
REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

1 SUMMARY

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

2 INTRODUCTION

- 2.1 The Accounts & 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 & 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 & 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 2008/09 SELF-ASSESSMENT

- 3.1 The 2008/09 self-assessment has been completed and is submitted to this Committee for consideration. The actual checklist runs to 26 pages and a summary of the results of the checklist is included as Appendix 1. There were several areas where the self-assessment has improved on last year's review. There are no areas where the self-assessment has reduced. 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. 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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If you would like this report in large print, Braille or another language please contact 01702 546366.

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 partners. Not all agreements have such an authority included in the text The key document supporting this section is the Strategy & Terms of Reference for Internal Audit (STRIA). The 2009/10 version was approved by the Audit Committee on 4/3/09
1.2	Scope of Work	1	0	0	Moved from a Partial in 2007/08
1.3	Other Work	3	1	0	Partial Relates to Skills. Trainee Auditor in Post since November 2007 and is studying for relevant qualifications
1.4	Fraud and Corruption	1	0	0	
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	
2.3	Status of Head of Internal Audit	1	0	0	

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		Yes	Partial	No	
2.4	Independence of Internal Audit Contractors				Not applicable. Internal Audit is an in-house function
2.5	Declaration of Interest	2	0	0	
3	ETHICS FOR INTERNAL AUDITORS				
3.1	Purpose	1	0	0	
3.2	Integrity	2	0	0	
3.3	Objectivity	1	1	0	The 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
3.4	Competence	4	0	0	
3.5	Confidentiality	1	0	0	
4	AUDIT COMMITTEE				
4.1	Purpose of Audit Committee	1	0	0	
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". Discussions have been held with the Chairman of the Audit Committee in this area during 2008/09

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5	RELATIONSHIPS				
5.1	Principles of Good Relationships	2	2	0	The two Partials relate to formal protocols defining the relationship with the External Auditor and other regulators or inspectors. There is nothing formally documented but there is an effective relationship in place with External Audit and assistance is always available if required in respect of other inspection types.
5.2	Relationships With Management	2	0	0	
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	
5.5	Relationships with Other Regulators and Inspectors	0	1	0	The question asks if there is dialogue with other regulatory and inspection agencies. See 5.1 above. Officers from Audit & Performance Management were involved in the CPA re-inspection and participated in a Foods Standards Agency Inspection in November 2008
5.6	Relationships with Elected Members	2	0	0	
6	STAFFING, TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT				

Area	Subject	Compliance with Code			Comments
		Yes	Partial	No	
6.1	Staffing Internal Audit	6	0	0	
6.2	Training and Continuing Professional Development	5	0	0	
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. Statutory requirements in service areas would be addressed as part of the Audit work. "
7.2	Audit Planning	13	0	0	
8	UNDERTAKING AUDIT WORK				
8.1	Planning	7	0	0	
8.2	Approach	3	0	0	
8.3	Recording Audit Assignments	8	0	0	
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	

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9.3	Responsibilities of the Head of Internal Auditor	2	0	0	
10	REPORTING				
10.1	Principles of Reporting	4	0	0	
10.2	Reporting on Audit Work	15	0	0	
10.3	Follow-up Audits and Reporting	4	0	0	
10.4	Annual Reporting and Presentation of Audit Opinion	9	0	0	
11	PERFORMANCE, QUALITY AND EFFECTIVENESS				
11.1	Principles of Performance, Quality and Effectiveness	6	0	0	
11.2	Quality Assurance of Work	5	0	0	
11.3	Performance and Effectiveness of the Internal Audit service	14	1	0	The Partial question relates to a comprehensive set of targets developed in consultation with appropriate parties. There are measures in place but these have been developed within Internal Audit