

Mountsett Crematorium Joint Committee

30 January 2015

Annual Review of the System of Internal Audit



Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Don McLure Corporate Director: Resources and Treasurer to the Joint Committee

Purpose of the Report

1. The purpose of this report is to advise the Joint Committee of a review of effectiveness of the Durham County Council Internal Audit Service, which was carried out by the County Council's Audit Committee in June 2014.

Background

2. The Joint Committee's internal audit provider is Durham County Council Internal Audit Services. The service is delivered in accordance with a Service Level Agreement (SLA) approved by the Joint Committee in January 2014.
3. In order to place reliance on the work of internal audit, and the annual audit opinion provided through it on the adequacy and effectiveness of the control environment operating across the Joint Committee, it is important that the Joint Committee is assured that the service is effective.
4. Under the Accounts and Audit Regulations 2011, Durham County Council as a large public body is required to carry out an annual review of the effectiveness of its Internal Audit Service. Whilst there is no such legal requirement for the Joint Committee as a small body under these regulations to do likewise, assurance can be provided on the effectiveness of the service provided to the Joint Committee from this review.

Summary of the outcomes from the review carried out by DCC Audit Committee

5. The DCC Audit Committee considered a report presented by the Corporate Director, Resources that provided evidence on the effectiveness of the service during 2013/14. Having considered the evidence, the Committee concluded that sufficient assurance had been provided that the service was effective. In reaching this conclusion the Committee considered:
 - Actions taken by the service during 2013/14 to address areas identified for improvement following the 2012/13 effectiveness review
 - A self-assessment of compliance against the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) which came into effect 1 April 2013, carried out by the Head of Internal Audit.

6. A summary of the main outcomes from the review is attached as Appendix 2 and the resultant improvement plan prepared by the Head of Internal Audit (Chief Internal Auditor and Corporate Fraud Manager) is attached as Appendix 3.
7. The improvement plan fulfils part of the requirement of PSIAS for the Head of Internal Audit to develop and maintain a quality assurance and improvement programme (QAIP). The quality assurance programme will be further developed during the year and reported upon as part of the annual audit report as required by the PSIAS.

Other Relevant Performance Indicators

8. Following each annual audit, a post audit satisfaction survey is issued to the Bereavement Services Manager. The feedback from the 2013/14 audit returned an average score of 4.4 where 1 is very poor and 5 is very good.

Recommendation and Reasons

9. The Joint Committee is asked to note:
 - The information provided that demonstrates the efficiency and effectiveness of the Durham County Council Internal Audit Service
 - Actions planned to further improve the service during 2014/15

Background Documents

Report to DCC Audit Committee 26 June 2014

Contact(s): Paul Darby, Head of Financial (Financial Services)

Appendix 1: Implications

Finance

None

Staffing

None

Risk – Not a key decision

Equality and Diversity

None

Accommodation

None

Crime and Disorder

None

Human Rights

None

Consultation

None

Procurement

None

Disability Issues

None

Legal Implications

Compliance with the Account and Audit Regulations 2011

Extract from the report considered by DCC Audit Committee 26 June 2014

Conformance with UK Public Sector Internal Audit Standards (PSIAS)

1. Internal Audit completed a self-assessment against the key elements of the PSIAS and is attached as Appendix 2. For 2013/14 this demonstrated that the Section was meeting 92% of the applicable Code requirements and 8% partially met. A service improvement plan is attached at Appendix 3.
2. There is still some further work to be done to adjust current processes and documents: specifically related to the need to embed the development improvement plan known as the Quality Assurance Improvement Programme (QAIP). This has been developed and is due to be implemented in July 2014.
3. All employees were introduced to the ethics requirements (as described in PSIAS) in relation to the professional role of an auditor. While the basis of this remains the same as in previous years employees were also required to read and sign a document confirming they understand the ethics and behaviour requirements. All employees provided an annual declaration of interests for consideration to enable management to ensure that there was sufficient information to address any potential conflicts of interest which arise during audit activities. Employees are obliged to raise any conflicts or issues with management during the year. Records are maintained for this.
4. Quality of audit work was actively managed in year and the achievement of quality standards enabled the Chief Internal Auditor and Corporate Fraud Manager to confirm work has been completed in conformance with PSIAS. Individual audits had agreed and clear scope; activity was reviewed and assessed for its effectiveness and quality during and after completion of work; and customer feedback was received from post audit questionnaires. It is planned to also compile an annual report for service groupings and Corporate Directors next year and an online questionnaire to be sent to all Senior Management to gauge the effectiveness of the audit approach.
5. Liaison with the County Council's External Auditor was productive and audit plans were coordinated within this process. The two services continue to share information and to use this to inform risk assessments and direct audit activity.
6. There is sufficient evidence to support the conclusion that the service was overall effective during 2013/14 and that the opinion provided in the 2013/14 Annual Audit Report is reliable.

