



OVERVIEW AND SCRUTINY COMMITTEE

Thursday 8 April 2010 at 6.30 pm

Members Lounge, Ryedale House, Malton

Agenda

1 Apologies for absence

2 Minutes

(Pages 1 - 12)

To approve as a correct record the minutes of the last meeting of the Committee held on 18 February 2010.

3 Urgent Business

To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972.

4 Declarations of Interest

Members to indicate whether they will be declaring any interests under the Code of Conduct.

Members making a declaration of interest at a meeting of a Committee or Council are required to disclose the existence and nature of that interest. This requirement is not discharged by merely declaring a personal interest without further explanation.

5 Matters Referred for Decision in Relation to Call-in

6 Responses from Full Council, Policy & Resources Committee and Community Services Committee to reports of the Overview & Scrutiny Committee

ACTING AS OVERVIEW & SCRUTINY COMMITTEE

7 Presentation form Inspector Tim Hutchinson, North Yorkshire Police

ACTING AS AUDIT COMMITTEE

8 Review of the Effectiveness of the System of Internal Audit (Pages 13 - 24)

9 Internal Audit Terms of Reference (Pages 25 - 34)

10 Decisions from other Committees (Pages 35 - 36)

Community Services held on 25 March 2010 (attached)
Policy and Resources held on 1 April 2010 (to follow)

11 Any other business that the Chairman decides is urgent.

12 Exempt Information

It is recommended that under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item as there will be a likely disclosure of exempt information as defined in Paragraph 1 as the information relates to any individual.

13 Review of Property Maintenance Overspend (Pages 37 - 54)

Overview and Scrutiny Committee

Held at Member's Lounge, Ryedale House, Malton
on Thursday 18 February 2010

Present

Councillors Mrs Shields (Chair), Andrews, Mrs L M Burr, Clark, Raper and Windress

In Attendance

Trevor Anderson, Paul Cresswell, James Ingham, Jean Pattison, Louise Sandall, Clare Slater, Susan Shuttleworth and Angela Wood

Minutes

54 Bereavement

The Chairman referred to the recent death of Councillor David Jackson, and a minute's silence was observed as a mark of respect.

55 Apologies for absence

Apologies for absence were received from Councillors Cottam, Cussons and Mrs Wilford.

56 Minutes

The minutes of the meeting of the Overview & Scrutiny Committee held on 10 December 2009 were presented.

Resolved

That the minutes of the meeting of the Overview and Scrutiny Committee held on 10 December 2009 be approved and signed by the Chairman as a correct record.

57 Urgent Business

The Chairman reported that there were no items to be dealt with at the meeting as a matter of urgency by virtue of Section 100(B)(4)(b).

58 Declarations of Interest

No declarations of interest were received.

59 **Matters Referred for Decision in Relation to Call-in**

There were no items to support.

60 **Responses from Full Council, Policy & Resources Committee and Community Services Committee to reports of the Overview & Scrutiny Committee**

There were no matters to report.

61 **Significant Partnerships**

The Head of Transformation submitted a report (previously circulated), the purpose of which was to reconfirm the Council's list of Significant Partnerships, following adoption of the Partnership Protocol and an audit of partnerships.

Members were reminded that the Council had adopted a partnership protocol in order to ensure participation in successful partnerships that had robust governance arrangements. The next phase of the implementation of the protocol had now been completed and an audit of the Council's partnerships had been undertaken. All of the partnerships on the register had been assessed by officers for their level of significance against the following criteria:

- Partnership costs
- Link to council priorities
- Consequences
- Decision making
- Statutory or regulatory context
- Risk

The report set out the best practice checklist included in the Partnership Protocol, based on the CIPFA principles for good partnerships, and these needed to be applied rigorously to the partnerships determined by the Council to be significant.

A Significant Partnerships Risk Register and Risk Action Plan was to be maintained on Covalent to manage the risks associated with the Council's involvement in these partnerships and a table setting out the risks was appended to the report.

In addition, all the Council's Significant Partnerships would be expected to supply the Council with the following information:

- A risk register and action plan to be presented to this committee annually, with particular reference to the partnerships' arrangements for business continuity
- Performance and finance reports from each partnership to be presented to the Community Services Committee (and at any point in the future the Commissioning Board), summarising the performance management arrangements for monitoring and reviewing how successfully services and outcomes were being delivered and the financial performance of the partnership.

During discussion of the report, concern was expressed about the conditions of service of the partnerships' employees and it was agreed that details of pension arrangements would be identified for Members where possible.

Resolved

That the report be received and that the following list of Significant Partnerships as recommended by Officers be endorsed:

- North Yorkshire Audit Partnership
- North Yorkshire Building Control Partnership
- North Yorkshire Concessionary Fares Partnership
- Moors and Coast Tourism Partnership
- Ryedale Strategic Partnership – Incorporating Safer Ryedale

62 Service Risk Register - Finance & Revenues and Customer Services & Benefits

The Corporate Director (s151) submitted a report (previously circulated) presenting the Service Risk Registers for Finance & Revenues and Customer Services & Benefits.

Members were reminded that risk identification and management formed an integral element of organisational management to secure the achievement of the Council's corporate objectives and should form a key part of any budget making decisions.

Service Risk Registers had originally been established from work undertaken by the Audit Partnership in conjunction with Service Unit Managers. However, since the management restructure, the number of registers had been reduced and were now the responsibility of the Heads of Service and their managers.

The Service Risk Registers (SSR) for the Finance & Revenues Service and the Customer Services & Benefits Units were appended to the report. It was envisaged that each register would be presented to this committee on a rotational basis, highlighting changes to risks and work undertaken to mitigate those risks.

Further reports would be brought to the Overview & Scrutiny Committee as the responsible committee for monitoring and evaluating risks within the Council.

The two SSRs were presented by the appropriate Service Managers and were discussed in detail. Sickness absence statistics for 2009/2010 for the Customer Services and Benefits unit were noted.

Resolved

That the report be received.

63 Internal Audit - 2010/11 Audit Plan

The Corporate Director (s151) submitted a report (previously circulated), the purpose of which was to present the Internal Audit Plan for 2010/11 from the North Yorkshire Audit Partnership.

Members were reminded that Internal Audit was a legal requirement for Councils and underpinned delivery of the Corporate Plan and the Council's strategic themes by ensuring that the control environment was reviewed on a structured and logical basis.

The CIPFA Code of Practice for Internal Audit in Local Government identified that the shared interests of the audit committee and internal audit required an effective working relationship. Part of that was the monitoring of progress against the internal audit strategy and plan.

The Audit Manager presented the Internal Audit Plan (appended to the report) which had been drafted using the Partnership's risk assessment model and which set out the work to be covered in the forthcoming year.

