



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	12 APRIL 2012
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	ACCOUNTS AND AUDIT REGULATION 6 - REVIEW OF THE EFFECTIVENESS 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 Internal Audit from the North Yorkshire Audit Partnership for approval.

2.0 RECOMMENDATION

2.1 It is recommended that the attached report for 2011/12 is 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, (further amended by SI 2011/817) 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 The latest amendment SI2011/817 has, inter alia, simply removed the words “the system of” so the requirement is now to review “...the effectiveness of its internal audit.”
- 5.4 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.
- 5.5 This report presents the Review of Effectiveness of Internal Audit Report for the period 1 April 2011 to 31 March 2012 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 client recipients of Internal Audit, the Chief Executive, Strategic Directors, and Heads of Service.

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 review survey identifies. 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. 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 94% (100% 2010/11; 99% 2009/10; 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.
- 8.6 A second area, and perhaps of some concern is the view expressed by one respondent that the audits did not give a better understanding of control systems and risks in their service areas. This has been taken up with the respondent concerned

and as a general point for the Partnership to improve the quality of the audit and associated reports issued.

- 8.7 The annual Internal Audit report to the committee in June will complete the review, as it will include the key performance indicators. This allows the pendulum to come full circle bringing internal audit, its clients, and the Overview & Scrutiny Committee (Audit) closer together in a virtuous circle.
- 8.8 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. It is not a 'carte blanche' but a balanced judgement.

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)

Author: James Ingham, Head of NY Audit Partnership
Telephone No: 01723 232364
E-Mail Address: James.Ingham@Ryedale.gov.uk
James.Ingham@Scarborough.gov.uk

Background Papers:

SI 2011/817 Amendment to the A&A regulations issued 21/3/2011

Background Papers are available for inspection at:

With the Head of Partnership or at www.legislation.gov.uk/uksi/2011/817/made/data.pdf