

**COMPLIANCE WITH CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT IN
LOCAL GOVERNMENT IN THE UK 2006**

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Summary: This report sets out to what extent Internal Audit complies with the CIPFA Code of Practice for Internal Audit and proposes an Action Plan to ensure full compliance.

<p>Recommendation: That Members note the findings and Action Plan to ensure compliance with the CIPFA Code of Practice on Internal Audit.</p>
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Resource Implications: None directly arising from this report.

Key Decision Status: None

1 INTRODUCTION

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated Code of Practice for Internal Audit in Local Government in the UK 2006 in December 2006. It reflects changes arising from the amendments to the Accounts and Audit Regulations in 2006 and practice relating to corporate governance, that further emphasise the importance of internal audit to the proper management of organizations. In addition, the former section on ethics is now included as a standard. It also incorporates a checklist [shown at Appendix A] to give heads of internal audit an opportunity to measure their own service provision against the standards within the code.
- 1.2 The Code of Practice defines the way in which the internal audit service should be established and undertake its functions. The Code states that "All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2003 (as amended) ... must make provision for internal audit in accordance with this Code of Practice." "Exceptionally, where local circumstances prevent full compliance, the organization should give clear reasons why and be able to demonstrate that equivalent safeguards or measures are in place."

2 SUMMARY OF FINDINGS

- 2.1 The Code of Practice consists of 11 Standards:
- Standard 1 Scope of Internal Audit
 - Standard 2 Independence
 - Standard 3 Ethics for Internal Auditors

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- Standard 4 Audit Committees
- Standard 5 Relationships
- Standard 6 Staffing, Training and Continuing Professional Development
- Standard 7 Audit Strategy and Planning
- Standard 8 Undertaking Audit Work
- Standard 9 Due Professional Care
- Standard 10 Reporting
- Standard 11 Performance, Quality and Effectiveness.

2.2 A self-assessment of Copeland B.C.'s internal audit service was carried out, as at 7 March 2007. Full details are shown at Appendix A and a summary of the results is tabled below:

Extent of Compliance	No. of Standards	Percentage of applicable total
Fully compliant	5	45%
Mostly compliant	6	55%
Not compliant	0	0%
Total	11	100%

2.3 An action plan, shown at Appendix B, has been drawn up to address those areas of non-compliance.

3. CONCLUSION AND RECOMMENDATION

3.1 The internal audit service at Copeland B.C. fully complies with 45% of the relevant standards and mostly complies with 55%. Action will be taken to bring the service fully in line with standards.

3.2 Areas of non-compliance have arisen from changes to the Code of Practice since this comparison exercise was last undertaken in 2005.

3.3 It is recommended that Members note the findings and Action Plan to ensure compliance with the CIPFA Code of Practice on Internal Audit.

List of Appendices: [Appendix A – Self Assessment against CIPFA Code of Practice](#)

[Appendix B – Action Plan](#)

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List of Background Documents: CIPFA Code of Practice for Internal Audit
in Local Government in the UK 2006

Officers Consulted: External Audit Manager – Derek McHale
Corporate Team,
Democratic Services Manager

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