

Annual Review of Internal Audit - Proposal

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REASON FOR ITEM

The Accounts and Audit regulations 2011 require that the organisation conduct annually a review of its Internal Audit.

The committee now needs to decide how this review should be carried out for the 2012-13 year.

OPTIONS AVAILABLE TO THE COMMITTEE

To accept the proposal that the Head of Audit carry out a self assessment of Internal Audit for the 2012-13 year; or.

To propose and alternative arrangement

1. INFORMATION

1.1. The Accounts and Audit regulations 2011 require that the organisation conduct annually a review of its Internal Audit. Guidance on what should be included in the review is currently provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its publication, The Code of Practice for Internal Audit in Local Government in the United Kingdom.

1.2. In previous years this review has taken various forms, such as self assessment, review by the committee itself and an external review. Last year an external review was carried out by the Head of Audit at the City of London. This was reported to the committee in June 2013 and included some best practice recommendations. The committee now needs to decide how it would prefer this review to be carried out in 2012-13.

1.3. In August 2012 CIPFA issued a consultation document to ask for local government views on the UK Public Sector Internal Audit Standards (PSIAS); as set of standards agreed by the CCAB accounting bodies and the Institute of Internal Auditors (IIA). The purpose of the PSIAS is to have a set of common standards for internal audit across all the bodies, which align to the overarching IIA standards. The consultation closed on 1 October 2012 and the standard is expected to be issued as a final and applicable by March 2013. Therefore any assessment of internal audit will be against this revised standard. It is expected that CIPFA will issue guidance on compliance in March 2013.

1.4. Officers have reviewed the draft standards and there is nothing fundamentally different from the current standards. It is therefore not expected that there will be substantial deviation from the new standards.

1.5. One point of note in the new standard is that it recommends only a periodic review of Internal Audit, though we will be bound by the Accounts and Audit regulations to carry out an annual review. However, the standard recommends that an independent external review is carried out at least every five years. There are no indications to suggest that this will be any more frequent for local authorities.

1.6. Having had an external review for the last financial year, it is therefore recommended that the assessment in 2012-13 be carried out as a self-assessment by the Head of Audit and that the assessment is against the revised standards.