
Meeting: Audit Committee
Date: 4 April 2011
Subject: Internal Audit Strategy, Strategic Audit Plan and Annual Plan for 2011-12
Report of: Director of Customer and Shared Services
Summary: This report presents the Internal Audit Strategy, the 2012/13 Strategic Audit Plan and the 2011/12 Annual Audit Plan for approval.

Contact Officer: Kathy Riches, Head of Audit
Public/Exempt: Public
Wards Affected: All
Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

The Internal Audit Strategy, Strategic Audit plan and 2011/12 Annual 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 2011/12 Annual Audit Plan and the 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 Strategic Audit Plan and 2011/12 Annual 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. A Strategy covering the period 2010/2013 was produced in April 2010 and presented to the Committee. This has been refreshed to reflect changes in roles and responsibilities since then. There have been no fundamental changes to the Strategy.
3. The revised strategy sets out the approach for the period 2011/2013 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.

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 should inform audit planning for future years.

6. Following the creation of Central Bedfordshire Council a detailed Audit Needs Assessment was undertaken. From this a three year strategic plan was developed which was presented to the Audit Committee in April 2010. The auditable environment is derived from consultation with Directors, Assistant Directors and Senior Officers of all the service areas, by reference to the Strategic Risk Register, and Internal Audit's analysis of the risk areas.
7. 2011/12 represents the second year of the strategic plan. The plan has been refreshed to reflect changes that have occurred since the original compilation. These changes include:
 - Legislative changes following the change in government (e.g. CAA)
 - Revisions to Strategic Risk Register
 - Financial pressures faced by Central Bedfordshire Council
 - The recovery programme in place within the Customer and Shared Services Directorate.
8. The plan has been supported by the Corporate Management Team.
9. The plan recognises that there is a continued 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, financial pressures faced by the Council, and fraud
 - Partnerships/programmes and projects
 - Contracts and Commissioning
 - Shared Services /Service level Agreements
 - Environmental and sustainability risks
 - Technological /IT
 - Fundamental systems (e.g. payroll, accounts payable, NNDR)
 - Schools
10. In order to produce a balanced programme of work that addresses the risks identified above over the next two years, the Strategic Plan includes a rolling programme of work on the above areas, with a continued emphasis in 2011/12 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 to determine the focus of our audit work.
11. Following a discussion with the Audit Commission, an approach to rationalise the level of testing on the fundamental systems has been agreed by undertaking the substantive testing on a rolling programme, focusing in 2011/12 on systems that have received a limited assurance opinion in 2010/11 or systems and processes that are likely to change during 2011/12. The walkthrough testing and follow up work will continue to be undertaken each year for each system.

12. It is important to recognise the need for flexibility in the approach to our audit work. The approach adopted recognises the continued 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 remains 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 of 88 days, 6% of the available resource, has been included within the 2011-12 plan to ensure that Internal Audit can respond accordingly.
13. The plan presented to the Audit Committee reflects the remaining 2 years of the Strategic Plan. This will be revisited and refreshed next year at which stage a further strategic plan will be developed, following a detailed revised audit needs assessment.
14. The Internal Audit Plan for the next two years is attached at Appendix B.

Available Resources

15. It is estimated that there will be 1,500 productive audit days available for 2011/12 and 1570 for 2012/13, similar to 2010-11. The reduced number for 2011/12 reflects the temporary secondment of audit staff to finance.

Conclusion and Next Steps

16. Approval by the Audit Committee of the Internal Audit Strategy, 2011/12 Audit Plan and the Strategic plan will ensure that Internal Audit can progress its work in line with an agreed approach.
17. The Audit Committee and CMT 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 2011/2013

Background Papers: None

Location of papers: Priory House, Chicksands