

AUDIT COMMITTEE

Internal Audit Strategic & Annual Plans

30 June 2010

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 2010/11

This report is public

RECOMMENDATIONS

1. That the Internal Audit Strategic and Business Plan for 2010/11 to 2012/13 be approved.
2. That the Internal Audit Annual Operational Plan for 2010/11 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 2010/11 to 2012/13

- 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
- 2.2 A key strategic theme for 2010/11 is to support the council's change programme by assisting where possible with the implementation of the new service structures. The change programme is viewed as an opportunity to review the efficiency of business processes and to revisit and develop standards of governance, internal control and conduct in the organisation.

Internal Audit Annual Plan 2010/11

- 2.3 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 to recent years 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.
- 2.4 The annual plan for 2010/11 is based on estimated available resources of 845 days, this being delivered by the in-house team of 4.8 FTE staff, adjusted to reflect a turnover vacancy in the Principal Auditor post. The Internal Audit Manager's role as Deputy s151 Officer has been estimated as requiring 15 days. This gives a net allocation to audit activity of 830 days.
- 2.5 At the time of writing, a detailed programme of audit assignments has not been finalised. Given the extent of organisational change being undertaken in the council, a key theme in the plan is to provide support to services and managers in implementing the change programme. It is anticipated that this will occupy a significant part of the section's workload during the first half of the year.
- 2.6 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 currently consulting with directors, service heads and statutory officers to inform and develop the detailed programme. It is anticipated that the scope and objectives of audit work during the year will be greatly influenced by the financial pressures affecting the council and the plan will be managed as flexibly as possible to ensure that audit effort is targeted as effectively as possible.
- 2.7 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.

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 being consulted in detail in the preparation of Internal Audit's detailed work programme for 2010/11.

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 2010/11 to 2012/13 and the Internal Audit Annual Plan for 2010/11. 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 Section 151 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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