

<b>Subject:</b>	Audit Development	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	19 <sup>th</sup> September 2012
<b>Report of:</b>	<b>Head of Internal Audit</b>	<b>Portfolio Holder:</b>	<b>A Well Managed Council</b>
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
<b>Community Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
<b>Contact Officer:</b>	Andrew Fox – Principal Auditor	<b>Telephone:</b>	01772 534920
<b>Email:</b>	andrew.fox@lancashire.gov.uk		

1.	<b>RECOMMENDATION(S)</b>
1.1	Members are asked to note recent discussions regarding the continued effectiveness of the Internal Audit Service and the Audit and Accounts Committee, and confirm the proposals outlined in Section 5 of the report for further improvements.

## 2. PURPOSE OF REPORT

- 2.1 As part of efforts by the Internal Audit Service to continually challenge its methodology, service provision, and relationship with the Audit And Accounts Committee, a meeting was held on 21<sup>st</sup> August involving the Chair and Vice Chair of the committee, the Head of Financial and Property Services, the Head of Internal Audit and the Principal Auditor from Lancashire County Council's Internal Audit Service. This report informs the committee of the nature of the discussions and sets out proposed actions to assist the committee in the undertaking of its functions.

## 3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

## 4. RISK ASSESSMENT IMPLICATIONS

- 4.1 The periodic review of audit activities should ensure that both the Internal Audit Service and the Audit and Accounts Committee continue to play an effective part in helping the Council to meet its corporate objectives, particularly in the current period of financial challenge.

## 5. BACKGROUND AND OPTIONS

- 5.1 The meeting held on 21<sup>st</sup> August 2012 opened with a discussion around the regular reporting to committee of progress made throughout the year against the agreed audit plan. The desire to improve "signposting" of relevant issues in key areas was discussed, and it was agreed that additional detail from individual reviews around risks attached to key findings, the nature and timescales for implementing recommendations would all be helpful to councillors to aid their understanding. This information is readily available but not currently reported to committee as a matter of course. In addition, where available and appropriate, any instances of good practice identified at other Lancashire councils and shared through professional networks, should be relayed to committee members for information.

**It is proposed to reflect the above changes in future Internal Audit progress reports submitted to the Audit and Accounts Committee.**

- 5.2 Regarding recommendations made within audit reports to improve controls within council systems and procedures, councillors thought it useful to periodically receive a schedule of all recommendations made within a financial year, their relative risk rating, and actions agreed by management to address the matters raised. Where previously made recommendations had been subsequently followed up, councillors were particularly interested in the status of these actions and in particular any recommendations not fully implemented as agreed.

**It is proposed that at the end of each financial year, a schedule of all recommendations made and followed-up be submitted to the Audit and Accounts Committee for their consideration. Where recommendations have not been implemented as agreed, the committee will decide on a course of action to obtain the necessary assurances where appropriate.**

- 5.3 Reference was also made by the Head of Internal Audit to a recent assessment of the Internal Audit Service commissioned from the Audit Commission. Such a review has historically been undertaken every three years. This latest review has again concluded that the Internal Audit Service *"meets each of the eleven standards for Internal Audit set out in the CIPFA Code of Practice for Internal Audit in Local Government."* The review also concluded that *"the Internal Audit function demonstrates many of the characteristics of best practice."*

**It is proposed to share the full version of the final report with the Audit and Accounts Committee when it is available for publication.**

- 5.4 It is also considered good practice for an audit committee to periodically review its effectiveness. The most recent self-assessment of the Audit and Accounts Committee was facilitated and reported by the Internal Audit Service in 2009. This was undertaken via the use of questionnaires completed anonymously by members of the committee based upon a self-assessment tool created by CIPFA.

**It is proposed that the Internal Audit Service undertake a further assessment of committee effectiveness early in 2013, and report the results to the March meeting of the Audit and Accounts Committee.**

- 5.5 Continuing the theme of good practice and continual improvement, the terms of reference of both the Audit and Accounts Committee, and of the Internal Audit Service itself, should be periodically refreshed in order for them to remain current and effective.

**It is proposed that updated terms of reference for the Committee and the Internal Audit Service should be produced for consideration and approval by the Audit and Accounts Committee at its March meeting and at least every three years thereafter.**

#### **COMMENTS FROM STATUTORY OFFICERS:**

##### **6. SECTION 151 OFFICER**

- 6.1 Any financial implications arising are noted in the report.

##### **7. MONITORING OFFICER**

- 7.1 Any legal implications are commented upon in the report.

**8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)**

8.1 No Human Resource implications.

**9. CONSULTATION CARRIED OUT**

9.1 Chair and Vice-Chair of the Audit and Accounts Committee, and the Head of Finance and Property Services.

**10. CONCLUSION**

10.1 **The actions proposed should serve to increase the effectiveness of the Audit and Accounts Committee and enhance the relationship that the committee has with the Internal Audit Service.**

Background Papers

Document	Place of Inspection
Code of Practice for Internal Audit in Local Government in the United Kingdom, CIPFA 2006	Financial Services
A Toolkit for Local Authority Audit Committees, CIPFA 2006	Financial Services