

INTERNAL AUDIT STRATEGY

INTRODUCTION

1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements that together make up the control environment.

AUDIT OBJECTIVES AND OUTCOMES

2. The function of Internal Audit is to provide to the Council an independent and objective opinion on the control environment, evaluating its effectiveness by working closely with the Audit Committee, Director of Resources and Chief Executive.
3. In providing its opinion, the Internal Audit Service will comply with 'proper practices' as set out in the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 the ('Code'). To comply with the 'Code' Internal Audit must have done sufficient evidenced work to form a supportable conclusion about the activity that it has examined.
4. The main outcomes from the work of Internal Audit are:
 - Audit reports produced at the conclusion of each audit, for the relevant service manager, Head of Service and Director;
 - Regular update reports for the Audit Committee on progress against the plan;
 - Audit Manager's overall opinion on the Authority's internal control arrangements at the year end;
 - An annual assurance report for the Audit Committee.

HOW THE SERVICE WILL BE PROVIDED

5. An in-house team delivering an agreed programme of audits provides the Internal Audit Service. The team is managed by the Audit Manager who reports to the Deputy Director of Finance/Director of Resources.
6. Individual auditors are required to comply with the CIPFA Code, all relevant ethical and technical standards issued by their professional bodies and with all relevant codes of conduct issued by the Authority.
7. Internal auditors are expected to:
 - Exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity;

- Maintain and keep up to date their professional knowledge and skills and to participate in any continuing professional development scheme (CPD) operated by their professional body;
 - Comply with the Authority's rules about declaring interests;
 - Obtain and record sufficient audit evidence to support their findings and recommendations.
8. The internal audit service must be independent of the activities that it audits.

RESOURCES AND SKILLS

9. The establishment of the Internal Audit Service equates to 14 full time equivalent posts.
10. When there is staff turnover or a shortfall in resources, then either the plan is adjusted and reduced assurance provided; or, if the budget can support it, additional resources are contracted in from recruitment agencies. The Internal Audit Service currently has 6.5 vacant posts, which are covered by 4 agency staff.
11. Internal Audit staff are qualified to various levels with several years' public sector experience.

THE AUDIT PROCESS

12. The approach to internal audit work for the Council is based upon the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. It follows the principles of best practice and is subject to continuous review.
13. An Annual Plan covering the key auditable risks facing the Council is to be produced. The plan will be developed in consultation with Heads of Service and take into account of the Authority's risk management process.
14. The Plan may be updated during the year to reflect changes to systems, processes or in the risks facing the Authority. All managers are expected to notify Internal Audit of such changes immediately they become aware of them.
15. The amount of audit resource allocated to particular areas is identified by an assessment of risk. The level of risk also determines the frequency with which auditable areas will be subject to review. This ensures that key risks are reviewed on a more regular basis. The aim of this approach is to ensure the maximum level of assurance is provided with the minimum level of audit coverage.

16. The Audit Manager will use his/her judgement in assessing the number of days required for each planned audit. The level of resource applied is a product of:
- Relative risk of the auditable area;
 - Complexity of the system in place;
 - Management concerns;
 - Assurance brought forward from previous year's audit;
 - Type of audit undertaken.
17. There will be a brief produced for most audits, which is to be agreed with the relevant line managers before work is started. Reasonable notice will be given before the start to minimise any service disruption.
18. Internal Audit has the right to make unannounced visits where the Audit Manager considers it necessary.
19. There will be a timely audit report with clear audit opinion, recommendations and agreed management response produced at the end of each audit.
20. All information obtained during an audit will be safeguarded. Information obtained will not be used for personal gain or disclosed unless there is a legal or professional requirement to do so (for example under the Freedom of Information Act).

QUALITY ASSURANCE

21. The quality of work is assured through the supervision of staff, and the subsequent review of draft reports and files of working papers by the Audit Manager, Deputy Audit Manager or Principal Auditor. All staff will use the Audit Manual that stipulates the quality control mechanisms that will operate on each audit assignment.
22. The Authority's external auditors will review the quality and scope of Internal Audit work on a regular basis.

