

North East Derbyshire District Council

Audit Committee

15 April 2024

Review of the Effectiveness of Internal Audit

Report of the Director of Finance and Resources (S151 Officer)

Classification: This report is public

Report By: Jayne Dethick, Director of Finance and Resources (S151 Officer)

Contact Officer: Jayne Dethick

PURPOSE/SUMMARY

- To provide to the Audit Committee a review by the S151 Officer of the effectiveness of the Council's Internal Audit arrangements.
 - For the Audit Committee to consider whether the conclusion set out within this report represents a reasonable evaluation of the Internal Audit service and its effectiveness as part of the Council's Governance arrangements.
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RECOMMENDATIONS

- 1 That the Audit Committee consider and endorse the S151 Officer's assessment of the Internal Audit Service as detailed at 1.3 below.
 - 2 That the Audit Committee make any comments which they consider to be appropriate either on the contents of this report, or on the opinion of the S151 Officer regarding the effectiveness of the Internal Audit service.
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IMPLICATIONS

Finance and Risk

Yes ✓

No

There are no additional financial implications arising out of this report.

On the basis that the Internal Audit Consortium provides a service on which the Council can place reliance then this provides a significant mitigating factor which will reduce the risk of a failure of the Council's Internal Control arrangements.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes ✓

No

There are no Legal or Data Protection issues arising directly from this report

On Behalf of the Solicitor to the Council

Staffing

Yes

No ✓

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

<p>Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p>NEDDC: Revenue - £100,000 <input checked="" type="checkbox"/> Capital - £250,000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	No
<p>District Wards Significantly Affected</p>	None
<p>Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/></p>	No Details:

Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications.

All

1 REPORT DETAILS

Background

- 1.1 The Accounts and Audit Regulations require local authorities to follow proper accounting practices and to maintain an appropriate regime of internal control. These Regulations require that the Council conduct annual reviews of the effectiveness of its internal audit service, and that this review will be considered by a committee of the Council as part of the wider consideration of the system of internal control.

- 1.2 Given the role of the Audit Committee in relation to financial governance and internal control issues it is appropriate that this report is brought before that Committee for consideration.

Review of the Effectiveness of Internal Audit

- 1.3 The Council's S151 Officer in reviewing the effectiveness of the Council's Internal Audit Service during 2023/24 is satisfied that an effective service has been provided, and concludes:

"It is my opinion that the Internal Audit Consortium carries out this function competently and to a high standard. The Consortium provides an effective service upon which I can place reliance."

The sections below outline the evidence which support that judgement and the Committee are asked to consider and comment upon the reasonableness of the conclusion that has been reached.

- 1.4 The Internal Audit Consortium has achieved more than 95% of the Internal Audit Plan for 2023/24. The Audit Plan is based on a risk assessment process of the Council's systems and internal controls, and demonstrates that a systematic review of the Council's activities has been undertaken during the year. The Council's Senior Management Team were consulted and agreed the Audit Plan before the start of the financial year. Progress against the Audit Plan has been reported to this Audit Committee on a regular basis during the year by the Internal Audit Consortium Manager.
- 1.5 The most direct outcome which arises from the work of Internal Audit are the reports, which cover the areas as agreed within the Audit Plan. These reports provide important evidence which enable other stakeholders to evaluate the quality of the work of internal audit. Before publication the relevant service manager, assistant director and director are invited to review the report and comment as appropriate. In addition, all reports that have limited or inadequate assurance are brought to the attention of the Managing Director who will trigger a review of the outcomes and require a corrective action plan be devised.
- 1.6 The audit team operate to recognised good practice as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), in its Public Sector Internal Audit Standards (2013, 2017) and the Head of the Internal Audit Consortium reports on compliance to the Audit Committee. In addition, the Council operates its internal audit function in line with best practice as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2010).
- 1.8 Finally, it should be noted that the service has operated within the approved financial budget since its inception in April 2007. Given that these budgets were based upon the Business Case which was developed concerning the Internal Audit consortium as part of the process of setting up the Consortium arrangements, and that the Business Plan explicitly considered best value issues the S151 Officer is satisfied that the service is providing good value for money for the Council.

2 Reasons for Recommendation

- 2.1 The Chief Financial Officer is required to consider at the end of each financial year whether the Internal Audit team provide a service on which reliance can be placed.

3 Alternative Options and Reasons for Rejection

4.1 None considered, there is a requirement to report effectiveness of the Internal Audit Service.

DOCUMENT INFORMATION

Appendix No	Title
Background Papers	