Resolved

That the report be received and that the plan appended thereto be endorsed.

64 Internal Audit - Quarter 3 Report

The Corporate Director (s151) submitted a report (previously circulated), the purpose of which was to present the Interim Internal Audit Report covering the period to 31 January 2010 from the North Yorkshire Audit Partnership.

The report provided an assurance statement for the financial systems of the Council, based on the work undertaken to date and past experience and highlighted issues that the audits had identified and provided a summary of these. It also outlined any issues emerging from the audits of the principal financial systems of the Council, together with any significant comments from other audits completed during the year to date.

The Audit Partnership provided the Council with a clear statement of assurance reflecting its opinion of the Internal Control Framework. This was based upon the audits completed, complemented by its existing knowledge and understanding of the control framework.

The report was discussed in detail and Councillor Clark drew attention to what he considered to be a lack of information relating to issues in connection with Property Services. He was of the opinion that the Internal Audit report submitted to Deloitte LLP in November 2009 should have been presented to this Committee. However, the Corporate Director (s151) clarified that the report was not part of the routine work of the Audit Partnership and as such was not to be presented to the Committee. The report from Deloitte's would be considered at the next meeting, which would cover the issues raised in the Internal Audit report.

Resolved

That the Interim Internal Audit Report outlining progress against the approved internal audit plan be noted.

NB Councillor Clark requested that his vote against the above decision be recorded on the basis that he had not had sight of the report completed by the Audit Partnership in November 2009.

65

Annual Governance Statement Action Plan

The Corporate Director (s151) submitted a report (previously circulated) in which Members were informed on progress with the actions identified in the 2008-09 Annual Governance Statement (AGS) action plan.

Members were advised that the purpose of the AGS was to provide a continuous review of the effectiveness of the organisation's internal control and risk management systems in order to give assurance on their effectiveness. This allowed remedial action to take place at the earliest opportunity, thereby improving the internal control framework.

The Action Plan appended to the report set out the current position with comments on the actions proposed in the plan. It was noted that the AGS for 2009/10 would be reported to the Committee in June and would complete the reviews of this action plan as they would be incorporated into the Action Plan for the 2009/10 AGS.

During discussion of the report it was noted that a Code of Conduct for Members had been adopted and signed by all Members as a condition of office and, in response to a Member's question, it was confirmed that Officers would endeavour to present a report on the Code for Officers to the Policy & Resources Committee on 1 April 2010.

Resolved

That the progress with identified actions in the 2008-09 Action Plan be noted.

66 Ryedale District Council Annual Audit Letter

The Chairman welcomed John Ritchie representing Deloitte LLP to the meeting. Mr Ritchie presented a report (previously circulated) in connection with the Council's Annual Audit Inspection Letter.

The report summarised the key matters arising from the work that Deloitte had carried out in respect of the year ended 31 March 2009 and had been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

The report was set out under the following headings:

- Key Messages
- Purpose, responsibilities and scope
- The audit of the accounts
- Value for Money Other Matters
- Closing Remarks

It was noted that there were no material weaknesses and that the Council needed to:

- Continue to focus on meeting the reporting timetable, whilst striving to further improve quality standards of all deliverables and ensuring compliance with the applicable guidance
- Consider appropriate action in respect of the control observations raised in our report to those charged with governance

- Monitor progress against the Use of Resources action plan
- Increase its focus on International Financial Report Standards implementation to ensure that the required timescales are met.

Resolved

That the report be received

67 **Grant Claims and Return 2008/09 Audit Letter**

Mr Ritchie from Deloitte's submitted a report (previously circulated) in connection with the above.

The report gave details under the following headings:

- Grant claims and returns certified for 2008/09
- Adjustments and qualification letters issued
- Commentary on Housing Benefit and Council Tax Claim
- Observations and recommendations arising from certification work
- Closing Remarks

It was noted that there had been two claims requiring judgement. The report also included an analysis of certification fees showing a total of £25,400 for 2009 compared to £16,500 for 2008.

With regard to Housing Benefit and Council Tax claims, reference was made to the Council's proposal to change the benefits software from Civica to Northgate during 2010. The importance of having a project manager for the changeover was stressed. In particular, it was important to take measures during the changeover to provide a full audit trail and enable the audit of the claim to run smoothly in 2010/11.

Members were pleased to note Deloitte's offer to share their experiences of conversion to Northgate in a separate meeting in order to help the process run as smoothly as possible. However, it was considered important that this should take place prior to the Council's implementation of Northgate.

Resolved

That the report be received.

International Financial Reporting Standard

The Corporate Director (s151) submitted a report (previously circulated), the purpose of which was to inform Members of the current position of this Council with regard to the transition to International Financial Reporting Standards (IFRS) and of the likely impact it would have on the Statement of Accounts.

The annual financial statements for this Council and other local authorities were currently prepared using UK accounting standards (UK GAAP). The Government had determined that the whole of the public sector would prepare its accounts using IFRS. Central government and the NHS would be reporting under IFRS in 2009/10 and local authorities from the next financial year 2010/11.

Although IFRS was to be effectively implemented in the 2010/11 financial year, there would be a stepped transition to the production of the Council's Statement of Accounts on a solely IFRS basis and the report included details of the system and the key stages of its implementation, together with an indication of progress that had been made by officers to date.

There would be significant changes to the main statements and the new format would need to be explained to Members at an early stage prior to the submission of the Statement of Accounts for scrutiny. IFRS required more disclosure notes than was currently the case and it was expected that this would result in a significant increase in the size of the Statement of Accounts. Whilst some of the changes would give rise to a change in the net expenditure reported each year, CIPFA had stated that any impact on Council Tax would be mitigated through statutory adjustments.

Resolved

That the contents of the report be noted.

Treasury Management Strategy Statement and Annual Investment Strategy 2010/11

The Corporate Director (s151) submitted a report (previously circulated), the purpose of which was to consider the Treasury Management and Annual Investment Strategies, the Minimum Revenue Provision Policy and set the Prudential Indicators for 2010/11.

In the light of the Icelandic situation in 2008, CIPFA had amended the CIPFA Treasury Management in the Public Services Code of Practice (the Code), Cross-Sectoral Guidance Notes and the template for the revised Treasury Management Policy Statement. It was also a requirement of the Code that this Council should formally adopt the Code and a copy of the revised Code

and the revised Treasury Management Policy Statement were appended to the report.

Details were also given of the arrangements for reporting and approving the Council's Treasury Management Strategy together with a summary of the aims of these arrangements.

Also included in the report were details of changes made by CIPFA to the Prudential Code, primarily covering borrowing and the Prudential Indicators. All indicators were to be presented together as one suite and these were appended to the report.

