

REPORT TO: **AUDIT AND RISK MANAGEMENT SUB-COMMITTEE 13/09/04**

REPORT ON: **A JOB WORTH DOING : RAISING THE STANDARD OF INTERNAL AUDIT IN SCOTTISH COUNCILS – FOLLOW-UP REPORT**

REPORT BY: **DEPUTE CHIEF EXECUTIVE (FINANCE)**

REPORT NO: **643-2004**

1. PURPOSE OF REPORT

To provide a summary to Members of the Audit and Risk Management Sub-Committee of the follow-up report by the Accounts Commission on A job worth doing – Raising the standard of internal audit in Scottish councils.

2. RECOMMENDATION

The Sub-Committee Members note the content of the report.

3. FINANCIAL IMPLICATIONS

None

4. LOCAL AGENDA 21 IMPLICATIONS

None

5. EQUAL OPPORTUNITIES

None

6. BACKGROUND

- 6.1 A study was undertaken in 2000/01 by Audit Scotland on behalf of the Accounts Commission of the internal audit arrangements within Scottish councils. The prime objectives of this review were to establish a clear picture of the performance of internal audit services in all councils in Scotland and to provide benchmarking data to support continuous improvement. In the subsequent report, published by the Accounts Commission in August 2001, the overall conclusion was that there was “room for improvement in internal audit in all councils but some councils perform significantly better than others”. The report also included an assessment of the level of compliance by councils with the CIPFA Code of Practice for Internal Audit in Local Government. Councils were grouped according to their assessed level of compliance with the Code and at that time the Internal Audit Service of Dundee City Council was placed in Band 2 which represented Councils that generally comply with the Code.
- 6.2 In 2003/04 a follow-up study by Audit Scotland on behalf of the Accounts Commission was undertaken. The prime aim of the study was to assess and report upon the progress made by councils since 2001. Once again the study compared council’s compliance with the CIPFA Code of Practice for Internal Audit in Local Government. The Accounts Commission Report, published in July 2004, stated that overall, internal audit performance had improved in all aspects and that Councils did particularly well in a number of areas including having an effective organisational status, having independence and freedom from operational responsibilities and in the management, control and recording of internal audit work. The report also highlighted a number of areas where councils still need to improve which included basing their work on a comprehensive risk assessment, more structured planning, following up recommendations to ensure action is taken, developing an effective performance management framework and clarifying the respective roles of management and internal audit in maintaining internal control.

- 6.3 In the 2004 report the assessment of internal audit performance found that twenty-seven councils demonstrated a higher level of compliance with the Code than in 2001. In addition, whilst most councils had improved their overall performance the extent of improvement varied significantly. In terms of Dundee City Council's Internal Audit Service the performance was assessed as one of the councils whose performance had improved. Consequently it was designated as Band 1 which was assigned to those councils who almost fully comply with the Code.
- 6.4 Attached at Appendix A is a copy of the document prepared by the Accounts Commission which summarises the key findings from this study. A full copy of the report is available in the Members' Lounge.

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BACKGROUND PAPERS

None

The Appendix is not available in a suitable form for publication on this site. A copy of the Appendix is available for viewing at the Committee Services Section, Support Services Department, 21 City Square, Dundee (Telephone 01382 434075).