

AUDIT COMMITTEE

Agenda Item 85

Brighton & Hove City Council

Subject: Internal Audit Strategy & Annual Audit Plan 2012/13
Date of Meeting: 24th April 2012
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 2012/13. 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 to mitigate risks. 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 2012/13 as attached at Appendix 1 to this report.

3. BACKGROUND

- 3.1 The statutory basis for Internal Audit in local government is provided by the Accounts and Audit Regulations 2011 which requires a local authority to "undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".
- 3.2 The Accounts and Audit Regulations contain the expectation that Internal Audit operates in accordance with proper practice, this being laid down in the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- 3.3 Under the CIPFA Code of Practice, 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 to management on business activities and associated control environment consisting of internal control, risk management and governance. In particular that it is appropriate and operating effectively.

- 3.4 The Internal Audit Strategy and Annual Plan 2012/13 is at Appendix 1 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.
- 3.5 The Annual Audit Plan is effectively a work programme of primarily audit reviews. Inclusion of audit reviews is based on perceived risk, regulatory reviews or at the request of management.
- 3.6 The CIPFA Code of Practice also requires Internal Audit to have a Terms of Reference that has been formally reviewed and regularly reviewed. The Terms of Reference is included as an appendix to the Internal Audit Strategy and Annual Audit Plan.
- 3.7 There are considered to be sufficient resources available to achieve the Annual Audit Plan for 2012/13 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 2012/13 Annual Audit Plan, has been developed by:
- The use of our audit risk assessment 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 business plans.
 - Including reviews based on criteria other than risk including audit reviews requested or commissioned by external audit or management.
- 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 1,810 direct audit days (including 288 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 2012/13 to ensure it adequately reflects emerging risks and issues. Any significant changes to the agreed plan will be reported to the Audit Committee, either as a separate report or as part of regular progress reports.

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 the allocated 2012/13 budget.

*Finance Officer Consulted: Anne Silley
Head of Business Engagement*

02 April 2012

5.2 Legal Implications:

As referred to in paragraph 3.1, regulation 6 of the Accounts & Audit Regulations 2011 requires the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

It is proper that this report and the recommendations in paragraph 2.1 be considered by the Audit Committee, in line with its terms of reference.

*Lawyer Consulted: Sarita Arthur-Crow
Lawyer*

12 April 2012

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 2012/13

Background Documents

1. Accounts & Audit Regulations 2011
2. CIPFA Code of Practice for Internal Audit in Local Government 2006