

Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Agenda No 5

Audit and Standards Committee – 24 February 2009

Audit Commission – Triennial Review of Internal Audit

Joint Report of the Strategic Director of Performance and Development

Recommendation

That the contents of the Audit Commission report are considered by the Committee.

- 1 The attached Audit Commission report outlines the results of a triennial review of the Council's internal audit service. This review has important implications as it influences the CPA Use of Resources judgement and the external auditor's VFM conclusion.
- 2 The results of the review are excellent, concluding that the service fully complies with the Cipfa Code and provides a good service to the Council.
- 3 A representative from the Commission will attend to present the report and answer any questions.
- 4 The Committee is asked to consider the report.

DAVID CARTER
Strategic Director of
Performance and
Development

Shire Hall
Warwick

23 January 2009

Triennial Review of Internal Audit

Warwickshire County Council

Audit 2008/09

January 2009



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Status of our Reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Introduction

- 1 A strong and effective Internal Audit (IA) function is essential for maintaining a sound system of internal control and as such is required by the Accounts and Audit Regulations 2006.
- 2 Internal audit is defined by the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006' ('the Code) as 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 objective'. The code also sets out the requirements of how the function should operate.
- 3 International Statements of Auditing (ISAs) require external audit to integrate the work of Internal Audit into both the assessment of the council control environment as well as into audit findings and the approach to the audit of the financial statements. In order to be able to do this we must complete a review of all files that we are to rely on as well as a full review of the function against the Code. This report comments on that triennial review of the function.
- 4 The key purpose of the review is to assess the effectiveness of the internal audit section and whether it is possible for us to place reliance on the work that they perform.
- 5 There are three parts to the review.
 - We review Internal Audit to confirm that they comply with the requirements of the CIPFA Code and CIPFA Internal Audit Manual.
 - We review whether IA is effective as a management control.
 - We review (and seek to place reliance on) specific pieces of IA work, where that work covers areas relevant to our Code of Practice objectives. This is in accordance with ISA+610.
- 6 The results of the review have wide ranging implications for the audit plan, influencing our overall risk rating for the audit, our assessment of internal control, plus linking directly to both the Use of Resources judgement and our VFM conclusion. In addition, the inability of us to rely on the work of IA could have implications for the overall audit fee.

Scope

- 7 In 1990 the Auditing Practices Board (APB) adapted the CIPFA publication: 'Guidance for Internal Auditors' and issued an Auditing Guideline which sets down the principles upon which members of CCAB bodies engaged in IA should operate. More recently, this has been updated in 2000 and again in 2003 by the CIPFA Code of Practice for IA in local government in the United Kingdom. These principles and standards are the basis of our review of IA at Warwickshire County Council (WCC).
- 8 Consequently, our review covers the following key areas.
- Scope of Internal Audit
 - Independence
 - Ethics for Internal Auditors
 - Audit Committees
 - Relationships
 - Staffing, Training & CPD
 - Audit Strategy & Planning
 - Undertaking Audit Work
 - Due Professional Care
 - Reporting
 - Performance, Quality & Effectiveness

Audit approach

- 9 This work has been undertaken by discussion with the Audit & Risk Manager and a detailed review of Galileo and two IA files.

Main conclusions

- 10** IA is compliant with the CIPFA Code of Practice for IA in local government in the United Kingdom and delivers a good standard of service to WCC.
- 11** We are able to place reliance on the work of IA to support our Code of Practice objectives.
- 12** Many of the good practices contained in the CIPFA guidance are in place at the authority. The effectiveness of IA, as part of the overall control environment, provides assurance to the S151 officer that financial control is effective and reaffirms the reliance that we, as external auditors, can place on its work.
- 13** We have summarised our findings for each of the Code standards in the table overleaf.

Detailed findings

CIPFA standards

- 14 CIPFA has produced a Code of Practice for Internal Auditors; this sets out eleven professional standards for Internal Audit. All of the standards have been met in full as demonstrated by the table below.

Table 1 Assessment of Warwickshire County Council Internal Audit Section against the Code standards

Standard	Met - Yes/No/In part
1. Scope of Internal Audit	Yes
2. Independence	Yes
3. Ethics for Internal Auditors	Yes
4. Audit Committees	Yes
5. Relationships	Yes
6. Staffing, Training & CPD	Yes
7. Audit Strategy & Planning	Yes
8. Undertaking Audit Work	Yes
9. Due Professional Care	Yes
10. Reporting	Yes
11. Performance, Quality & Effectiveness	Yes

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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