

 Finance and Audit Scrutiny Committee 13th March 2012		Agenda Item No. 5
Title	Internal Audit Strategy and Plan 2012/13 – 2014/15	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Service Area	Finance	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 27 th March 2011	
Background Papers	Risk assessment file; SMT minutes	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	27 Feb 2012	Andrew Jones
Head of Service	27 Feb 2012	Mike Snow
CMT		
Section 151 Officer	27 Feb 2012	Mike Snow
Monitoring Officer		
Finance	27 Feb 2012	As S151 Officer
Portfolio Holder	27 Feb 2012	Councillor Mobbs
Consultation Undertaken		
Not applicable		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1 SUMMARY

- 1.1 The report presents the Internal Audit Strategy and Plan for 2012/13 – 2014/15 for consideration and approval.

2 RECOMMENDATIONS

- 2.1 That Members consider and approve the Internal Audit Strategy and Plan for the period 2012/13 to 2014/15.

3 REASON FOR THE RECOMMENDATIONS

- 3.1 The Internal Audit Strategy and Plan is an important element in providing the required independent and objective opinion to the organisation on its control environment.

4 ALTERNATIVE OPTION(S) CONSIDERED

- 4.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

5 BUDGETARY FRAMEWORK

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 POLICY FRAMEWORK

- 6.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance including the Council's policies.

7 BACKGROUND – INTERNAL AUDIT STRATEGY AND PLAN

- 7.1 Internal Audit provides an independent opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 7.2 The proposed strategy for effectively delivering this assurance over the next three years and the planned individual reviews to be undertaken over this period are set out as Appendices 1 and 2 to this report.

8 FORMULATION OF PLAN

- 8.1 To produce the audit plan, the following has been taken into consideration:
- The strategic objectives of the organisation and the specific risks associated with those objectives;

- the content of risk registers and assurance frameworks to understand the risks faced, and the controls that the organisation places reliance on to manage those risks;
- areas of concern or requests for coverage from management and the Audit and Governance Committee;
- areas where the Audit Commission will wish to place reliance on the testing performed by Internal Audit;
- other sources of assurance available to the organisation;
- any recent significant changes within the organisation and its operations;
- regulatory requirements for internal audit coverage;
- emerging issues, including any additional risks that do not appear on the risk profile but may merit internal audit coverage;
- the timing for each internal audit review to maximise the benefit of assurance provided; and
- results of previous internal audit coverage.

- 8.2 This year the risk-based approach has been strengthened by placing greater reliance on the risk registers to identify priority areas. An exercise to link the audit plan to the risk registers also highlighted some new areas that required audit coverage. A good example of this is climate change where it is now proposed to include an audit of the Authority's preparations for responding to climate change.
- 8.3 Consultation on the Plan has taken place with the Council's Senior Management Team and, through them, service management teams. The agreed Plan will also be shared with the Audit Commission to avoid duplication of coverage.
- 8.4 Presentation-wise the Audit Plan has been updated to categorise audits as follows:
- Risk-based coverage
 - Coverage for external audit reliance or to meet regulatory requirements
 - Other internal audit coverage
- 8.5 Whilst on the subject of staffing resources, it should be noted that due to a member of staff reducing their working hours from 1st April, the total amount of time available to deliver an internal audit service will reduce by around 15%.
- 8.6 The reduction in working hours equates to a reduction in the Audit Plan of 104 days. As a result, hard decisions have had to be made to match audits to available resources. To address the reduction in resources a number of responses have been made:
- Scope and objectives refined
 - Audits combined
 - Frequencies reduced
- 8.7 In addition, the Audit and Risk Manager will spend more time responding to any issues that arise.

- 8.8 Inevitably a reduction in the audit plan will reduce the level of assurance that can be provided but with the measures taken it is not anticipated that this will cause undue problems.
- 8.9 On the plus side, the reduction in staffing hours will provide a saving in staffing costs.