

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

29 September 2011

REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

Report of the Corporate Director – Finance and Central Services

1.0 PURPOSE OF THE REPORT

- 1.1 To agree the arrangements for the 2011/12 review of the effectiveness of internal audit.

2.0 BACKGROUND

- 2.1 The Accounts and Audit Regulations 2011 require each local authority to conduct an annual review of the effectiveness of its internal audit, and to report the findings of this review to an appropriate committee. The process is intended to form part of the wider review of the effectiveness of the system of internal control (required to prepare the Annual Governance Statement - AGS).
- 2.2 Best practice guidance issued by the Chartered Institute of Public Finance (CIPFA) also recommends that audit committees should periodically review their own effectiveness so as to ensure that they continue to properly fulfil their responsibilities.
- 2.3 For 2010/11, the annual review of the effectiveness of internal audit was undertaken jointly with the City of York Council by the Shared Service Contract Board (SSCB), and in consultation with the respective Audit Committee chairs. The SSCB comprises the respective client officers from the County Council and the City of York, and Veritau's Head of Internal Audit. Meetings of the SSCB are held approximately six times a year and involve consideration of performance indicators, changes in working practices and other service developments. The results of the 2010/11 review were reported to this Committee on 30 June 2011.
- 2.4 The Committee established a Member Working Group in 2010 to review the effectiveness of the Audit Committee itself. The review took the form of a self assessment against best practice guidance as set out in the CIPFA toolkit for audit committees. The results of the self assessment exercise were reported to this Committee on 22 April 2010. From this exercise an improvement plan was prepared and the Committee has since been monitoring progress to address the list of agreed actions.

2.5 Earlier this year, CIPFA undertook a survey of heads of internal audit to assess the current arrangements for audit committees in local government. The results of the survey were published in May 2011 and reported to this Committee on 30 June 2011. CIPFA are now using the findings of the survey to develop further guidance and support to audit committees. It is also recognised that the role of audit committees may change in the future as a result of the government's proposals for the future of public audit and the expectation that local authorities will be given responsibility for the appointment of their own external auditors. The consultation period ended on 30 June 2011 but it is not yet known when the final plans for external audit arrangements will be published.

3.0 **PROPOSED ARRANGEMENTS FOR 2011/12**

3.1 The Regulations require either the Council itself or a committee of the Council to review the effectiveness of internal audit, and for the review to be performed annually. The County Council has delegated this responsibility to the Audit Committee and included it within the terms of reference for the Committee. To ensure consistency and avoid unnecessary duplication, it is proposed that the SSCB should again undertake the detailed work, with the process overseen by the chair of the Audit Committee. As last year, it is proposed that the outcome of the review will then be reported to the June 2012 meeting of this Committee.

3.2 As a detailed review of the Audit Committee's own effectiveness was undertaken in 2010, it is considered appropriate to treat the 2011/12 review as a simple refresh exercise. Once the government's final plans for public audit are known it may however be necessary to further consider the Audit Committee's structure and terms of reference.

4.0 **RECOMMENDATIONS**

4.1 Members are asked to agree the proposed review arrangements for 2011/12.

JOHN MOORE
Corporate Director – Finance and Central Services

BACKGROUND DOCUMENTS

CIPFA Better Governance Forum – Audit Committee Update issue 5

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County Hall
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