The report set out in detail the Treasury Management Strategy for 2010/11 covering:

- Treasury limits in force which will limit the treasury risk and activities of the Council
- Current portfolio position
- The borrowing requirement
- Prudential and Treasury Indicators
- Prospects for interest rates
- The borrowing strategy
- Policy on borrowing in advance of need
- The Minimum Revenue Provision strategy
- The investment strategy
- Creditworthiness policy
- Policy on use of external service providers

Resolved

That the report be received.

70 Half Year Risk Management Actions Monitoring Report

The Head of Transformation submitted a report (previously circulated) in which the latest actions being taken to monitor corporate risks were presented.

The Corporate Risk Register appended to the report was developed and managed by the Council's Senior Management Team. All service areas were, therefore, involved in its development through the service delivery planning cycle. Details were set out under the following headings:

- Significant Partnerships
- Capital Programme
- Staff Management
- Affordable Housing

- Procurement
- Health and Safety
- Business Continuity Planning
- Governance Arrangements
- Major Incident
- Council Assets
- Customer Expectations
- Fraud and Corruption
- Data Quality
- Delivering Efficiencies

Risk identification and management was an integral element of organisational management to secure the achievement of the Council's corporate objectives. Risk Management should also form a key part of any budget making decisions. It was considered that the risks within the corporate risk register were all being managed effectively within no significant levels of risk currently identified.

Resolved

That the report be received and that the actions taken by officers in monitoring and mitigating the risks within the Corporate Risk Register be endorsed.

71 Customer Complaints - Quarter 3

The Customer Services and Benefits Manager submitted a report (previously circulated) in which Members were informed of the number and type of complaints received under the Council's complaint procedure for the period October-December 2010.

The report included complaints monitored under individual service complaints systems and a summary of customer feedback to Community Leisure Ltd (CLL) for the period October-December 2009, together with action taken where appropriate.

During discussion of the report a Member drew attention to the low level of customer feedback relating to Derwent Pool compared to that for Ryedale Pool and it was agreed that ways of improving this be investigated.

Resolved

That the report be noted

Sickness Absence Review (Consideration of Task Group 10 February 2010)

The Head of Organisational Development submitted a report (previously circulated) summarising the key points from UNISON's presentation on 10 February 2010 to the Overview & Scrutiny Task Group. This report was to be read in conjunction with the paper UNISON had supplied to Members on 10 February 2010.

Members were reminded that UNISON had presented six subjects for consideration when reviewing sickness absence and the report now submitted gave details of UNISON's suggestions together with Management's responses, which were broadly supportive of the proposed amendments. Details were set out under the following headings:

- Data Collection and Analysis
- Setting Targets
- The Use of Incentives – Rewards and Penalties
- Intervention and Support
- Positive Work Environment
- Management of Attendance Policy

The report was discussed in detail and Members expressed appreciation for the way that UNISON had participated in the exercise, which they considered had resulted in a positive outcome.

However, concern was expressed about the amount of time worked by some members of staff over and above that for which they were paid. The Head of Organisational Development reported that this had been previously investigated and only a few isolated examples were identified and in each case the relevant manager was informed and asked to monitor the situation.

A view was also expressed that there should be provision for Member involvement in the proposed Health and Well Being Group and/or the Joint Health and Safety Committee. It was clarified that, under the terms of the Constitution, this was not within Members' remit.

It was noted that a representative from Selby District Council would be attending the next meeting of the Committee to report on their approach to the issue of Sickness Absence.

Resolved

That the report be received and that the management response to the UNISON suggestions be noted.

73 **Decisions from other Committees**

Lists of Decisions from the following Committees were submitted:

Community Services Committee held on 28 January 2010
Special Policy & Resources Committee 4 February 2010

Resolved

That the lists of decisions of the Community Services Committee held on 28 January 2010 and the Policy & Resources Committee held on 4 February 2010 be received.

74 **Any other business that the Chairman decides is urgent.**

There were no urgent items



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	8 APRIL 2010
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 This report presents the Annual Review of the Effectiveness of the System of Internal Audit from the North Yorkshire Audit Partnership for approval.

2.0 RECOMMENDATION

- 2.1 It is recommended that the attached report for 2009/10 be approved.

3.0 REASON FOR RECOMMENDATION

- 3.1 To ensure that the Council to meet its statutory requirements.

4.0 SIGNIFICANT RISKS

- 4.1 There are no significant risks.

REPORT

5.0 BACKGROUND AND INTRODUCTION

- 5.1 The Accounts and Audit Regulations 2003 require all Councils to annually review their systems of internal control and to provide an adequate and effective Internal Audit function.

- 5.2 The amendment in SI 2006/564 introduced a new requirement to undertake an annual review of the effectiveness of the system of Internal Audit on an annual basis. The amendment to Regulation 6 is as follows:

- 6(3) the relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit.

6(4) the findings of the review ... shall be considered, as part of the consideration of the system of internal control ... by the (relevant) committee ...”

5.3 It was agreed that this committee should act as an Audit Committee for the Council and, therefore would be the body to receive these reports.

5.4 This report presents the Review of Effectiveness Report for the period 1 April 2009 to 31 March 2010 from the North Yorkshire Audit Partnership.

6.0 POLICY CONTEXT

6.1 This report supports the Council’s requirement to comply with all legislation. It also supports the Corporate Strategic Objective to know our communities and meet their needs.

7.0 CONSULTATION

7.1 The review requires that the Council reviews its system of Internal Audit. Primarily this is the service provided by the North Yorkshire Audit Partnership to the Council.

7.2 To reach an assessment of the effectiveness the Partnership has undertaken a survey of the principal recipients of Internal Audit, the Chief Executive, Strategic Directors, and Heads of Service.

7.3 Therefore this is the consultation that has been undertaken.

8.0 REPORT DETAILS

8.1 The Report, detailed in annex A, sets out the methodology applied and the results of the work. At present there is only limited guidance. This will evolve as will the opinion from the Council’s external auditors who will consider this report as part of their work examining the validity of the Council’s AGS (Annual Governance Statement).

8.2 This report highlights progress with issues identified in the self-assessment undertaken last year and matters that the service unit manager surveys identify. It forms an important part of the overall control framework, and is a component of the Annual Governance Statement.

8.3 The self-assessment undertaken indicates that the service provided by the Partnership meets all the aspects of the CIPFA code. It is anticipated that this will be re-affirmed in 2010/11 through the external auditor’s tri-ennial review. As with any such review there will always be areas that could be improved and this is no different. These have been outlined in the self-assessment.

8.4 The results of the survey of principal clients indicate an overall assessment of effectiveness scoring 99% (97% 2008/09; 93% 2007/08; 98% 2006/07) at the median or above.

