

## **REASONS FOR REPORT**

The Accounts and Audit Regulations 2003 (as amended 2006) require a review of the systems of Internal Audit.

This report summarised the outcome of the review and provides an action plan for improvement.

## **OPTIONS OPEN TO THE COMMITTEE**

Review the actions and summary of the outcomes.

### **1. INFORMATION**

1.1. The Accounts and Audit Regulations 2003 (as amended 2006) require a review of the systems of Internal Audit. The first review, for the financial year 2006-07, was a self-assessment by the Head of Audit. This was followed by a review by Councillor Elizabeth Kemp in 2007-08 and a peer review by the Head of Audit at Southend on Sea Borough Council in 2008-9.

1.2. Following discussions with the committee the view was that a self-assessment in line with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) would be sufficient for 2009-10.

1.3. The self assessment included a full review against CIPFA's Code of Practice for Internal Audit in Local Government, to check that the previously reported compliance with standards was still in operation.

1.4. For those areas where improvements were identified and an action plan agreed following the 2008-09 review, progress is outlined below. (The actions from the review are at Appendix 1)

1.5. An updated Terms of Reference was approved by this Committee in June 2009 with a further review, containing minor updates, also being approved in March 2010. The main changes were:-

- a requirement for the Head of Internal Audit to produce an annual audit opinion,
- Adding Internal Audit's involvement in contributing to the production of the Annual Governance Statement
- Internal Audit's role in consultancy work
- How Internal Audit resources will be determined

1.6. Establishing a Terms of Reference with partner organisations was not included in the updated Terms of Reference. After considering this proposal, it was considered that as each partner would need to agreed the TOR, it would not necessarily be a straightforward

exercise. No problems had occurred during 2009-10 when audits on the Mental Health Service and S75 Learning Disability Funding which involved partners were undertaken. It was therefore not considered a priority. Contacting LSP partners to identify common areas of interest will be developed over the next few years.

1.7. This Committee undertook a review of its effectiveness in November 2009 and formally reported its findings to the December 2009 meeting. An action plan has been agreed and will be monitored throughout 2010-11.

1.8. Written protocols between Internal Audit and management were not progressed. However, Terms of Reference for each audit are agreed with relevant management and they cover, in broad terms, the protocol to be followed. The protocol with the Corporate Management Team, although not in writing, has been embedded over the last year and is working well.

1.9. The liaison arrangements with Deloitte are included in their Planning Report.

1.10. The Head of Internal Audit conducted sample reviews of audit files in 2009-10 to assess compliance and quality standards. Areas for improvement in respect of recording audit work were identified and brief training sessions have been held during monthly Team meetings.

1.11. A written policy for the retention and destruction of audit documentation, both paper and electronic, was written and incorporated into the Corporate Policy in December 2009.

1.12. Although production of an access policy for audit files and records was agreed as part of the action plan, it was considered that this was not a priority as access to audit reports was governed by Data Protection and Freedom of Information legislation. Also, all audit staff are required to sign up to the Code of Practice which includes guidance on distribution of audit reports. We will develop a formal policy in 2010-11.

1.13. To ensure that any significant risks identified during an audit are incorporated into the council's risk management process, the finalisation checklist has been amended to remind auditors to report to the Risk Management and Insurance Manager. The Risk Manager has a direct reporting line to the Head of audit and emerging issues are discussed at monthly meetings.

1.14. There was an action to include managers in the benchmarking exercise, which is usually undertaken annually. However, we did not participate in the benchmarking exercise in year so the action was redundant.

INTERNAL AUDIT SUMMARY SELF ASSESSMENT& ACTION PLAN: 2008/09 – **UPDATED WITH CURRENT PROGRESS ON 28 MAY 2010**

REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
<b>1: SCOPE OF INTERNAL AUDIT</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
1.1	Terms of Reference	X			Update Term of Reference	Head of Audit	June2009
1.2	Scope of Work	X			Liaise with significant partners in the Local Strategic Partnership to try to establish common Terms of reference, data sharing protocol and the approach to sharing assurance.	Head of Internal Audit	March 2010
<b>4: AUDIT COMMITTEES</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
4.2	Internal Audit's Relationship with the Audit Committee	X			The Committee need to carry out a review of its own effectiveness	Head of Audit	Sep 2009

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<b>5: RELATIONSHIPS</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
5.1	Principles of Good Relationships		X		Develop working protocols with significant partners Internal Auditors:	Head of Audit	March 2009
					a) Draft a working protocol for relationship with CMT b) Negotiate a protocol with Deloitte c) Contact LSP partners to identify common areas of interest.	Head of Internal Audit	Sep 2009 July 2009 July 2009
5.5	Relationships with Other Regulators and Inspectors	X			None. There is no regular liaison with the Audit Commission's Relationship Manager or other inspectors but it is not felt necessary to pursue this.		
<b>8: UNDERTAKING AUDIT WORK</b>							

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REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
8.2	Approach	X			Introduce a cold review of Audit Files to assess compliance with documents and quality standard set	Head of Audit	July 2009
8.3	Recording Audit Assignments	X			Include the specific Internal Audit document retention policies in the corporate guidance.  Formal document and access policy for Audit files and records	Head of Audit	June 2009  Sep 2009
<b>10: REPORTING</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							
10.2	Reporting on Audit Work	X			Formalise reporting of identified audit risks to the Risk Manager.	Head of Audit	Sep 2009
<b>11: PERFORMANCE, QUALITY AND EFFECTIVENESS</b>							
<b>SCOPE OF INTERNAL AUDIT</b>							

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REF	ADHERENCE TO THE STANDARD	Y	P	N	ACTION REQUIRED	RESPONSIBLE OFFICER	DATE
11.1	Principles of Performance, Quality and Effectiveness	X			Review how to engage service managers in completing the CIPFA survey on the whole section performance.	Head of Internal Audit	Sept 2009