



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Assessment of Internal Audit **Flintshire County Council**

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Status of report

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Contents

Summary report

Internal audit has fully complied with nine of the eleven standards in the CIPFA Code of Practice for Internal Audit and partially complied with two	4
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Recommendations	5
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Detailed report

Internal audit has fully complied with five of the organisational standards and partially complied with one	6
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Internal audit has fully complied with four of the operational standards and partially complied with one	8
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Appendices

Internal audit standards and aspects	10
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Summary report

Internal audit has fully complied with nine of the eleven standards in the CIPFA Code of Practice for Internal Audit and partially complied with two

1. The Code of Audit Practice issued by the Auditor General and the International Standard on Auditing 610 requires us to consider whether the internal financial control arrangements of Flintshire County Council (the Council) are adequate. As internal audit is a key element of the system of internal control, it is relevant to our work as the auditor.
2. In order for us to use the work of internal audit, it is necessary for us to evaluate its work to determine its adequacy for the purposes of our audit. Consequently we complete a general evaluation against relevant internal audit standards. We do not carry out this evaluation to provide assurance to the audited body about its internal audit function and the results should not be relied on that for purpose.
3. For the purposes of our audit we have assessed internal audit against its professional standards as set out in the Chartered Institute of Public Finance Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code). The Code consists of standards in two groupings: the first encompasses the organisational and structural aspects of internal audit; the second encompasses the activity and operation of internal audit. Where, for the purposes of the audit, these standards are met, we will seek to rely on their work when documenting or testing the Council's financial systems as part of our accounts audit; although any work completed by them will have to be reviewed. Further information on the individual aspects covered by each standard can be found in [Appendix 1](#).
4. Our assessment of each of the standards is set out in [Exhibit 1](#).

Exhibit 1

Standard and aspects		Standard met/comment
Organisational standards		
1	Scope of internal audit	Yes
2	Independence	Yes
3	Ethics for internal auditors	Yes
4	Audit Committee	Yes
5	Relationships	Yes
6	Staffing, training and continuous professional development	Partially complied
Operational standards		

Standard and aspects		Standard met/comment
7	Audit strategy and planning	Yes
8	Undertaking audit work	Yes
9	Due professional care	Yes
10	Reporting	Yes
11	Performance quality and effectiveness	Partially complied

5. Our detailed report sets out our findings in respect of each of the CIPFA standards. We have made two recommendations.

Recommendations

R1	Continue to monitor internal audit staffing levels to ensure that adequate resources are available to deliver agreed internal audit plans.
R2	Ensure that all learning points from the independent quality assurance review are given consideration and addressed where appropriate.

Detailed report

Internal audit has fully complied with five of the organisational standards and partially complied with one

The scope of internal audit is clearly defined

6. The overall scope of internal audit is set out in the Internal Audit Charter (the Charter), and generally conforms to the requirements of the internal audit standards. The scope of internal audit work is agreed in the internal audit annual plan by the Audit Committee.
7. The Charter is underpinned by the internal audit manual.

Internal audit has sufficient organisational status and independence

8. Arrangements are in place, as set out in the Charter, to ensure that internal audit has appropriate access rights and authority to operate within the Council to ensure that it is independent.
9. The Charter also stipulates that audit staff do not undertake any non-audit duties and that all the activities of the internal audit function are carried out in accordance with the financial regulations of the Council.
10. All internal audit staff are required to complete annual declarations of interest.

Internal audit has arrangements in place to ensure compliance with the ethical codes issued by professional institutes

11. The internal audit section is expected to follow the code of ethics of its own professional institution.
12. The internal audit manual stipulates that internal audit should safeguard information they receive in carrying out their duties.

The Audit Committee makes an effective contribution to the overall process for ensuring that an effective internal control system is maintained

13. The role, responsibilities and composition of the Audit Committee are detailed in Article 7 of the Constitution. This was amended during the year to reflect changes to the role of the Audit Committee introduced by the Local Government (Wales) Measure 2011.
14. Following these changes, arrangements have also been put in place to ensure closer working between the Audit Committee and the Scrutiny committees in conducting their respective work programmes.

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15. The Audit Committee completes an annual self-assessment and this is submitted to the Head of Finance. Following the Local Government election in May 2012, a comprehensive training session was held for Audit Committee members, although not all members attended. The results of the self assessment have been subject to analysis to identify further training needs and this work is ongoing.
 16. The Charter details the rights of access of the Internal Audit Manager to all members.
 17. The Internal Audit Manager attends the Audit Committee meetings.
 18. At each committee, the Internal Audit Manager presents two standard reports, namely, the internal audit progress report and action tracking report. The reports allow the committee to monitor the progress and output of internal audit's work.
 19. The Internal Audit Manager has worked with the Committee during the year to re-design the reports to ensure key information is presented. The revised reports appear to better address the needs of the Committee and the Internal Audit Manager can further refine the reports as necessary.

