

29 September 2017

**Annual Review of the System
of Internal Audit**

**Joint Report of Ian Thompson – Corporate Director: Regeneration
and Local Services; John Hewitt – 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 2017.

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 September 2016.
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 2015, 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.

Conformance with UK Public Sector Internal Audit Standards (PSIAS)

5. In April 2013, the Public Sector Internal Audit Standards (PSIAS) became effective. These standards apply to Internal Audit in all parts of the public sector in the UK and are mandatory. The standards are intended to reflect that "a professional, independent and objective internal audit service is one of the key elements of good governance".
6. The PSIAS introduced a requirement for an external assessment of an organisation's internal audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The External Assessment for Durham County Council was performed by Newcastle City Council in April and May 2016 and concluded "that Durham County Council's Internal Audit Service **conforms** to the requirements of the Public Sector Internal Audit Standards". The External Assessment report was presented to the Joint Committee in September 2016.

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

7. The Audit Committee considered a report presented by the Chief Internal Auditor and Corporate Fraud Manager that provided evidence on the effectiveness of the service during 2016/17. This took the form of a self-assessment against the key elements of the PSIAS that considered the following current arrangements for Internal Audit:
 - The structure and resourcing level, including qualifications and experience of the audit team.
 - The extent of conformance with the PSIAS in producing quality work.
 - Ensuring audit work was successfully delivered in the most appropriate areas on a prioritised (risk) basis.
 - The overall performance of the Internal Audit team.
8. For 2016/17 this demonstrated that the Section was conforming to the Code's requirements. This self-assessment was based on the PSIAS that were in place during 2016/17. Going forward external and self-assessments will be conducted against the new PSIAS which were brought into effect on 01 April 2017.

Other Relevant Performance Indicators

9. Following each annual audit, a post audit satisfaction survey is issued to the Bereavement Services Manager. The feedback from the 2016/17 audit returned an average score of 4.67 where 1 is very poor and 5 is very good.

Recommendation and Reasons

10. The Joint Committee is asked to note:
 - The information provided that demonstrates the efficiency and effectiveness of the Durham County Council Internal Audit Service.

Background Documents

Report to DCC Audit Committee 28 June 2017

Contact(s): Paul Darby, Head Of Finance & Transactional 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 2015