

7. Review of Internal Audit

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Purpose of the Report

To inform the Audit Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2006/7.

Recommendation

That the Audit Committee notes the findings of the review.

Background

Internal audit forms a part of the Corporate Governance and Internal Control Framework that provides accountability to stakeholders on all areas of the corporate plan. Their opinion on the adequacy and effectiveness of the Council's internal control framework forms a part of the evidence used in preparing the Statement of Internal Control (SIC) for 2006-07, which will be published as part of the Council's Statement of Accounts and is included elsewhere in this agenda.

There is a new requirement under Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2006 for authorities 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 such as the Audit Committee as a part of the consideration of the system of internal control. This review has to be carried out by someone independent of SWAP.

Compliance With CIPFA Code

The 2006 CIPFA Code of Practice for Internal Audit sets out how an internal audit function should be fulfilled. The main focus is the internal audit service itself, but the Code does also refer to the wider elements of the "system of internal audit", including the role of an audit committee. The Code covers:

- scope and terms of reference of internal audit
- independence
- ethics and competence
- audit committees
- relationships
- staffing
- audit strategy and planning
- how audit work is undertaken
- due professional care
- reporting
- performance, quality and effectiveness.

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The Review of SWAP

The review for South Somerset District Council has been carried out by Donna Parham, as the Head of Finance and S151 Officer. She found that overall the team performed well and that this view was supported by the comments of external auditors, client satisfaction and the Council's 'Use of Resources' scores. There were however a number of areas where they made recommendations to improve practice, the main ones being:

- To include the role of SWAP in the anti fraud and corruption work within the Audit Charter;
- An annual declaration of independence and ethical standards should be completed by all members of SWAP staff;
- The preparation of a SWAP strategy;
- Improvements in staff appraisals and development;
- The completion and Issue of the SWAP Audit Manual;
- Better links with the work of external auditors to avoid duplication;
- Development of a specific risk based Audit Plan.

These recommendations will be actioned during 2007/08.

Financial Implications

The actions outlined can be achieved within budget.

Background Papers: *Internal Audit Review Papers.*