8.5 Previously the identified weaker area is the involvement of internal audit with ‘new and developing projects’. Clearly this is an area where internal audit are now being invited to participate. It is hoped that Heads of Service agree to continue this in future.

8.6 The annual Internal Audit report to the committee in June will complete the review, as

it will include the key performance indicators.

- 8.7 Overall the report provides an assurance that the internal audit service provided through the partnership does, indeed, meet the criteria for an effective system of internal audit.

9.0 IMPLICATIONS

9.1 The following implications have been identified:

- a) Financial
There are no financial implications.
- b) Legal
The only implication is that the review is a mandatory requirement.
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None.

Paul Cresswell
Corporate Director (s151)

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Background Papers:

None

Background Papers are available for inspection at:

N/a

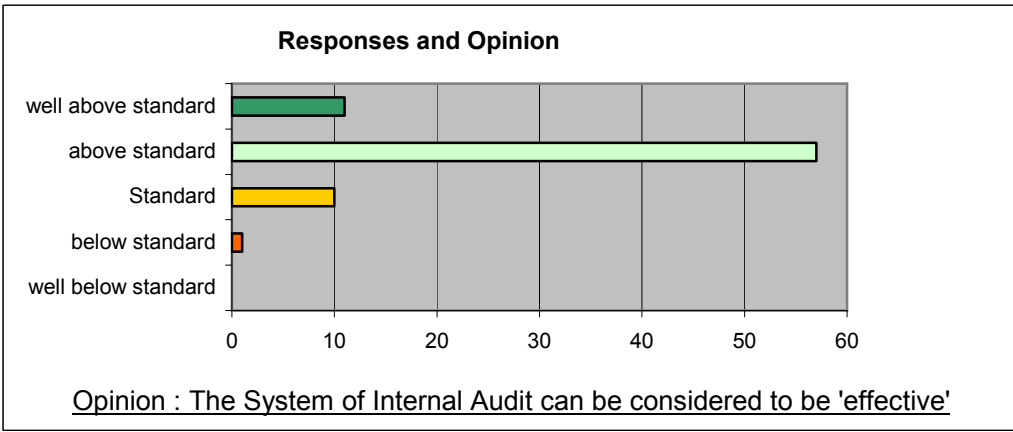
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Independent Assurance

Internal Audit Report

Ryedale District Council
Accounts & Audit regulation 6
Review of the Effectiveness of the System of Internal Audit
March 2010



Auditor : James Ingham CPFA

Circulation list: Members Overview & Scrutiny Committee
 Chief Executive
 Corporate Director (s151)

CONFIDENTIAL

SUBJECT: REVIEW OF EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2008/09

1. Introduction

- 1.1 The Accounts and Audit Regulations 2003 require all Councils to annually review their systems of Internal Control and to provide an adequate and effective Internal Audit function.
- 1.2 The regulations were added to with the issue of circular SI 564/2006. This required, inter alia, that the council undertake an annual review of the effectiveness of its system of internal audit, and to present the results of that review to the appropriate committee.
- 1.3 It has been established that the Overview & Scrutiny Committee of the Council receive reports on the Annual Governance Statement (AGS), and associated matters. Therefore it is the appropriate committee to receive, consider, review, and approve the report on the Review of Effectiveness of the System of Internal Audit.

2. Background and Issues

- 2.1 Internal audit at the Council is provided through the North Yorkshire Audit Partnership (NYAP) who provide the internal audit function.
- 2.2 The Partnership team comprises of the Head of Partnership, with Audit Managers, and audit staff.
- 2.3 The Partnership works principally with the Corporate Director (s151) and in 2009/10 provided a planned audit service to the council. The Internal Audit plan comprised 265 days.
- 2.4 Additional to that plan is a provision of 'up to 35 days' to provide support to the Council's Risk Management processes.
- 2.5 The Partnership works to the Cipfa Code of Practice for Internal Audit in Local Government (the CoP). The code has been reviewed and revised with the latest version issued in December 2006.
- 2.6 The code defines internal audit as: -

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The control environment is defined as comprising the systems of governance, risk management, and internal control.

- 2.7 The code sets out 11 standards for internal audit.
- 2.8 Of the 11 standards one is Performance and effectiveness. The remaining 10 relate to audit management, audit process, and audit relationships within the organisation.
 - a) Audit Mgt Independence; Ethics; Staffing Training & CPD;
 - b) Audit Process Scope; Audit Strategy & Planning; Undertaking audit work; Due Professional Care; Reporting
 - c) Audit Relationships Audit Committees; Relationships;

- 2.9 The code does try to define an effective internal audit, as being one which should 'aspire to' the following: -
- understand the whole organisation, its needs and objectives;
 - understand its position in respect to the organisation's other sources of assurance and plan its work accordingly;
 - be seen as a catalyst for change at the heart of the organisation;
 - add value and assist the organisation in achieving its objectives;
 - be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact;
 - be innovative and challenging;
 - help to shape the ethics and standards of the organisation;
 - ensure the right resources are available – recognising that the skills mix, capacity, specialisms and qualifications/experience requirements all change constantly;
 - share best practice with other auditors;
 - seek opportunities for joint working with other organisations' auditors.
- 2.10 An assessment of the position of the Partnership internal audit in respect of these aspirational effectiveness criteria is set out in Appendix 2.
- 2.11 With this background the issue is to determine what a Review of Effectiveness (RoE) is, and how it should be undertaken.
- 2.12 Guidance has been issued by the DCLG that is non-prescriptive. It therefore leaves councils to determine their own methodology. As the review has to be reported to the council (normally the Audit committee or equivalent) the scrutiny will be there and through the external auditor's review of the AGS.
- 2.13 It is neither practicable nor possible to use the annual external auditor's opinion in their audit letter though their tri-ennial review would probably be sufficient.
- 2.14 The RoE review is annual, and the regulation does not specify a fiscal year. Therefore the review has been undertaken between Feb and March to avoid adding further to the year-end maelstrom of tasks.
- 2.15 Cipfa have now prepared some guidance to practitioners through the Audit Panel and this has been considered in the preparation for and the execution of the review.
- 2.16 One key principle for which there has yet to be a conclusive definition is the 'system of internal audit'. Therefore this review has focused on the Internal Audit function rather than take a much wider view that is espoused by some, to include the overall control framework, and the Audit Committee itself.
- 2.17 I consider that this wider definition more properly falls within the range of the AGS.
- 2.18 The general consensus is that until custom and practices have evolved further then a practical way of exercising this RoE is to undertake a self-assessment against the Cipfa code, and to undertake a survey of Directors and Heads of Service to determine their opinion of the effectiveness of the system of internal audit.
- 2.19 For the 2009/10 review we have continued with three-strand approach already established. Firstly to review the self-assessment undertaken, and primarily to consider what action has been taken to resolve the points arising, which were endorsed by the Overview & Scrutiny committee. Secondly we will re-perform the survey to see if there has been any material change in opinion over the intervening period and thirdly to note the performance of the internal audit team, in 2009/10 as reported to the committee.

