



BRACKNELL FOREST COUNCIL INTERNAL AUDIT STRATEGY

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1. INTRODUCTION

In accordance with the Accounts & Audit Regulations 2003 (as amended by the Accounts & Audit (Amendment) (England) Regulations) 2006 the Council is required to maintain an adequate and effective internal audit function. In addition the Code of Practice for Internal Audit in Local Government in the United Kingdom (Revised 2006) requires that a strategy document be produced, either as a document in its own right, or integrated into an existing document such as a business or service plan, which sets out how the internal audit service will be delivered and developed.

The aim of the strategy is to communicate the contribution that Internal Audit makes to the organisation and will cover the following areas:

- Internal Audit objectives and outcomes
- how the Head of Audit and Risk Management will form and evidence the opinion on the control environment to support the Annual Governance Statement
- how Internal Audit's work will identify and address significant local and national issues and risks
- how the service will be provided
- the resources and skills required to deliver the strategy.

2. INTERNAL AUDIT OBJECTIVES AND OUTCOMES

The objectives Internal Audit are defined in the CIPFA Code of Practice for Internal Audit:

“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 organization'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”.

The core work of Internal Audit is derived from the Council's statutory responsibility under the Accounts & Audit Regulations to provide an adequate and effective system of internal audit of the accounting records and control systems. Internal audit works to an annual audit plan which is approved by the Governance and Audit Committee.

The main outcomes from the work of Internal Audit are:

- the delivery of the annual audit plan, taking into account necessary changes for unplanned work or revised priorities;
- the issue of audit reports at the conclusion of each audit in accordance with the procedure noted in 7.4;
- the follow up of progress on implementation of agreed audit recommendations;
- the provision of an annual report and audit opinion presented to the Governance and Audit Committee;
- the investigation of referrals of cases of suspected financial irregularity, fraud or corruption, except for benefit fraud investigations which are investigated by the Benefits Investigation Section; and
- The provision of ad hoc advice on control and governance issues.

3. HOW THE HEAD OF INTERNAL AUDIT WILL FORM AND EVIDENCE THE OPINION ON THE CONTROL ENVIRONMENT TO SUPPORT THE ANNUAL GOVERNANCE STATEMENT

Internal Audit is responsible for providing an opinion on the internal control environment within the Annual Audit Report. The Annual Audit Plan governs each year's activity and at the completion of each audit a report is produced for management with recommendations for improvement.

For each report issued, the recommendations are categorised as priority 1, 2 or 3 with priority 1 being the highest. In addition each report contains an opinion on the level of internal control operating within the area being audited, ranging from significant to no assurance. The annual assessment of the Council's overall internal control environment is based on the level of assurance applied to each area audited. The annual opinion then forms part of the review of the effectiveness of the Council's governance framework and is included in the Annual Governance Statement.

4. HOW INTERNAL AUDIT'S WORK WILL IDENTIFY AND ADDRESS SIGNIFICANT LOCAL AND NATIONAL ISSUES AND RISKS

The annual audit planning process is based on a risking methodology taking into account factors such as materiality, third party sensitivity and potential fraud risk. The Head of Audit and Risk Management also meets with Chief Executive, Directors and Chief Officers to discuss current audit requirements and to identify any potential new areas of concern in the coming year. The Council's Strategic Risk Register and operational risks in Service Plans are also examined to ensure that high scoring risks are taken into account.

The Annual Audit Plan is approved by the Governance and Audit Committee in March each year, however, it is recognised that the Plan is a flexible document which can be revised should unforeseen issues arise during the year.

Awareness of national issues is maintained through subscription to internet resources such as CIPFA's Technical Information Service. In addition there is liaison with external audit and networking with other local authority audit teams.

5. HOW THE INTERNAL AUDIT SERVICE WILL BE PROVIDED

Delivery of audits set out in the Annual Audit Plan developed by the Head of Audit and Risk Management is outsourced to H W Controls and Assurance. In-house there are two staff. The Head of Audit and Risk Management, in addition to audit functions is responsible for promoting effective risk management arrangements across the Council and overseeing insurance. The part-time in-house Contract Manager monitors delivery of the internal audit services, carries out fraud investigations and is responsible for overseeing the work carried out by the Council in respect of the National Fraud Initiative and reviewing Financial Management in Schools self assessments.

6. RESOURCES AND SKILLS REQUIRED FOR DELIVERY OF THE AUDIT STRATEGY

The Council is required to provide sufficient resources to enable an adequate and effective Internal Audit service to be provided that meets its objectives. Internal Audit should have appropriate resources in order to meet its objectives and comply with the standards contained in the Code of Practice.

