



Audit Committee Report

REPORT OF	Assistant Director Finance – Business Partnering and Internal Audit	DATE
		9/01/2014

SUBJECT	Review of the Operation of the new Internal Audit Structure
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SUMMARY This report summarises how the new management arrangements for the Internal Audit section are operating in practice. It provides an update on those arrangements and how they fulfil the requirements of the Public Sector Internal Audit Standards (PSIAS).

RECOMMENDATIONS

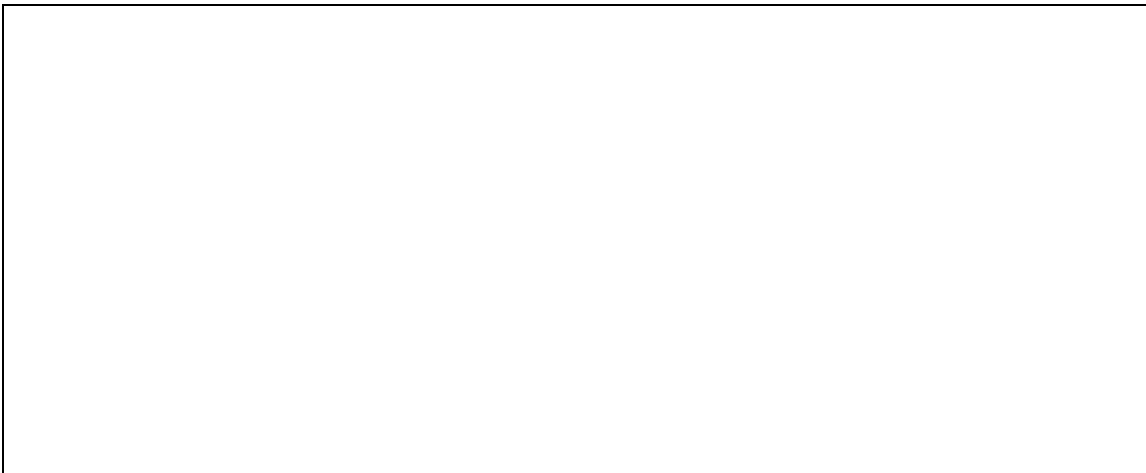
That members note that progress has been made in implementing the new management arrangements effectively.

That members endorse the management arrangements of the Internal Audit section.

FINANCIAL IMPLICATIONS CLEARED BY	No Laura Pattman	PARAGRAPHS
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BACKGROUND PAPERS

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**CATEGORY OF
REPORT**

Open

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: L Pattman
Legal implications
YES /NO
Equality of Opportunity implications
YES /NO
Tackling Health Inequalities implications
YES /NO
Human rights implications
YES /NO
Environmental and Sustainability implications
YES /NO
Economic impact
YES /NO
Community safety implications
YES /NO
Human resources implications
YES /NO
Property implications
YES /NO
Area(s) affected
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council? YES/NO
Press release
YES /NO

REPORT TO SHEFFIELD CITY COUNCIL AUDIT COMMITTEE

9th January 2014

Assistant Director of Finance Report – Review of the Operation of the new Internal Audit Structure

PURPOSE OF THE REPORT

1. This report summarises the evaluation of the implementation and operation of the new management arrangements of the Internal Audit section.

BACKGROUND

2. The new management arrangements for the Internal Audit section were implemented on 1 April 2013, and aimed to provide an effective management structure within the available budget.
3. The new arrangements are (in brief) an Assistant Director with shared responsibility for Internal Audit and Business Partnering, supported by a Senior Finance Manager. Together with reductions at the Finance Manager level within the Internal Audit section, this new structure released budget savings.
4. The PSIAS came into force on the 1st April 2014 and replaced the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom*, 2006. The standard sets out a number of requirements for management structures and Sheffield City Councils' (SCC) Internal Audit service currently complies with the requirements of the CIPFA Code of Practice.

Requirements of the PSIAS

5. The PSIAS set out the requirement for a Chief Audit Executive (CAE). To ensure that this role is independent of other roles and responsibilities within SCC this role is assigned to the Senior Finance Manager.
6. The requirements of the PSIAS largely relate to ensuring the independence of the Internal Audit function. Independence is defined within the standard as the freedom from conditions that threaten the ability of the internal audit activity to carry out their responsibilities in an unbiased manner. To achieve the degree of independence necessary it is stated that the CAE must have direct and unrestricted access to senior management and the board.
7. The CAE must report functionally to the board, and establish effective communication with the Chief Executive and Chair of the Audit Committee.

Current Arrangements in Internal Audit

8. The CAE reports functionally to the Assistant Director of Finance rather than to a member of the Executive Management Team. This arrangement has been endorsed by the Director of Finance and the Executive Director, Resources.
9. There are no barriers to reporting audit issues corporately when the need arises, and this is outlined in the Audit Charter. A Declaration of Endorsement is being prepared to formally demonstrate the approval of the reporting access to the Executive Director, Resources, the Chief Executive and the Chair of the Audit Committee. This will be submitted to the Audit Committee with the Annual Report for 2014.

Evaluation of Current Management Arrangements

10. The current management arrangements are working efficiently and effectively. To date 45% of the 2013/14 Audit Plan has been delivered, against a target for this time of year of 54%. In addition to this a significant number of special investigations have been undertaken jointly by the Assistant Director and the Senior Finance Manager, and the Finance Manager since April 2013.
11. Whilst the service is actively trying to balance the delivery of the plan with the need to undertake ad-hoc special investigations, we have acknowledged that this is difficult with the level of resourcing available.
12. In recognition of this additional workload, arrangements are currently being considered to temporarily increase resources to support the continued delivery of the Audit Plan. This demonstrates the continued commitment of senior management to ensuring the effectiveness of the Internal Audit function.
13. The Senior Finance Manager has direct access to the Chief Executive and the Executive Director of Resources if required and this has been called upon whilst undertaking the special investigations/management reviews. This demonstrates compliance with the PSIAS.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the report.

EQUAL OPPORTUNITIES IMPLICATIONS

There are no equal opportunities implications arising from the report.

RECOMMENDATIONS

That members note where progress has been made in implementing the new standard.

That members endorse the management arrangements of the Internal Audit Section.

Laura Pattman
Assistant Director of Finance

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