

AUDIT COMMITTEE**Agenda Item 46**

Brighton & Hove City Council

Subject: Effectiveness of Internal Audit**Date of Meeting:** 4th November 2008**Report of:** Director of Finance & Resources**Contact Officer:** Name: **Ian Withers** Tel: **29-1323**E-mail: ian.withers@brighton-hove.gov.uk**Wards Affected:** All**FOR GENERAL RELEASE****1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report provides background, process and method by which the Audit Committee can comply with its requirement in considering the outcome of the annual review of the effectiveness of internal audit.

2. RECOMMENDATIONS:

That the Audit Committee approve the process using:

- Self assessment against the CIPFA Code of Practice for Internal Audit in Local Government (2006);
- A peer review with the London Boroughs of Bromley and Bexley;
- Use of performance data and comparison with the results of the IPF Benchmarking Exercise 2008;
- External Audit Review; and
- An Internal Audit Customer Satisfaction Survey.

That two members of the Audit Committee participate in the task group for the review.

That the Audit Committee receives a report at its February meeting providing sufficient evidence and opinion to base the review on. This will also include any improvement actions required.

BACKGROUND INFORMATION

- 3.1 Regulations aiming at strengthening governance and accountability have introduced the requirement to carry out and for the Audit Committee to consider the findings of an annual review of the effectiveness of the system of internal audit. This is a requirement under Regulation 6 of the Accounts and Audit (Amendment) Regulations 2006 that *the body shall*

review the system of internal audit at least once per year and the findings of the review to be considered by a committee of the body.

- 3.2 The Department for Communities and Local Government (DCLG) guidance suggests that for those local authorities that have an audit committee, it is the appropriate group to receive and consider the results of the review as the committee already has oversight of internal audit.

4. Method and Sources of Evidence

CIPFA Code of Practice for Internal Audit in Local Government (2006)

- 4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) last updated its Code of Practice for Internal Audit in Local Government in 2006. It provides a self-assessment checklist for compliance against the professional standards.

External/Peer Review

- 4.2 The Audit Commission has previously raised the issue of being able to demonstrate a good level of independent challenge as part of the review. Some local authorities have used external consultants for this but obviously the monetary cost of commissioning is high. In common with a large number of other local authorities, a reciprocal peer review group has been established with the London Boroughs of Bromley and Bexley.

IPF Annual Benchmarking Exercise for Internal Audit

- 4.3 We currently participate in an annual exercise run by the Institute of Public Finance (IPF) that benchmarks our service against a number of other Unitary Local Authorities. This outcome of this together with other performance data will be used for the review.

External Audit View of Internal Audit

- 4.4 As part of the requirements of the International Standards of Auditing (ISAs) the Audit Commission are required to undertake a full review of Internal Audit every three years, as part of its risk assessment of the council and in order to place reliance on the function. This review was last carried out in 2006.
- 4.5 As part of the Use of Resources element of the Comprehensive Performance Assessment (CPA) the council is assessed on the effectiveness of its internal control. The assessment includes specific key lines of enquiry relating to the council's internal audit.

Internal Audit Customer Satisfaction Survey

- 4.6 An internal audit customer satisfaction survey using methodology prescribed by and run in conjunction with CIPFA. This will focus on the quality and impact of outcomes from audit work.

Review Task Group

- 4.7 A task and finish group is planned to assist and oversee the review. Two members of the Audit Committee are invited to participate in the task group.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

There are no significant financial implications.

5.2 Legal Implications:

Regulation 6 of Accounts & Audit Regulations 2006 require that *the body shall review the system of internal audit at least once per year and the findings of the review to be considered by a committee of the body*

5.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

5.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

5.5 Crime & Disorder Implications:

There no direct implications for the prevention of crime and disorder arising from this report.

5.6 Risk and Opportunity Management Implications:

An effective system of Internal Audit is a key part of the management of risks..

5.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Background Documents

1. Accounts & Audit (Amendment) Regulations 2006
2. CIPFA Code of Practice for Internal Audit in Local Government (2006)

