



## Legal and Democratic Services

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TO: THE CHAIRMAN AND MEMBERS  
OF THE AUDIT COMMITTEE

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MD

30 November 2009

Dear Member

**AUDIT COMMITTEE –  
FRIDAY 4 DECEMBER 2009 AT 10.00 AM**

I refer further to the Agenda and papers recently circulated in respect of the meeting of the Audit Committee to be held at 10.00 am on Friday 4 December 2009 in the Flensburg Room.

Please note that the Assistant Director (Resources) will give a verbal update on the interim arrangements for Internal Audit as part of his verbal report at Agenda item A.6 – Options for Internal Audit. Agenda item A.5 is therefore withdrawn.

Yours sincerely

*J.M. Egan*

Director of Legal and Democratic Services



**Lexcel**

OPTION FOR ADMINISTERING THE INTERNAL AUDIT FUNCTION  
IN THE MEDIUM TO LONG TERM

1. Introduction
  - 1.1 As members will be aware the Council is looking at options for administering the internal audit service in the medium/long term i.e. from 1 April 2010.
  - 1.2 Under the transformation restructure of senior management the Head of Audit role has been deleted.
  - 1.3 Options for the longer provision of internal audit will be presented to the Audit Committee on 15 January 2010 including the formulation of annual audit plans.
  - 1.4 This briefing note advises members on the interim arrangements put in place for the period 17 December 2009 (when the current Head of Audit leaves) and 31 March 2010.
2. Role of the Internal Audit Function and Key Controls
  - 2.1 Role

The Accounts and Audit Regulations 2003 (S1 2003/533), regulation 5, specifically require that a “relevant body shall maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”. Impartial monitoring and inspection of activities is essential to a healthy organisation.
  - 2.2 Key Controls

The key controls for Internal Audit are:

    - It is independent in its planning and operation
    - The Audit Services Manager has direct access to the Head of Paid Service, to all levels of management and to elected Members
3. Internal Audit Administration – 17 December 2009 to 31 March 2010
  - 3.1 A Principal Auditor with a wide experience of internal audit and management (Code of Practice requirement) will manage Internal Audit on a part-time basis. However, as the postholder is a full time member of staff, i.e. has other duties and responsibilities, they will be available to provide management support to Audit as required on a daily basis.

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None**

- 3.2 Their role will have independence in planning and operation of the Internal Audit function and also have direct access to the Head of Paid Service to all levels of management and to elected Members.
- 3.3 The remaining Audit Plan for 2009/10 has been reviewed and enough resources are available to undertake the remaining material audits.
4. Other Duties and Responsibilities Currently with Internal Audit
- 4.1 The current Head of Audit also monitors the Authority's governance arrangements and reports to Audit Committee in this respect. These duties and responsibilities including drafting status reports to Members are being transferred to the finance function on a permanent basis.
- 4.2 Responding to Freedom of Information requests on Directorate issues (which is becoming resource intensive) is also being transferred to the finance function.
- 4.3 Value for Money  
On occasion Internal Audit have undertaken Value for Money reviews. Responsibility for such reviews have been transferred to the Efficiencies Team and will be incorporated into the Use of Resources/Efficiency reviews action plan, again on a permanent basis.
- 4.4 A report on how the finance function will resource the duties currently undertaken by the Head of Audit will be submitted to the Executive for consideration on 14 December 2009.
5. Recommendations
- 5.1 Members are asked to comment on the arrangements to be put in place to resource and maintain the independence of Internal Audit to 31 March 2010.
- 5.2 Members are asked to note that options for the longer term administration of Internal Audit will be presented on 15 January 2010.

Peter Mason  
Assistant Director (Resources)