

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	25 June 2014
Subject:	Review of Effectiveness of Internal Audit 2013/14
Report of:	Simon Dix, Finance and Asset Management Group Manager (On behalf of the Corporate Governance Group)
Corporate Lead:	Sara Freckleton, Borough Solicitor
Lead Member:	Cllr Mrs J M Perez
Number of Appendices:	1

Executive Summary:

This report satisfies the statutory requirement for the Council to review its internal audit function at least annually, to satisfy criteria in the Accounts and Audit Regulations 2011. The effectiveness of internal audit has been reviewed to give assurance to the Audit Committee that information provided within the internal audit annual report can be relied upon, and used to inform the Council's Annual Governance Statement for 2013/14.

As the basis for this review, a self-assessment was undertaken against the checklist for assessing conformance with the Public Sector Internal Audit Standards (PSIAS) and its Local Government Application Note. This self-assessment has been reviewed by the Council's Corporate Governance Group.

Recommendation:

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 PSIAS could adversely affect the credibility of internal audit leading to limited assurance being placed upon its work.

Performance Management Follow-up:

Actions to improve the effectiveness of internal audit will be reported to the Audit Committee. It is also a requirement of PSIAS (1312) that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

Environmental Implications:

None arising directly from this report.

1.0 INTRODUCTION/BACKGROUND

- 1.1** This report satisfies the statutory requirement for the Council to review its internal audit function at least annually, to satisfy criteria in the Accounts and Audit Regulations 2011. The effectiveness of internal audit has been reviewed to give assurance to the Audit Committee that information provided within the internal audit annual report can be relied upon, and used to inform the Council's Annual Governance Statement for 2013/14.
- 1.2** As the basis for this review, a self-assessment was undertaken against the checklist for assessing conformance with the Public Sector Internal Audit Standards (PSIAS) and its Local Government Application Note. This self-assessment has been reviewed by the Council's Corporate Governance Group. 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 five years.

2.0 RESULTS OF THE REVIEW**2.1 Compliance with Public Sector Internal Audit Standards (PSIAS)**

- 2.1.1** With effect from 1 April 2013, the Relevant Internal Audit Standard Setters (RIASS) has adopted a common set of Public Sector Internal Audit Standards (PSIAS). PSIAS replaces the CIPFA Code of Practice (2006) for Internal Audit. Similar to the previous Code of Practice, there is a supporting checklist to PSIAS that can be used to assess conformance. The standards are divided into two main subsections; attribute standards and performance standards. The checklist itself runs to forty three pages.
- 2.1.2** The team has worked through the checklist during the course of the year and concluded internal audit is broadly compliant with the standards and there are considered to be no areas of material non-compliance. An action plan to strengthen these arrangements can be found at Appendix 1. This position has been endorsed by the Corporate Governance Group. As stated in Paragraph 1.2, an independent assessment of compliance is required to be undertaken every five years.

2.1.3 A key part of the standards (1320) is in relation to a Quality Assurance and Improvement Programme. The whole audit process is supported by quality assurance activities including:

- All audit work (assignment brief, working papers, audit reports) is quality assured by the CAE prior to circulation.
- Use of client surveys.
- Monthly Lead Member updates on Internal Audit activity.
- Internal monitoring of the audit plan including team meetings.
- Basic performance indicators.
- Direct reporting to Chief Executive.
- Quarterly meeting with Deputy Chief Executive on internal audit activity.
- Monthly budget monitoring.
- Networking with others e.g. Cambridgeshire extranet group, Midlands Audit Group.

The above will be documented within the audit manual and this has been included within the action plan referred to in Paragraph 2.1.2. This action plan will therefore be the basis of an improvement programme.

2.2 Audit Committee Function

2.2.1 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*'. During the latter part of 2013, CIPFA issued an updated publication on Audit Committees and included within this is an evaluation tool 'self- assessment of Good Practice'. Once the new membership of the Committee is 'bedded in' then it may be appropriate to review this.

2.3 Corporate Improvement Work and Corporate Support

2.3.1 In addition to the assurance work provided by internal audit, the use of corporate improvement days has been greatly valued within the organisation. These days have been used to take forward areas of corporate work that have stagnated and helps internal audit 'add value' to the organisation.

2.3.2 In addition to 'hands on' corporate improvement work the internal audit team provides regular corporate advice and consultancy to key governance areas. These include risk management, project management, procurement, health and safety, equalities etc. and internal audit are represented on these significant corporate groups. This also enables the team to keep abreast of emerging corporate issues.

2.4 Key Performance Indicators (KPIs)

2.4.1 Performance is regularly monitored during the year 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. 2011/12	Perf. 2012/13	Per. 2013/14
% of audit plan completed	90%	94%	92%	92%
Level of Customer Satisfaction	Good	Good	Good	Good

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. A review of performance indicators is an action within the improvement programme.

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.

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: Public Sector Internal Audit Standards

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Appendices: 1 - Internal Audit Improvement Action Plan 2014/15