



St Edmundsbury
BOROUGH COUNCIL

C451

Performance and Audit Scrutiny Committee 30 April 2012

Internal Audit Strategy

SUMMARY

The CIPFA Code of Practice for Internal Audit in Local Government 2006 requires the Head of Internal Audit to produce a high level Audit Strategy of how the Council's Internal Audit service will be delivered and developed in accordance with the Audit Charter and how it links to organisational objectives and priorities.

Amendments to the Internal Audit Strategy are proposed to reflect the Internal Audit shared service arrangement between St Edmundsbury Borough Council and Forest Heath District Council.

PURPOSE OF THE REPORT

To advise Performance and Audit Scrutiny Committee of, and seek approval for, proposed amendments to the Internal Audit Strategy to reflect the Internal Audit shared service arrangement between St Edmundsbury Borough Council and Forest Heath District Council.

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Performance and Audit Scrutiny Committee 30 April 2012

Internal Audit Strategy

1. Recommendations

- 1.1 The revised Internal Audit Strategy (**Appendix A**) be approved.

2. Purpose of Report

- 2.1 To advise Performance and Audit Scrutiny Committee of proposed amendments to the Internal Audit Strategy to reflect the shared Internal Audit shared service arrangement between St Edmundsbury Borough Council and Forest Heath District Council.

3. Background

- 3.1 The Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 requires the Head of Internal Audit to produce a high level Audit Strategy of how the Internal Audit service will be delivered and developed in accordance with the Audit Charter and how it links to organisational objectives and priorities.
- 3.2 The principal aims of the strategy are to communicate the contribution that Internal Audit makes to both Councils, including:
- Internal Audit objectives and outcomes;
 - How the Audit Manager will form and evidence his opinion on each Council's control environment to support its Annual Governance Statement;
 - How Internal Audit's work will identify and address significant local and national issues and risks;
 - How the service will be provided; and
 - The resources and skills required to deliver the Strategy.

4. Update of the Internal Audit Strategy

- 4.1 A recent review of the Internal Audit Strategy has resulted in a small number of amendments being made to the document to ensure it remains accurate and in line with good practice.
- 4.2 The most significant amendment is inclusion of the Internal Audit shared service arrangement with Forest Heath District Council, although members should be advised that this amendment does not reflect any change to the Internal Audit service currently delivered to St Edmundsbury, but is intended to ensure that the Internal Audit Strategy remains reflective of actual service provision arrangements.

Sources of Further Information

CIPFA Code of Practice for Internal Audit in Local Government 2006

INTERNAL AUDIT STRATEGY

1. Introduction

- 1.1 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 requires the Head of Internal Audit to produce a high level Audit Strategy of how the Internal Audit service will be delivered and developed.
- 1.2 St Edmundsbury Borough Council and Forest Heath District Council have been working to share services across their boundaries. Internal Audit is such an example and is provided in partnership between both Councils, through a shared service. Its vision to provide a cost effective, proactive, flexible, resilient and quality internal audit service to meet the needs of internal and external stakeholders.
- 1.3 The principal aim of this strategy is to communicate the contribution that Internal Audit makes to both Councils, covering:
- internal audit objectives and outcomes;
 - how the Internal Audit Manager will form and evidence his opinion on the control environment of both Councils to support their Annual Governance Statements;
 - how Internal Audit's work will identify and address significant local and national issues and risks;
 - how the service will be provided; and
 - the resources and skills required to deliver the Strategy.

2. Internal Audit objectives and outcomes

- 2.1 Internal Audit is an assurance function that provides an independent and objective opinion to each organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving each Council's objectives. It objectively examines, evaluates and reports on the adequacy of each Council's control environment as a contribution to their corporate governance arrangements and the proper, economic, efficient and effective use of resources. Additionally, it supports the chief financial officer's role under Section 151 of the Local Government Act 1972 and the requirements of the Accounts and Audit Regulations.
- 2.2 In order to achieve these objectives the Internal Audit Manager must plan and manage the resources of the section effectively to ensure it is in a position to give an opinion.

