

**REPORT TO:** Business Efficiency Board

**DATE:** 9 March 2011

**REPORTING OFFICER:** Operational Director – Finance

**SUBJECT:** Internal Audit Plan for 2011/12

**WARDS:** Borough-wide

## **1.0 PURPOSE OF THE REPORT**

- 1.1 This report provides details of the proposed Internal Audit Plan for 2011/12. The Audit Plan outlines the likely programme of work to be completed by Internal Audit during the year.
- 1.2 The Code of Practice for Internal Audit in Local Government requires that the annual Audit Plan is considered and approved by the Council's Audit Committee.

## **2.0 RECOMMENDATION:**

**The Business Efficiency Board is recommended to approve the proposed Internal Audit Plan for 2011/12.**

## **3.0 SUPPORTING INFORMATION**

- 3.1 In order to comply with best professional practice, Internal Audit is required to produce a programme of work (the Audit Plan) which outlines the likely areas of activity for the coming year.
- 3.2 The Audit Plan should be designed to provide sufficient coverage across the organisation to enable Internal Audit to deliver an overall opinion on the Council's risk management, control and governance arrangements. The work of Internal Audit therefore assists the Operational Director – Finance in discharging his statutory responsibilities as s151 officer in terms of ensuring the proper administration of the Council's financial affairs.
- 3.3 The work undertaken by Internal Audit also provides one of the key sources of assurance to the Chief Executive and Leader of the Council who are jointly required to sign the Annual Governance Statement (AGS). The purpose of the AGS is to declare the extent to which the Council complies with the principles of good governance.

- 3.4 The draft 2011/12 Internal Audit Plan is attached at Appendix A. This document provides a summary of how the Council's internal audit resources are to be utilised during the year. The plan is based on a resource input of 6.52 FTE auditors and comprises 1,260 days.
- 3.5 As audit resources are not sufficient to provide assurance over all areas of Council activity, a risk-based approach is adopted to prioritise coverage. In compiling the programme of work for 2011/12, account has therefore been taken of:
- The need to provide a robust annual opinion on the Council's risk management, control and governance arrangements;
  - The wider assurance framework (which includes risk and performance management, corporate support and monitoring functions, and other sources of independent assurance, such as external audit) and the need to ensure coverage of key risks without duplication of effort;
  - The results of consultation with Strategic Directors and the s151 officer;
  - The Council's corporate and directorate risk registers;
  - Changes in the operating environment of the Council; in particular, the changes arising from the funding constraints the Council faces;
  - Internal Audit's cumulative knowledge of the Council; and
  - The results of previous internal audit work.
- 3.6 The reduction in audit resource combined with the imposition of severe funding constraints on the Council has necessitated a slight change in the audit strategy, which was previously approved by the Board in February 2009. As opposed to auditing schools on an individual cyclical basis, work on schools in 2011/12 will be delivered through thematic reviews. This will allow audit coverage of schools to be maintained whilst freeing up audit resources to examine areas where there is greater potential to add value.
- 3.7 The Audit Plan will be kept under review throughout the year and quarterly progress reports will be provided to the Business Efficiency Board. Changes to planned work may be necessary to reflect the Council's changing risks and priorities. Minor amendments to planned work will be agreed with the Operational Director – Finance. Any significant matters that jeopardise completion of the plan or require substantial changes to it will be reported to members.

#### **4.0 POLICY IMPLICATIONS**

One of the responsibilities of Internal Audit is to provide assurance that policies and procedures established by management are complied with, are appropriate in the current circumstances, and are not wasteful.

#### **5.0 OTHER IMPLICATIONS**

- 5.1 Internal Audit is a statutory function as detailed in:

- Audit and Accounts Regulations 2006 (England).
- Section 151 of the Local Government Act 1972.

5.2 There are no additional resource implications arising from this report.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 CIPFA defines Internal Audit as being 'an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives'.

6.2 Internal Audit therefore supports the Council in achieving all the aims and objectives set out in the Sustainable Community Strategy and the Corporate Plan.

## **7.0 RISK ANALYSIS**

The work of Internal Audit forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

None identified

## **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

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