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**Meeting:** Audit Committee  
**Date:** 12 April 2010  
**Subject:** Internal Audit Strategy and Three Year Strategic Audit Plan  
**Report of:** Director of Customer and Shared Services  
**Summary:** This report presents the Internal Audit Strategy, the 2010/11 Annual Audit Plan and the Three Year Strategic Audit Plan for approval.

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Contact Officer: Nick Murley, Assistant Director of Audit and Risk  
Public/Exempt: Public  
Wards Affected: All  
Function of: Audit Committee

#### **CORPORATE IMPLICATIONS**

**Council Priorities:**

The Internal Audit Strategy, 2010/11 Annual Audit Plan and Three Year Strategic Audit plan will support all the Council Priorities

**Financial:**

Although there are no additional financial implications from the issues identified in the report, the outcome of implementing the Internal Audit Strategy, the 2010/11 Annual Audit Plan and the Three Year Strategic Plan is for the Council to better manage its risk thereby increasing protection from adverse events.

**Legal:**

None.

**Risk Management:**

None specifically. The Strategic Audit Plan has been developed from an Audit Needs Assessment using a risk based approach alongside the production of the Strategic, Directorate and Service risk registers.

**Staffing (including Trades Unions):**

None.

**Equalities/Human Rights:**

None.

**Community Safety:**

None.

**Sustainability:**

None.

## **RECOMMENDATION(S):**

- 1. that the Audit Committee approves:**
  - (a) The Internal Audit Strategy**
  - (b) The 2010/11 Annual Audit Plan and the Three Year Strategic Audit Plan**

### **Background**

1. The Local Government Act 1972 requires that local authorities have arrangements in place for the proper administration of their financial affairs. More specifically the Accounts and Audits Regulations 2003 requires that a relevant body shall maintain an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper audit practices.

### **Internal Audit Strategy**

2. The Internal Audit Strategy is a high level statement of how the Internal Audit service will be delivered to meet these requirements.
3. The strategy sets out the approach for the period 2010/2013 and gives details of the:
  - aims and objectives
  - approach to the risk based planning
  - focus of the key areas of work
  - lines of communication with Members
  - reporting and assurance statement
  - links with risk management
  - quality assurance and performance
  - resources to deliver the strategy
4. The Internal Audit Strategy is attached at Appendix A.

### **Three Year Strategic Audit Plan**

5. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 states that a risk based plan designed to implement the audit strategy should be produced. The detailed plan should be fixed for a period of no longer than one year. However, a comprehensive Audit Needs Assessment will inform audit planning for future years.

6. As reported to the Audit Committee in September 2009, Internal Audit has been undertaking an Audit Needs Assessment for Central Bedfordshire in order to inform the audit needs for future years. The auditable environment is derived from consultation with Directors, Assistant Directors and Senior Officers of all the service areas and Internal Audit's analysis of the risk areas.
7. An audit plan for 2009/10 was produced and reported to the September Audit Committee, along with an outline of the approach adopted in producing the Audit Needs Assessment. Since then meetings have been held with Assistant Directors and Heads of Service to discuss their emerging risks and priorities. In preparing the Strategic Audit plan, reference has also been made to the Strategic Risk register. The plan has been approved by the Corporate Management Team.
8. The work undertaken has identified the need to ensure that the basic controls are in place across the organisation's systems and establishments, in addition to the following key risk areas:
  - Safeguarding Children
  - Adult Social Care
  - Financial risks, including budgetary constraints, the recession, and fraud
  - Partnerships/programmes and projects
  - Contracts and Commissioning
  - Service level Agreements
  - Environmental and sustainability risks
  - Technological /IT
  - Fundamental systems (e.g. payroll, accounts payable, NNDR)
  - Schools
9. In order to produce a balanced programme of work that addresses the risks identified above, the Three year Strategic Plan will include a rolling programme of work on the above areas, with the emphasis in 2010/11 on fundamental system controls. The specific work to be carried out will be considered when scoping the audit work. This will be undertaken following more detailed discussion with senior management each year to determine the focus of our audit work.
10. It is important to recognise the need for flexibility in the approach to our audit work. The approach adopted recognises the organisational and business transformation changes that are in progress within Central Bedfordshire and acknowledges that the internal control environment is still developing. Central Bedfordshire Council is a new authority and some risks may still be emerging. The current economic climate may also affect the control environment in the future. A contingency has been included within the plan to ensure that Internal Audit can respond accordingly.

## **Available Resources**

11. In determining the available resources it has been assumed that the current level of audit resources will be maintained. During 2009/10 a total of 1,484 productive audit days were available. This was lower than a typical year due to the need for additional staff training, in particular in connection with new audit software.
12. It is estimated that there will be 1,560 productive audit days available for 2010/11 rising to 1,600 for 2011/12 and 2012/13.

## **Conclusion and Next Steps**

13. Approval by the Audit Committee of the Internal Audit Strategy, 2010/11 Audit Plan and the Three Year Strategic plan will ensure that Internal Audit can progress its work in line with an agreed approach.
14. The Audit Committee will then use the final plan to monitor the work of internal audit to ensure that appropriate assurance is provided on the Council's systems.

### **Appendices:**

Appendix A – Internal Audit Strategy

Appendix B – Internal Audit Plan 2010/2013

**Background Papers:** None

**Location of papers:** Priory House, Chicksands