

REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT PROVIDED BY THE WELLAND INTERNAL AUDIT CONSORTIUM

1. INTRODUCTION

- 1.1. The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1st April 2006. Regulation 6 requires bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control.
- 1.2. The Head of the Welland Internal Audit Consortium requested the review.
- 1.3. The review has been undertaken by Newark and Sherwood's Audit Manager, who is a member of an Institute of Public Finance working group formulating guidance on the approach to conducting the review of the effectiveness of the system of internal audit. Work on formulating this guidance has been referred to, in particular when considering the full scope of this review and the role of the Audit Committee with specific regard to its contribution to the system of internal audit.
- 1.4. The approach to the review recognised the following key components, the principal elements being:
 - Review and discussion of self-assessment of the CIPFA Code of Practice for internal audit in local government in the UK and supporting evidence.
 - Analysis and evaluation of responses to questionnaires addressed to Audit Committee members, Strategic Management and Heads of Service.To a lesser extent, consideration was given to:
 - Review of performance indicators.
 - Review of responses to client satisfaction questionnaires.
 - External Audit's opinion.
- 1.5. The review focussed on the effectiveness of the service provided by the Welland Internal Audit Consortium to local Councils at East Northamptonshire, Harborough, Melton and Rutland.
- 1.6. The assistance of Audit Committee members, Strategic management, the Head of the Welland Internal Audit Consortium, the Audit Manager and internal audit staff was appreciated.

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2. WORK UNDERTAKEN

- 2.1. A schedule of the documentation required was sent to the Head of the Welland Internal Audit Consortium.
- 2.2. The documentation provided by the Head of the Welland Internal Audit Consortium was reviewed.
- 2.3. Questionnaires were drafted and sent to Audit Committee members and Strategic Management.
- 2.4. The responses to questionnaires referred to at 2.3 were reviewed, analysed and summarised.
- 2.5. The Head of the Welland Internal Audit Consortium's self-assessment against the CIPFA Code was reviewed.
- 2.6. Evidence supporting the Head of the Welland Internal Audit Consortium's positive answers in the self-assessment against CIPFA Code was reviewed.
- 2.7. Performance Indicator data was reviewed.
- 2.8. Client satisfaction questionnaires were reviewed.
- 2.9. The External Auditors' opinion as to reliance placed on the work of the internal audit section was obtained.
- 2.10. Minutes and reports of the Audit Committees were reviewed.
- 2.11. Matters arising were discussed with the Head of the Welland Internal Audit Consortium.

3. FINDINGS

- 3.1. Views of Strategic management and Audit Committee members – Appendix A. The responses received are favourable with 86.4% of responses agreeing that an effective internal audit service is provided (with no responses disagreeing).
- 3.2. Compliance with CIPFA Code. A number of the positive answers were reviewed, supporting evidence examined and points arising discussed with the Head of the Welland Internal Audit partnership. As a result, some minor changes were made to the self-assessment and possible improvements, relatively minor in context, were discussed.
- 3.3. Performance Indicators: no matters arising
- 3.4. Client Satisfaction questionnaires: no matters arising
- 3.5. The External Auditor has advised that reliance is placed on the work of the Consortium.

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4. CONCLUSIONS

- 4.1. It is considered that the system of internal audit provided by the Welland Internal Audit Consortium is effective. There are some minor areas that could be developed from the self-assessment against the Code and other points as discussed with the Head of the Consortium. In particular a planning risk assessment methodology was discussed and recommended.
- 4.2. As part of the review of the effectiveness of the system of internal audit it is considered necessary not only to review the work of the internal audit section but also to consider the effectiveness of the Audit Committees (see paragraph 1.3). It is understood that training has been provided for members of the Audit Committees.

5. RECOMMENDATIONS

- 5.1. A self-assessment to be conducted by the Audit Committees in accordance with the CIPFA toolkit.
- 5.2. A further review to be undertaken in 2011, with annual self assessment and questionnaires issued by the Head of the Consortium, with results reported to the Audit Committees and senior management.

5. APPENDICES

- A. Summary of responses from Audit Committee members and Strategic management.

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APPENDIX A

Please tick the appropriate box	✓	✓	✓	✓	✓		
To what extent do you agree or disagree that Internal Audit:	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree	Agree %	Disagree %
1. Understands the whole authority, its needs and objectives.	3	16	2			90.5%	0.0%
2. Is seen as a catalyst for change at the heart of the authority.	2	8	7	5		45.5%	22.7%
3. Adds value and assists the authority in achieving its objectives.	4	16	1	1		90.9%	4.5%
4. Is forward looking – knowing where the authority wishes to be and is aware of the national agenda and its impact.	2	13	4	2	1	68.2%	13.6%
5. Is innovative and challenging.	1	11	9	1		54.5%	4.5%
6. Helps to shape the ethics and standards of the authority.	4	12	1	5		72.7%	22.7%
7. Is an effective service to the authority.	7	12	3			86.4%	0.0%
Totals	23	88	27	14	1	72.5%	9.8%

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