

Meeting: AUDIT COMMITTEE

Agenda Item:

Date: 17 March 2009

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2009/10 INTERNAL AUDIT PLAN

Author - Gursh Bains Ext No. 2426

Lead Officer - Clare Fletcher Ext No. 2933

Contact Officer - Gursh Bains Ext No. 2426

1 PURPOSE

The purpose of this report is for the Audit Committee to receive and approve the 2009/10 Internal Audit Plan.

2 RECOMMENDATIONS

The 2009/10 Internal Audit Plan be approved.

3 BACKGROUND

- 3.1** The Accounts and Audit (Amended) (England) Regulations 2006 requires that “A relevant body shall maintain an adequate and effective system of 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 Strategic Director (Resources) as the Council’s Chief Financial Officer has a duty under S151 of the Local Government Act 1972 to maintain an appropriate framework of control over the Council’s financial affairs. Part of the process by which the S151 Officer meets that requirement is through assurances provided by Internal Audit.
- 3.3** Internal Audit was established by the Council to undertake a wide range of independent reviews of its systems and operations. The aim of these reviews is to help to ensure that the Council achieves its objectives and to provide assurance that it manages its risks efficiently and effectively.
- 3.4** Internal Audit critically evaluates the Council’s internal control framework to add value by improving opportunities to achieve organisational objectives and, where necessary, makes recommendations for improvement and the introduction of best practice throughout the Council.

3.5 In undertaking this role Internal Audit will comply with the CIPFA Code of Practice for Internal Audit in Local Government.

4 REASONS FOR RECOMMENDED COURSE OF ACTIONS AND OTHER OPTIONS

4.1 Preparation of the 2009/10 Internal Audit Plan

4.1.1 The 2009/10 Audit Plan has been developed with consideration of the standards outlined in the CIPFA Code of Practice for Internal Audit in Local Government.

4.1.2 A key aspect of Internal Audit planning is an ability to demonstrate that a business risk based approach has been used. That means Internal Audit proposals should be risk based through positive identification and consideration of all activities within the Council (plus those provided by contract or by other organisations), which contribute to the delivery of the Council's services and achievement of objectives. The 2009/10 Plan makes provision to cover a wide range of financial systems and non financial processes or activities which feature in the services delivered throughout the Council.

4.1.3 The plan has been prepared after consulting a range of evidence and information sources which include:

- CIPFA Code of Practice for Internal Audit in Local Government
- External Audit Annual Letters and reports
- The Council's Strategic Risk Register
- Service Risk Registers
- The Annual Governance Statement
- The Council's Use of Resources Assessment
- Office of Surveillance Officers requirements

4.2 Available resources

4.2.1 The Council's Internal Audit team consists of a Chief Internal Auditor, a Senior Auditor, two Internal Auditors and an Audit Technician.

4.2.2 It is estimated that the current in-house Internal Audit team can deliver an output of 580 days in 2009/10, based on current delivery rates and factored improvement.

4.2.3 It is anticipated that there will be approximately 100 days carried forward into 2009/10 from the 2008/09 audit plan. Therefore the available capacity in 2009/10 is estimated at 480 days.

4.2.4 There is an additional resource, currently contracted from Deloitte and Touche, to provide IT audit expertise. This provision is made in collaboration with five other District Councils within Hertfordshire.

4.3 2009/10 Internal Audit Plan

4.3.1 A copy of the draft 2009/10 Internal Audit plan is attached as Appendix A.

4.3.2 The draft 2009/10 plan is budgeted to be completed in 464 days. The risk based approach to audit planning has resulted in less audit days being required for 2009/10 compared to previous years. This allows the historic backlog of carried forward days to be cleared. In summary the draft 2009/10 plan includes:

82 days - Key Financial Systems

74 days - Operational Audits

25 days - Risk Management & Governance

20 days - IT audits (16 days to be provided by an external IT Audit firm)

46 days - Advice, Consultancy & Non Assurance Work

45 days - Procurement

30 days - Counter Fraud

66 days - Follow Ups

36 days - Management

40 days - Contingency

464 days Total (448 to be resourced by the Council's Internal Audit team and 16 days by an external IT audit firm)

4.3.3 The draft 2009/10 plan for each audit area includes the audit risk, proposed timing, planned days, reason for inclusion and an outline scope.

