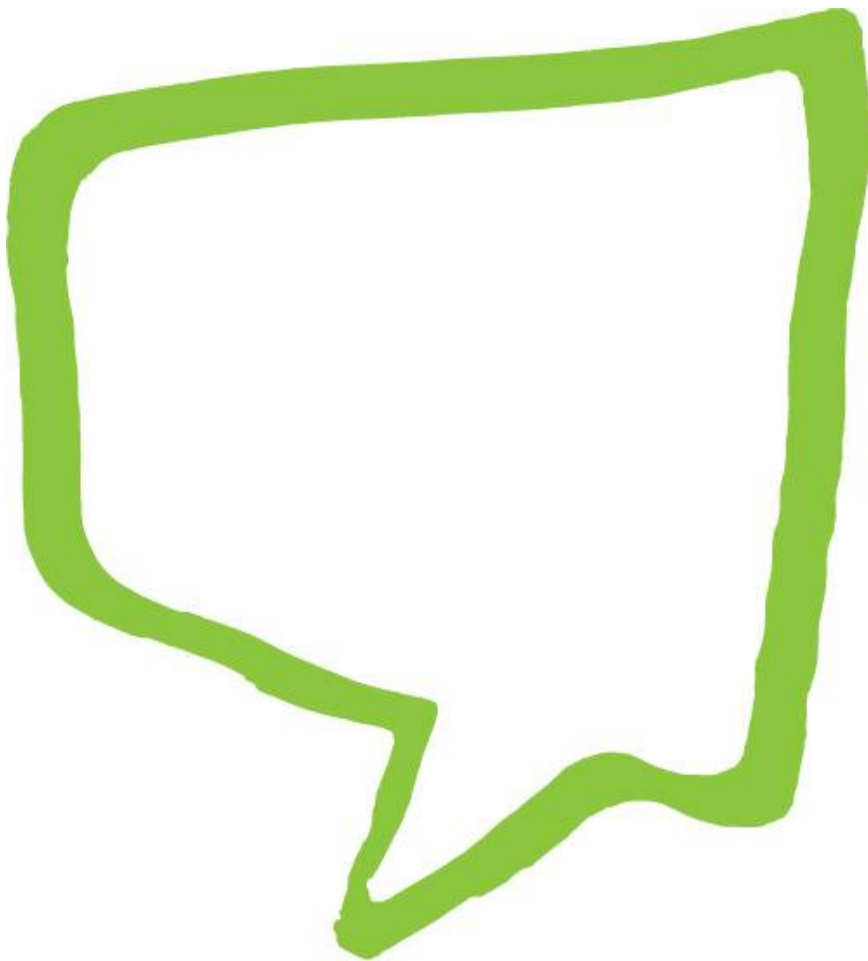


# Review of Internal Audit

Shropshire Council

Audit 2009/10

February 2010



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## **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Introduction

- 1 It is a normal part of the External Audit process to review the quality of Internal Audit (IA) work, confirming that reliance may be placed on testing for opinion purposes and to confirm that IA is an effective contribution to the Council's Internal Control process. We assess the possible reliance on IA's financial systems work annually, but also review overall processes once every three years. We undertook a detailed 'triennial' review in 2006/07. This concluded that the Council operated an effective IA function.
- 2 A triennial review is due in 2009/10. The previous review was undertaken when the Council was a County Council, since when the Council has become a Unitary Authority and a new Head of IA has been appointed.

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# Audit Approach

- 3 The Council's Head of Internal Audit has conducted a review of the current processes against both the CIPFA code and the previous checklist to identify any changes. This has been supported by a file of evidence.
- 4 We have reviewed the response against our experience of the audit in practice and the checklist completed in 2006/07. We have discussed our findings with the Head of Internal Audit. The results of our work are detailed in the following section.

# Main conclusions

- 5 We have concluded that IA is an effective part of the internal control process. There are no areas where the IA function is not complying with the Code and any areas where partial compliance is considered are being addressed.
- 6 There are no areas of concern where we consider a recommendation is required.
- 7 The areas identified in the previous review where further action was considered necessary have been addressed. They were:
  - the introduction of a recommendation tracking process: and
  - the introduction of a new anti-fraud and corruption strategy for IA.
- 8 The Head of IA's Code Checklist response is a detailed document, well supported by evidence. Our review of the self assessment confirmed agreement with the key judgements of the Head of Internal Audit, and in our view the Council continues to operate an effective IA function.

# Appendix 1

## Compliance with the CIPFA Code

<b>1 Scope of Internal Audit</b>	<b>Conclusion</b>
1.1 Terms of reference	Compliant
1.2 Scope of work	Compliant
1.3 other work	Compliant
1.4 Fraud and Corruption	Compliant
<b>2 Independence</b>	
2.1 Principles of Independence	partial compliant: IA have a small number of non-audit duties, but this does not compromise their independence.
2.2 Organisational independence	Compliant
2.3 Status of the Head of Internal Audit	Compliant
2.5 Independence of Internal Audit Contractors	Compliant
2.6 Declaration of Interest	Compliant
<b>3 Ethics for Internal Auditors</b>	
3.1 Purpose	Compliant
3.2 Integrity	Compliant
3.3 Objectivity	Compliant
3.4 Competence	Compliant
3.5 Confidentiality	Compliant
<b>4 Audit Committees</b>	
4.1 Purpose of the Committee	Compliant
4.2 Internal Audit's relationship with the Audit Committee	Compliant
<b>5 Relationships</b>	
5.1 Principles of good relationships	Compliant
5.2 Relationships with Management	Compliant

## Appendix 1

<b>5 Relationships</b>	<b>Conclusion</b>
5.3 Relationships with other Internal Auditors	Compliant
5.4 Relationships with External Audit	Compliant
5.5 Relationships with other Regulators and Inspectors	Compliant
5.6 Relationships with Elected Members	Compliant
<b>6 Staffing, Training and Continuing Professional Development</b>	
6.1 Staffing Internal Audit	Compliant
6.2 Training and Continuing professional Development	Compliant
<b>7 Audit Strategy and Planning</b>	
7.1 Audit Strategy	Compliant
7.2 Audit Planning	Compliant
<b>8 Undertaking Audit Work</b>	
8.1 Planning	Compliant
8.2 Approach	Compliant
8.3 recording Audit Assignments	Compliant
<b>9 Due Professional Care</b>	
9.1 Responsibilities of the Individual Auditor	Compliant
9.3 Responsibilities of the Head of Internal Auditor	Compliant
<b>10 Reporting</b>	
10.1 Principles of reporting	Compliant
10.2 reporting on audit work	Compliant
10.3 Follow up of Audits and Reporting	Compliant
10.4 Annual reporting and presentation of the Audit Opinion	Compliant
<b>11 Performance Quality and Effectiveness</b>	
11.1 Principles of Performance, Quality and Effectiveness	Compliant
11.2 Quality assurance on audit work	Compliant
11.3 Performance and effectiveness of the Internal Audit Service	Compliant

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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