

<b>Subject:</b>	<b>Internal Audit Strategy and Annual Audit Plan 2009-10</b>
<b>Date of Meeting:</b>	<b>19<sup>th</sup> May 2009</b>
<b>Report of:</b>	<b>Director of Finance &amp; Resources</b>
<b>Contact Officer:</b> Name:	<b>Ian Withers, Head of Audit &amp; Tel: 29-1323</b>
	<b>Business Risk</b>
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<b>Wards Affected:</b>	All

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report presents the Internal Audit Strategy and Annual Audit Plan for 2009/10.
- 1.2 The audit Committee and ultimately the council, needs assurance that internal controls have been effectively designed and operating in practice. The audit coverage contained in the Annual Audit Plan aims to provide assurance over this.

#### 2. RECOMMENDATION:

- 2.1 That Members of the Audit Committee approve the Internal Audit Strategy and Annual Audit Plan for 2009/10 attached at Appendix A to this report.

#### 3. BACKGROUND:

- 3.1 The Accounts and Audit Regulations 2003 (as amended) require the council to 'maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper practice'. The proper practice being the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- 3.2 Under the Code, the Head of Audit & Business Risk is required to prepare and Internal Audit Strategy and Audit Plan for each financial year. The aim is to provide independent and objective assurance on the control environment consisting of internal control, risk management and corporate governance.
- 3.3 The Internal Audit Strategy and Annual Plan provides the mechanism through which the Head of Audit & Business Risk can ensure the most appropriate use of internal audit resources to provide a clear end of year statement of assurance on the control environment.

3.4 The Annual Audit Plan is effectively a work programme of audits, inclusion of which is primarily based on the greatest perceived inherent risk. Other reviews may also be included based on criteria other than risk, for example 'mandatory' audits or requested/commissioned by management.

#### **4. DEVELOPMENT OF THE ANNUAL AUDIT PLAN:**

4.1 The Annual Audit Plan for 2009-10 was developed by the following:

- Linking with Directorate and Service Business Plans;
- Use of existing corporate and departmental risk registers to identify risks and controls;
- Our own cumulative knowledge and experience of the City Council's governance and control environment;
- Internal Audit Universe and Risk Assessment using cumulative audit knowledge and experience including previous audits, materiality, sensitivity, change;
- Information and requests from extensive consultation meetings with management.

4.2 There are considered to be sufficient resources available to achieve the 2009/10 Annual Audit Plan subject to there being no significant unplanned audit work or staff vacancies. To be better prepared in order to mitigate the risk of staff vacancies, we have now arranged to procure additional external resources under a framework contract.

#### **5. FINANCIAL & OTHER IMPLICATIONS:**

5.1 Financial Implications:

5.2 As noted in the strategy, the Head of Audit & Business Risk must formally report to the Director of Finance & resources (Section 151) and the Audit Committee if insufficient resources are available to meet the team's responsibilities and achieve its objectives. Audit & Business Risk were exempted from the 2009/10 savings target, allowing sufficient resources to be built into the 2009/10 budget to afford an adequate number of audit days in the year.

The work of internal audit reduced the council's fees to our external auditors, particularly under the 'managed audit' arrangements. Additionally, changes to thresholds that determine the extent of audit of grant claims has realised real savings, with many grants now being audited by the Audit & Business Risk team rather than by our external auditors.

Delivering the annual audit plan contributes towards the Chief Finance Officer meeting their Section 151 responsibilities (make arrangements for the proper administration of the Local Authorities financial affairs) by helping to achieve an effective control environment.

*Finance Officer Consulted: Stuart Taylor*

*Date: 7 May 2009*

5.2 Legal Implications:

The relevant statutory provisions are referred to in paragraphs 3.2 above.

*Laywer Consulted: Oliver Dixon*

*Date: 7 May 2009*

5.3 Equalities Implications:

When carrying out audit work, any equality issues identified are reported to the appropriate level of management. The Internal Audit Strategy and Annual Audit Plan recognises the council's priorities in respect to Equality and Diversity and how Internal Audit will meet them.

5.4 Sustainability Implications:

When carrying out audit work, any sustainability issues identified are reported to the appropriate level of management.

5.5 Crime & Disorder Implications:

When carrying out audit work, any crime and disorder issues identified are reported to the appropriate level of management.

5.6 Risk and Opportunity Management Implications:

The preparation of the Internal Audit Strategy and annual Audit Plan has taken into account the adequacy, outcomes of the council's risk management and other assurance processes. The work of Internal Audit assists the council in improving controls to mitigate risks. The Annual Audit Plan will be flexible to take account of emerging risks and priorities of the council.

5.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Internal Audit Strategy and Annual Audit Plan 2009/10

### **Background Documents:**

1. Accounts & Audit Regulations 2003 (Amended 2006)
2. CIPFA Code of Practice for Internal Audit in Local Government 2006
3. Risk and Opportunity Strategy 2008
4. Corporate Risk Register 2008