



WALES AUDIT OFFICE
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Assessment of Internal Audit 2009-10

Gwynedd Council


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Gwynedd Council has an effective Internal Audit Service which complies with the standards of the CIPFA Code of Practice for Internal Audit, except for the independence standard

1. The Code of Audit Practice issued by the 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
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

Standard and aspects		Standard met/Comment
8	Undertaking audit work	Yes
9	Due Professional Care	Yes
10	Reporting	Yes. On receipt of the draft audit report, service heads do not always respond to the Head of Internal Audit on a timely basis leading to unnecessary delays in the issue of the final report.
11	Performance quality and effectiveness	Yes. The set of performance targets should be further developed, including setting clear definitions, to provide management and the Audit committee with a comprehensive range of indicators. This will ensure that the performance of both internal audit and those subject to audit can be better understood and scrutinised.

Recommendations

R1	Remind Heads of Service of the need to respond to Internal Audit in accordance with agreed timescales to ensure that reports can be finalised on a timely basis.
R2	Further develop the set of performance targets to provide a comprehensive range of indicators for consideration by both management and the Audit Committee.

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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