

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 JUNE 2007

REPORT OF THE DIRECTOR OF FINANCE

AUDIT COMMISSION REVIEW OF INTERNAL AUDIT

1. EXECUTIVE SUMMARY

- 1.1. The Audit Commission is required to review the effectiveness of internal audit in all Local Authorities.
- 1.2. A significant part of the review process is a three yearly comparison of internal audit with the CIPFA Code of Practice for Internal Audit. This has recently been completed and the report is attached (Appendix I).
- 1.3. The overall conclusion of the Audit Commission is "Internal Audit provides effective service and makes a good contribution to the Council's system of internal control".
- 1.4. The report sets out five key recommendations to further strengthen Internal Audit and an Action Plan has been prepared to address the issues (Appendix II).

2. BACKGROUND

- 2.1. The Audit Commission Code of Audit Practice requires external auditors to review the Council's arrangements for ensuring adequate and effective systems of internal financial control. They are also required under the International Standard for Auditing (ISA 610) to consider the activities of Internal Audit and its effect on external audit. This is reinforced by the principle of the 'Managed Audit' which encourages efficient and effective relationships between internal and external auditors.
- 2.2. The arrangements for reviewing Internal Audit are:-
 - a three-yearly review, assessing the Section against the requirements set out in the CIPFA Code of Practice for Internal Audit
 - an annual assessment to assess the overall control environment
 - review of specific items of work by Internal Audit
- 2.3. The report (Appendix I) summarises the outcome of the three yearly review undertaken during 2006.

2.4. All local authorities are required to have an Internal Audit function. Responsibility for the function in Wirral rests with the Director of Finance as "Section 151" Officer, who exercises the responsibility through the Deputy Director of Finance. The Chief Internal Auditor (CIA) is the Head of Internal Audit and presents a summary of the programme of work to Members in the Annual Audit Plan which was agreed by this Committee on 29 March 2007.

3. **AUDIT ASSESSMENT**

3.1. The assessment was based on:-

- cumulative knowledge of the Council possessed by the Audit Commission
- review of Internal Audit documentation
- interviews with the Director and Deputy Director of Finance, CIA, Deputy CIA, Group and Principal Auditors, other auditors and officers
- reports to the Audit and Risk Management Committee
- review of published comparative information from other Councils

4. **MAIN CONCLUSIONS**

4.1. The Audit Commission opinion is that the Internal Audit Section "provides an effective service and makes a good contribution to the Council's system of Internal Control".

4.2. There are five "key recommendations" to further strengthen internal audit arrangements. An Action Plan has been developed to address the issues raised (Appendix II).

5. **FINANCIAL AND STAFFING IMPLICATIONS**

5.1. There are none arising from this report.

6. **EQUAL OPPORTUNITY IMPLICATIONS**

6.1. There are none arising from this report.

7. **LOCAL AGENDA 21 IMPLICATIONS**

7.1. There are none arising from this report.

8. **PLANNING IMPLICATIONS**

8.1. There are none arising from this report.

9. **COMMUNITY SAFETY IMPLICATIONS**

9.1. There are none arising from this report.

10. **HUMAN RIGHTS IMPLICATIONS**

10.1. There are none arising from this report.

11. **LOCAL MEMBER SUPPORT IMPLICATIONS**

11.1. There are none arising from this report.

12. **RECOMMENDATION**

12.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

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