- 2.20 The self-assessment completed highlighted specific areas where there could be improvement which were: -
- We need to consider establishing a formal Audit Strategy and Terms of Reference.
 - ↳ *This has been discussed with the Corporate Director (s151) and there is a report elsewhere on the agenda setting out these for the Partnership, which assists in its relationship with the Council.*
 - Encouraging greater inclusion of internal audit with new and developing projects.
 - ↳ *This has been an issue in all the surveys undertaken to date. There are some signs of an increasing acceptance that Internal Audit can play a valuable role with new projects and a gradual increase in the invitations to participate.*
 - Including in the individual audit reports an opinion, which would then contribute to the overall opinion presented as part of the Annual Report to the Audit & Governance Committee.
 - ↳ *The revision of the report format to include an opinion was actively considered, and the North Yorkshire Audit Partnership, has now developed a new report format for use across the Partnership. This format has been introduced from 1st April 2009.*
- 2.21 The results of the survey (8 responses from 10 invitations) are attached as Appendix 1. They indicate that overall there is a high level of satisfaction and by logical extension, effectiveness. One area that has a low 'score' is the involvement of internal audit with 'new and developing projects'. Clearly this is an area where internal audit need to be invited to participate. We would hope that your heads of service and project managers agree to consider this in future.
- 2.22 A second area, and perhaps of some concern is the view expressed by a couple of respondents that the audits did not give Heads of Service a better understanding of control systems and risks in their service areas. This will be taken up with the heads concerned and as a general point for the Partnership to improve the quality of the audit and associated reports issued.
- 2.23 The results largely correspond with the analysis of the self-assessment.
- 2.24 Reports are submitted regularly to the Overview & Scrutiny committee setting out the performance of the Partnership in providing the internal audit service, and reporting progress against the audit plan.
- 2.25 In 2009/10 there has been a recurrence of the loss of time (resources) due to long term illness. However the Partnership has been able to re-arrange resources, which has enabled the team to achieve reasonable progress against the internal audit plan. This should assist in delivering reasonable full year results.

3. Consultation

- 3.1 Views have been sought from Deloitte & Co. the Council's appointed external auditors, who will, through their review of the AGS will also take this RoE review into account. However, as they will undertake that role, there is, understandably reluctance on their part to give definite guidance or opinion.
- 3.2 Opinions have also been sought within the North Yorkshire Chief Internal Auditors Group and the current collective view is not consensual. This is no doubt because established custom has yet to evolve for this required review.
- 3.3 The Head of Partnership (NYAP) has taken part with colleagues from Cipfa and IPF in the drafting and publication of initial guidance to practitioners, under the IPF/Cipfa 'Rough

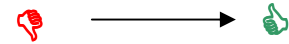
Guide' branding. This does mean that the Partner Councils are probably at the leading edge of developments with this RoE review.

4. Assessment and Conclusion

- 4.1 The review provides an overall opinion and assurance that the System of Internal Audit as defined above can be considered as effective.
- 4.2 Issues identified last year in the self assessment have been taken into consideration and will be actively pursued in this year.
- 4.3 Performance, must be judged as satisfactory.
- 4.4 The results of the survey indicate an overall assessment of effectiveness scoring 99% at the median or above for the assessment ~ (97% 2008/09; 93% 2007/08; 98% 2006/07).
- 4.5 It does, however, point up some weak areas, though not significant, to do with the relevance of IA, did it 'add value or assurance'; looking at risk areas adequately; and the 'involvement of Internal Audit with new and developing projects'. This is consistent with results at other councils, notably at District level.

Ryedale District Council 2009/10

[8 responses]



1. Did we involve you sufficiently in setting the internal audit plan?
2. Was the Internal Audit (IA) approach professional, in terms of making arrangements, undertaking the audit, and working with your staff?
3. Was the audit report format in a style that you found clear, and easy to understand?
4. Did the audits and their reports raise concerns over control systems clearly and concisely?
5. Were the audits relevant and add assurance or value?
6. Did the audits give you a better knowledge and understanding of control systems and risk in your service areas?
7. Do you consider that the audits looked at your risk areas adequately?
8. Do you consider that we were sufficiently involved with your new and developing projects?
9. Has the contribution of IA given you enough assurance for the Annual Governance Statement?
10. In your considered opinion, has IA been 'effective'?

		1	5	1
			7	1
			6	2
		1	6	1
		1	6	1
		3	5	
		1	6	1
	1	2	5	
			6	2
		1	5	2
	1	10	57	11
	1	13	72	14

Totals

Percentages

Figures in brackets are prior year results:- (2008/09; 2007/08; 2006/07)

86%
(73; 74; 75)
99%
(97; 93; 98)

CIPFA CoP –Characteristics of Effectiveness that an effective Internal Audit should aspire to:-

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
Understand the whole organisation, its needs and objectives.	The audit plan demonstrates how audit work will provide assurance in relation to the authority's Activities (and so indirectly to the objectives). Individual audit assignments identify risks to the achievement of those activities (and so indirectly to the objectives of the Council).	
Understand its position in respect to the organisation's other sources of assurance and plan its work accordingly.	Internal audit identifies other sources of assurance and takes this into account when preparing the internal audit plan.	Monitor and improve the IA governance and assurance arrangements where there are joint service delivery arrangements, e.g. payroll.
Be seen as a catalyst for change at the heart of the organisation.	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics. Supportive role of audit for individual projects may be catalyst for change.	Selling the message of the benefits of IA involvement to line management. Controls assurance and the AGS / assurance statement. Identified need to extend the role of IA in new and developing projects.
Add value and assist the organisation in achieving its objectives.	Demonstrated through individual audit assignments and also corporate work.	Identified need to extend the role of IA in new and developing projects.
Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.	When identifying risks and in formulating the plan changes on the national agenda are considered. The Partnership maintains awareness of new developments in the services it audits, risk management and corporate governance.	
Be innovative and challenging	Internal audit has taken a positive approach to its reporting arrangements by focusing on risks, and using a brief report style.	The report format has been reviewed and a revised style has been used since 1 st April 2009.
Help to shape the ethics and standards of the organisation.	Currently involved in KLOE/UoR and any review of the Constitution (contract procedure rules).	Involvement by IA in Review of the constitution, and associated policies
Ensure the right resources are available – recognising that the skills mix, capacity,	Resources for Internal Audit are limited by budget constraints. Currently the IA plan is driven by this constraint. Arrangements are in place to review the	May need to consider an audit needs analysis and be aware of any difference between ideal and cost driven

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
specialism and qualifications/experience requirements all change constantly.	future need for external specialist input on IT audit.	resources.
Share best practice with other auditors.	NYCIA and benchmarking groups. Team briefings. Personal links with auditors elsewhere.	Maybe develop some joint training seminars.
Seek opportunities for joint working with other organisation's auditors.	Always a consideration. NYAP exists. Joint working now includes 5 of the 7 NY Districts, leaving only the Harrogate and Craven, the other two district councils. The likelihood of their joining the Partnership is remote.	Bear in mind future changes and the potential to link (or merge) with Veritau (the City~County partnership) to deliver a pan North Yorkshire IA team.



