

By: Roger Gough – Member for Corporate Support Services and Performance Management
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To: Governance and Audit Committee – 30 April 2010

Subject: **2010/11 Internal Audit Strategy and Annual Plan**

Classification: Unrestricted

Summary: This report details the Internal Audit Strategy and Annual Plan for 2010/11.

FOR DECISION

Introduction and background

1. This report sets out the Internal Audit Strategy and proposed supporting annual work programme for Internal Audit for 2010/11 and the breakdown of available days. The Audit Strategy is a requirement of the Code of Practice for Internal Audit in Local Government (2006) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
2. The Audit Strategy sets out the contribution that Internal Audit makes to the Council and includes sections on:
 - Internal Audit objectives and outcomes
 - Annual opinion to support the Annual Governance Statement
 - Addressing Local and National Risks
 - How the service is provided
 - Resources and skills required
3. The Annual Internal Audit Plan, which supports the strategy has three main components:
 - **The main audit programme** – by directorate and type of review, i.e. Section 151, Corporate Governance and cross cutting (Authority Wide).
 - **Fraud work** – including pro active fraud work, the review of strategies and policies to prevent fraud and corruption, fraud awareness including publication of 'Risky Business', liaison on the National Fraud Initiative (NFI) and reactive fraud work (ie investigations of potential irregularities).
 - **Other productive work** – such as advice and information, general liaison, and following up the implementation of recommendations made.

Development of Audit Plan

4. The Internal Audit Plan for 2010/11 was developed through a risk based planning process that incorporated the following elements:-
 - Identifying work that could support assessment of controls within the strategic and directorates risk registers,
 - Assessment issues identified from audit cumulative knowledge and experience against pre-defined criteria to allow an objective 'risk' score to areas, systems and processes;
 - Work to provide assurance to the Director of Finance that controls are in place and are operating effectively for key financial systems;
 - Work to evaluate the Corporate Governance Framework which contributes to the Head of Audit & Risk's overall assurance on corporate governance arrangements in the Authority, which in turn informs the Annual Governance Statement (AGS);
 - Management requests –for new and developing systems and processes.
5. The Draft Audit Plan was discussed and agreed with Directorates via the Resource Directors Group.
6. During 2009/10 the Specialist Audit (IT) contract was re-tendered and Deloitte LLP was awarded the contract. A three phased approach was taken by Deloitte's to compiling the IT section of the audit plan which was designed to take into account the various demands placed on IT within the directorates and the structure of the Council. These three phases are as follows:-
 - IT Risk Assessment;
 - Discussions with directorates, and;
 - Review of recent previous audit reports.

Staff

7. The plan is resourced by calculating the number of days available per member of staff in the Internal Audit Section.
8. The Internal Audit "establishment" is 13 FTE although for the 2010/11 audit year the actual number full time equivalent will be closer to 11 due to a combination of unavoidable absence and training commitments. In addition 275 days of ICT audit work and 15 days advice and information will be provided by Deloitte LLP.

Additional Assurance – Schools Compliance

9. In many County Councils schools compliance services fall within the programme of Internal Audit. Members of the Committee should be aware that in Kent this service is provided by the Children, Families and Education Financial Compliance Unit. This team assess the Financial Management Standard in Schools (FMSiS) and also carry out compliance visits to schools which cover a number of areas including, finance, Health & Safety and pre employment checks.
10. Since the 1st April 2009, 117 FMSiS assessments have been completed. A further 74 assessments were submitted before the 31st March 2010 and are in process of being assessed. A similar number will be carried out during 2010/11. At present each assessment takes on average of between 16 and 21 hours.

11. The Financial Compliance Unit also undertakes Compliance Visits in schools. This programme started in September 2009 and is also on a three year rolling programme. As at 31st March 2010, 107 Compliance Visits had been completed, with a further 300 planned to be completed by 31st March 2011. A Compliance Visit takes on average one day to complete

Recommendations

12. Members are asked to agree the proposed Internal Audit Strategy and Annual Plan for 2010/11 and recommending changes and additions as necessary.

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