

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
27 March 2013

From: Director of Resources

Subject: **REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2012-13
SELF ASSESSMENT**

All Wards

1.0 **PURPOSE AND BACKGROUND:**

1.1 The Accounts and Audit Regulations 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 revised with the issue of circular SI 817/2011. This required, that the council undertake an annual review of the effectiveness of its internal audit, and to present the results of that review to the appropriate committee. In Hambleton District Council, this report is considered by the Audit, Governance and Standards Committee.

1.3 With effect from 2013/14 the report of the effectiveness of internal audit will be included in the Annual Report of the Head of Internal Audit as required by the Public Sector Internal Audit Standards.

2.0 **DECISIONS SOUGHT:**

2.1 The Audit, Governance and Standards Committee is asked to consider the findings of the review.

3.0 **RISK ANALYSIS:**

3.1 There are no risks associated with the recommendations in the report.

4.0 **FINANCIAL IMPLICATIONS:**

4.1 There are no financial implications associated with the recommendations in the report.

5.0 **LEGAL IMPLICATIONS:**

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

6.0 **RECOMMENDATIONS:**

6.1 It is recommended that the findings and any actions from the review be accepted and approved.

JUSTIN IVES

Background papers: Review of the Effectiveness of Internal Audit 2012-13 -
Self Assessment

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Hambleton District Council

Review of the Effectiveness of Internal Audit 2012-13 Self Assessment

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Head of Internal Audit: Max Thomas

Circulation List: Member of the Audit and Governance Committee
Director of Resources (S151 Officer)

Date: February 2013

Introduction

- 1.1 The Accounts and Audit Regulations 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 revised with the issue of circular SI 817/2011. This required, that the council undertake an annual review of the effectiveness of its internal audit, and to present the results of that review to the appropriate committee. In Hambleton District Council, this report is considered by the Audit, Governance and Standards Committee.
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Background

- 2.1 Internal audit at the Council is provided through Veritau (which comprises Veritau North Yorkshire Ltd and Veritau Ltd).
- 2.2 The Internal Audit programme for 2012/13 was agreed with the Section 151 officer and approved by the Audit, Governance and Standards Committee. It totalled 305 days of internal audit work.
- 2.3 During 2012/13 the internal audit work for Hambleton was delivered in accordance with the Cipfa Code of Practice for Internal Audit in Local Government (the CoP).
- 2.4 The code sets out 11 standards for internal audit. These cover the following:
 1. Scope of Internal Audit;
 2. Independence;
 3. Ethics;
 4. Audit Committees;
 5. Relationships;
 6. Staffing, training and Continuing Professional Development;
 7. Audit Strategy and Planning;
 8. Undertaking Audit Work;
 9. Due Professional Care;
 10. Reporting; and
 11. Performance, Quality and Effectiveness
- 2.5 An assessment of the position of Veritau in respect of each area is set out in Appendix 2.

Client Satisfaction Surveys

- 3.1 Client satisfaction surveys are issued to managers at the end of each audit. The results of the manager survey (8 responses from 13 invitations), are attached as Appendix 1. They indicate that overall there is a high level of satisfaction with all 8 respondents expressing overall satisfaction with the audit work. Within that, all rated the individual elements (planning, performance and reporting) as either satisfactory, good or excellent, apart from two respondents who rated 'audit report' as poor. The issue was around the style of the audit report.

Assessment and Conclusion

- 4.1 The overall conclusion of the self assessment (supported by the Client Satisfaction Survey results) is that the internal audit service for Hambleton was largely compliant with the CIPFA Code of Practice for Internal Audit in Local Government.

Appendix 1

Hambleton District Council 2012/13 – Reg 6 Survey

(8 survey forms received and analysed)

Rating

	Unacceptable	Poor	Satisfactory	Good	Excellent
Planning					
The consultation on the timing of the audit.	0	0	0	3	5
The consultation on the scope and objectives of the audit	0	0	0	3	5
Performance of the Audit					
The auditor's understanding and knowledge of the systems, procedures and key risks of the audit area.	0	0	0	4	4
The professionalism and overall conduct of the auditor.	0	0	0	0	8
The extent to which the audit was carried out efficiently causing the minimum disruption.	0	0	0	0	8
The level of communication throughout the audit with you and your staff.	0	0	0	0	8
Feedback provided by the auditor on the audit findings and actions before the issue of the draft report.	0	0	0	2	6
Audit Report					
The overall quality of the audit report in terms of its clarity and factual accuracy.	0	2	0	4	2
Actions agreed were practical, cost effective and will help improve controls.	0	0	1	3	4
The time taken to issue the report.	0	0	1	4	3
The opportunity you were given to comment on the findings and suggested actions of the audit.	0	0	1	2	5
Totals					
Totals	0	2	3	25	58
Percentages	0	2	3	28	67
Overall Satisfaction					
Considering the audit overall, would you say that you were more satisfied than dissatisfied with the service receive?			Yes	No	
			8	0	

CIPFA CoP –Internal Audit Self Assessment

Adherence to Standard	Compliance	Evidence of achievement	Areas for development
Scope	Fully	Detailed in the Audit Charter approved by the Audit, Governance & Standards Committee Scope adheres to CoP Other work addressed in Charter Arrangements made to report frauds	To review in the light of new PSIAS
Independence	Fully	Internal Audit provided by an independent company Potential conflict with non internal audit activities identified and declared	None
Ethics.	Fully	All Veritau staff required to sign statement of ethics and declare potential conflicts Staff reminded as part of annual appraisal process	Increase rotation of staff in Hambleton
Audit Committee	Fully	Audit, Governance & Standards Committee independent of management Strategy and plans approved by the committee Progress monitored See committee papers	None
Relationships	Fully	Established protocols with external audit Good relations established with audit committee and with management	Documentation of communications channels to be reviewed and updated
Staffing, Training & CPD	Largely	Wide skills base established Subject Matter Experts identified CPD monitored and evaluated annually Regular training days for all staff held	SME skills to be emphasised and further development encouraged Staff to be encouraged to undertake PIIA/CMIIA where appropriate
Strategy & Planning	Fully	Plans based in IA evaluation of risk	For 13/14 audit plans explicitly aligned to Hambleton risk register
Undertaking audit work	Largely	Audit Manual includes all elements detailed in Code Galileo system required consistency in recording and presentation	Practice will now increase emphasis on risk based internal audit (as opposed to control based)
Due Professional	Fully	Detailed in Audit Manual Included in standard induction	None

Adherence to Standard	Compliance	Evidence of achievement	Areas for development
Care		package for all staff	
Reporting	Fully	Detailed in manual and Galileo Conforms to requirement of the Code	None
Performance.	Largely	Manual exists and annual review of work carried out to confirm compliance All audit assignments subject to review by managers at key stages Evidence of review required by Galileo	Peer review arrangements to be developed