

OVERVIEW AND SCRUTINY COMMISSION
13 MARCH 2008

INTERNAL AUDIT PLAN 2008/09
(Borough Treasurer)

1 PURPOSE OF REPORT

- 1.1 To seek the Overview and Scrutiny Commission's approval for the proposed Internal Audit Plan 2008/09.

2 SUPPORTING INFORMATION

Background

- 2.1 The Accounts and Audit (Amendment) (England) Regulations require local authorities to "maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control." The Borough Treasurer, as Section 151 Officer, has statutory responsibility for ensuring this requirement is met.
- 2.2 The regulations require conformance with the CIPFA Code of Practice for Internal Audit in Local Government which defines internal audit as follow:-
- "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."
- 2.3 Internal Audit's strategy must be to meet the requirements of legislation and also to add value by assisting management to achieve its objectives. This work, however, must be undertaken against a background of the resource constraints that the Council is facing and is likely to continue to face into the foreseeable future.
- 2.4 More specifically, Internal Audit aims to: -
- satisfy the legal requirements of a Local Authority Internal Audit Service, including maintaining an 'adequate and effective' audit of the Council's accounting records and providing an annual opinion on the adequacy of the Council's control environment
 - examine, evaluate and report independently and objectively on the adequacy of management's arrangements to secure the proper use of resources (economy, efficiency and effectiveness)
 - assist management in achieving its objectives, managing its risks and establishing and maintaining adequate systems of internal control
 - assist management in securing proper controls in new and revised manual and computer systems
 - assist management, where appropriate, in the investigation of alleged fraud, theft, corruption or other irregularity

- ensure External Audit can continue to place reliance on Internal Audit's work, to avoid duplication and minimise audit fees.

Audit Planning

- 2.5 There have been important changes over the last few years, which influence significantly the internal audit planning process. These include, in particular, the increased profile of many aspects of corporate governance: -
- the rise of risk management and the ability, where risk management is properly embedded, to base much of the audit plan on risks identified by management
 - the Annual Governance Statement (AGS) which replaces the Statement on Internal Control (SIC) from 2007/08. The AGS broadens reporting requirements of the SIC by focusing on the overall governance environment. The Annual Head of Internal Audit Opinion provided to those charged with governance supports the AGS by reporting on the adequacy and effectiveness of the organisation's control environment.
 - the External Audit focus on Performance Management, which requires increased Internal Audit review of the corporate and local arrangements for Service Planning, Performance Indicators etc.
 - the requirements of the Comprehensive Performance Assessment (CPA), which requires better and better performance to maintain our current score. Of particular relevance to Internal Audit is the 'use of resources' judgement which feeds into the CPA and which includes a section on Internal Control.
- 2.6 The draft Internal Audit Plan has been developed to focus on those areas of the Council's business that have the greatest influence on the achievement of its objectives. Factors that have been taken into account include:
- Council objectives/priorities
 - Risks identified in the Strategic Risk Register
 - Financial factors – income, expenditure, number/value of transactions
 - Human resource issues – areas of high/low staff turnover, vacancies, new staff in senior positions e.g headteachers
 - Local knowledge – areas where performance is poor or where limited assurance opinions have been given in the past
 - Changes to regulations
- 2.7 In addition to the above, Internal Audit must also have regard to the requirements of External Audit and undertake some probity work to ensure that the responsibilities of the Section 151 Officer are fulfilled. The draft Internal Audit Plan for 2008/09 therefore includes a range of the more traditional system based audits and anti fraud work. One of the outcomes of this revised approach is that more audits are of a cross-cutting nature ('Corporate Themes').
- 2.8 The proposed Internal Audit plan 2008/09 is attached at Annex A. The aim is to deliver a total of 806 audit days, predominantly through the Council's contractor, Deloitte. The number of days and their timing will need to remain flexible as the precise scope of each audit is agreed and in order to respond to significant developments during the year. If any major changes to the plan are deemed necessary these will be discussed with those members nominated by the Commission to have specific responsibility for audit matters and reported to the Commission in the regular Internal Audit assurance reports.

2.9 Departments, Corporate Management Team, External Audit and the Council's contractor, Deloitte, have all been consulted on the contents of the 2008/09 Plan. The approval of the Commission, in its capacity as the Council's Audit Committee, is now requested so that the plan can be finalised and published.

Contact for further information

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