REPORT TO: OVERVIEW AND SCRUTINY COMMITTEE

DATE: 8 APRIL 2010

REPORT OF THE: CORPORATE DIRECTOR (s151)
PAUL CRESSWELL

TITLE OF REPORT: INTERNAL AUDIT - TERMS OF REFERENCE

WARDS AFFECTED: ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 This is a report to committee to present Terms of Reference for the Audit Partnership in delivering the Internal Audit for Ryedale DC.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Internal Audit Terms of Reference set out in the attached report for 2010/11 be approved.

3.0 REASON FOR RECOMMENDATIONS

3.1 To more clearly define the relationship between the Council and the Partnership. Secondly to resolve one of the outstanding matters from the self-assessment undertaken as part of the Accounts & Audit regulation 6 review (of the Effectiveness of the System of Internal Audit)

4.0 SIGNIFICANT RISKS

4.1 There are no significant risks.

REPORT

5.0 BACKGROUND AND INTRODUCTION

5.1 The Accounts and Audit Regulations 2003 require all Councils to annually review their systems of internal control and to provide an adequate and effective Internal Audit function.

5.2 The last review identified that the Partnership, whilst in a well established and mature relationship with the Council does not have formal Terms of Reference.

5.3 Part of the CIPFA Code of Practice for Internal Audit in Local Government is guidance that the Council should have terms of reference for its internal audit. This report now presents Terms of Reference for the Partnership in its provision of internal audit to the Council.

5.4 The Council's External Auditors will be undertaking their tri-ennial review of the work of the North Yorkshire Audit Partnership during 2009/10. To date they have been able to place reliance on the Partnership's work as part of their audit of the Council's activities. So far they have not made reference to the lack of formal Terms of Reference and have been satisfied that the relationship is working well.

6.0 POLICY CONTEXT

6.1 This report supports the Council's requirement to comply with all legislation. It also supports the Corporate Strategic Objective to know our communities and meet their needs.

7.0 CONSULTATION

7.1 As the report is to the Overview and Scrutiny (Audit) Committee, no consultation other than discussions with the Corporate Director (s151) has taken place. As the NYAP client officer for the Council and as the Chief Financial Officer of the Partnership he is the principal point of contact and thereby has a keen interest in developing the relationship through these Terms of Reference.

8.0 REPORT DETAILS

8.1 The Terms of Reference (ToR) have been drafted and are attached as an appendix to this report.

8.2 They set out a number of areas, including Responsibilities & Objectives; Reporting Lines & Relationships; Independence & Accountability; amongst others.

8.3 These ToR define the working relationship between the Council and NYAP (North Yorkshire Audit Partnership).

8.4 The Internal Audit Strategy is attached as an Appendix.

8.5 The ToR together with the IA strategy have enabled the development of the IA plan for 2010/2011 and through to 2013/2014. The IA plan was reported to the last Overview and Scrutiny Committee.

8.6 The approval of the Terms of Reference for Internal Audit is an important function for the committee and is an outcome that is tangible. Best practice recommends that the ToR are reviewed annually and are presented to the committee for approval each year. As there is a link to the IA strategy and IA plan it is logical that the documents and plan are considered together.

8.7 Therefore it is anticipated that from next year the Terms of Reference, Strategy and Internal Audit Plan will be presented in a single report.

9.0 IMPLICATIONS

9.1 The following implications have been identified:
a) Financial

There are no financial implications.

- b) Legal
There are no legal implications.
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None.

Paul Cresswell
Corporate Director (s151)

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Background Papers:

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

Background Papers are available for inspection at:

Available for inspection from the Head of Partnership and a copy is with the Audit team in Ryedale House.

North Yorkshire Audit Partnership

Ryedale District Council ~ Internal Audit

Terms of Reference

1.0 Responsibilities and Objectives

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control, and governance by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates, and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient, and effective use of resources.
- 1.2 The Corporate Director (s151) has responsibility to ensure that there is an effective system of internal control and determines the level of internal audit work undertaken in any year.

2.0 Reporting Lines and Relationships

- 2.1 Internal Audit is provided through the North Yorkshire Audit Partnership (NYAP; or Partnership), a joint service arrangement.
- 2.2 The Head of Partnership is ultimately responsible for Internal Audit at Ryedale DC. There is also an Audit Manager who manages internal audit at Ryedale DC. The Head of Partnership and Audit Manager liaise with the Corporate Director (s151).
- 2.3 The Council has an Overview & Scrutiny (Audit) Committee and the Partnership reports to the Overview & Scrutiny (Audit) Committee on a quarterly and annual basis, through reports from the Corporate Director (s151). The reports include an 'opinion' from the Partnership on the adequacy and effectiveness of risk management and internal control within the authority.
- 2.4 The Overview & Scrutiny (Audit) Committee is responsible for endorsing the Annual Audit Plan. The quarterly and annual reports from the Partnership show progress against the Plan and include a summary of audit work over the period.
- 2.5 The Overview & Scrutiny (Audit) Committee Chairman is able to meet separately and privately with the Partnership, when requested.

3.0 Independence and Accountability

- 3.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations, are free from any conflicts of interest and do not undertake any non-audit duties. To this end, the Partnership has adopted a **Policy Statement on Auditors' Independence**, which is included as an appendix to these terms of reference.
- 3.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Partnership needs to have continual direct access to Council records, officers and reports and the ability to report independently and impartially if required
- 3.3 Accountability for the response to the advice and recommendation of Internal Audit lies with Directors and Heads of Service, who either accept and implement the advice or choose another course of action on a risk assessed basis.

4.0 Statutory Role

4.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2003 (as amended in 2006), which state in respect of Internal Audit that:

“A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

Any officer or member of a relevant body shall, if the body requires—

(a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and

(b) supply the body with such information and explanation as that body considers necessary for that purpose.”

4.2 The statutory role is recognised and endorsed within the Council’s Constitution, which provides the Partnership with authority for access to all staff, records and property of the Council at all times, and right to require such explanations as are considered necessary to satisfy the Partnership of the correctness of any matter under examination. In addition, the Partnership shall have the right of access to any Chief Officer of the Council, members of the Council and to any Committee of the Council.

