

INTERNAL AUDIT STRATEGY 2012/13 – 2014/15

1 Introduction

- 1.1 The following pages set out the role and objectives of internal audit and how it will carry out its role and achieve those objectives.

2 Statutory basis for internal audit

- 2.1 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. Regulation 6 of the Accounts and Audit Regulations 2006 more specifically requires that “a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

3 Definition and objective

- 3.1 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment¹ by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.²
- 3.2 Under the Accounts and Audit Regulations, the Authority has to conduct a review annually of the effectiveness of its system of internal control including internal audit.

4 Status

- 4.1 Internal Audit is responsible to the Head of Finance for line management purposes, and helps to deliver the statutory financial responsibilities of the Responsible Financial Officer. Internal Audit is independent in its planning and operation, however, and has no responsibility for delivering or managing non-audit services.
- 4.2 The Council’s Internal Auditors have the authority to:
- a) enter the Authority’s premises at all reasonable times;

¹ The control environment comprises the systems of governance, risk management and internal control.

² Defined by Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

- b) access all assets, records, documents, correspondence and control systems;
- c) receive any information and explanation considered necessary concerning any matter under consideration;
- d) require any employee of the Authority to account for cash, stores or any other Authority asset under his/her control;
- e) access records belonging to third parties, such as contractors, when required;
- f) directly access the Head of Paid Service, the Monitoring Officer, the Responsible Financial Officer, the Executive and Finance & Audit Scrutiny Committee.

4.3 When submitting an audit report, the head of internal audit may issue it to anybody within the organisation he deems appropriate.

4.4 All suspected fraud, corrupt acts and other irregularities are required to be brought to the attention of the head of Internal Audit who shall decide in conjunction with the Responsible Financial Officer what action to take by way of investigation.

5 Delivery of the internal audit service

5.1 The Audit and Risk Manager is responsible for delivering the internal audit service in accordance with its Terms of Reference. To ensure that this can be achieved, there are appropriate arrangements for:

- determining and planning the work to be carried out (i.e. an audit plan based on an assessment of the risk);
- providing the resources required to deliver the audit plan (principally the level of staff and external input), the necessary skills (both in general audit and technical areas) and support facilities (such as IT facilities, equipment and management and administration processes).

5.2 The Internal Audit service will be delivered on the basis of a Strategic Audit Plan covering a 3-year period (set out as Appendix 2). The plan sets out the number of person-days required for Internal Audit to review adequately the areas involved. The overriding objective of this approach is to ensure that Internal Audit is able to present an opinion on the control environment by directing adequate resources based on the relative risks of the operations, resources and services involved, using a formal risk assessment process. The risk assessment process takes account of a range of strategic, corporate, service and operational risks (including those identified through the risk management process and by the external auditor) and the views of senior management on these issues. Where resources available

are not considered by the Audit and Risk Manager to be adequate for such an opinion to be provided, this will be reported to the organisation.

5.3 The Plan balances the following requirements:

- the need to ensure the Audit Plan is completed to a good practice level (currently at least 90%);
- the need to ensure core financial systems are reviewed adequately to provide assurance that management has in place proper arrangements for financial control (on which External Audit will place reliance);
- the need to appropriately review other strategic and operational arrangements;
- the need to have uncommitted time available to deal with unplanned issues which may need to be investigated e.g. allegations. (NB there are guidelines over circumstances in which Internal Audit may and may not get involved in such investigations.);
- to enable timely input to assist corporate and service developments.

5.4 Progress against the audit plan, and the content of the plan itself, will be kept under review by the Audit and Risk Manager in liaison with the Responsible Financial Officer. Given the length of the Strategic Audit Plan this ongoing review will be particularly important to ensure it continues to tackle topical issues. Where there is a need for material changes to the plan (i.e. affecting over 20% of the planned assignments) a revised plan will be re-submitted to Finance & Audit Scrutiny Committee for approval. The Committee will also be advised of performance against the audit plan together with recommendations arising from audit reviews and progress in implementing recommendations.

5.5 Internal Audit will comply with the Auditing Practices Board's Guidance for Internal Auditors, as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the UK, and staff are expected to comply with any other relevant professional standards. The Audit and Risk Manager will ensure that there is an up to date Internal Audit Manual in place setting out expected standards for the service, and will monitor compliance with these standards, including those in relation to the planning, conduct and reporting of audit assignments. Relevant training will be provided to ensure auditors have the level of skills necessary to undertake their roles.

5.6 Where necessary, to ensure an adequate, effective and professional audit service is provided, the Audit and Risk Manager will buy in resources from external providers to supplement internal resources. Internal Audit will aim to co-operate effectively with the external auditor and ensure that appropriate reliance can be placed on Internal Audit's activities.

- 5.7 Emphasis will be on assurance work but the service will provide consultancy services where it has available resources. The very highest priority will be accorded to ensuring compliance with section 151 of the Local Government 1972 and with the Accounts and Audit Regulations. When undertaking consultancy work, Internal Audit will advise client personnel of its temporarily amended role and responsibilities.
- 5.8 The reporting approach for Internal Audit, aimed at delivering the outcomes of its work effectively, is set out in the Internal Audit Manual and Internal Audit shall comply with this protocol.
- 5.9 In the delivery of each assignment, Internal Audit will look to make practical recommendations based on the findings of the work and discuss these with management such that management commit to an appropriate action plan for implementing any necessary improvements to the control environment.

Full details on how Internal Audit operates at Warwick District Council are set down in the Section's Internal Audit Manual, a copy of which is available on request or can be viewed on the Council's intranet.