Internal audit has established effective relationships with management, other auditors and other review bodies

20. Internal audit has built positive relationships with management. A constructive relationship has developed between internal audit and the Wales Audit Office, and a formal protocol is in place which sets out our working relationship.

As a result of staff shortages and the level of investigations work, internal audit has been insufficiently staffed to deliver its planned work programme

21. The established staffing structure of the internal audit section provides adequate resources, with an appropriate skill mix, to fulfil its objectives.
22. In the early part of the year there were a number of staff vacancies and during 2012-13 there was a significant level of investigations work which diverted auditor days away from the core plan. These have been persistent issues for a number of years.
23. On the recommendation of the Audit Committee, the Cabinet did agree additional funding to bring in temporary staff towards the end of the year to assist in completion of key work into April 2013, although a number of audits have been deferred. Changes to the plan have been approved by the Audit Committee.
24. The Internal Audit Manager is confident that sufficient work has been carried out to satisfy him in terms of providing his annual assurance to the Audit Committee and is confident that the audit plan for 2013-14 is adequately resourced. The Audit Committee will need to monitor this to ensure that the plan is delivered.
25. Last year we identified that internal audit staff had not been appraised in accordance with the staff appraisal process within the Council. We note that this has now been addressed and all staff have completed appraisals in the year and now have objectives and identified personal development needs.

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26. All staff are required to maintain a record of training and development, and adhere to their professional bodies' Continual Professional Development (CPD) requirements.

R1 Continue to monitor internal audit staffing levels to ensure that adequate resources are available to deliver agreed internal audit plans.

Internal audit has fully complied with four of the operational standards and partially complied with one

An Audit Strategy and Annual Audit Plan are prepared, reviewed and approved by the Audit Committee

27. Internal audit has a strategy for 2010-11 to 2012-13. The strategy details that work is carried out to meet the internal audit objective of providing an annual opinion to inform the Annual Governance Statement.
28. The strategy and annual plan is updated by the Internal Audit Manager and certified by the Head of Finance before being annually approved by the Audit Committee. The committee approved the 2012-13 plan in March 2012.

Internal audit's approach to recording its audit work is satisfactory

29. The internal audit standards require all auditors to obtain and record sufficient relevant evidence to support their conclusions and to demonstrate the adequacy of evidence obtained to support professional judgements.
30. Each review has a detailed assignment planning sheet which identifies the scope, objectives, risks and resources for the review.
31. We reviewed a sample of five internal audit files and found that all files were generally of a satisfactory standard.
32. However, I would note that the independent quality assurance review carried out during the year, and discussed in paragraphs 40-41 below, raised issues in respect of the level and depth of the testing undertaken. We have recommended that this be properly considered.
33. Formal feedback takes place at the end of the audit in an audit debriefing meeting.

Internal audit applies due professional care when performing its duties

34. Internal audit staff are suitably qualified and have a range of guidance on conduct, from the constitution, code of conduct for officers, the internal audit manual and their professional bodies' code of ethics.
35. All work performed is reviewed by a principal auditor and certified by the Internal Audit Manager.

Internal audit prepares assignment reports and an Annual Report in accordance with the requirements of the internal audit standards

- 36. Internal audit reports templates are designed to meet the internal audit standards.
- 37. The Annual Report provides an opinion on the governance, risk management and controls in operation within the Council.

Internal audit has quality control and review procedures in place but a quality assurance review carried out in year highlighted some concerns which should be addressed

- 38. The internal audit manual sets out the quality control measures that are required to be in place.
- 39. The Internal Audit Manager presents quarterly performance reports to the Audit Committee. Performance indicators are reported to the Audit Committee at each meeting and the majority relate to timeliness of issue of reports.
- 40. Following our recommendation last year, an independent quality assurance review was carried out by RSM Tenon in October 2012. A high-level summary of the findings was reported to the Audit Committee in March 2013. The detailed report (not presented to the Audit committee) raised a number of points worthy of consideration and the Internal Audit Manager should ensure that these are addressed.

R2	Ensure that all learning points from the independent quality assurance reviews are given consideration and addressed where appropriate.
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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• Relationships 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

Standard and aspects

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| 8 | Undertaking audit work <ul style="list-style-type: none">• Planning• Approach• Undertaking audit assignments |
| 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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