

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

14 February 2007

Report of the Director of Finance

Part 1- Public

Matters for Information

1 CIPFA CODE OF PRACTICE FOR INTERNAL AUDITORS IN LOCAL GOVERNMENT IN THE UNITED KINGDOM 2006

Summary

This report informs Members of the Audit on the publication of an updated Code of Practice for Internal Audit.

1.1 Background

- 1.1.1 The CIPFA Code of Practice for Internal Audit has been always been used as a benchmark as best practice for the provision of Internal Audit.
- 1.1.2 Although compliance with the Code was not mandatory the Audit Commission used it as a basis for their review of Internal Audit.
- 1.1.3 The Accounts and Audit Regulations 2003 required the s151 Officer of the Council to ensure that “proper practice” exists in the internal controls of the Council.
- 1.1.4 The Department for Communities and Local Government, circular (03/226 – issued August 2006) (s7 & s8) defines proper practice to include compliance with the Code of Practice for Internal Audit, published by CIPFA.

1.2 New Code of Practice

- 1.2.1 The new Code was issued by CIPFA in December 2006.
- 1.2.2 One of the significant additions to the Code is a checklist to benchmark compliance with the Code. This checklist is almost certainly to be used by the Audit Commission in their assessment of Internal Audit.
- 1.2.3 There is also a requirement for Internal Audit Sections to be assessed by an external body agreed by the Audit Committee. Discussions have taken place within the Kent Audit Group for “quid pro quo” arrangements to take place in future years to fulfil this requirement. Approval for this approach was given by the General Purposes Committee in April 2005. However, Members will be asked to endorse this approach at a future meeting of this Committee.

1.2.4 At the present time an internal review is being carried out by the Principal Auditor to identify compliance with this checklist. It is anticipated that the outcome of this self review will be reported to the next meeting of this Committee.

1.2.5 Early indications are that Internal Audit complies with the Code but there may need to be a change to policies to comply exactly for inspection purposes.

1.3 Legal Implications

1.3.1 There is a requirement to ensure that the Council complies with the Accounts & Audit Regulations.

1.4 Financial and Value for Money Considerations

1.4.1 Compliance with the Code has no direct financial consideration

1.5 Risk Assessment

1.5.1 A failure to comply with the Code of Practice would lead the Audit Commission to conclude that they could not place reliance on the work on Internal Audit and could result in a far greater depth of external review. In addition Members would not be able to place reliance on Internal Audit for producing evidence to support the Statement on Internal Control.

Background papers:

contact: David Buckley

CIPFA – Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

Sharon Shelton
Director of Finance