REVIEW OF SYSTEM OF INTERNAL AUDIT – ACTION PLAN 2013/2014

REF	AREA FOR IMPROVEMENT	PSIAS REF	ACTION REQUIRED	RESPONSIBLE OFFICER	TARGET DATE	PROGRESS UPDATE
1.	Audit responsibilities are to be rotated periodically	1130	Rotation of auditors to deliver assignments is routine however rotation at Principal Auditor level to be complete in April 2015	Paul Bradley	April 2015	
2.	Internal Auditors Programme of Continuing Professional Development (CPD)	1230	Programme of CPD activities to be developed, delivered and evidenced	Paul Bradley	March 2015	First CPD exercise planned for 12 June 2014 to be held quarterly thereafter.
3.	Terms of Reference to be drafted for all audit engagements	1220	Auditors and Managers to ensure Terms of Reference are created for all audit engagements	Paul Bradley Stephen Carter Paul Monaghan	Ongoing to be reviewed quarterly for compliance.	
4	Development of a Quality Assurance and Improvement Plan	1300	Develop Quality Assurance and Improvement Plan and monitor its implementation	Paul Bradley	March 2015	Quality Assurance and Improvement Plan developed and to be implemented 1 July 2014 for 2014/15 audit year.
5.	External Assessment to be completed once every five years	1312	Formally agree and external assessor and the date for the assessment. Formally agree the form and scope of the external assessment.	Paul Bradley	March 2015	Informal discussions have taken place with North Tyneside, South Tyneside and Newcastle to enter into a quadripartite agreement to complete external assessments. To be formally documented.
6.	Formally report the results of the Quality Assurance and Improvement Plan	1320	Present through the Annual Audit report to Corporate Management Team and Audit Committee on the results of the Quality Assurance and Improvement Plan	Paul Bradley	March 2015	Quality Assurance and Improvement Action Plan to be implemented 1 July 2014 and monitored across the 2014/15 audit year.

REVIEW OF SYSTEM OF INTERNAL AUDIT – ACTION PLAN 2013/2014

REF	AREA FOR IMPROVEMENT	PSIAS REF	ACTION REQUIRED	RESPONSIBLE OFFICER	TARGET DATE	PROGRESS UPDATE
7.	Development of the Council's Assurance Framework	2010	Whilst there is an Assurance Framework that supports the Annual Governance Statement. The Audit Plan 2015/16 is to be developed with reference to an 'Assurance Map' that details where the Council gets its assurance supported by the Council's Assurance Framework.	Paul Bradley	March 2015	
8.	The Chief Internal Auditor should share information and coordinate activities with internal and external providers of assurance	2050	Further development of the Assurance Map will identify those areas of assurance where further work should be developed e.g. Ofsted, Care Quality Commission etc.	Paul Bradley	March 2015	To support the Assurance Map. This work will also support the Annual Audit Report for 2014/2015
9.	Internal Audit to evaluate the design, implementation and effectiveness of the Councils ethics and its related objectives, programmes and activities	2110	Audit assignment to be completed	Paul Bradley	March 2015	Ethics review included in the 2014/15 audit plan. Training being completed in June 2015 to inform the review and begin to define the scope.
10.	Audit reports to include acknowledgement of satisfactory and good performance where it is noted.	2410	To be consistently applied across all audit reports communicated to clients	Paul Bradley	To be monitored throughout the audit year for formal review in March 2015	