



WALES AUDIT OFFICE
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Assessment of Internal Audit 2008-09

Gwynedd Council

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Gwynedd Council (the Council) has an effective Internal Audit Service. It complies in most respects with the standards of the CIPFA Code of Practice for Internal Audit. However, the Head of Internal Audit has some operational responsibilities that are not consistent with the independence standard. There are also some areas where full compliance has not been achieved in relation to the standards on undertaking audit work, reporting and performance, quality and effectiveness	4
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Gwynedd Council (the Council) has an effective Internal Audit Service. It complies in most respects with the standards of the CIPFA Code of Practice for Internal Audit. However, the Head of Internal Audit has some operational responsibilities that are not consistent with the independence standard. There are also some weaknesses where full compliance has not been achieved in relation to undertaking audit work, reporting and performance, quality and effectiveness

1. The Code of Audit and Inspection Practice issued by the Auditor General for Wales (Auditor General) and the International Standard on Auditing (ISA) 610 require us to consider whether the internal financial control arrangements of Gwynedd Council (the Council) are adequate. As Internal Audit is a key element of the system of internal control we complete an annual assessment of its performance.
2. We have assessed Internal Audit against its professional standards as set out in the Chartered Institute of Public Finance Accountants' (CIPFA) *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*. Where these standards are met, wherever possible, we will seek to rely on its work when documenting or testing the Council's financial systems as part of our accounts audit. The level of reliance will be determined by the results of a review of that work. Further information of the individual aspects covered by each standard can be found in Appendix 1.
3. Our assessment of Internal Audit's performance against each of the standards is set out in Exhibit 1.

Exhibit 1: Internal Audit complied with most aspects of the standards

	Standard and aspects	Standard met/Comment
1	Scope of Internal Audit	Yes for 2008-09. For 2009-10, Internal Audit's terms of reference will need to be updated, and this will be the subject of a report to the June Audit Committee.

Standard and aspects		Standard met/Comment
2	Independence	Partly. The Head of Internal Audit also has operational responsibility for risk, insurance and benefits fraud and is the Council's deputy Section 151 officer. This is not consistent with the standard which states that the Head of Internal Audit should have no operational responsibility. We understand that the Council does not intend to change the role of the Head of Internal Audit and will manage this risk. However, Internal Audit will not fully comply with this standard whilst this operational arrangement is in place.
3	Ethics for internal auditors	Yes
4	Audit Committee	Yes
5	Relationships	Yes
6	Staffing, training and continuing professional development	Yes
7	Audit strategy and planning	Yes
8	Undertaking audit work	Partly. Internal Audit staff discuss and agree the brief for individual audits with relevant managers but the Council did not introduce formal written briefs until the end of the financial year. From our file review of four audits, we identified that there were considerable delays between the start of work and the issue of the final report in 75% of cases. We are aware that the section has had some staffing difficulties which have contributed to this position.
9	Due Professional Care	Yes
10	Reporting	Yes
11	Performance quality and effectiveness	Partly. The Head of Internal Audit issued a detailed Audit Guidance Manual in February 2009 which is in line with good practice. In 2009-10, the implementation of this manual will contribute towards meeting this standard. . When reporting on the percentage of audit work undertaken for performance purposes, audits with the status 'draft report' and 'field work ongoing/completed' are included in the same total as 'completed' audits. There is a danger that the reported performance could be misinterpreted by management and the Audit Committee.

Recommendations

R1	Ensure the recently introduced practice of agreeing and issuing written briefs to managers is fully implemented.
R2	Ensure that audits are completed on a timely basis.
R3	Improve the reporting of performance information to ensure that it is both clear and accurately reflects levels of activity.

Appendix 1

Internal Audit standards and aspects

Standard and aspects	
1	Scope of Internal Audit <ul style="list-style-type: none"> • Terms of reference • Scope of work • Other work • Fraud and corruption
2	Independence <ul style="list-style-type: none"> • The principles of independence • Organisational independence • Status of the Head of Internal Audit • Independence of individual internal auditors • Independence of Internal Audit contractors • Declaration of interest
3	Ethics for internal auditors <ul style="list-style-type: none"> • Purpose • Integrity • Objectivity • Competence • Confidentiality
4	Audit Committee <ul style="list-style-type: none"> • Purpose of the Audit Committee • Internal Audit's relationship with the Audit Committee
5	Relationships <ul style="list-style-type: none"> • Principles of good relationships • Relationships with management • Relationships with other internal auditors • Relationships with external auditors • Relationship with other regulators and inspectors • Relationships with elected members
6	Staffing, training and continuing professional development <ul style="list-style-type: none"> • Staffing Internal Audit • Training and continuing professional development
7	Audit strategy and planning <ul style="list-style-type: none"> • Audit strategy • Audit planning
8	Undertaking audit work <ul style="list-style-type: none"> • Planning • Approach • Undertaking audit assignments

Standard and aspects	
9	Due Professional Care <ul style="list-style-type: none">• Principles of Due Professional Care• Responsibilities of the individual auditor• Responsibilities of the Head of Internal Audit
10	Reporting <ul style="list-style-type: none">• Principles of reporting• Reporting on audit work• Follow up audits and reporting• Annual reporting and presentation of audit opinion
11	Performance quality and effectiveness <ul style="list-style-type: none">• Principles of performance quality and effectiveness• Quality assurance and audit work• Performance and effectiveness of the audit service



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