TYPES OF AUDIT UNDERTAKEN

Key financial systems audit

23. Key financial systems are high-risk areas due to the value and volume of transactions involved and are reviewed annually to provide assurance that controls are in place and are complied with. A 'systems' based audit is to be carried out on these systems (creditor payments, debtors, council tax, NNDR, housing & council tax benefits, payroll, pensions etc.) at central, service and establishment level.

Departmental systems

24. The risks attached to the range of systems operated within services will be reviewed during the draft planning process and will be included in the annual plan as appropriate. These systems are generally of medium risk to the Council as a whole and will be audited every two to three years.

Establishment audits

25. All Council establishments will be audited within a planned frequency range from two to three years depending on the risks associated with each type of establishment. A systems based approach will be applied to these audits.

Schools Audits

26. Internal audit work carried out at schools has been reviewed to take into account the requirements of the Financial Management Standards in Schools (FMSiS) implemented by the DCSF during 2006/2007. The work of internal audit will assist schools to demonstrate the high level of financial competence and governance expected by the DCSF.

Fraud and irregularity

27. One of the objectives of Internal Audit is to identify fraud as a consequence of its reviews and to deter crime. Trained internal auditors are able to identify the potential for fraud when carrying out their work. The Council has a good record of reporting suspected irregularities to Internal Audit in accordance with financial regulations. Records show that occurrences of fraud and irregularities are low.
28. Internal Audit is responsible for conducting anti-fraud work throughout the Council and unplanned irregularity investigations will undertaken as the need arises. Contingency time allocations will be set within the Annual Plan.
29. Membership of the National Anti-fraud Network will ensure that Internal Audit are kept aware of the type and incidence of fraud and corruption in other local authorities and this information is used to plan the allocation of audit resources etc.

Systems Development

30. Managers are required to consult Internal Audit about plans for major or complex changes to systems. Internal Audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of system developments.

Information Technology Audits

31. System auditing skills will be applied to review the running of IT systems / procedures and to check:
- The accurate running of business processes on computers;
 - Effective 'information security frameworks' are in place i.e. access, authorisation and business continuity processes are robust;
 - The Council's procurement processes for developing and acquiring new systems and facilities are followed;
 - The economy, efficiency and effectiveness in the use and exploitation of IT facilities.

Value for Money

32. When a Service is carrying out a review and is considering options that have a material impact on risks and key controls, the Audit Manager must be informed at an early stage. Internal Audit can assist managers by supplying information and knowledge gained during audits where this is relevant.

Procurement / Contract Audits

33. The focus for procurement audits will be on the Authority's corporate procurement strategy and associated management structures and processes, including contract procedure rules and procurement guidance. The traditionally based contract audit work will still be carried out but will only undertaken as part of a detailed examination of contracting procedures within a technical section managing a significant number of construction contracts.

Assurance Statements and Granted Related Work

34. An audit opinion is provided to Government Departments and other funding bodies as to whether expenditure incurred by the Council in delivering a scheme or project funded by grant is fairly presented according to the definitions in any agreement and in accordance with the grant terms and conditions.

RIGHT OF ACCESS

35. Internal auditors have unrestricted access to all the Authority's personnel, premises, documents, records, information and assets, including those of partner organisations. Internal auditors have authority to access all computer data as part of their work, including that registered under the Data Protection Act.

36. Internal auditors are authorised to obtain the information and explanations they consider necessary from any employees, partners or agents of the Authority to fulfil their objectives and responsibilities. Managers must ensure that Internal Audit access is considered when preparing partnership agreements.

RELATIONSHIP WITH EXTERNAL AUDITOR

37. Regular liaison meetings will be held with the Council's external auditors in accordance with an agreed protocol, which covers:

- Information sharing;
- Reliance on each others work;
- Joint planning to ensure that audit resources are maximised and to prevent duplication of work.

REPORTING STRATEGY

38. Reporting arrangements for Internal Audit are summarised below:

Service Managers / Heads of Service / Directors	Detailed audit report produced at the conclusion of each audit.
Audit Committee	Audit Strategy
	Annual Audit Plan
	Quarterly summary progress report
	Annual summary outturn report