

AUDIT COMMITTEE

Agenda Item 87

Brighton & Hove City Council

Subject: Internal Audit Strategy & Annual Audit Plan 2010/11
Date of Meeting: 18th May 2010
Report of: Director of Finance & Resources
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Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report presents the Internal Audit Strategy and Annual Audit Plan for 2010/11
- 1.2 The audit Committee and ultimately the council, needs assurance that internal controls have been effectively designed and operates in practice. The audit coverage contained in the Annual Audit Plan aims to provide assurance over this.

2. RECOMMENDATION:

- 2.1 That the Audit Committee approves the Internal Audit Strategy and Annual Audit Plan for 2010/11 attached at Appendix A to this report.
- 2.2 That the Audit Committee approves the revised Terms of Reference for the Internal Audit Service.

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 assurance on the council's control environment and management of risks.
- 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.
- 3.5 The Internal Audit Strategy and Annual Audit Plan also includes the revised terms of reference for Internal Audit.

4. DEVELOPMENT OF THE ANNUAL AUDIT PLAN

- 4.1 The Annual Audit Plan for 2010-11 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 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 senior management.
- 4.2 There are considered to be sufficient resources available to achieve the 2010/11 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 as required, under a framework contract.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

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.

The financial implications of the Internal Audit Strategy and Annual Audit Plan have been fully costed and are within budget.

Alasdair Ridley
Accountant

4th May 2010

5.2 Legal Implications:

The recommendations in paragraph 2 are proper to be considered by the Audit Committee, in line with its terms of reference.

The statutory provisions relevant to this report are referred to in paragraph 3.1 .

Oliver Dixon
Lawyer

5th May 2010

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 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 2010/11

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 2009
4. Corporate Risk Register 2009