

AGENDA ITEM: 11

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Meeting	Audit Committee
Date	16 December 2009
Subject	Internal Audit Strategy
Report of	Interim Head of Internal Audit
Summary	The Committee is asked to approve the Internal Audit Strategy

Officer Contributors	Richard King - Interim Head of Internal Audit
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix – Internal Audit Strategy
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Richard King, Interim Head of Internal Audit 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Committee approve the Internal Audit Strategy for the year beginning April 2010 to March 2011 .**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Our corporate services, including finance, human resources and corporate governance, play a significant part in helping us achieve our vision for:

“We will deliver value for money for our residents.”

- 3.2 We will continue to build on the solid foundations of the last few years, developing the core assets of people, finance, technology and information, to ensure that we are a modern, customer-focused organisation. (Corporate Plan 2009/10)

4. RISK MANAGEMENT ISSUES

- 4.1 Internal Audit works in accordance with the Standards promulgated by The Chartered Institute of Public Finance and Accountancy (CIPFA). Standard 7 states that “the Head of Internal Audit must produce an audit strategy”. This Strategy should be a statement of how the service will be delivered and how it links to the Authority’s objectives and priorities.
- 4.2 Without an approved strategy, Internal Audit activity may be insufficiently focused on the organisational goals and, therefore, be less effective, leading to poor value for money.
- 4.3 The absence of an approved Strategy may have a damaging effect on the Use of Resources score awarded by the External Auditor.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is an overriding principle that services provided to the whole community represent value for money in terms of quality, efficiency and effectiveness. This supports the Council’s obligations in meeting its public duties under Equalities legislation.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 None at present. The approval of the Strategy will start the process of examining the resources available to Internal Audit to provide the level of assurance necessary for the Council. This may ultimately entail a reassessment of priorities and resources.

7. LEGAL ISSUES

7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

8.1 Section 3 of the Constitution covers the statutory obligation for the Council to have an adequate and effective internal audit. This obligation flows from the Accounts and Audit Regulations 2006 (as amended) which states in the explanatory notes that proper practice for internal audit is contained in the CIPFA Code.

9. BACKGROUND INFORMATION

9.1 Internal Control Improvement Action Plan which resulted from the external review of internal controls, dated May 2009.

10. LIST OF BACKGROUND PAPERS

10.1 Any person wishing to view any of the background papers should telephone 020 8359 3167.

Legal: MAM

Finance:

London Borough of Barnet

Internal Audit Strategy 2010-11

1. Introduction

This document sets out the strategy for Internal Audit for the year starting April 2010 until March 2011. It demonstrates how Internal Audit supports the Council in achieving its overall aims and objectives whilst maintaining the professional standards that local authority internal auditors must achieve.

These professional standards are published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the “Code of Practice for Internal Audit in Local Government in the United Kingdom 2006” (The Code). This Code is recognised as the non-statutory proper practice for local government internal auditors by the Accounts and Audit Regulations 2003, as amended 2006.

2. Role and Purpose of Internal Audit

2.1 Internal Audit is defined in the Code as:

“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 environment¹ as a contribution to the proper, economic, efficient and effective use of resources.”

2.2 Internal audit activity acts as agent for change by assisting the Council’s managers in the effective achievement of the Council’s objectives by reviewing risk management, offering advice on best practice and recommending improvements in control to help reduce the risk of loss, error, fraud or abuse.

3. Strategic Aims

3.1 Internal Audit will support the Council in its achievement of the Corporate Plan by providing the Audit Committee, Chief Executive and Directors with reports and analyses on the management of risks to achieving the objectives. These reports will contain an audit opinion on the adequacy and effectiveness of internal control within each activity area or system under review.

The Chief Internal Auditor will provide in the Annual Report of Internal Audit an opinion, in support of the Annual Governance Statement, on how the management’s risk management processes identify, evaluate, monitor and report that controls are operating effectively within the Council, based on the internal audits carried out during the year.

3.2 Internal Audit will support the discharge of the statutory functions of the Chief Finance Officer in relation to “making proper arrangements of the financial affairs of the Council”

¹ The control environment comprises the systems of governance, risk management and internal control

3.3 Internal Audit work will support the vision and priority aims of the Council with effective recommendations or agreed management actions plans for improving risk management for improving service delivery to the citizens of Barnet.

3.4 Internal Audit will support the Corporate Plan aim of “Getting the best value for every taxpayer’s pound” by ensuring that best value principles are applied to the work of the Section.

3.5 All Internal Audit work will be conducted within the powers and responsibilities assigned to the Chief Internal Auditor (not sure if this is the approved job title?) and Internal Audit function through the Council’s financial regulations.

3.6 Internal Audit will co-ordinate its programme of work with that planned by the Audit Commission’s external auditor to ensure optimum coverage and minimum duplication and also to enable the external auditor to place suitable reliance on the work of Internal Audit.

4. Meeting Internal Audit’s Strategic Aims

4.1 All internal audit work carried out will meet the Standards set out in the CIPFA Code. This will include rigorous review and quality assurance procedures being carried out by internal audit management.

4.2 Internal Audit will use, wherever possible, directorate assessments of risk to achieving the Council’s objectives. There will be an assessment of the risk management system and from this, Internal Audit will determine the status and development of risk management within the directorate/unit for all of the significant activities of the Council.

In discussion with the appropriate managers, an internal audit annual work programme will be prepared for presentation to and approval by the Audit Committee.

4.3 System based audits of the Council’s key systems which includes: Accounting, Creditors, Debtors, Payroll, Treasury Management, Performance Management, Housing Benefit. (This list by way of exemplification and is not exhaustive will be carried out as this will offer to members and directors assurance that these significant systems are operating properly.)

This will also help to maximise co-operation with the external auditor providing a cost efficient and effective way of giving assurance on these activities through minimising duplication.

4.4 Internal Audit will carry out follow up work where significant risk management issues have been identified. Such work will be scheduled at the time of issuing the final agreed audit report.

4.5 There will be identified timescales for all internal audit work. Timings will be agreed with the appropriate managers. This will include an agreed date for the delivery of the draft report to the audited manager.

4.6 The Chief Internal Auditor (see comment above) will issue post audit questionnaires to managers in order for comments to be made and performance of audit staff to be judged. Performance information will be regularly provided to the Audit Committee for monitoring and assessment purposes.

5. Managers' Responsibilities with regard to Internal audit work

5.1 For internal audit to contribute to the Council's overall achievement of its objectives, it is essential that managers play a full role in the work of internal audit. It is, therefore, vital that the following responsibilities are accepted by managers at all levels for the full benefit of internal audit to be derived:

- Strategic level involvement to inform the annual audit plan;
- Operational level involvement with individual audits;
- Being open and honest with audit staff;
- Making staff and records available when requested;
- Responding to draft audit reports in the agreed timescale;
- Only accepting recommendations with which they agree, and readily agree to own, and providing timescales for implementation that are achievable; and
- Implementing the agreed actions (by the agreed date) arising from the audit.

Managers are responsible for the effective management of risk to achieving their objectives, auditors are responsible for giving advice/suggesting improvements that should lead to more effective and efficient controls. Little organisational benefit will follow if recommendations and timescales are unrealistic.

Prepared by:

Date prepared:

Date approved by Corporate Directors Grou