

AUDIT COMMITTEE – 18 January 2012

REVIEW OF THE PROCESS FOR REPORTING ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. In accordance with the Accounts and Audit Regulations 2011, the Council is required to review the effectiveness of its system of internal audit once a year, and for the findings of the review to be considered by a committee of the Council, or by the Council as a whole, as part of the consideration of the system of internal control.
2. The purpose of this report is for the Audit Committee to review the existing process, consider whether any changes should be made to the review process and to confirm the reporting arrangements for 2011/12.

Process for 2011/12

3. The existing process for reviewing the effectiveness of the System of Internal Audit is as follows:

Sources of evidence

- The Audit Committee receives for approval the annual Internal Audit Strategy and Plan. The Committee can ensure that the plan has been properly compiled to provide a reasonable assurance from the Chief Internal Auditor on the system of internal control. (April)
- The Audit Committee agrees the performance indicators and targets for Internal Audit. The set of performance indicators used includes both output measures, (e.g. % of the plan completed) and outcome measures, (e.g. % of management actions implemented) that enable the Audit Working Group and the Audit Committee to measure and evaluate the effectiveness of Internal Audit.(April)
- The Audit Committee receives the annual report from the Chief Internal Auditor including his opinion on the adequacy and effectiveness of the system of internal control.(June)
- The Audit Committee receives a quarterly progress report from the Chief Internal Auditor, detailing the status of planned audits, summary of completed audit, and performance against the agreed targets. (Quarterly)
- The Audit Working Group every meeting receives a report from the Chief Internal Auditor, on the implementation of agreed management actions, and any emerging issues arising from the Internal Audit work. (Every meeting)

- The Chief Internal Auditor completes an annual review of compliance against the CIPFA Code of Practice for Internal Audit, presenting evidence to the Monitoring Officer for independent scrutiny. The results are reported to the Audit Working Group (April).
- Annual review by External Audit of Internal Audit reports and files as part of the managed audit arrangement to support their annual audit of the Statement of Accounts. The External Auditors, state whether they can place reliance on the work of Internal Audit in their presentation on their audit of the Accounts, and in their annual report.(September and December)
- Annual Survey, managed by the Monitoring Officer, to canvas the opinions of Senior Management on the Internal Audit Service. The Senior Managers will be the Extended County Council Management Team at the discretion of the Monitoring Officer. (March)

Reporting

- In April the Monitoring Officer collates the evidence, and presents a draft report for the consideration of the Corporate Governance Assurance Group, and the Audit Working Group, before submitting it to the Audit Committee for approval. (April)
4. A revised annual survey questionnaire is attached as appendix 1 to this report.

RECOMMENDATIONS

5. **The Committee is RECOMMENDED to:**
- (a) approve the process for reviewing the effectiveness of the System of Internal Audit;**
 - (b) approve the circulation list, content and format of the Annual Survey Questionnaire;**
 - (c) authorise the Monitoring Officer to undertake the review and report back to the Audit Committee.**

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background Papers: The Accounts and Audit (England) Regulations 2011.
CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

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January 2012

Annual Survey - Review of the effectiveness of Internal Audit

To.....

Question	Strongly agree	Tend to agree	Tend to disagree	Strongly disagree
I have been given adequate information on the role and purpose of Internal Audit				
I am consulted by Internal Audit on the key risks and critical systems in my area				
I am satisfied that Internal Audit is independent				
I am given an opportunity to comment on Internal Audit's work plans				
I can discuss the relevance of the planned audit activity throughout the year, and I have the opportunity to request others areas to be looked at where assurance is required.				
On individual audit assignments, where appropriate, I have an opportunity to provide input to the planning of Internal Audit work				
Internal Audit reports are timely, practical and support managers in the management their key risks				
Internal Audit is effective in delivering improvements to the control environment				
<p>Please list up to three things you would like Internal Audit to.....</p> <p>START Doing:</p> <p>1.</p> <p>2.</p> <p>3.</p> <p>STOP Doing</p> <p>1.</p> <p>2.</p> <p>3.</p> <p>CONTINUE Doing</p> <p>1.</p> <p>2.</p> <p>3.</p>				
<p>Other Comments:</p>				

Date.....