

By: David Tonks, Head of Audit and Risk  
To: Governance and Audit Committee – 11 March 2011  
Subject: **Internal Audit Strategy and Annual Audit Plan**  
Classification: Unrestricted

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**Summary:** This report details the Internal Audit Strategy and Annual Plan for 2011/12.

## **FOR DECISION**

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### **Introduction and background**

1. This report sets out the Internal Audit Strategy and proposed supporting annual work programme for Internal Audit for 2011/12. 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
  - Following up the implementation of agreed recommendations
  - 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** – setting out the core systems audit work, the review of policies and other authority wide issues relating to governance.
  - **Fraud work** – including pro active fraud work, the review of strategies and policies to prevent fraud and corruption, raising fraud awareness, liaison on the National Fraud Initiative (NFI) and reactive fraud work (i.e. investigations of potential irregularities).
  - **Other productive work** – such as advice and information, general liaison, and following up the implementation of recommendations made.

### **Development of the Audit Plan**

4. Normally the Internal Audit Plan would be developed through a risk based planning process that incorporates 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, and;
  - 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. However, for 2011/2012 the Council will be in a state of change, and the key audit risk is considered to be providing assurance on the system of internal control. The Audit Strategy and Plan therefore reflects this priority and provides greater emphasis on core systems work, policies and anti-fraud activity.

### **Staff**

6. The plan is resourced by calculating the number of days available per member of staff in the Internal Audit Section.
7. The Internal Audit "establishment" is still in development, although it is expected to be about 13.6 FTE. For the 2010/11 audit year the actual number full time equivalent will be closer to 12 FTEs due to training commitments and inevitable vacancies during recruitment processes. As for 2010/11 275 days of ICT audit work and 15 days advice and information will be provided by Deloitte LLP.
8. During 2011/12 the approach to the internal audit of Kent Commercial Services (KCS) will also be amended. Due to the quasi-commercial nature of KCS (and the higher level of inherent risk its activity give rise to) a dedicated audit resource of approximately 2 FTEs will be created. This team will complete audits in Commercial Services but will remain professionally accountable to the Head of Audit and Risk, who would retain the direction for the audit programme.

### **Schools Compliance**

9. In many County Councils schools compliance services fall within the programme of Internal Audit. Members are reminded that in Kent this service is currently 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.

### **Recommendations**

10. Members are asked to agree the proposed Internal Audit Strategy and Annual Plan for 2011/12, recommending changes and additions as necessary.

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