

EAST RENFREWSHIRE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

12 June 2014

Report by Clerk

EXTERNAL AUDIT REPORT

2013/14 REVIEW OF ADEQUACY OF INTERNAL AUDIT

PURPOSE OF REPORT

1. To update the Committee on the publication of a local external audit report on the *2013/14 Review of the Adequacy of Internal Audit*.

RECOMMENDATION

2. It is recommended that the Committee considers the report.

2013/14 REVIEW OF ADEQUACY OF INTERNAL AUDIT

3. A copy of the local external audit report on the *2013/14 Review of the Adequacy of Internal Audit* has already been circulated to all Audit and Scrutiny Committee Members. As the Committee is aware, it is normal practice for the publication of such reports to be brought to the attention of the Committee and for them to be dealt with through its specialisation arrangements. The Members who are leading on the review of this particular report are Councillor Wallace and Councillor Robertson.

4. Audit Scotland's Code of Audit Practice sets out the wider dimension on public sector audit and requires the External Auditor to undertake an annual assessment of the adequacy, strengths and weaknesses of the Council's internal audit function. As part of their audit and in conjunction with their risk assessment process, Audit Scotland has completed a preliminary assessment of the internal audit function for 2013/14. To ensure that effective and efficient use is made of combined internal and external audit resources, Audit Scotland has also identified areas where internal audit's work can potentially contribute to external audit objectives through either full or partial supporting evidence.

5. A copy of Audit Scotland's report on the annual overview was sent to the Chief Executive on 31 March 2014. It concluded that internal audit has appropriate documentation, standards and reporting procedures. The report also explained that this satisfactory evaluation allows Audit Scotland to review and place reliance on various aspects of internal audit's work, allowing it to direct its resources to the financial systems and governance areas it has assessed as being of higher audit risk. External audit intends to monitor progress of the Internal Audit Annual Plan to ensure that all work is completed as anticipated.

6. The report itemises eleven issues as follows on which Audit Scotland plan to draw on the work of internal audit in terms of International Statement of Auditing 610 (*Considering the Work of Internal Audit*) for audit assurances in their financial statements work:-

- Trade Payables
- Ordering and Certification
- Trade Receivables
- Corporate Debt Recovery
- Housing – Rent Accounting
- Asset Management
- Council Tax Recovery and Enforcement
- Housing Benefits
- Payroll
- Members' Expenses
- Inventories

7. It also explains that, in terms of Paragraph 78 of the Code of Audit Practice, Audit Scotland intends to obtain assurances from internal audit work for other aspects of their Code responsibilities, itemising three such issues as follows:-

- National Fraud Initiative
- Review of Statutory Performance Indicators
- Budgetary Control

8. All completed internal audit assignments will be reviewed to ensure the assumed assurance can be drawn from test results, failing which Audit Scotland's audit approach and fee may be revised.

RECOMMENDATION

9. It is recommended that the Committee considers the report.

Local Government (Access to Information) Act 1985

Background Papers:-

Report prepared by Audit Scotland on *2013/14 Review of the Adequacy of Internal Audit*

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