

Audit Committee – 28th May 2009

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 2008/9.

Recommendation

That the Audit Committee notes the findings of the review.

Background

The South West Audit Partnership (SWAP) is a partnership set up that provides the Internal Audit service to all of the six Somerset authorities, Weymouth and Portland Borough Council and West Dorset District Council. Weymouth and Portland, and West Dorset joined the partnership in 2008.

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 corporate Annual Governance Statement (AGS) for 2008-09, which will be published as part of the Council's Statement of Accounts in June 2009.

There is a 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.

The Review of SWAP

The South Somerset District Council review has been carried out by the Head of Finance as S151 Officer. The findings have been reported to the Corporate Governance Group as part of the overall evaluation and supporting evidence for the Annual Governance Statement. It was 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. The table below shows some of the overall performance of the service during the year:

Performance Measure	2007/08	2008/09
Levels of satisfaction from feedback questionnaires	80%	83.4%
Audits completed in year compared to the plan (all at least at final draft stage)	84% (16 out of 19)	87.5% (21 out of 24)
Managed audits completed in year compared to plan	100% (8 out of 8)	100% (8 out of 8)
Number of actions for improvements agreed by managers	246	175

A triennial review was carried out by the Audit Commission in 2006/07 and a further review is due to be completed over the next few months.

The following shows progress *in italics* against the actions to be completed in 2008/09:

- Agreed actions outstanding from risk registers are completed – *the risk register is currently being revised and reviewed by the Management Board.*
- The agreed improved monitoring of actions for completion by SSDC managers is embedded – *there have been software issues in rolling this out so that reports are made on a regular basis however there are less actions overall from last year which shows that the monitoring that has taken place is improving overall performance.*
- Completion of a SWAP procedure manual - *completed*

Opinion

It is the opinion of the Head of Finance and the Corporate Governance Group that the system of internal audit is effective.

Actions to be Completed in 2009/10

- Revised risk register to be completed by 31st October 2009;
- Improve monitoring to monthly reports to SSDC managers – 30th September 2009
- Complete business plan for continuation of the partnership - 30th September 2009.

Financial Implications

The actions outlined can be achieved within budget.

Background Papers: *Internal Audit Review Papers*