

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

12 April 2011

Report of the Chief Internal Auditor

Part 1- Public

Delegated

1 ANNUAL INTERNAL AUDIT PLAN 2011-12

Summary

This report sets out the proposed Audit Plan for 2011-12 together with the factors influencing its construction. Members are requested to consider this coverage and are requested to adopt the plan.

1.1 Background

1.1.1 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 requires the work of the Internal Audit function to be directed by a risk-based audit plan.

1.1.2 To fulfil this requirement, a risk-based Internal Audit plan has been prepared for the authority to cover the 2011-12 financial year and is attached to this report for Member approval. **[Annex 1]**

1.2 Internal Audit Plan for 2011-12

1.2.1 The 2011-12 Internal Audit plan has been based upon a risk assessment of the council's internal audit needs and took into consideration the following factors:

- Key financial systems in relation to the council's Statement of Accounts including specific controls testing work to be undertaken as agreed with the Audit Commission to support their audit of the council's financial statements,
- Service areas that generate and administer the council's income streams,
- Service areas with budgeted expenditure (excluding salaries and on-costs) of above £120k and therefore above the triviality threshold for the Statement of Accounts,
- Risks recorded on service area's risk registers that were scored 10 or above, therefore being considered as High or in the higher end of the Medium range,

- Review of findings of previous audit work and recommendations made,
- Consideration of relevant publications including topical guidance on adding value from central government, the Chartered Institute of Public Finance & Accountancy and the Chartered Institute of Internal Auditors,
- The total audit resources available net of allowances for absence through leave, training and sickness.

- 1.2.2 The Audit Needs Assessment is used to help ensure that Internal Audit resources are directed to the areas where they are considered to be of most effective use to the council in helping to ensure the achievement of its objectives, the improvement of internal control and the efficiency of service delivery.
- 1.2.3 A copy of the proposed internal audit plan for 2011-12 is attached at appendix one to this report. The plan is intended to provide Members with a clear picture of how the council will make use of its Internal Audit function, reflecting all work to be undertaken by the team during the financial year.
- 1.2.4 As in previous years, the plan aims to ensure that sufficient audit work is carried out to enable the Chief Internal Auditor to provide an opinion regarding the adequacy and effectiveness of the internal control arrangements within the council as required for the Annual Governance Statement. The plan also includes reviews of key financial systems which are anticipated to assist the Audit Commission in their review of the Statement of Accounts for the authority and help them to meet their obligations under the International Auditing Standards.
- 1.2.5 The Internal Audit team has historically retained day allowances to carry out operational audits and consultancy work intended to assist management in ensuring that the organisation maintains a sound control environment and pursues effective performance management arrangements and value for money opportunities. The Internal Audit plan this year reflects the council's focus on identifying financial savings and opportunities for generating income and efficiencies in services and includes a number of reviews with emphasis on these areas.
- 1.2.6 As in previous years it is intended that the Internal Audit team will remain responsive to the needs of the council, the Directors and Senior Management during 2011-12; this is reflected through the plan including contingencies for work relating to ad hoc projects and special investigations which are unknown at this point in time. It should be recognised, however, that any requests for additional work which are not covered by the allowances within the annual audit plan will impact on the team's ability to achieve work specified on the plan.
- 1.2.7 The proposed plan has been reviewed and endorsed by the authority's Management Team prior to being presented to this committee. The draft audit plan has also been supplied to the Council's external auditors for comment and to prevent duplication of effort.

1.3 Legal Implications

- 1.3.1 The Accounts & Audit Regulations (2006) require the council to maintain an adequate and effective control environment; the audit plan presented at Appendix One is designed to assess the council's control environment and provide assurance to Members on its adequacy and effectiveness.

1.4 Financial and Value for Money Considerations

- 1.4.1 The audit work to be carried out will take into consideration financial and value for money aspect to support the Chief Internal Auditor and the Audit Commission in their opinions on the adequacy and effectiveness of the Council's control environment and the council's arrangements to secure value for money in the delivery of its services.

1.5 Risk Assessment

- 1.5.1 The Annual Internal Audit Plan directs the use of the Internal Audit resource of the council during the financial year. It is therefore important that the plan receives the approval of Members as an endorsement of the planned work of the Internal Audit team during the year. The production of an annual audit plan forms part of the overall governance framework of the Council.

1.6 Equality Impact Assessment

- 1.6.1 See 'Screening for equality impacts' table at end of report

1.7 Recommendations

- 1.7.1 Members are asked to **CONSIDER** the coverage of the Internal Audit Plan for 2011-12 and **AGREE** its adoption.

Background papers:

contact: Katey Durkin
Audit Manager

Working papers supporting the risk assessment and preparation of the audit plan are held within Internal Audit.

David Buckley
Chief Internal Auditor

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	Internal Audit work is programmed based on the factors outlined at 1.2.1 of this report. Any impact on services provided to the community will be to enhance arrangements in agreement with service management and as

Screening for equality impacts:		
Question	Answer	Explanation of impacts
		such could make a positive contribution to promoting equality.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	Yes	Where appropriate the team will review the arrangements in place in individual services and consider, report on and suggest enhancements to the arrangements to promote equality.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.