

AUDIT COMMITTEE	AGENDA ITEM No. 6
30 MARCH 2009	PUBLIC REPORT

Committee Member(s) responsible:	Councillor Hiller, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

INTERNAL AUDIT ANNUAL PLAN AND STRATEGY 2009 / 2010

RECOMMENDATIONS	
FROM : John Harrison, Director of Strategic Resources	Deadline date : N/A
1. The Committee is asked to consider, endorse and comment where appropriate on the proposed Annual Internal Audit Strategy and Operational Plan for 2009 / 2010.	

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 Audit Strategy also comments on some key areas we will review, including partnership governance, contracting arrangements, project management, business continuity and ICT arrangements.
- 4.5 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 2009 / 2010 we have undertaken a systematic risk assessment of all auditable areas. This is informed by our review of the Strategic Risk Register (updated January 2009), Divisional Risk Registers, the Assurance Framework, 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.
- 4.6 The plan shows the minimum amount of work that the Internal Audit service (IAS) has assessed should be undertaken after considering available resources. We will have an establishment of 8.3 full time equivalent (fte) posts, a reduction of 1(fte) on 2008 / 2009. There will be one vacancy for a trainee post at the start of 2009 / 2010 whilst the recruitment process is undertaken. For further details please refer to **Appendix A**.
- 4.7 Internal Audit currently undertakes the 'External Assessor' function for the Financial Management Standard in Schools (FMSiS) accreditation, which is a mandatory requirement for all schools to achieve in accordance with the Department for Children's Schools and Families (DCSF) and supports the s.151 officers' financial responsibilities of the Local Authority. Due to the FMSiS mandatory review cycle of three years, more schools are required to be reviewed in a given year than would normally be the case if IAS applied their own risk assessment to the school profile (normally 4-5 years for all schools). Children's Services have over the previous two years contributed to the cost of performing the external assessments from the DSG Grant. During 2009 / 2010 more reliance will be placed on the work undertaken by the Children's Services Finance Team to realise efficiencies in the review process but funding will still be sought to support the additional workload that will still be required by IAS.
- 4.8 The plan for 2009 / 2010 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.

4.9 A summary is included below:

INTERNAL AUDIT: ANNUAL PLAN 2009 / 2010	
	Audit Days
Systems Activity	174
Annual Governance and Assurance Framework	285
Strategic and Operational Risks	140
Schools and Colleges	152
Contract Audit / Partnerships / Project Management	100
Grant Certification	70
Corporate Support – <ul style="list-style-type: none"> • CIA Consultancy, Control Advice and Contingency • Other Audit Support Activities 	350 161
TOTAL PLANNED AUDIT DAYS	1432

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 2009 / 2010 by Audit Committee.

7. REASONS FOR RECOMMENDATIONS

The Council is subject to the Accounts and Audit Regulations 2003 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

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