

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive and Town Clerk

to

Audit Committee

on

28 March 2012

Report prepared by: Linda Everard Head of Internal Audit

Internal Terms of Reference, Strategy and Audit Plan for 2012/13

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present Internal Audit's Terms of Reference, Strategy and Audit Plan for 2012/13.

2. Recommendation

- 2.1 The Audit Committee approve the Terms of Reference, Strategy and Audit Plan for 2012/13.**

3. Terms of Reference / Strategy

- 3.1 This year, Internal Audit's Terms of Reference and Strategy have been subject to a fundamental review, during which they have been updated to reflect:

- The Accounts and Audit (England) Regulations 2011 (the Regulations), which defines proper practice as being the Chartered Institute of Public Finance and Accountancy (CIPFA): Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code)
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010 (good practice guidance) (the CIPFA Statement).

- 3.2 The opportunity has been taken to simplify the audit approach although not change it fundamentally.

4. Audit Plan 2012/13

- 4.1 The Audit Plan has been devised after applying the risk based planning approach set out in the Strategy, as well as having discussions with the Heads of Service, the Corporate Directors and the Chief Executive. It sets out the risk areas where audit work is proposed this year. Detailed discussions will be held with Heads of Service and Service Managers to scope out the actual work to be undertaken in each area. Terms of Reference once produced, will be agreed with Heads of Service and Corporate Directors.

- 4.2 At present, those areas identified as medium risk in the Audit Plan, will not be audited this year unless additional resources become available. Therefore the days shown do not include this work.
- 4.3 The service will continue to be resourced by an in house team supplemented by resources bought in from the new framework contract let in January 2012 which was awarded to RSM Tenon.
- 4.4 As in previous years, there is only a limited budget allocation for ad hoc work. Therefore once the minimal budget for ad hoc work has been used, any additional work required will be funded by deleting planning work. Planned audits may change during the year should new issues arise or the risk profile in an area where coverage is proposed, changes in year. As has been previous practice, amendments to the audit plan will be report to the Corporate Management Team and the Audit Committee has part of the quarterly Summary Audit Progress Report.
- 4.5 No changes have been made to the performance indicators proposed and minor amendments have been made to Appendix E to the Strategy, How We Will Work With You.

5. Corporate Implications

5.1 Contribution to Council's Vision & Critical Priorities

Audit work contributes to the delivery of all corporate priorities and themes.

5.2 Financial Implications

The audit plan will be delivered within approved budgets.

5.3 Legal Implications

A formal audit plan is required to ensure that Internal Audit coverage is adequate and effective otherwise the Council will be in breach of its statutory responsibilities under the Accounts and Audit (England) Regulations 2011. The Code of Practice for Internal Audit in Local Government in the UK (2006) CIPFA (the Code) recommends that progress against Audit Plans is regularly reported to Members. This report contributes to discharging this duty.

5.4 People and Property Implications

None

5.5 Consultation

The audit risk assessment and the plan are periodically discussed with the Chief Executive, Corporate Directors, Heads of Service before being reported to Corporate Management Team and the Audit Committee.

5.6 Equalities Impact Assessment

Equality and diversity features in the audit plan as a corporate activity and is also considered within each audit if relevant. Internal Audit as a service complies with corporate requirements in this area.

5.7 Risk Assessment

Failure to complete the audit plan due to:

- the external supplier not delivering contracted in work within the required deadlines to the expected quality standards;
- a reduction in staff resources either through budget cuts or sickness without additional funds to purchase cover; or
- a significant number of unplanned investigations arising.

5.8 Value for Money

Value for money features in the audit plan as a corporate activity and is also considered within each audit if relevant.

Internal Audit also considers whether it provides a value for money service annually through benchmarking and performance indicators.

5.9 Community Safety Implications and Environmental Impact

These issues would only be considered if relevant to a specific audit review.

6. Background Papers

- The Accounts and Audit (England) Regulations 2011
- CIPFA: Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010.
- CIPFA: Audit Committee Practical Guidance for Local Authorities
- CIPFA: A toolkit for Local Authority Audit Committees

7. Attachments

- Internal Audit Terms of Reference
- Internal Audit Strategy 2012/13, including indicative Audit Plan and Performance Indicators