4.3 This authority is deemed to extend to all joint working arrangements, private funds, records etc that relate to the Council or are held on any of the Council’s premises and upon which employees of the Council work, during their working hours or as part of their duties.

4.4 In addition, the Council’s Constitution contains the following provision, which requires that every formal contract shall contain a clause: “securing the right of the Internal Audit Service to properly discharge its duties generally and as may be prescribed in the Financial Procedure Rules.”

5.0 Consultancy or Advisory Reviews

5.1 Internal Audit perform consultancy or advisory reviews on an ad hoc basis outside of the annual audit plan, as requested by management. Reports from this type of work contain findings, audit views, and recommendations and inform the overall opinion on the adequacy and effectiveness of internal controls.

6.0 Internal Audit Standards

6.1 There is a statutory requirement for Internal Audit to work in accordance with the ‘proper audit practices’. These ‘proper audit practices’ are in effect ‘the Standards’ for local authority internal audit. The guidance accompanying the Accounts and Audit Regulations 2003 (as amended in 2006), makes it clear that the Standards are those shown in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The CIPFA Standards have been adopted by Internal Audit.

7.0 Internal Audit Scope

7.1 The scope for Internal Audit is ‘the control environment comprising risk management, control, and governance’. This means that the scope of Internal Audit includes all of the Council’s operations, resources, services, and responsibilities in relation to other bodies. This description shows the very wide potential scope of Internal Audit work.

- 7.2 In order to turn this generic description into actual subjects for audit, the Partnership uses a Risk Assessment Method, which allows all high-risk subjects to be identified. This risk assessment includes an assessment of the effectiveness of the systems of internal audit, reviewing the adequacy and effectiveness of risk management and reviewing corporate and directorate risk registers. Although this process inevitably identifies the Council's fundamental financial systems as being 'high risk', other non-financial systems and functions are also identified as important areas for review by Internal Audit, for example Information Governance.

8.0 Internal Audit Resources

- 8.1 The Cipfa Code of Practice recommends that Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels, and experience, having regard to its objectives and to the Standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Partnership is responsible for appointing its staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Partnership undertakes a continuous review of the development and training needs of its entire staff in order to identify any necessary in-service training covering both internal and external courses, reading, research and on-job training. Staff are encouraged to pursue qualifications relevant to their work.

- 8.2 The Partnership is responsible for ensuring that it provides adequate resources to meet its responsibilities and achieve its objectives. If a situation arises whereby it is concluded that resources are insufficient, this will be formally reported to the Corporate Director (s151) and to the Overview & Scrutiny (Audit) Committee.
- 8.3 Where necessary, to provide an adequate, effective and professional service, the Partnership may request appropriate specialists from other sources to advise in connection with any audit of VFM or study requiring specialist knowledge, or buy in resources from external sources to supplement internal resources.

9.0 Fraud and Corruption

- 9.1 Managing the risk of fraud and corruption is the responsibility of Chief Officers. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal Audit may be requested by management to assist with fraud related work, and has auditors with appropriate fraud investigatory skills.
- 9.2 The Partnership advises Directors and Heads of Service on fraud and corruption issues.
- 9.3 There are arrangements in place to ensure the Partnership is informed of all suspected or detected fraud, corruption or improprieties so that they can consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for the opinion on the internal control environment.

10.0 Reporting Accountabilities

- 10.1 All audit plan assignments will be the subject of formal reports, and include an 'opinion' on the adequacy and effectiveness of risk management and internal controls in the area that has been audited. Such reports will be issued by the Partnership.

- 10.2 Draft reports will be sent to management responsible for the area under review for agreement to the factual accuracy of findings, for consideration of any audit recommendations therein and in order that a plan of action to address any agreed recommendations may be formulated.
- 10.3 After agreement, the reports will be issued to the relevant Head of Service with copies sent to relevant managers and to the Corporate Director (s151). The Overview & Scrutiny (Audit) Committee may request sight of planned audit reports.
- 10.4 All audit reports issued are accompanied by a recommendation proforma, which managers are required to complete and return to Internal Audit, confirming the implementation of recommendations, and providing evidence of their implementation as necessary.
- 10.5 Where a recommendation is not accepted, this will be reported to Overview & Scrutiny (Audit) Committee with an explanation of the reason for not accepting it, for the Committee's consideration.
- 10.6 Any reports containing a recommendation (essential or above) are subject to follow-up at the agreed implementation date, and the results reported to Overview & Scrutiny (Audit) Committee.
- 10.7 Recommendations (useful) are subject to a follow-up audit, normally within six months of its issue (if the recommendation proforma has not been returned), in order to ascertain whether the action stated by the responsible managers in their response to the report has been implemented.
- 10.8 Results of the follow-up of audit recommendations are reported to Corporate Management Team (this proposal to be confirmed).

11.0 Responsibilities

- 11.1 In meeting its responsibilities, Internal Audit activities will be conducted in accordance with Partnership standards. In addition, internal auditors shall comply with the Code of Ethics and the Code of Practice for Internal Audit in Local Government issued by the Chartered Institute of Public Finance and Accountancy and other such professional bodies of which internal auditors are members.
- 11.2 Co-operation between Internal Audit and the Council's external auditors will be encouraged, and joint working arrangements which respect the different objectives of the two sets of auditors will be established, to maximise the benefit of the combined resource. Internal Audit will co-ordinate with the work of the external auditors for audit planning and assisting the external auditors as required ensuring that appropriate reliance can be placed on Internal Audit's activities.
- 11.3 Internal Audit will work in partnership with other bodies to secure robust internal control that protect the Council's interests.

12.0 Amendments to the Terms of Reference

These terms of reference will be reviewed annually to ensure their relevance is maintained. Amendments will be subject to the approval of the Overview & Scrutiny (Audit) Committee.



North Yorkshire Audit Partnership Internal Audit Service Policy Statement ~ Auditors' Independence

Introduction

In compliance with the Code of Practice for Internal Audit in Local Government, internal auditors must at all times maintain and be able to demonstrate their independence. They must be fair and must not allow prejudice or bias, conflict of interest or the influence of others to override their judgement and actions.

To do this, auditors need to be objective. Objectivity is exercised when auditors make judgments based upon all the available evidence, not depending on, or influenced by, personal opinions or prejudices, or by inappropriate pressure or influence.

Relationships

Some relationships may allow the prejudice, bias, or influence of others to threaten that objectivity. It is impossible to define and prescribe all such situations and relationships where these possible pressures exist. Reasonableness should prevail in identifying circumstances and relationships that are likely to, or appear to, impair an auditor's objectivity.

