



## Belfast City Council

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	<b>Annual review of the Effectiveness of Internal Audit 2007/08</b>
<b>Date:</b>	20 June 2008
<b>Reporting Officer:</b>	Trevor Salmon, Director of Corporate Services
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### Relevant Background Information

The Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006 which came into effect during 2007/08 make local government bodies explicitly responsible for their financial management, internal control and risk management systems

The Regulations place four main requirements on authorities:

1. Ensure financial management is adequate and effective and establish a sound system of control including arrangements for the management of risk
2. Conduct a review at least once a year of the effectiveness of the system of internal control
3. Publish a statement on internal control\* as part of the statement of accounts. This statement must be considered by a committee of the local government body, or by the members of the body meeting as a whole, and following that consideration, approved by the Chief Executive
4. **Maintain an adequate and effective system of internal audit in accordance with proper practices (and ensure an annual review of the effectiveness of the system of internal audit).**

\* - Now replaced by Annual Governance Statement

Regarding the fourth requirement, this means both that the internal audit function (which is provided by Audit, Governance and Risk Services) must work to professional standards and that the organisation should undertake an annual review of the effectiveness of the system of internal audit.

In a sense the Council is ahead of the Regulations. Audit, Governance and Risk Services has been working to professional standards for internal audit for a number of years. In 2006/07 the Council commissioned an external review of the work of the

Audit, Governance and Risk Services section. This review was undertaken by CIPFA (NI). The results of this review were reported to the Council's Audit Panel in January 2007 and the review confirmed that the service complied with the CIPFA 'Code of Practice for Internal Audit in Local Government' (2006). The review involved CIPFA (NI) consulting with key stakeholders including AGRS staff, the then Chair of the Audit Panel, Assurance Board members and a sample of other stakeholders and reviewing audit files / documentation.

Further arrangements are in place to monitor the effectiveness of the internal audit function:

- the work of Audit, Governance and Risk Services may be relied upon by the Local Government Auditor as the basis for obtaining information / assurances around the Council's systems of internal control.
- effectiveness is also measured through management satisfaction questionnaires which AGRS issue at the end of each completed systems audit. Responses to these during 2007/08 have been very positive.
- The service reports regularly to a senior management Assurance Board and the Audit Panel on audit, governance and risk matters and routinely reports on its performance against key priorities and targets.

In order to comply with the Regulations for 2007/08, the Local Government Auditor has advised that the Council should undertake a self-assessment of its service against a compliance checklist included in the CIPFA Code of Practice for Internal Audit in Local Government (2006) and that this assessment should be considered by the Audit Panel.

## **Key Issues**

### **Annual Review of Effectiveness of internal audit 2007/08**

We have completed the recommended self-assessment checklist (see attachment) and our overall conclusion is that the internal audit service complies with the CIPFA Code of Practice for internal audit in local government.

### **Future Plans**

In developing the Audit, Governance and Risk Services Value Creation Map during 2007/08, we have identified further scope for consulting with stakeholders on the effectiveness of our Service and, during 2008/09 will be developing a communication / stakeholder engagement plan to enable further assurances to be obtained regarding the effectiveness of the service and also to identify areas for improvement.

It is the intention of the service to ensure that independent reviews of the effectiveness of the service are undertaken every three years, with the next review scheduled for 2009/10.

## **Resource Implications**

There are no significant resource implications arising from this paper, although external reviews of the service, proposed once every three years, are likely to involve consultancy fees of approximately £10,000 per review.

**Recommendations**

That the Strategic Policy and Resources Committee notes that a review of the effectiveness of the internal audit service that has been undertaken and that this review confirms compliance with the CIPFA Code of Practice for Internal Audit in local government.

That the Strategic Policy and Resources Committee approves the review of the effectiveness of the internal audit service, taking account of the completed checklist and the other arrangements for ensuring the effectiveness of the service, as highlighted in this report.

That the Strategic Policy and Resources Committee approves the proposed arrangements for future reviews of the service, specifically the process of commissioning external reviews once every three years (with the next review scheduled for 2009/10).

**Key to Abbreviations (including in attached paper)**

CIPFA (NI) – Chartered Institute of Public Finance and Accountancy (Northern Ireland)  
LGA – Local Government Auditor

**Documents Attached**

CIPFA Checklist – Compliance by Belfast City Council Audit, Governance and Risk Services with the CIPFA Code of Practice for Internal Audit in Local Government.

