

AUDIT COMMITTEE

Internal Audit Strategic & Annual Plans

30 June 2009

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 2009/10

This report is public

RECOMMENDATIONS

1. That the Internal Audit Strategic and Business Plan for 2009/10 to 2011/12 be approved.
2. That the Internal Audit Annual Operational Plan for 2009/10 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 Audit¹ specifies 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 2009/10 to 2011/12

- 2.1 The Internal Audit Business and Strategic Plan (attached at Appendix A) has been developed using the Council's revised 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, namely:

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 2009/10

- 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 similar lines at that for the 2008/09 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 explicit about the resources to be devoted to other “support” work aimed at helping the Council’s ongoing improvement programme; and
 - 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 At the time of writing, a detailed programme of audit assignments has not been finalised. Following the recent approval by Council of the Corporate Plan and the drafting by Service Heads of their Service Business Plans, the Internal Audit Manager is now in a position to undertake the normal consultation process with Directors, Service Heads and Statutory Officers to inform and develop the detailed programme.
- 2.4 As the detailed programme is developed, this will be publicised both to Members of the Audit Committee and to Service Heads and senior managers as well as the plan being formally reported to and monitored by each meeting of the Audit Committee. This is an extension and refinement of the approach originally introduced in 2007/08 with the objective of enabling greater flexibility in selecting, scoping and budgeting for specific audits, thereby giving more effective audit coverage and assurance. Whilst the approach is felt to be working in helping achieve a more focused, varied and flexible plan, there is scope to improve the way in which senior managers and Audit Committee are informed of and engaged in Internal Audit’s detailed work schedules.
- 2.4 The annual plan for 2009/10 is based on estimated available resources of 880 days, this being delivered by the in-house team of 4.8 FTE staff. The continued involvement of the Internal Audit Manager in the Fair Pay Project and his role as Deputy s151 Officer has been estimated as requiring 60 days. This gives a total allocation to audit activity of 820 days.

3.0 Details of Consultation

- 3.1 No specific consultation has been undertaken in compiling this report. Management Team, Service Heads and the Statutory officers are to be consulted in detail in the preparation of Internal Audit’s detailed work programme for 2009/10.

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 2009/10 to 2011/12 and the Internal Audit Annual Plan for 2009/10. 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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