

AUDIT COMMITTEE

9 March 2010

Report of the Director of Governance & Procurement

ITEM 11 ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

Purpose of the Report

The purpose of this report is to put forward proposals to the Committee for the undertaking of the annual review of the effectiveness of Internal Audit.

Action Requested

The Committee is requested to :

1. Agree the proposals for undertaking the annual review of the effectiveness of Internal Audit, and
2. Identify 2 Members of the Committee to participate in the review.

Policy Context

The Accounts and Audit Regulations 2006 (as amended) require the Council to review the effectiveness of its system of Internal Audit once a year, and require that the findings of the review should be considered by a committee of the Council, or by the Council as a whole.

Background

CIPFA have produced guidance as to how the review should be carried out, the main points of which can be summarised as follow:

- The review needs to be completed in time for the results to be considered as part of the annual corporate governance statement
- The review cannot be undertaken by external audit, although any findings made by them in respect of Internal Audit can be considered as part of the review
- The review should be undertaken by a panel of officers and/or Members.

Proposals for Undertaking the 2009/10 Review

It is suggested that a panel should again be constituted to undertake the review, as follows :

- Two Members, drawn from the Audit Committee
- Acting Director of Programmes & Resources (who will lead the review)
- Director of Governance & Procurement

It is proposed that the panel should undertake the following approach:

- Review of documentation and evidence (performance statistics, Audit Plan, and a self assessment from the Head of Performance & Audit)

- Interviews with a small sample of audit ‘clients’ selected by the panel (ie. managers who have been subject to an audit during the current financial year)
- Interview with the external auditor (the Audit Commission)
- Consideration of contracted-out audit work (ie. work undertaken by agency and contract staff during the year).

The review will need to be undertaken during April/May 2010, and should result in the production of a report and an action plan to address any issues arising. This report will then be presented to the full Audit Committee for consideration, and will form part of the evidence used in the production of the Council’s annual corporate governance statement. The report will therefore need to be finalised by the end of May 2010.

Options Available with Reasons

The Committee could seek to vary the proposals, by for example increasing or decreasing the number of Members to be included on the proposed panel.

Financial and Legal Implications

None arising.

Risk Management

The risks associated with the options and the proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
Failure to conduct a review of the effectiveness of internal audit could result in ineffective service delivery and adverse criticism from the external auditors	Low	Medium	Conducting a review along the lines of the proposals set out in this report

Background Papers: CIPFA guidance paper (held by the Head of Performance & Audit)

Officer(s) to Contact : Adrian Ward
 (01509) 634573
adrian.ward@charnwood.gov.uk

Simon Jackson
 (01509) 634699
simon.jackson@charnwood.gov.uk