For this reason, when being allocated to an audit assignment auditors should inform their supervisor of situations

- Where a member of the client's staff is their spouse or partner
- Where a member of the client's staff is related to them or to their spouse or partner
- Where a member of the client's staff is a friend or neighbour
- Any other circumstances in which an outside person could prejudice the auditor's independence.

The supervisor, together with the Audit Manager will then determine whether that member of staff should carry out the planned assignment or whether the impairment to their objectivity is such that another auditor should undertake that assignment.

Previous duties

Objectivity may also be impaired where audit staff have previously worked within the section whose work is being reviewed, or have had authority or responsibility for the section. Therefore, auditors will not be permitted to undertake audit duties until a reasonable period of time has elapsed. A 'reasonable period' of time will normally be taken to be twelve months, or any such period as the Chief Internal Auditor shall decide in any particular circumstances.

Rotation of duties

In order to ensure objectivity the work assignments of internal auditors should be rotated from time to time where this is possible.

North Yorkshire Audit Partnership

Internal Audit Strategy

- 1.1 The objectives of Internal Audit have been set out in the Internal Audit Terms of Reference. Each year Internal Audit undertakes an annual audit risk assessment and planning process culminating in a plan which is then agreed with the Corporate Director (s151) and submitted for the endorsement of the Overview & Scrutiny (Audit) Committee.
- 1.2 The purpose of the audit strategy is to put in place an approach that will enable Internal Audit to be managed in a way, which will facilitate:
- How the service is delivered to the Council to ensure a value for money service.
 - The provision to the Section 151 officer and the Overview & Scrutiny (Audit) Committee of an overall opinion each year on the Council's risk management, control and governance, to support the Annual Governance Statement.
 - Audit of the Council's risk management, control, and governance systems through annual audit plans in a way, which affords suitable priority to the Council's strategic ambitions, values, objectives, and risks.
 - The identification of adequate audit resources with the appropriate skills required for delivering an audit service, which meets required professional standards. This could be achieved by the use of partnership and/or external resources.
 - The relative allocation of resources between assurance, fraud related and consultancy services provided by internal audit.
- 1.3 The current strategy:
- The strategy is risk driven, derived from a risk based audit needs assessment model – the audit 'universe' consists of a mix of budget centres, cross directorate or corporate risk and financial audits, where processes such as payments, payroll and so on are separately identified for audit.
 - The current plan is based on 4 year cycles based on an underlying risk assessment.
 - The inherent risks existing within each area are then identified for audit as part of the audit planning process.
 - The traditional financial systems identified above are audited using a systems based approach with the addition of a high level assessment of any other risks that impinge on the area, including specific work the External Auditors (Deloitte) seek to place reliance on.
 - Separate time is allowed in the audit plan for fraud, consultancy activities, and follow up of audit recommendations.
 - An element of contingency is allowed for unplanned issues such as whistleblowing, which need to be investigated.
 - The plan is prepared on the basis of audit need, and is then compared to existing audit resources to identify whether any shortfalls exist.

1.4 The strategy for 2010-11 and beyond:

- In future, more of the audit plan will become based around the Council's Corporate and Service risk registers rather than the Internal Audit risk based audit needs assessment model, as risk processes mature and the risk registers become more robust. However, Internal Audit will still use its own knowledge to moderate the risk registers in focussing the audit work.
- The annual plan will be increasingly based on a risk assessment based on current risks, their impact and residual risk ratings, which will replace the programmes of cyclical audits.
- Cross-cutting corporate themes such as governance, risk management, performance management, strategic and service planning, project management and partnership working will be included in annual audit plans to an increasing extent.
- Internal Audit supports and contributes to the Council's strategic ambitions. It helps to deliver the Council's Plan by providing value for money in its internal audit.

1.5 Developing the audit plan:

- The Internal Audit plan will be kept under review through regular assessment by the Partnership (the Head of Partnership and the local Audit Manager) and will be discussed with the Corporate Director (s151), and amended as appropriate to reflect changing priorities and emerging risks.
- The Overview & Scrutiny (Audit) Committee will be informed of any significant changes to the plan. The plan will be flexible and contain a level of contingency to reflect the changing priorities and structures of the Council.

For the attention of Overview & Scrutiny Committee

COMMUNITY SERVICES COMMITTEE

Decisions of a Meeting held on 25 March 2010

Overview & Scrutiny Committee Observers: Councillors Cussons and Mrs Wilford

1. **Apologies for Absence**

None

2. **Minutes of a meeting of the Community Services & Licensing Committee held on 28 January 2010**

Minutes agreed as a correct record.

3. **Urgent Business**

There were no urgent items.

4. **Declarations of Interest**

Councillor Mrs De Wend Fenton declared a personal and prejudicial interest in item 12 - Private Water Supplies, as the owner of a property served by a private water supply.

Councillor Keal declared a personal interest in item 11 - River Derwent Draft Catchment Flood Management Plan - as a member of the Pickering Flood Defence Group.

Councillor Hawkins declared a personal interest in item 11, as an Internal Drainage Board member and declared a personal and prejudicial interest in item 12 - Private Water Supplies, as the owner of a property served by a private water supply.

Councillor Hemesley declared a personal interest in item 9 - Boiler Replacement, as a member of the Community Leisure Limited Management Board.

Councillor Mrs Keal declared personal interests in the following items:

Item 5 - Malton Food Festival, as a member of the events committee

Item 11 - River Derwent Draft Catchment Flood Management Plan, as a member of the Pickering Flood Defence Group

Item 14 - Relocation of Malton Museum, as a member of the Museum's Management Board.

PART 'A' Items - Matters dealt with under delegated powers or matters determined by Committee

5. **Malton Food Festival**

Recommendation approved.

6. **Housing Performance Report**

Recommendation agreed.

7. **Aims 1 - 4 Performance Report**

Recommendation agreed.

8. **Commissioning Strategy - Framework**

Recommendations agreed.

9. **Boiler Replacement Programme and Energy Efficiency Improvements**

Recommendations agreed.

10. **Draft North Yorkshire Housing Strategy**

The response as detailed in the report was endorsed subject to minor amendments.

11. **Draft Derwent Catchment Flood Management Plan**

Recommendation agreed subject to the inclusion of Members' comments.

PART B - Matters referred to Council

12. **Private Water Supplies**

This item was moved from Part A to Part B as the report considered the setting of fees.

Recommendations agreed.

13. **Choice Based Lettings**

Recommendations agreed.

14. **Relocation of Malton Museum**

Recommendation agreed subject to the addition of the following wording:

'The investment contract should require the development of links with Castle Gardens and it should also specify that the racing and brewing industries be fully represented in the Museum.'

The meeting closed at 10.15 pm

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