

Subject: Internal Audit Annual Plan
2007/08

Status: For publication

Report to: Audit Scrutiny Committee

Date: 14th June 2007

Report of: Head of Financial Services

Portfolio

Holder: Finance & Risk Management

Key Decision: No

NO/YES (Please highlight)

Forward Plan
Relevant Box

General Exception

Special Urgency

"X" In

1. PURPOSE OF REPORT

- 1.1 The Audit Scrutiny Committee's terms of reference require it to advise the Council on the planned activity and results of internal audit. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 states the audit committee is required to approve, but not direct, the internal audit plan.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report are linked to and support the following corporate priorities:
- *Financial Management (Improvement): embedding improvements in financial management and internal control throughout the organisation.*

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendations in this report involve risk considerations as set out below:
- Failure to comply with the CIPFA Code of Practice for Internal Audit in Local Government in the production of an annual plan would undermine confidence in the unit and its ability to provide the Authority with the necessary level of assurance in relation to their business risks.

- The plan enables the Leader and Chief Executive to report in the Statement on Internal Control.
- The plan ensures the Council is able to progress in matters of Financial Management and therefore improve its scoring in the Use of Resources assessments and ultimately the Comprehensive Performance Assessment.

4. BACKGROUND AND OPTIONS

- 4.1 Appendix 1 sets out the plan of work to be undertaken by the Authority's internal audit service for the coming financial year.

The plan is intended to provide assurance to the Chief Executive, Leader of the Council who are jointly required to sign an annual Statement on Internal Control, including financial control, published with the financial statements.

Regulation 4 of the Accounts and Audit Regulations 2003 (amended) requires that:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes risk management arrangements.”

The responsibility for maintaining and reviewing the system of internal control and for implementing a system of risk management clearly rests with the Authority. However the process by which the Statement on Internal Control is made includes obtaining assurances on the effectiveness of key controls and, in practice, these will be substantially drawn from the work of internal audit.

5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES

- 5.1 Financial matters are included in the report and in particular enable the Council to comply with the CIPFA Code of Practice for Internal Audit in Local Government.

6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES

- 6.1 The annual internal audit report is part of the evidence to enable both the Leader of the Council and the Chief Executive to prepare and endorse the annual Statement on Internal Control.

7. COMMENTS OF THE HEAD OF HUMAN RESOURCES

- 7.1 There are no specific or direct issues for Human Resources

8. CONCLUSION

- 8.1 The plan is therefore largely focussed on an assessment of the risks to the achievement of the Authority's objectives, and the provision of assurance that the actions planned to mitigate these risks are adequate and effective.

9. RECOMMENDATION(S)

- 9.1 Members are asked to approve the internal audit annual plan for the period 1 April 2007 to 31 March 2008.

10. CONSULTATION CARRIED OUT

- 10.1 Directors, Heads of Service (relevant to the individual audit review), Audit Commission.

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Background Papers	
Document	Place of Inspection
Accounts and Audit Regulations 2003 (amended) – Statutory Instrument	Financial Services
Accounts and Audit Regulations 2003 (amended) – Guidance	Financial Services
Code of Practice for Internal Audit in Local Government in the United Kingdom, CIPFA 2006	Financial Services
CIPFA Local Government Internal Audit Manual (2 nd revision – December 2004)	Financial Services
Local Government Act 1972 (Section 151)	Financial Services