
REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

1 SUMMARY

- 1.1 The purpose of this report is to advise Members of the outcome of the annual review of the effectiveness of Internal Audit.

2 INTRODUCTION

- 2.1 The Accounts and Audit Regulations requires the Authority to maintain an adequate and effective system of internal audit of its accounting records and its system of internal controls in accordance with proper internal practice, as defined in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
- 2.2 Amendments to the Accounts and Audit Regulations require the Authority to carry out an annual review of the effectiveness of Internal Audit as part of the process prior to completing the Annual Governance Statement. On 20 February 2007 this Committee agreed to adopt the guidance from the Department for Communities and Local Government in which the Head of Internal Audit is to complete a self-assessment, using a CIPFA checklist for subsequent review, initially by senior independent officers.

3 2009/10 SELF-ASSESSMENT

- 3.1 The 2009/10 Self-assessment has been completed and is submitted to this Committee for consideration. The actual checklist runs to 27 pages and a summary of the results of the checklist is included as appendix 1. There were four areas where the self-assessment has improved on last year's review. There are no areas where the score within the self-assessment has reduced since 2008/09. There is only one area remaining where the self-assessment answers as a "Not Compliant". This is section 2.1.2 in respect of potential advisory and subsequent audit conflicts and is not considered a deficiency. The checklist and the evidence folder is available for review, if requested by Members.
- 3.2 The self-assessment has confirmed that Internal Audit continues to maintain a high level of compliance with the CIPFA Code, with improvements seen in several areas.

4 RECOMMENDATION

- 4.1 It is proposed that the Committee **RESOLVES**
- That the satisfactory outcome of the review be noted.

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Background Papers:-

None.

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SUMMARY OF OUTCOME OF INTERNAL AUDIT SELF-ASSESSMENT

APPENDIX 1

Area	Subject	Compliance with Code			Comments
		Yes	Partial	No	
1	SCOPE OF INTERNAL AUDIT				
1.1	Terms of Reference	12	1	0	<ul style="list-style-type: none"> The Partial relates to access of records including those of partners and contractors. Not all agreements have such an authority specifically included in the text The key document supporting this section is the Strategy & Terms of Reference for Internal Audit (STRIA). The proposed 2010/11 version was presented for approval to the Audit Committee on 16/3/10.
1.2	Scope of Work	1	0	0	No change from the review of 2008/09
1.3	Other Work	3	1	0	Partial Relates to Skills. The Trainee Auditor, new to Audit work, has been in post since October 2009 and is studying for relevant qualifications
1.4	Fraud and Corruption	1	0	0	No change from the review of 2008/09
2	INDEPENDENCE				
2.1	Principles of Independence	2	0	1	The Code suggests that Internal Audit should not audit areas where there was consultation about controls and systems. The STRIA considers and permits this element. In this case a “No” answer is not considered a deficiency
2.2	Organisational Independence	8	0	0	No change from the review of 2008/09.

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					However STRIA is to be amended to reflect the fact that the Trainee Auditor post has been filled by internal recruitment and specifies that a suitable period is to elapse before that person can audit the area previously employed in (Section 3 of The Code)
2.3	Status of Head of Internal Audit	1	0	0	No change from the review of 2008/09.
2.4	Independence of Internal Audit Contractors				Not applicable. Internal Audit is an in-house function.
2.5	Declaration of Interest	2	0	0	No change from the review of 2008/09.
3	ETHICS FOR INTERNAL AUDITORS				
3.1	Purpose	1	0	0	No change from the review of 2008/09.
3.2	Integrity	2	0	0	No change from the review of 2008/09.
3.3	Objectivity	1	2	0	<ul style="list-style-type: none"> The first Partial relates to rotation of staff on regularly audited areas. This is carried out when possible but there are also training needs to consider and as such auditors may audit the same areas in subsequent years. This element is included as policy in the revised version of STRIA. The second Partial was a Not Applicable in 2008/09. This relates to staff not carrying out audit work in areas where they had operational responsibility. Prior to 2009/10 internal audit staff had been recruited externally

