

Title of Report:	Internal Audit Plan 2011-14
Report to be considered by:	Governance and Audit Committee
Date of Meeting:	28 March 2011
Forward Plan Ref:	

Purpose of Report: To outline an Internal Audit Strategy for the next three years

Recommended Action: Review and approve the proposed plan

Reason for decision to be taken: to ensure that adequate assurance is provided that the Council's Internal Framework remains robust.

Other options considered:

Key background documentation:

The proposals will also help achieve the following Council Plan Theme(s):	
<input checked="" type="checkbox"/>	CPT13 - Value for Money
<input checked="" type="checkbox"/>	CPT14 - Effective People
<input checked="" type="checkbox"/>	CPT16 - Excellent Performance Management
The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:	
Ensuring that there are robust service delivery procedures in place	

Portfolio Member Details	
Name & Telephone No.:	Councillor Keith Chopping - (0118) 983 2057
E-mail Address:	kchopping@westberks.gov.uk
Date Portfolio Member agreed report:	2 nd March 2011

Contact Officer Details	
Name:	Ian Priestley
Job Title:	Chief Internal Auditor
Tel. No.:	01635 519253
E-mail Address:	ipriestley@westberks.gov.uk

Implications

Policy: none
Financial: none
Personnel: none
Legal/Procurement: none
Property: none
Risk Management: Internal audit support the Risk Management process by focusing on high risk areas and making recommendations to improve system weaknesses and reduce levels of risk
Equalities Impact Assessment: none required

Is this item subject to call-in?	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval	<input type="checkbox"/>	
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>	
Delays in implementation could compromise the Council's position	<input type="checkbox"/>	
Considered or reviewed by Overview and Scrutiny Commission or associated Task Groups within preceding six months	<input type="checkbox"/>	
Item is Urgent Key Decision	<input type="checkbox"/>	

Executive Summary

1. Introduction

- 1.1 This report sets out the proposed plan of work for internal audit over the next three years.
- 1.2 The report outlines the method used to compile the plan, which is based around risk.

2. Proposals

- 2.1 The audit plan sets out a range of proposed audits. In addition work carried out in the previous year will be followed up. A copy of the audit plan is at appendix B.

3. Conclusion

- 3.1 The work of internal audit is designed to provide the Council with assurance on the state of the Council's internal control framework. The work is also designed to highlight and remedy weaknesses identified in the Council's service delivery systems.

Executive Report

1. Introduction

1.1 The purpose of this report is to outline an Audit Strategy for the Council and to set out a programme of work for Internal Audit that will provide assurance to the Governance and Audit Committee on the operation of the Council's internal control framework and support the Committee's review of the Annual Governance Statement.

1.2 The report covers the following points:

- Audit objectives and outcomes
- How audit work is planned to ensure significant local and national issues are addressed.
- Basis for the opinion of the head of audit on the internal control framework
- Methods of providing and resourcing of the service.

2 Audit Objectives and Outcomes

2.1 The objectives for Internal Audit are set out in the Audit Charter which forms an appendix to the Terms of Reference of the Governance and Audit Committee. This is summarised in the definition of Internal Audit, taken from the CIPFA Code of Practice for Internal Audit 2006. The full charter is attached at **appendix A**

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources

2.2 In plain English, Internal Audit is there to help Services deliver the Council Plan by identifying and helping to mitigate weaknesses in service delivery systems and procedures.

2.3 The main outcomes from the work of Internal Audit are:

- Audit reports produced at the conclusion of each audit, for the relevant Head of Service and Director.
- Monitoring reports on progress with implementation of agreed audit recommendations
- An annual assurance report and an interim update report for Management Board and Governance and Audit Committee on the outcomes of Internal Audit work

3 Audit Planning

3.1 The work programme for Internal Audit for the period 2011-14 is attached at **appendix B**. The plan analyses the different areas of Council activity that Internal Audit feel require auditing. The Plan is laid out by, Corporate Audits, then by Head of Service and for each audit covers:

- The key risks that the audit will cover
- The level of risk associated with the subject, as assessed by Internal Audit
- The complexity of the audit.
- The type of audit
- An initial estimate of the number of days that will be required to complete the audit, and the year in which the audit is planned

3.2 The process of putting the plan together is extensive in terms of the documents and people who are consulted. The following identifies the key drivers:

- The Council Plan. This is reviewed to ensure that audit resources are used to support the delivery of Council objectives.
- The Council's risk registers, particularly the Strategic Risk Register. This is used to highlight areas where assurance is required for controls that are in place to significantly reduce levels of risk to the Council.
- Results of previous audit, inspection and scrutiny work, by internal teams and external agencies, is considered.
- The views of stakeholders, Heads of Service, Corporate Board, Management Board are considered.
- Plans are made available to the Council's external auditor to ensure that there is no unnecessary duplication of effort.

3.3 The work programme is based on levels of risk. The risk registers are used to inform the level of risk where appropriate and this is supplemented by an audit view of risk. This takes account of:

- Results of risk self assessments (Strategic and Operational Risk Registers);
- Complexity/scale of system and processes / volume and value of transactions;
- Fraud and corruption - eg the risk of fraud or corruption occurring;
- Inherent risk - eg degree of change/instability/confidentiality of information;
- Internal Audit knowledge of the control environment based on previous audit work.

4 Audit approach and opinion

4.1 The work of Internal Audit forms the basis of the opinion given by the head of audit on the Council's internal control framework. The work of Internal Audit is regulated by the CIPFA Code of Practice for Internal Audit in Local Government. This sets out the standards and methods that should be applied in doing the work. At an operational level Internal Audit have a procedure manual that explains in detail how work is delivered. In addition a Audit Protocol is published to all Heads of Service setting out how the service operates. A copy of this is at **Appendix C**

4.2 There are a number key elements to the process that ensure the output from audit is fit for purpose.

- Consultation takes place at various stages of each audit with the service under review (Terms of reference, rough and formal draft and final reports and action plans are all discussed and agreed with the service under review)
- Audits are followed up to ensure that agreed actions are implemented. (Method and approach to follow up work varies depending on the nature of the issues identified in the original audit)

- All audit work is reviewed before being released. (The review process is ongoing during the course of each audit)
- An annual review of Internal Audit is now carried out by the Governance and Audit Committee.
- The External Auditor comments annually on the work of Internal Audit, the extent to which it complies with the Code of Practice and the extent to which the External Auditor can rely on the work.

4.3 The work produced by Internal Audit is designed to identify and remedy weaknesses in the internal control framework. Weaknesses that are identified are categorised according to their severity (fundamental, significant, moderate and minor).

4.4 Taken together, the above provides a sound basis for the Chief Internal Auditor to provide an annual opinion of the internal control framework of the Council.

5 Service provision and resourcing

5.1 Planned vacancies include one Auditor post. This will help deliver the MVF target for the Finance Service. The Plan has been built on the assumption that this post will remain vacant for the whole year.

5.2 Resources have been reduced for the section, in order to support the need to reduce the Council's budget. The Chief Internal Auditor now has the support of 6 FTE's compared to 8 FTE's in previous years. Corporate Board take the view that this is the minimum level of resource to provide adequate assurance to the Council.

5.3 The impact of the planned vacancies is manageable in terms of levels of risk to the Council.

Appendices

Appendix A – Audit Charter

Appendix B – Audit Plan

Appendix C – Audit Protocol

Consultees

Local Stakeholders: N/A

Officers Consulted: Corporate Board

Trade Union: N/A