

AUDIT COMMITTEE	AGENDA ITEM No. 7
28 MARCH 2011	PUBLIC REPORT

Cabinet Member responsible:	Councillor David Seaton, Cabinet Member for Resources	
Committee Member responsible:	Councillor Mark Collins, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

INTERNAL AUDIT: STRATEGY AND PLAN 2011 / 2012

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director: Resources	Deadline date : N/A
<p>The Audit Committee is asked to:</p> <p>1. Consider, endorse and approve the proposed Annual Internal Audit Strategy and Operational Plan for 2011 / 2012.</p>	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee in line with its agreed Work Programme for 2010 / 2011.

2. PURPOSE AND REASON FOR REPORT

- 2.1 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 2011 / 2012 we have undertaken a systematic risk assessment of all auditable areas. This is informed by our review of the risk registers where available, 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 has assessed should be undertaken after considering available resources.
- 4.6 The plan for 2011 / 2012 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 The table below summarises the planned allocation of productive days for 2011 / 2012, based on existing resources.

INTERNAL AUDIT: ANNUAL PLAN 2011 / 2012	Audit Days	
	Vacancy unfilled	Vacancy filled
Systems Activity	44	44
Annual Governance and Assurance Framework	150	150
Strategic and Operational Risks	100	280
External Work	70	70
Corporate Support	285	285
TOTAL PLANNED AUDIT DAYS	649	829

5. CONSULTATION

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

6. ANTICIPATED OUTCOMES

- 6.1 Approval of the Audit Strategy and Annual Plan 2011 / 2012 by Audit Committee.

7. REASONS FOR RECOMMENDATIONS

- 7.1 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

- 8.1 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

- 9.1 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 (s.6 amended 2006)

Local Government Act 1972

Audit Committee papers

Risk Registers

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