3. Provision of assurance for the Annual Governance Statement

- 3.1 The Internal Audit Manager prepares an annual risk based Audit Plan designed to implement the Audit Strategy. In preparing the Plan the Internal Audit Manager takes into account the adequacy and outcomes of each Council's risk management, performance management and other assurance processes. Where the outputs from those processes are not judged to be sufficiently reliable, the Internal Audit Manager will undertake his own risk assessment. The audit planning process also takes into account specific risk criteria relating to potential audit areas – these risk criteria may include materiality of systems, Internal Audit view of the control environment relevant to systems, stability and complexity of systems, sensitivity, and date of last audit of the system.
- 3.2 The Internal Audit Manager will also consult relevant stakeholders in preparing the Plan, including each authority's Section 151 Officer, Management Team, and external audit and revise the Plan if appropriate.
- 3.3 The Audit Plan outlines the work assignments to be carried out and the resources required. The Plan is flexible and may be amended where appropriate to address any change in organisational structure, objectives or priorities of either or both organisations.

3.4 Unless the scope of the audit review is restricted to purely following up implementation of previous recommendations, each Internal Audit report provides an opinion on that area based on CIPFA good practice guidance. These opinions, other work undertaken by Internal Audit during the year, opinions of the external auditor and the results of their coverage plus issues raised by other external inspection agencies and other assurance providers to the Councils all combine to enable the Internal Audit Manager to give an annual opinion on the adequacy and effectiveness of each Council's systems of internal control. This overall opinion is given by the Internal Audit Manager within his annual Internal Audit report submitted to the relevant Audit Committee around year end and supports the annual review of corporate governance and the production of each Council's Annual Governance Statement.

4. How Internal Audit's work will identify and address local and national issues and risks

4.1 Although the annual Audit Plan is agreed by the relevant Section 151 Officer, Management Team and Audit Committee, the Plan has to be sufficiently flexible to allow the Internal Audit Manager to direct Internal Audit resources as required so that emerging local and national issues and risks can be appropriately reviewed where appropriate.

4.2 The Internal Audit Manager keeps up to date with such issues and risks from:

- committee reports;
- feedback received from Section 151 Officer attendance at Management Team and other relevant meetings;
- membership of the councils' strategic risk management groups
- local, national, and trade publications;
- professional reference material / websites / discussion forums;
- regular liaison and meetings with other internal auditors within the region;
- regular liaison and meetings with external audit; and
- accumulated internal audit knowledge

5. Provision and resourcing of the Internal Audit Service

5.1 The Internal Audit service is provided in partnership between St Edmundsbury Borough Council and Forest Heath District Council, through a shared service.

5.2 The Internal Audit function is provided in-house through a resource of 6 staff. Additionally, the service works in partnership with other Suffolk councils, both County and districts, with the aim of reducing costs and maximising quality by for example sharing best practice and joint provision of training courses.

5.3 When there is staff turnover or a shortfall in resources the Audit Plan will be adjusted and reduced assurance provided or if the budget is available additional resources would be bought in on a temporary basis.

6. Skills required to deliver the Internal Audit Strategy

6.1 All Internal Audit staff identify training needs as part of a review process and are encouraged to undertake appropriate training, including in-house courses, external seminars, Suffolk Working Audit Partnership meetings and events, and continuously maintain and improve knowledge of best practice and current issues affecting the audit environment by reading trade publications, use of on-line discussion forums, and any other relevant means as relevant to support their development. As Internal Audit examines the whole of the control environment rather than just financial control, the aim is to ensure the skills mix within the service reflects this wider responsibility. Staff are expected to conform to current professional standards.

The Internal Audit Strategy:

- will be reviewed each year to confirm it remains accurate and up to date; and
- any significant and necessary changes will be reported to the Audit Committees.

Jon Snares

Internal Audit Manager

March 2012