

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	26 June 2013
Subject:	Annual Review of the Effectiveness of Internal Audit 2012/13
Report of:	George Hill, Director of Resources
Director:	George Hill, Director of Resources
Lead Member:	Councillor Mrs J M Perez
Number of Appendices:	None

Executive Summary:

This report satisfies the statutory requirement for the Council to review its internal audit function at least annually, based on proper practice as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The report informs Members of the outcome of the 'light touch' review of the effectiveness of Internal Audit as required under the Accounts & Audit (England) Regulations 2011. A 'light touch' review has been undertaken on the basis that, with effect from 1 April 2013, proper practice will be set out in the new Public Sector Internal Audit Standards (PSIAS).

Recommendation:

Members are asked to APPROVE the review process and CONSIDER the outcome of the review of the effectiveness of internal audit.

Reasons for Recommendation:

The Accounts and Audit (England) Regulations 2011 includes the requirement for authorities to review the effectiveness of Internal Audit once a year.

Resource Implications:

None specific to this report.

Legal Implications:

None specific to this report.

Risk Management Implications:

Material non-compliance with the CIPFA Code of Practice for Internal Audit would have a significant impact such as potential adverse comment from our external auditors, and an impact on the level of the external audit fee.

Performance Management Follow-up:

A full review against the new PSIAS will be undertaken during 2013/14 and reported to Audit Committee in June 2014.

Environmental Implications:

None arising directly from this report.

1.0 INTRODUCTION/BACKGROUND

- 1.1** The Accounts and Audit (England) Regulations 2011 includes the requirement for authorities to review the effectiveness of Internal Audit at least annually. The regulations further state that the findings of this review should be included in the Annual Governance Statement (AGS).
- 1.2** CIPFA has established a Code of Practice for Internal Audit in Local Government which is 'proper practice' for the purpose of the regulations; this report considers whether Internal Audit meets the code's requirements, using a checklist produced by CIPFA.
- 1.3** The review has adopted a 'light touch' approach given that a new set of standards, the Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013. The 2013/14 review of effectiveness will measure compliance against these standards and the outcome will be reported to Audit Committee in June 2014. As a reminder to the Committee, a requirement of these standards is that an independent assessment of internal audit's compliance against the standards should be undertaken every 5 years.

2.0 RESULTS OF THE REVIEW**2.1 Compliance with the CIPFA Code**

- 2.1.1** The checklist provided with the Code has been reviewed and the section remains broadly compliant with the Code. There are no areas considered to be of material non-compliance. Audit documentation and procedures will be reviewed during the course of 2013/14 to ensure compliance with PSIAS.

2.2 External Audit reliance on Internal Audit's work

- 2.2.1** The Council's previous auditors, the Audit Commission previously felt able to place reliance on the work of internal audit and no adverse comments have ever been received. Through close work with the new auditors, Grant Thornton, this reliance is expected to continue.

2.3 Audit Committee Function

- 2.3.1** An effective system of internal audit requires that the functions of an Audit Committee are formally and robustly carried out. The Council has an Audit Committee which broadly complies with the CIPFA guidance on Audit Committees. A formal review of the effectiveness of the Committee was last undertaken in 2010. The review was based upon the CIPFA Better Governance Forum publication entitled '*A Toolkit for Local Authority Audit Committees*'. Given the timescale since the last formal review it would be prudent to carry out this again during 2013/14. Early indication from CIPFA is that it is planning to produce a new publication on Audit Committees in the latter part of this year and this may contain an evaluation tool.

2.4 Corporate Improvement Work

2.4.1 Within the 2012/13 Annual Audit Plan was a pot of days to undertake corporate improvement work. These days have been used to take forward areas of corporate work that have stagnated and helps internal audit 'add value' to the organisation. As detailed within the annual report, the following work was carried out:

- update of the corporate signatory list;
- rewrite of the procurement strategy;
- implementation of a new tree management policy and methodology for inspections;
- review of playground inspections; and
- administrative support to the office rationalisation project.

Days have been allocated within the 2013/14 Annual Plan for similar type of work and areas already identified are:

- update of the Corporate Business Continuity Plan;
- review of the duplicate payments report; and
- update of the Staff Handbook.

2.5 Corporate Support

2.5.1 In addition to 'hands on' corporate improvement work, the Internal Audit team provides valuable corporate advice and consultancy to key governance areas. This includes membership of the Project Management Board (to challenge and scrutinise corporate projects), Corporate Governance Group (to help facilitate the effectiveness of risk management arrangements, production of the Annual Governance Statement etc.), the Equalities Steering Group (to help embed the equalities framework). During 2013/14 both the new Procurement Strategy action plan and the Business Continuity action plan has a key action of reviving a corporate group to take these activities forward. It is the intention that internal audit will be represented on both these groups.

2.6 Key Performance Indicators

2.6.1 Performance is regularly monitored by the Performance and Audit Manager and is reported to Members as part of the Internal Audit plan monitoring report which is presented to the Audit Committee on a quarterly basis. There are two key performance indicators : --

KPI	Target	Perf. 2010/11	Perf. 2011/12	Perf. 2012/13
% of audit plan completed	90%	94%	94%	92%
Level of Customer Satisfaction	Good (3)	Good (Score 3.35)	Good (Score 3.42)	Good (Score 3.22)

In addition to the above, internal audit also provide, on a quarterly basis to the Audit Committee, a summary of all essential recommendations that were agreed to be implemented but that remain outstanding as a result of follow-up work undertaken. As an additional note, all internal audit recommendations that were made during the year have been accepted by management.

With regards to customer satisfaction, at the completion of an audit the auditee is asked to complete a questionnaire giving their views over a range of questions (on a scale of 1-4, 1 = Poor; 4 = Very Good) on the audit. In addition to the scoring on the survey forms, the auditee is invited to include any comments they may wish to make about service delivery. These comments form valuable feedback.

2.7 Additional scrutiny

2.7.1 The performance of the section is also reported through the Council's performance management framework. This is reported on a quarterly basis to the Overview and Scrutiny Committee. Monthly meetings are also held with the Lead Member for Corporate Governance to provide an update on internal audit activity and regular meetings are also held between the Performance and Audit Manager and the Director of Resources.

3.0 CONCLUSION

3.1 Taking all the above factors into account, the conclusion is that the Council currently has an effective system of internal audit. A similar opinion has been reached in previous years.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 One of the key performance indicators relates to the use of a client survey.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 Internal Audit Charter.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 None.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

9.1 None.

10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

10.1 None.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 None.

Background Papers: CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

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Appendices: None