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		Yes	Partial	No	
					<i>(See 2.2 above)</i>
3.4	Competence	4	0	0	No change from the review of 2008/09.
3.5	Confidentiality	1	0	0	No change from the review of 2008/09.
4	AUDIT COMMITTEE				
4.1	Purpose of Audit Committee	1	0	0	No change from the review of 2008/09.
4.2	Internal Audit's Relationship With The Audit Committee	8	1	0	The Partial is in respect of the question, "Is there participation in the Audit committee's review of its own effectiveness". An initial report in this subject was presented to the Audit Committee 30/9/09
5	RELATIONSHIPS				
5.1	Principles of Good Relationships	3	1	0	<ul style="list-style-type: none"> The Partial relates to formal protocols defining the relationship with the External Auditor in respect of Internal Audit's work. There is nothing formally documented but there is considered to be an effective relationship in place with External Audit. It is considered that significant involvement and evidential process between Audit & Performance Management Team and external agencies, such as the Audit Commission, has progressed a Partial, from the 2008/09 assessment, to a Yes in 2009/10.
5.2	Relationships With Management	2	0	0	No change from the review of 2008/09.

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5.3	Relationships With Other Internal Auditors	0	1	0	The question relates to joint working, access to working papers and best practice. There is no Joint Working in place but Internal Audit participates in the Essex Audit Group to address the other areas
5.4	Relationship With External auditors	3	0	0	No change from the review of 2008/09.
5.5	Relationships with Other Regulators and Inspectors	1	0	0	Improved to a Yes from the Partial in 2008/09. <i>(See second element of 5.1 above)</i>
5.6	Relationships with Elected Members	2	0	0	No change from the review of 2008/09.
6	STAFFING, TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT				
6.1	Staffing Internal Audit	6	0	0	No change from the review of 2008/09.
6.2	Training and Continuing Professional Development	5	0	0	No change from the review of 2008/09.
7	AUDIT STRATEGY AND PLANNING				
7.1	Audit Strategy	6	1	0	The STRIA does not address the question regarding identification of local and national issues. Part of role is auditing National & Local Performance Indicators which do reflect National & Local Priorities. Changes in Statutory or operational requirements in service areas would be addressed as part of pre-Audit work.

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		Yes	Partial	No	
					No change from the review of 2008/09.
7.2	Audit Planning	13	0	0	No change from the review of 2008/09.
8	UNDERTAKING AUDIT WORK				
8.1	Planning	7	0	0	No change from the review of 2008/09.
8.2	Approach	3	0	0	No change from the review of 2008/09.
8.3	Recording Audit Assignments	8	0	0	No change from the review of 2008/09.
9	DUE PROFESSIONAL CARE				
9.1					Not Applicable. There is no 9.1 In CIPFA Code Checklist.
9.2	Responsibilities of the Individual Auditor	9	0	0	No change from the review of 2008/09.
9.3	Responsibilities of the Head of Internal Auditor	2	0	0	No change from the review of 2008/09.
10	REPORTING				
10.1	Principles of Reporting	4	0	0	No change from the review of 2008/09.
10.2	Reporting on Audit Work	15	0	0	No change from the review of 2008/09.
10.3	Follow-up Audits and Reporting	4	0	0	No change from the review of 2008/09.
10.4	Annual Reporting and Presentation	9	0	0	No change from the review of 2008/09.

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	of Audit Opinion				
11	PERFORMANCE, QUALITY AND EFFECTIVENESS				
11.1	Principles of Performance, Quality and Effectiveness	6	0	0	No change from the review of 2008/09.
11.2	Quality Assurance of Work	5	0	0	No change from the review of 2008/09.
11.3	Performance and Effectiveness of the Internal Audit service	15	0	0	A Partial, in 2008/09, relating to a comprehensive set of targets developed in consultation with appropriate parties is considered as Compliant in that it is subject to the normal Corporate Target Challenge process.