4.3.4 Although Stevenage Homes have appointed an external Internal Audit provider, there will be a need for the Council's Internal Audit team to undertake a reduced level of work to provide the Strategic Director (Resources) with the necessary S151 Officer assurances. The following works for Stevenage Homes has been incorporated into the draft 2009-10 audit plan summarised in section 4.3.2:

6 days - Experian Checks

15 days - Contract Payments

5 days - National Indicators

5 days - National Fraud Initiative

5 days - IT Audit

36 days - Total

4.3.5 Stevenage Homes are currently being consulted on the provision of the audit work identified below, this work has not yet been incorporated into the 2009/10 Audit Plan:

16 days - Key Financial Systems work

5 days - Review of the effectiveness of the Stevenage Homes Internal Audit arrangements

5 days - Management

26 days - Total

4.3.6 The 2009/10 Internal Audit work identified in sections 4.3.2 and 4.3.5 totals 490 days. A total of 474 days can be met from the Council's Internal Audit team resource identified in section 4.2.3 and 16 days from an external IT audit provider.

4.3.7 The 2009/10 internal audit plan will be reviewed at regular intervals throughout the year. In September 2009 a formal review will be undertaken to establish whether any revisions to the plan are required as a result of organisational change.

4.3.8 Although the majority of the audit work can be planned, there are occasions where unforeseen work can arise due to new areas of service or increased risk. Therefore, in order to allow some flexibility, a contingency allowance is included in the plan to enable such work to be undertaken, without adversely affecting the delivery of the planned audit work.

4.3.9 All revisions to the plan will be agreed with the Head of Finance and reported to the Audit Committee in the quarterly progress report.

4.4 Consultation

4.4.1 Consultation has taken place with Heads of Service including the Head of Finance, the Section 151 Officer and Grant Thornton our external auditors. Grant Thornton have agreed that the proposed Internal Audit coverage is sufficient for their external audit purposes.

4.4.2 The Senior Management Team were consulted on the 3 March 2009.

4.4.3 Discussions with Stevenage Homes are on going to agree the Internal Audit coverage to be provided by the Council's Internal Audit team.

4.5 Management Responsibilities

4.5.1 Internal Audit is an independent appraisal function established within the Council to examine and evaluate activities, and should not be seen as a substitute for introducing and maintaining good internal procedures. Services managers are responsible for establishing and maintaining a proper and effective control environment and for managing risk. Control is an integral part of managing operations and as such Internal Audit independently review how effectively management discharges this aspect of its responsibilities. This is done by evaluating the effectiveness of the systems of internal control and providing objective analysis and constructive recommendations.

4.6 Monitoring

- 4.6.1** Progress of Internal Audit against the agreed audit plan will be reported quarterly to Members through the Audit Committee. Regular meetings will be held with the Head of Finance and the S151 Officer.

5 IMPLICATIONS

5.1 Financial Implications

- 5.1.2** The level of Internal Audit provision detailed in the plan is funded through the existing budget approved by the Council. An effective Internal Audit function can prevent additional work being required to be undertaken by the External Auditors and therefore avoid increased External Audit fees.

5.2 Legal Implications

- 5.2.1** Internal Audit is a statutory function as detailed in the following:

Audit and Accounts Regulations 2006 (Amended) (England)

Section 151 of the Local Government Act 1972

5.3 Policy Implications

- 5.3.1** The proposed Internal Audit activity will provide an assurance opinion on compliance with Council policies through individual audit activity undertaken.

BACKGROUND PAPERS

- Internal Audit planning documentation

APPENDICES

- Appendix A – Draft 2009/10 Internal Audit Plan