

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 8</b>
<b>29 MARCH 2010</b>	<b>PUBLIC REPORT</b>

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor M Dalton, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

## INTERNAL AUDIT PLAN AND STRATEGY 2010 / 2011

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM : John Harrison, Executive Director: Resources</b>	<b>Deadline date : N/A</b>
1. The Committee is asked to consider, endorse and comment where appropriate on the proposed Annual Internal Audit Strategy and Operational Plan for 2010 / 2011.	

### 1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its agreed Work Programme for 2009 / 2010.

### 2. PURPOSE AND REASON FOR REPORT

The Terms of Reference for the Audit Committee (agreed at Full Council May 2006) set out the key roles of the Committee including the following "*consider and endorse the proposed Annual Internal Audit Plan*".

### 3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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### 4. INTERNAL AUDIT

- 4.1 The Local Government Act 1972 details the need for an Internal Audit function in its requirement that authorities "make arrangements for the proper administration of their financial affairs". In England, the Accounts and Audit Regulations 2003 specifically require that an authority must "*maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control*".
- 4.2 Internal Audit is an integral part of probity and corporate governance. It operates as an **independent assurance function** designed to give an objective opinion to the Council on the control environment, comprising risk management, internal control and governance. It adds value to the Council by improving its operations and contributing to the proper, economic, efficient and effective use of resources.
- 4.3 The Audit Strategy (attached at **Appendix A**) documents the way in which Internal Audit intend to deliver the service and how we ensure that our work complies with the standards contained in the CIPFA Code of Practice for Internal Audit in Local Government in the UK

2006. In particular, it states how the work of Internal Audit will provide the assurances required for the production of the statutory Annual Governance Statement. We will achieve this by adopting a risk-based approach to our work; both at the level of annual planning and of individual audits, to ensure that the Council's key priorities, objectives and risks are targeted.

- 4.4 The Annual Operational Plan (attached at **Appendix B**) describes the individual audit reviews to be undertaken during the year. To determine the scope of the plan for 2010 / 2011 we have undertaken a systematic risk assessment of all auditable areas. This is informed by our review of the Strategic Risk Register (updated February 2009), Divisional Risk Registers, the Assurance Framework (updated March 2010), Director and Heads of Service consultation, council and government initiatives and the Medium Term Financial Strategy. We have also determined the work required to fulfill statutory s.151 responsibilities.
- 4.5 The plan shows the minimum amount of work that the Internal Audit service (IAS) has assessed should be undertaken after considering available resources. We have an establishment of 8.1 full time equivalent (fte) posts (a reduction of 0.2 from last year), 7.1 of which are currently filled. For further details of resources, please refer to **Appendix A**.
- 4.6 The plan for 2010 / 2011 is not a static document. The Chief Internal Auditor reserves the right to amend plans (in consultation with the s151 officer) in line with emerging risks and changing priorities as they occur throughout the year. Any major changes in the plan will be reported to those charged with governance and through to the Audit Committee on a periodic basis.
- 4.7 A summary is included below:

<b>INTERNAL AUDIT: ANNUAL PLAN 2010 / 2011</b>	
	<b>Audit Days</b>
Systems Activity	95
Annual Governance and Assurance Framework	175
Other Governance	180
Strategic and Operational Risks	231
Contract Audit / Partnerships / Project Management	85
External Work (inc. FMSiS, Grant Certification, Leisure Trust)	177
Corporate Support –	
• CIA Consultancy, Control Advice and Contingency	280
• Other Audit Support Activities	140
<b>TOTAL PLANNED AUDIT DAYS</b>	<b>1363</b>

## **5. CONSULTATION**

The Internal Audit Plan has been compiled after consultation with Directors and Heads of Service. It has also been submitted to the External Auditors for their comments.

## **6 ANTICIPATED OUTCOMES**

Approval of the Audit Strategy and Annual Plan 2010 / 2011 by Audit Committee.

## **7 REASONS FOR RECOMMENDATIONS**

The Council is subject to the Accounts and Audit Regulations and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. The attached reports demonstrate how the audit service will be provided and how it will contribute to the Statement.

## **8 ALTERNATIVE OPTIONS CONSIDERED**

The Internal Audit plan could be constructed on a cyclical basis, thus covering all areas of the Council over a period of time. This does not concord with current professional guidance and would not seek to target the limited resource available to areas of high risk. The alternative of not providing an Internal Audit service is not an option – see section 9 below.

## **9 IMPLICATIONS**

There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

## **10 BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006

Accounts and Audit Regulations 2003

Local Government Act 1972

Audit Committee papers

Comprehensive Area Assessment

Risk Registers

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