

AGENDA ITEM: 6

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Meeting	Audit Committee
Date	17 February 2011
Subject	Internal Audit Strategy
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the Progress Report and Appendices.

Officer Contributors	Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A - Internal Audit Strategy
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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1. RECOMMENDATIONS

- 1.1 That the Committee consider and comment upon the Internal Audit Strategy for the year beginning April 2011 to March 2012.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 At the Audit Committee meeting on 19 December 2009 (decision 10) members accepted the Internal Audit Strategy for 1st April 2010 to 31 March 2010. The strategy contained within Appendix A is the revised strategy for 2011-12.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 As the Strategy states internal audit will support the Council in its achievement of the Corporate Plan and its resultant corporate priorities. As such our strategy will continue to monitor progress against:
- Better services with less money
 - Sharing opportunities, sharing responsibilities
 - A successful London suburb

4. RISK MANAGEMENT ISSUES

- 4.1 Internal Audit works in accordance with the Standards promoted 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 not be sufficiently focused on the appropriate organisational objectives and therefore be less effective, leading to poor perception and poor value for money.

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. By undertaking the IA Strategy we consider how the Council’s services offer value for money, being mindful of how these services promote equality of opportunity.

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

- 6.1 Articulating the objectives of the Internal Audit service will direct resources appropriately as such this will ensure the service further improves its demonstration of value for money.

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 This strategy provides a revision of the Internal Audit Strategy from the previous financial year. Also, during 2010-11 CIPFA released its Statement on the role of the head of internal audit which considered some good practice that has been reflected in the revised strategy. Although this statement does not have the status of the CIPFA Code it is still relevant for benchmarking the current internal audit service.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MAM

Finance:

London Borough of Barnet

Internal Audit Strategy 2011-12

Maryellen Salter, Assistant Director of Finance, Audit and Risk Management

1. Introduction

This document sets out the strategy for Internal Audit for the year starting April 2011 until March 2012. 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.

In addition, CIPFA produced the statement titled ‘the role of the head of internal audit’ which has been reviewed and incorporated within this strategy.

2. Role and Purpose of Internal Audit and the Head of Internal Audit

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.”

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. This is achieved through objective challenge and support from the Assistant Director of Finance – Audit and Risk Management, whose role it will be to act as a catalyst for positive change and continual improvement in governance in all respects.

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

3. Internal Audit Strategic Objectives

No.	Objective	To achieve this the Internal Service will:
1.	Internal Audit will support the Council in its achievement of the Corporate Plan and resultant corporate objectives.	Direct resources to those areas within the Council that are considered high risk. This will be achieved through agreement and delivery of the Annual Audit Plan. Internal Audit will then provide the Audit Committee, Chief Executive and Directors with progress reports throughout the year against this plan. Risk Management arrangements will be reviewed to ensure they are fit for purpose and can be relied upon by internal audit. At the last review in 2010 these were assessed as level 2 maturity.
2.	Internal Audit will support the Council in its production of its Annual Governance Statement.	Provide in the Annual Report of Internal Audit an opinion 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.	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".	Ensure that the Council's fundamental financial systems are routinely reviewed as part of the Annual Audit Planning process.
4.	Internal Audit will ensure that a positive culture of internal control improvement and effective risk management takes place.	Follow-up those areas within audit reports which represent fundamental weaknesses to agreed implementation dates. Such work will be scheduled at the time of issuing the final agreed audit report.

No.	Objective	To achieve this the Internal Service will:
5.	Internal Audit will ensure that efforts are not duplicated on coverage of key corporate and directorate risks. In addition, the quality of individual audits are such that external audit can place suitable reliance on their content.	Undertake quarterly meetings with external audit to understand their expectations and requirements. Seek endorsement of the Annual Internal Audit Plan. Include rigorous review and quality assurance procedures carried out via outsourced arrangements.
6.	Ensure that good governance is in place within the Council.	Ensure that the Assistant Director of Finance, Audit and Risk Management, promotes best practice in the various forums where her advice and guidance is sought, for example at the Risk and Fraud forum.
7.	Ensure that Statutory Officers receive regular reports on the assurance framework and are aware of any weaknesses in the control environment.	Ensure attendance of the Assistant Director of Finance, Audit and Risk Management at all monthly Statutory Officer Group meetings and preparation of Assurance Report.
8.	Ensure the service provides value for money.	Ensure that all quarterly progress reports to the Audit Committee include reference to its efficiency and effectiveness.
9.	Ensure the service liaises with other external inspectors and partnership organisations for assurances given through-out the year.	Inclusion of assurances obtained from external bodies within regular assurance reports prepared for the Statutory Officers Group.
10.	Ensures that all audits are carried out based on the principles of integrity, objectivity, competencies and confidentiality. In addition, the audit team shall have the right skills and capabilities to carry out the work.	Ensure all staff members keep up to date with professional qualifications and are subject to regular appraisals. An appropriate training and development plan is to be devised, in line with resources available.

All Internal Audit work will be conducted within the powers and responsibilities assigned to the Assistant Director of Finance – Audit and Risk Management and Internal Audit function through the Council’s financial regulations. Internal Audit has unfettered rights of access to all papers and all people in the organisation, as well as appropriate access in (significant) partner organisations.

4. Officers and Management Responsibilities with regard to Internal audit work

For internal audit to contribute to the Council’s overall achievement of its objectives, it is essential that officers and management play a full role in the work of internal audit. The expectations are that there is:

- 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.

The responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Those risks identified and recommendations raised should be considered in line with the Council’s current risk management strategy.