

## APPROACH TO INTERNAL AUDIT SELF ASSESSMENT

### 1 SUMMARY

- 1.1 A comparison of how the Local Authorities within the Essex Audit Group approached the Internal Audit self-assessment was made to help determine how the process could be improved for 2007/08 and if Authorities would consider a Peer Review approach.

### 2 INTRODUCTION

- 2.1 Following the Audit Committee on 6 June 2007, which received a report on the effectiveness of Internal Audit, Members wished to know how other Authorities approached this and if a Peer Review could be considered between the Authorities within the Essex Audit Group.

### 3 SELF-ASSESSMENT CHECKLIST

- 3.1 The self-assessment checklist is the recommended approach by the Chartered Institute of Public Finance & Accountancy (CIPFA) for determining how effective the Internal Audit process is. Appendix 1 is the checklist completed by the Audit Manager at Rochford District Council. This was independently reviewed by two senior officers and reported to the Audit Committee in summary on 6 June 2007.
- 3.2 Members are able to see from the checklist the level of detail that is required to support the self-assessment and the scope that the assessment covers. Where there is only partial compliance Internal Audit will be assessing the requirement to determine what can be achieved to reach full compliance or, if it is not considered cost effective, report the decision to remain at partial compliance or even non-compliance. The proposed revision of the Audit Charter is also on this agenda and does address a number of the outstanding actions.

### 4 SUMMARY OF THE ESSEX AUDIT GROUP APPROACH TO THE SELF-ASSESSMENT

- 4.1 Responses were received from eleven out of a possible sixteen Authorities on their approach to the self-assessment. In all cases the CIPFA checklist was used as the base document for the self-assessment and was completed by the Audit Manager.
- 4.2 The next stage requiring an independent review by either independent officers of the Authority, Members and officers, Members only or a peer review varied. No Authority undertook a peer review. Only three Authorities, including Rochford, had an independent officer review before reporting to Committee. The majority reported directly to the Audit Committee or equivalent for the final approval.

- 4.3 All Authorities reported a high level of compliance with the checklist with the requirement to update the Terms of Reference and Audit Strategy being the most common recommendations. This fits in with the Rochford District Council assessment as well.
- 4.4 A discussion was held on the merits of using the Peer Review approach for 2007/08. There was a mixed response to this with most Authorities preferring to continue with their current approach of reporting directly to Committee.
- 4.5 The main concern associated with a Peer Review is related to Managers' time. There would need to be at least two, if not three, people on the panel, which could potentially mean having to set up two panels to provide sufficient cover. The panels would then need to be available to discuss the follow-up for recommendations and required actions.
- 4.6 Another concern is in relation to the interpretation of the CIPFA requirements as there is little guidance available at present. If Authorities did differ on their interpretation there would need to be a process in place to resolve it. At present these issues are discussed openly at the Essex Audit Group as a joint working arrangement and are not connected to the achievement of an assessment.
- 4.7 Some Authorities still need to present the self-assessment to their relevant Committee so were unable to report back Members' views on the approach to an independent review.
- 4.8 In conclusion Authorities were happy to keep their options open but did favour their current approach due to the potential resource requirement associated with a Peer Review. Also the fact that each Authority did have a high level of compliance and were responding to any non-compliance promptly meant it was not considered a high-risk area to warrant significant additional time.

## **5 RISK IMPLICATIONS**

- 5.1 The completion of the self-assessment of the Internal Audit function to determine if reliance can be placed on it is a statutory function and would affect the completion of the Statement on Internal Control if reliance could not be placed on Internal Audit.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Any additional time required to complete the Internal Audit self-assessment would be taken from Audit Plan time.

**7 RECOMMENDATION**

7.1 It is proposed that the Committee **RESOLVES**

- (1) That the current arrangements remain in 2007/08 for determining the self-assessment.
- (2) That the Audit & Process Review Manager remains in contact with members of the Essex Audit Group to give further consideration to a Peer Review following the 2007/08 self-assessment.

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**Background Papers:-**

None

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