
SERVICE REVIEW OF INTERNAL AUDIT

1 INTRODUCTION

- 1.1 This report outlines the reasons for undertaking a service review of internal audit and the proposed scope and timescale of such a review

2 RECOMMENDATION

- 2.1 The audit Committee agree the proposed service review as outlined in this report

3 DETAIL

- 3.1 The current operational arrangements in internal audit have been in place for a number of years now including the partnership arrangement with KPMG. These arrangements came about following a review of internal audit at that time. The operating environment of the Council and the future outlook has changed significantly since then.
- 3.2 The increased emphasis on performance management, the adoption of the Planning and Performance Management Framework (PPMF) by the Council, the introduction of BV2, the move from an internal financial controls statement to a wider corporate governance statement in annual accounts and the challenging financial outlook for the public sector make this an opportune time to carry out a service review of internal audit.
- 3.3 The SMT have agreed to carry out a review of all services over a 3 year period and a review of internal audit would support that programme. The Council's external auditors have identified that the Council has yet to consider and set out a future strategy for internal audit and have also commented on the need to appoint a single manager to act as chief internal auditor. Carrying out a service review would address both these points.
- 3.4 This report proposes that a service review of internal audit is carried out over the period to May 2010.
- 3.5 The service review would cover the following:
- Environmental Scan to identify future issues and challenges facing internal audit.
 - Good practice review to compare internal audit against the CIPFA Internal Audit Code and leading practice principles.
 - Benchmarking to establish the performance of internal audit against a range of other councils/organisations.
 - Stakeholder input from internal audit staff, senior management, elected members, audit committee and auditees from a mix of workshops,

questionnaires and interviews.

- Preparation of a final report that outlines proposed future strategy and objectives for internal audit, with an appraisal of the operating arrangements for delivery of the strategy and objectives and a proposed implementation plan for the preferred option. It is envisaged the future operating options will include in house delivery, strategic partnership, public sector consortium/shared service and externalisation.

3.6 Much of the detailed work will be lead by Internal Audit and KPMG will be used to complete the good practice review and benchmarking. The involvement of KPMG will provide a level of external challenge/robustness to the good practice assessment and benchmarking.

3.7 It is proposed that a sounding board comprising the Chair of the Audit Committee, an external representative from an internal audit background and a representative from another service will be used to challenge the findings and recommendations from the review as it progresses.

3.8 The final report will be submitted to the Audit Committee upon completion.

For further information please contact Bruce West, Head of Strategic Finance –
01546 604220

Bruce West
Head of Strategic Finance
7 December 2009