



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

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Assessment of Internal Audit 2006/2007

North Wales Fire Authority



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Status of this document

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Internal Audit is fully compliant with seven of the 10 Internal Audit standards. Whilst Internal Audit did not produce an Internal Audit Strategy for 2006/2007, it has produced a strategy for 2007/2008

1. The Code of Audit and Inspection Practice issued by the Auditor General for Wales and the International Standard on Auditing 610 require us to consider whether the internal financial control arrangements of North Wales Fire Authority (the Authority) are adequate. Internal Audit is a key element of the Authority's financial control arrangements.
2. Conwy County Borough Council's Internal Audit Department provides management and staffing of the Internal Audit function at the Authority.
3. The Welsh Assembly Government considers that the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom represents proper practices. Our assessment has been carried out against the standards specified in the CIPFA Code of Practice. Further information of the individual aspects covered by each standard can be found in Appendix 2.
4. We reviewed a sample of audit plans and programmes, staffing levels, working papers and reports for a range of systems to determine the extent of compliance with the Internal Audit standards.
5. Overall we have concluded that Conwy County Borough Council's Internal Audit Department is fully compliant with seven of the Internal Audit standards for local government.
6. The Authority and Internal Audit has made significant progress in addressing the recommendations raised in our previous year's assessment. Internal Audit has made progress in developing an Audit Strategy for 2007/2008 in accordance with the requirements of the CIPFA's standards, although no such strategy was in place for the year under review.
7. The terms of reference of the Executive Panel were also revised during the year to encompass those of an Audit Committee. The Executive Panel is in its infancy as a steward of the Authority's internal controls. We will continue to work with the Executive Panel and monitor its progress over the coming year.
8. Our assessment of each of the standards is set out in Exhibit 1.

Exhibit 1: Seven out of 10 standards were fully met

Standard and aspects		Standard met	Findings
Organisational standards			
1	Scope of Internal Audit	Yes	<p>The overall scope of Internal Audit generally conforms with the requirements of CIPFA's Code of Practice for Internal Audit in local government.</p> <p>The overall scope of Internal Audit is set out in the Authority's financial regulations and covered in the Service Level Agreement (SLA) signed in April 2004. The SLA covers those elements that would be expected and does not provide any limitation on the scope of Internal Audit work.</p>
2	Independence	Yes	<p>Internal Audit has the independence in terms of organisational status and personal objectivity to enable it to undertake its work effectively.</p> <p>Internal Audit staff are required to complete annual declarations of interest, which are complete and up to date.</p>
3	Audit committees	Yes	<p>The Executive Panel's terms of reference were revised in January 2007, to include those of an Audit Committee. The Executive Panel is in its infancy as a steward of the Authority's internal controls. We will continue to work with the Executive Panel and monitor its progress over the coming year.</p> <p>The Treasurer attended most Executive Panels during the year and had sufficient access to the Chair of the Executive Panel. Internal Audit intend attending all relevant Executive Panel meetings during 2007/2008.</p>
4	Relationships	Partly	<p>Internal Audit continues to develop its relationships with management. Recent meetings were held between Internal Audit and senior managers to inform Internal Audit's Annual Planning Process for 2007/2008, although no such arrangements were in place to inform the 2006/2007 Audit Planning Process.</p> <p>A constructive relationship has been developed between Internal Audit and the Wales Audit Office which has been further strengthened with the recent agreement of a formal Joint Audit Protocol. The document clarifies the working relationship between External and Internal Audit.</p>
5	Staffing, training and development	Yes	<p>Adequate arrangements have been established to ensure that Internal Audit staff have the appropriate skills to fulfil their responsibilities.</p> <p>A Training and Development Programme is in place and all staff participate in a formal Appraisal System.</p>

Standard and aspects	Standard met	Findings
Operational standards		
6	Audit Strategy	No * Internal Audit did not produce an Internal Audit Strategy for 2006/2007 which sets out the scope of Internal Audit work, and specifies how and when the work will be delivered. * Arrangements have been developed for 2007/2008 with the production of an Audit Strategy which was presented to the Executive Panel on 21 May 2007. The document complied with the requirements of CIPFA's standard.
7	Managing audit assignments	Partly Internal Audit assignments are well managed and supporting working papers are produced to a good standard. Our review revealed that all medium and high-risk recommendations raised in 2005/2006 were followed up by Internal Audit. Five accepted low-risk recommendations arising from the review of 'West Division HQ and Retained' were not followed up by Internal Audit as management determined that it was not cost effective or appropriate.
8	Due professional care	Yes Appropriate arrangements are in place to ensure that all Internal Audit staff are aware of, and adhere to, the behaviours expected of them in exercising due professional care.
9	Reporting	Yes Internal Audit prepares assignment reports which are generally clear, concise and constructive. The Annual Internal Audit Report was presented to the Executive Panel on 21 May 2007. The report complied with the guidance contained in the CIPFA Code of Practice.
10	Quality Assurance (QA)	Yes The Internal Audit Manual sets out the policies and procedures that Internal Audit follows in carrying out its work. All audit assignments are subject to review by a suitably qualified and experienced member of Internal Audit staff. Work performed was produced to a good standard, and results obtained and conclusions drawn are properly recorded.

Appendix 1

Action Plan

Page	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 Internal Audit should continue to develop effective working relationships with senior management by meeting on a regular basis and attending relevant Executive Panel meetings.	2	Mike Halstead, Head of Internal Audit	Yes	It is accepted that a meeting was not held to inform the 2006/2007 Planning Process. A meeting was held to inform the 2007/2008 Planning Process and regular meetings will be held in future. The Executive Panel meetings will be attended by Internal Audit.	Implemented
6	R2 All prior-year recommendations (regardless of the risk) should be followed up and reviewed.	3	Mike Halstead, Head of Internal Audit	Yes	All audit recommendations made during 2006/2007 are scheduled to be followed up during 2007/2008.	2007/2008 audit

Appendix 2

CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom

Standard and aspects	
1	<p>Scope of Internal Audit</p> <ul style="list-style-type: none"> • terms of reference; • scope of work; • other work; and • fraud and corruption.
2	<p>Independence</p> <ul style="list-style-type: none"> • the principles of independence; • organisational independence; • status of the Head of Internal Audit; • independence of individual internal auditors; • independence of Internal Audit contractors; and • Declaration of Interest.
3	<p>Audit Committees</p> <ul style="list-style-type: none"> • purpose of the Audit Committee; and • Internal Audit's relationship with the Audit Committee.
4	<p>Relationships</p> <ul style="list-style-type: none"> • principles of good relationships; • relationships with management; • relationships with other internal auditors; • relationships with external auditors; • relationships with other regulators and inspectors; and • relationships with elected members.
5	<p>Staffing, training and continuing professional development</p> <ul style="list-style-type: none"> • staffing Internal Audit; and • training and continuing professional development.
6	<p>Audit Strategy and planning</p> <ul style="list-style-type: none"> • Audit Strategy; and • audit planning.
7	<p>Undertaking audit work</p> <ul style="list-style-type: none"> • planning; • approach; and • recording audit assignments.
8	<p>Due professional care</p> <ul style="list-style-type: none"> • principles of due professional care; • responsibilities of the individual auditor; and • responsibilities of the Head of Internal Audit.

Standard and aspects	
9	Reporting <ul style="list-style-type: none">• principles of reporting;• reporting on audit work;• follow-up audits and reporting; and• annual reporting and presentation of audit opinion.
10	Performance, quality and effectiveness <ul style="list-style-type: none">• principles of performance, quality and effectiveness;• QA of audit work; and• performance and effectiveness of the Internal Audit Service.



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