

Subject: Internal Audit Strategy & Annual Audit Plan 2011/12
Date of Meeting: 5th April 2011
Report of: Director of Finance
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Wards Affected: All

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report presents the council's Internal Audit Strategy and Annual Audit Plan for 2011/12. This includes both the operational internal audit and counter fraud work programmes together with updated Internal Audit Terms of Reference.
- 1.2 The Audit Committee and ultimately the Council, needs assurance that internal controls have been effectively designed and operates in practice. The audit coverage contained in the Annual Audit Plan aims to provide assurance over this.

2. RECOMMENDATION:

- 2.1 That the Audit Committee approves the Internal Audit Strategy and Annual Audit Plan for 2011/12 attached at Appendix 1 to this report.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2003 (as amended) require the council to 'maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper practice'. The proper practice being the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- 3.2 Under the Code, the Head of Audit & Business Risk is required to prepare and Internal Audit Strategy and Audit Plan for each financial year. The aim is to provide independent and objective assurance on the control environment consisting of internal control, risk management and governance. In particular that it is appropriate and operating effectively.
- 3.3 The Internal Audit Strategy and Annual Plan 2011/12 is at Appendix A and provides the mechanism through which the Head of Audit & Business Risk can ensure the most appropriate use of internal audit resources to provide assurance on the council's control environment and management of risks.

- 3.4 The Annual Audit Plan is effectively a work programme of audits, inclusion of which is primarily based on the greatest perceived inherent risk. Other reviews may also be included based on criteria other than risk, for example 'mandatory' audits or requested/commissioned by management.
- 3.5 There are considered to be sufficient resources available to achieve the Annual Audit Plan for 2011/12 subject to there being no greater levels of unplanned reactive work than envisaged.

4. ANNUAL AUDIT PLAN

- 4.1 In accordance with professional best practice the 2011/12 Annual Audit Plan, has been developed by:
- Using our risk based audit methodology which scores each audit entity against weighted risk scores including cumulative knowledge;
 - Ensuring coverage of core aspects of the council's governance and control environment in order to be able to support the Section 151 Officers and in providing an annual audit opinion for the council's Annual Governance Statement
 - Extensive consultations with members of Strategic Leadership Board, Corporate Management Team and other key officers in order to identify emerging risks and issues that are likely to have a significant impact on the control environment and opportunity to add value; and
 - Linking with Strategic and Operational Risk Registers and service plans.
- 4.2 In order to provide sufficient audit coverage, it has been agreed that the in-house team together with its partner Deloitte Public Sector Internal Audit Ltd will have sufficient resources to deliver 1,650 direct audit days (including 295 for counter fraud).
- 4.3 The Annual Audit Plan is a 'working document' and is both flexible and dynamic. As such it will be reviewed regularly throughout 2011/12 to ensure it adequately reflects emerging risks and issues. Any significant changes to the plan will be reported to the Audit Committee.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

Delivering the annual audit plan contributes towards the Chief Finance Officer meeting their Section 151 responsibilities (make arrangements for the proper administration of the Local Authorities financial affairs) by helping to achieve an effective control environment.

The financial implications of the Internal Audit Strategy and Annual Audit Plan have been fully costed and are within budget.

Finance Officer Consulted: Ann Silley

23rd March 2011

Head of Business Engagement

5.2 Legal Implications:

The recommendations in paragraph 2 are proper to be considered by the Audit Committee, in line with its terms of reference.

The statutory provisions relevant to this report are referred to in paragraph 3.1 .

Lawyer Consulted: Oliver Dixon

23rd March 2011

Acting Senior Lawyer

5.3 Equalities Implications:

When carrying out audit work, any equality issues identified are reported to the appropriate level of management. The Internal Audit Strategy and Annual Audit Plan recognises the council's priorities in respect to Equality and Diversity and how Internal Audit will meet them.

5.4 Sustainability Implications:

When carrying out audit work, any sustainability issues identified are reported to the appropriate level of management.

5.5 Crime & Disorder Implications:

When carrying out audit work, any crime and disorder issues identified are reported to the appropriate level of management.

5.6 Risk and Opportunity Management Implications:

The preparation of the Internal Audit Strategy and annual Audit Plan has taken into account the outcomes of the council's risk management and other assurance processes. The work of Internal Audit assists the council in improving controls to mitigate risks. The Annual Audit Plan will be flexible to take account of emerging risks and priorities of the council.

5.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit Strategy and Annual Audit Plan 2011/12 (Draft)

Background Documents

1. Accounts & Audit Regulations 2003 (Amended 2006)
2. CIPFA Code of Practice for Internal Audit in Local Government 2006