the self-assessment and a review of a sample of audit files. The Audit Commission's conclusion is as follows:

'We found that there continue to be robust arrangements in place to comply with the Code's standards. Our detailed review of files did not highlight any significant non-compliance with IAS's Quality System or the Code.'

A copy of the letter from the Audit Commission setting out the above findings is attached at Appendix 2.

- 4.5 Having considered the detailed self-assessment, the findings of the Audit Commission's independent review and our cumulative knowledge of the internal audit arrangements in place we consider that they are effective and meet the required standards.

5. Recommendations

It is recommended that the Committee:

- Notes the outcome of the review of the effectiveness of the internal audit arrangements; and
- Approves the holding of a workshop in order to review the remit and effectiveness of the Committee.

Background Papers

CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

