

AUDIT COMMITTEE

Internal Audit Strategic & Annual Plans

25 June 2008

Report of Internal Audit Manager

PURPOSE OF REPORT

To seek the Committee's approval for a proposed three-year Internal Audit Strategic Plan and Annual Operational Plan for 2008/09

This report is public

RECOMMENDATIONS

1. That the Internal Audit Strategic Plan be approved.
2. That the Internal Audit Annual Operational Plan for 2008/09 be approved.

1.0 Introduction

- 1.1 The terms of reference of the Audit Committee include: *"To approve Internal Audit strategic plans and the Annual Internal Audit Plan"* (the Constitution, part 3 section 8, TOR 11).
- 1.2 The Code of Practice for Internal Audit ¹specifies that *"the Head of Internal Audit must produce an audit strategy; this is the high-level statement of how the internal audit service will be delivered and developed in accordance with its terms of reference and how it links to the organisational objectives and priorities."*

The Code also specifies that *"the Head of Internal Audit should prepare a risk-based plan designed to implement the audit strategy"*

2.0 Proposal Details

Internal Audit Strategic and Business Plan 2008/09 to 2010/11

- 2.1 The Internal Audit Business and Strategic Plan (attached at Appendix A) has again been developed using the Council's template for its service business plans, but extended to incorporate two further elements of internal audit strategy as set out in the Code of Practice, viz:

¹ Code of Practice for Internal Audit in Local Government in the United Kingdom (CIPFA 2006)

- How the Internal Audit Manager will form and evidence his opinion on the control environment to support the annual Statement on Internal Control;
- How internal audit will identify and address significant local and national issues and risks

Internal Audit Annual Plan 2008/09

2.2 The draft Internal Audit Annual Plan attached at Appendix B is designed, as required by the Code of Practice, to implement the internal audit strategy. The plan has been developed along the same lines as that for the 2007/08 year and retains the following features:

- Being explicit about which elements of work are intended to provide assurance to support the overall annual opinion on the internal control environment;
- Being more explicit about the resources to be devoted to other “support” work aimed at helping the Council’s ongoing improvement programme. The proposed plan for 2008/09 includes an increased allocation of resources (100 days) to be devoted to supporting developments in the Council’s arrangements for securing efficiency and Value For Money;
- Providing for a rolling programme of audit work to be operated within the plan which will provide greater flexibility and responsiveness to changes in the risk environment, and any emerging demands for internal audit assurance work.

2.3 This approach to the annual plan will be supported by a more detailed programme of audit assignments and this will be reported to each meeting of the Audit Committee. The approach is designed to enable greater flexibility in selecting, scoping and budgeting for specific audits, thus giving more effective audit coverage and assurance. This approach was introduced last year and the results are set out in the Internal Audit Annual report elsewhere on the agenda. It is felt that during the year, the approach began to achieve a more focused, varied and flexible plan. It is expected that, following the production of 2008/09 Service Business Plans, consultation with Service Heads and Management Team will help take this a step further. The effectiveness of the approach will be monitored through the year and any issues reported to the Committee as part of regular monitoring.

2.4 The annual plan for 2008/09 is based on available resources of 870 audit days, this being delivered by the in-house team of 4.8 FTE staff. No account has been taken at this stage of the potential for the use of consultancy services and/or other forms of collaboration. A review is to be undertaken during the year which will consider all such aspects of service provision.

3.0 Details of Consultation

3.1 No specific consultation has been undertaken in compiling this report.

4.0 Options and Options Analysis (including risk assessment)

4.1 The proposal is that the Committee approves both the draft Internal Audit Strategic and Business Plan 2008/09 to 2010/11 and the Internal Audit Annual Plan for 2008/09. No alternative options are identified.

5.0 Conclusion

5.1 Audit Strategy and Planning are key elements in the provision of an effective internal audit service, as demonstrated by their prominence in the Code of Practice. The proposed internal audit strategy and annual plan seek to establish a firm platform for the ongoing effectiveness and improvement of the Council's internal audit service.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

This report has no direct impact on these areas.

FINANCIAL IMPLICATIONS

None arising from this report.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

None arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

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