

 Finance & Audit Scrutiny Committee - 13 September 2011		Agenda Item No. 6
Title	Review of Effectiveness of Internal Audit 2010/11 – Action Plan	
For further information about this report please contact	Richard Barr, Audit and Risk Manager	
Service Area	Finance	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Finance & Audit Scrutiny Committee – 7 th June 2011 / Standards Committee – 21 st June 2011	
Background Papers	Code of Practice for Local Govt. Internal Audit in the United Kingdom 2006 (CIPFA) Service Delivery Plan 2010/11 (Finance) Audit Strategy 2010/11 to 2012/13 Internal Audit Manual Minutes of Internal Audit Team Meetings Monthly and Quarterly Progress Reports Performance appraisal documents Post-audit user questionnaires and satisfaction surveys Comprehensive Area Assessment – Use of Resources Assessments.	
Contrary to the policy framework:	No	
Contrary to the budgetary framework:	No	
Key Decision?	No	
Included within the Forward Plan? (If yes include reference number)	No	
Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors' relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director	26 Aug 2011	Andy Jones
Chief Executive		
CMT		
Section 151 Officer	26 Aug 2011	Mike Snow
Legal		
Finance	26 Aug 2011	Mike Snow
Portfolio Holder(s)	26 Aug 2011	Councillor Mobbs
Consultation Undertaken		
No applicable.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

- 1.1 This report presents the actions proposed by Internal Audit to address the outcomes from the review of the effectiveness of the Council's system of internal audit for the year ended 31st March 2011 undertaken in accordance with the Accounts and Audit (Amendment)(England) Regulations 2006.

2. **RECOMMENDATION**

- 2.1 That Committee endorses the actions proposed by Internal Audit to address the issues raised from the review of the effectiveness of internal audit for the year ended 31st March 2011. This is set out as Appendix 1.

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 Regulation 6 of the Accounts and Audit (Amendment)(England) Regulations 2006 requires that:

- "the relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit."
- "The findings of the reviewshall be considered, as part of the consideration of the system of internal control,, by the committee (*designated to approve the Annual Governance Statement*)".

4. **ALTERNATIVE OPTION CONSIDERED**

- 4.1 The only alternative option was not to undertake or report on the review of the effectiveness of the system of internal audit, which would almost certainly result in the Council being held in breach of its statutory obligations.

5. **BUDGETARY FRAMEWORK**

- 5.1 Resources for maintaining and improving the effectiveness of the system of internal audit are covered under the existing approved budget and Internal Audit Plan for 2011/12.

6. **POLICY FRAMEWORK**

- 6.1 The work of Internal Audit constitutes a key element in the Council's control environment which helps ensure that the Council manages its resources to achieve its objectives economically, efficiently and effectively.

7. **BACKGROUND**

- 7.1 Members will recall that, as part of their consideration of the Annual Governance Statement, they recently received a report on the review of the effectiveness of the Council's system of internal audit for the year ended 31st March 2011, undertaken in accordance with the Accounts and Audit (Amendment)(England) Regulations 2006. The regulations require such a review at least once a year and presentation of the results to the committee designated to consider or approve the Annual Governance Statement.

- 7.2 The review was performed by the Head of Internal Audit at Derby City Council and was based on the framework guide developed by the CIPFA Better Governance Forum that aims to provide practical support to help make internal audit more effective.
- 7.3 This is achieved by assessing the internal audit function against the 'building blocks' for effective internal audit identified in the guidance. The building blocks are:
- Leadership
 - Governance and relationships
 - Customer focus
 - People
 - Systems and processes
 - Professional Standards
- 7.4 Having considered the report containing the findings from the above assessment at its meeting of 7th June 2011, Committee is now invited to consider the action plan, set out as Appendix 1, drawn up to address the outcomes from the review.