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**REPORT TO:** OVERVIEW AND SCRUTINY COMMITTEE

**DATE:** 9 APRIL 2009

**REPORTING OFFICER:** PARTNERSHIP MANAGER,  
NORTH YORKSHIRE AUDIT PARTNERSHIP  
JAMES INGHAM CPFA

**SUBJECT:** ACCOUNTS & AUDIT REGULATION 6: REVIEW OF  
THE EFFECTIVENESS OF THE SYSTEM OF  
INTERNAL AUDIT.

**WARDS AFFECTED:** ALL

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**1.0 PURPOSE OF REPORT**

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 RECOMMENDATIONS**

**It is recommended that the attached report for 2008/09 be approved.**

**3.0 REASONS SUPPORTING DECISION**

To enable the Council to meet its statutory requirements.

**4.0 BACKGROUND**

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.

In February 2007 Members' attention was drawn in my report to an amendment to the Accounts and Audit Regulations 2003. 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 ...”

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.

**5.0 INTRODUCTION**

This report presents the Review of Effectiveness Report for the period 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009 from the North Yorkshire Audit Partnership.

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## 6.0 POLICY CONTEXT

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 REPORT

The Report, detailed in annex A, sets out the methodology applied and the results of the work.

At present in these early years of such reviews there is only limited guidance. This will evolve as will an 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).

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.

The report detailed in annex A, provides an assurance that the internal audit service provided through the partnership does, indeed, meet the criteria for an effective system of internal audit. It is not a 'carte blanche' but a balanced judgement.

The annual report to the committee in July will complete the review, as it will include the key performance indicators.

## 8.0 FINANCIAL IMPLICATIONS

There are no financial implications, beyond the existing budget for Internal Audit and any additional work in respect of Risk Management, and special investigations.

## 9.0 RISK ASSESSMENT

*Information,*  
none

*Strategic,*

That the annual report contains an adverse opinion on the effectiveness of the system of internal audit. This would lead to concern with the external auditor and the AGS.

*Operational,*

That the systems of internal audit will not be amended in the light of an adverse report.

*People,*

none

*Reputation,*

That the council does not take seriously the provision of its internal audit.

*Regulatory*

The Council is under a statutory obligation under section 6 (3) of the Accounts and Audit Regulations (as amended) to conduct an annual review of the effectiveness of its system of internal audit. Failure to have undertaken the review would have been in breach of this statutory requirement.

*Financial.*  
none

## **10.0 CONCLUSION**

The review provides an overall opinion and assurance that that the System of Internal Audit pertaining with Ryedale DC must be considered as effective.

The self-assessment undertaken indicates that the service provided by the Partnership meets all the aspects of the CIPFA code. This was re-affirmed in 2008 through the Audit Commission's tri-ennial review.

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

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. We would hope that your heads of Service agree to continue this in future.

This is not a 'carte blanche' but a balanced judgement. 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.

### **OFFICER CONTACT:**

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