

OVERVIEW AND SCRUTINY COMMITTEE (INTERNAL)

19TH JUNE 2008

PRESENT	Councillor Des Wilson (Vice Chair) Councillors Anderson, Mrs. Jopling, Mrs. Lee, Lethbridge
APOLOGIES	Councillors Bowser, Mrs. Seabury and V. Shuttleworth,
ADVISERS	R. Bowman, Scrutiny Manager and J. Redfearn, Internal Audit Manager

**35. TO CONSIDER AND REVIEW THE EFFECTIVENESS OF THE
INTERNAL AUDIT FUNCTION FOR 2007/08**

The Chair welcomed the Internal Audit Manager to the meeting. The Audit Manager explained that new guidelines introduced last year required his service to produce an Annual Governance Statement (AGS) as an extension of the Statement of Internal Control. In it he gives his opinion on internal controls within the authority.

The Internal Audit Manager presented the report to the Committee and invited questions. Councillor Anderson questioned Point 10 on page 2 of the report, which read 'There are some minor areas where improvement is required and action will be taken accordingly'. The Member wished to clarify what kind of action was to be taken. In response the Internal Audit Manager stated that the Audit Manual, which instructs auditors, needed updating. More emphasis needs to be placed on where people are working to mitigate risks and recommendations are not always adhered to. More encouragement needed to be given to managers to take responsibility for the internal control environment.

Councillor Anderson also requested clarification on Point 2 on page 3 which claimed that there was 'no conflict of interest between operational responsibilities and audit'. The Internal Audit Manager responded that audits were allocated appropriately. This meant that auditors had to declare any family relations in the authority to ensure no conflict of interest arose.

Point 3 of Appendix A stated that 'Staff have been made aware of ethics requirement (compliance with other officer code of conduct)'. Councillor Anderson questioned whether there was any special ethical requirement for auditors. The response from the Internal Audit Manager was no; the Officers' code of Conduct was sufficient for the purpose.

Referring to Point 5 on page 4 which stated that ‘Training of members is carried out as necessary’, Councillor Jopling asked if some audit training could be provided for the benefit of newer Members. The Internal Audit Manager stated that an explanation of the role of audit was given last year. The Scrutiny Manager also mentioned the Audit Committee training attended in the previous year, hosted by another authority. General Audit Committee training was suggested. The Internal Audit Manager stated that he would look into providing further training for the Committee. Councillor Jopling also sought clarification on the types of document produced by the Internal Audit function. This was in relation to Point 7 on page 4. The Internal Audit Manager explained that an Audit Strategy was produced detailing what the function intended to do for the coming year. It included criteria for working out the Audit Plan which is risk-based. The Audit Strategy informs and feeds into the Audit Plan.

With reference to Point 9 on page 5, Councillor Lethbridge questioned the kind of updates that are made to the whistleblowing policy. A whistleblowing hotline had been implemented but there had been no use of it. Councillor Lethbridge asked if it should be better advertised. The hotline had been publicised internally but not externally. Point 10 on page 5 stated that ‘an escalation procedure has been defined for non implementation of recommendations agreed with management’. Councillor Lethbridge asked for a description of the escalation procedure. The Internal Audit Manager explained that when reports are made, recommendations are followed up on six months later. If an agreed recommendation has not been implemented another six months is allowed. If it is still not implemented then Directors are involved. The final stage is referral to the Overview and Scrutiny Committee (Internal), which can use its statutory powers to demand a response from the manager concerned.

Page 6 of the report stated that an annual assessment of Internal Audit is carried out by external auditors. Councillor Lee asked if a copy of the most recent annual assessment could be produced for the Committee. The Internal Audit Manager explained that the Audit Commission recently completed an assessment, but the report is yet to be produced. When the report is issued the Internal Audit Manager is to forward it to the Committee.

RESOLVED That the findings of the review on the effectiveness of the system of internal audit is approved

36. TO CONSIDER THE ANNUAL GOVERNANCE STATEMENT

The Internal Audit Manager explained that the Annual Governance Statement included descriptions of things such as how the public is related to. The role of the Overview and Scrutiny Committee (Internal) is to support the internal audit function.

The opinion of the Internal Audit Manager was that key controls in the authority are operating effectively.

RESOLVED

1. That the opinion of the Internal Audit Service on the internal controls of the authority is approved
2. That the Annual Governance Statement 2007/08 is approved

37. TO CONSIDER THE INTERNAL AUDIT SERVICE ANNUAL REPORT

Each year an annual report is produced and presented to the Internal Audit Committee. In presenting the plan the Internal Audit Manager described how some targets had been missed due to staffing issues, however, implementation of recommendations was up by six percent. Members praised the work undertaken by the Internal Audit Service in 2007/08 and thanked the Internal Audit Manager for his attendance.

RESOLVED

That the work of the Internal Audit Service undertaken in 2007/08 is approved

CHAIR

The meeting concluded at 5:05pm