The current level of resources is considered sufficient to develop and ensure delivery of the Annual Audit Plan and provide the necessary assurance on the effectiveness of the system of internal control.

Individual members of the in-house team have a personal responsibility to undertake a programme of continuing professional development to maintain and develop their competence. This will be achieved through professional training, attendance at ad-hoc seminars and in-house training courses. Training needs are assessed on an ongoing basis and are formally reviewed annually as part of the Council's Performance Development process. The specification for the internal audit contract requires the contractor to have in place a training programme to ensure auditors have the appropriate skills to deliver the Audit Plan.

7. SERVICE PURPOSE: TO PROVIDE ASSURANCE TO THE COUNCILS' MANAGEMENT THAT ITS SYSTEMS AND PROCEDURES ARE ADEQUATE AND OPERATING EFFECTIVELY.

7.1 Profile of Services

Internal audit is an independent appraisal function established by management for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic and effective use of resources.

Internal audit is a statutory function and there are two principal pieces of legislation that impact upon internal audit within local authorities :-

- S151 of the Local Government Act which requires the authority to ensure that one of the officers has responsibility for the proper administration of its financial affairs; and
- the Accounts and Audit Regulations Act 2006 which states 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".

The Council delegates responsibility for the provision of the internal audit service and for ensuring this requirement is met to the Borough Treasurer.

To be effective and be able to meet its responsibilities, the Internal Audit Service needs the right of access. Section 3.3 of the Financial Regulations states that Directors have the responsibility "To ensure that internal auditors are given access at all times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work" and "To ensure that auditors are provided with all information and explanations that they need in the course of their work to enable them to draw appropriate conclusions".

7.2 Resources

In terms of audit resources, the in-house team equates to one whole time equivalent. In addition, approximately 600 days per year are purchased from H W Controls and Assurance.

7.3. Context

External Drivers

As a statutory service, the principal drivers for the internal audit team are

compliance with legislation and professional requirements placed on the service, for example compliance with the Code of Practice for Internal Audit in Local Government in the UK, and the Accounts and Audit Regulations.

Access to Senior Officers and Members

The Head of Audit and Risk Management will meet with the Chief Executive on a regular basis to discuss progress on the Internal Audit Plan. The Head of Audit and Risk Management will have direct access to the Chief Executive, Chairman of the Governance and Audit Committee and Members to raise any matters of concern that she believes should be drawn to their attention.

Key Partners

HW Controls and Assurance is Internal Audit's key partner. In addition, Internal Audit work closely with the external auditors. A Protocol setting out how the Client Side, HW Controls and Assurance and external audit will share plans, reports and information has been agreed to ensure that the external auditors can place maximum reliance on the work of the internal audit service.

Management Responsibilities

Directors are responsible for the establishment of internal controls, to ensure that activities are conducted in an orderly, proper and efficient manner. The designing, installing and operation of systems are not Internal Audit functions. Also the drafting of procedures for systems is not an audit function. However, Internal Audit may provide advice on the operation of controls.

Service Objectives

The objective of internal audit is to provide assurance to the Council's management that its systems and procedures are adequate and operating effectively.

Links to Corporate Objectives

The internal audit service is linked primarily to Medium Term Objective – "To be accountable and provide excellent value for money".

Service Plan Priorities

The main priority for internal audit is the delivery of the annual audit plan which is approved in March each year by Governance and Audit Committee. The key indicator in achieving the objective is the percentage of the audit plan completed each year.

Monitoring and Performance

The Head of Audit and Risk Management reviews quarterly reports from HW Controls and Assurance which report on the performance indicators set out in the service specification. These are also reviewed by the Borough Treasurer and the Chief Executive. In addition reports to the Governance and Audit Committee include details on delivery, assurances and client satisfaction.

7.4 Reporting Audit Findings

At the end of each audit review, an exit meeting is held where the proposed recommendations are discussed. This is followed by the issue of a draft report to the auditee and their senior manager for comment. At this stage, the auditee is required to formally reply to the audit indicating whether they agree with the recommendations made and setting a deadline date for implementation. The report will outline the findings from the audit, the conclusions reached and the resulting recommendations. Once the draft report

has been agreed a final report will be issued. The final report is always issued to the relevant Director. A follow up review may be undertaken after the final audit report has been issued to ensure the agreed recommendations have been implemented. Issues of particular concern will in addition be raised with the Borough Treasurer and Governance and Audit Committee.

7.5 Document Retention

The Internal Audit Service's policy is to retain an electronic copy of all terms of reference, reports issued in draft and as final versions and to retain the hard copy working paper file for the last completed audit on each area. In addition to this, a copy of the completed testing matrix for the penultimate audit of all key financial systems is also retained.