

# Triennial Review of Internal Audit

Oxford City Council and Cherwell District Council

Audit 2009/10

May 2010



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Introduction

- 1 The Audit Commission's Code of Audit Practice (the Code) was developed on the basis of the Commission's model of public audit, which defines auditors' responsibilities in relation to:
  - the accounts; and
  - value for money conclusion.
- 2 Central to our work is a risk-based approach to audit planning, which reflects our overall assessment of the relevant risks which apply to the audited body.
- 3 Internal Audit (IA) is a fundamental part of an audited body's corporate governance arrangements and is a key tool for providing audited bodies with assurance that financial systems are adequate, and are working satisfactorily. The work of IA should comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006.
- 4 We review the work of IA to ensure that it is working as intended and to see if we can place reliance on their work. Our audit fee is set on the assumption that we can place reliance on the work of IA. If we are unable to place reliance on their work then we may need to undertake additional work and re-charge the Council for it.
- 5 Internal Audit for both Oxford City Council and Cherwell District Council is provided by PricewaterhouseCoopers (PwC).

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# Audit approach

- 6 To assess Internal Audit, we reviewed their performance against the Local Government Internal Audit standards. These set out the minimum requirements for internal audit functions, they do not set out any qualitative measures but on whether they meet the requirements as set out in the Standards. This report does not assess the quality of internal audit as this will be done when we review individual pieces of work we wish to place reliance on. The review covered the following organisational and operational standards:
- Scope of Internal Audit;
  - Independence;
  - Ethics for Internal Auditors;
  - Audit Committee;
  - Relationships;
  - Staffing, Training and Continuing Professional Development;
  - Audit Strategy and Planning;
  - Undertaking Audit Work;
  - Due Professional Care;
  - Performance, Quality and Effectiveness; and
  - Reporting.
- 7 We interviewed members of the PwC team and reviewed their documentation (including the Internal Audit Charter for each organisation) and assessed two audit files selected for detailed examination. The findings from this review have been discussed and agreed with the Head of Internal Audit.

# Main conclusions

- 8 PwC comply with the Internal Audit Standards in all material respects. We have concluded that we can place reliance on Internal Audit's work. However, we identified scope for improvement in a few areas which have been discussed and agreed and are included in the action plan.

# Appendix 1 – Action plan

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Standard 1 - Scope of Internal Audit</b>					
The Charter should make the role of Internal Audit (IA) more explicit in any consultancy work. (1.1.1g)	1	Chris Dickens, Head of Internal Audit	Yes	The role of internal audit in consultancy work is clearly defined in the IA contract. However, reference in the Charter could be clearer and this will be picked up as part of the next Charter review.	Sept 2010
Cherwell District Council's Fraud and Corruption Policy should state that IA will be notified of all suspected or detected fraud, corruption or impropriety rather than may be informed of frauds. (1.4.2)	1	Jeff Brawley, and Chris Dickens, Head of IA	Yes	PwC have recommended this in their report to Cherwell District Council and this has been accepted by the Council.	Sept 2010
<b>Standard 11 - Performance, Quality and Effectiveness</b>					
IA should develop a comprehensive set of targets to measure performance: i. which are developed in consultation with each Council; ii. which are included in service level agreements, where appropriate; and iii. against which the Head of Internal Audit measures, monitors and reports appropriately on progress. A periodic review of the service against the strategy and the achievement of its aims and objectives should be introduced. (11.3.2)	1	Head of IA in conjunction with the relevant authorised officer.	Yes	Head of IA to formally agree performance measures with authorised officers at each authority and record these as part of the next Charter review (PwC provided examples of performance measures as part of the tender exercise).  The Head of Internal Audit undertakes an annual assessment of internal audit against the Code. However, this review is not formally documented as part of the Charter and will be included in the next review.	Sept 2010

References refer to the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006.

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# The Audit Commission

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As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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