

Report of: Director of Finance

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	26 March 2009	B6	All

Delete as appropriate	Non-exempt
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Subject: Internal Audit Programme 2009/10**1. Synopsis**

- 1.1 An effective internal audit service is an essential element in providing assurance on the quality of service delivery that helps to underpin the 'One Islington' Strategy.
- 1.2 This paper contains the programme of internal audit work for 2009-10 and also identifies strategic issues to be looked at through to March 2012.

2. Recommendations

- 2.1 To approve the Strategic Audit Plan 2009 – 2012 and the 2009-10 Operational Plan.

3. Background

- 3.1 Internal Audit plays a key role in ensuring that the council conducts its business in accordance with proper standards of corporate governance and that public money is safeguarded and properly accounted for. Its aim is to provide an independent and objective assurance opinion on the degree that the internal control environment supports and promotes the fulfilment of Islington's objectives.

- 3.2 Internal Audit achieves this by examining, evaluating and reporting on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources within the authority.
- 3.3 The Accounts and Audit Regulations 2006 sets down the statutory requirement for the council to provide an internal audit service. The Director, Financial Governance and Transformation discharges this function on behalf of the Council's Section 151 Officer, the Corporate Director of Finance.
- 3.4 Islington's Internal Audit service operates to relevant professional standards including the CIPFA Code of Practice for Internal Audit and its work is closely co-ordinated with the Council's external auditor, the Audit Commission, through the Managed Audit process.
- 3.5 This process is an arrangement whereby Internal Audit cover a number of areas that the external auditor wishes to see reviewed annually. These are usually key/fundamental systems such as Payroll, Creditors, Debtors, Council Tax etc.
- 3.6 The external auditor reviews these projects and uses this to inform their opinion of internal control within Islington. If this work were not carried out by Internal Audit, the external auditor would need to undertake in depth reviews of each area with a consequent increase in the external audit fee. The Managed Audit arrangement for 2009-10 is approximately 14% of the time allocated for programmed work.
- 3.7 The Audit Commission also carry out reviews and report on the overall performance of Internal Audit as part of their work programme.
- 3.8 Internal Audit services are currently provided by a combination of an in-house team working with an external provider, PriceWaterhouseCoopers (PWC). The Director, Financial Governance and Transformation maintains overall responsibility for the discharge of the internal audit function and regularly reports on progress against the plan to this committee.
- 3.9 As part of the planning process for audit work within Islington, an annual plan of work is produced (the operation plan) and this shows the emphasis of audit coverage, based on the perceived areas of risk within the authority. It is initially based on an assessment of the business risks facing the council and their potential impact on the Council's reputation, strategic and financial systems, and service delivery.
- 3.10 Key risks identified in Departmental and Corporate Risk Registers are used in conjunction with Internal Audit's past knowledge and experience of the robustness of the control environment in the service areas. This is supplemented by discussions with Service Management, to provide an overall audit needs assessment for the level of audit coverage for the year.
- 3.11 Systems / activity areas are evaluated in terms of their potential risk impact and allocated a risk rating of high, medium or low, based on the net result of a matrix of risk factors of likelihood and impact. Systems designated as high risk are accorded higher priority and more frequent coverage within audit plans.
- 3.12 The factors used to assess risk and materiality include both objective criteria (budget, turnover, level of transactions, etc.); and also an element which takes into account audit's previous experience of the area, the adequacy of the control environment, management effectiveness and other issues such as vulnerability/impact on other systems etc.
- 3.13 The process to produce the strategic plan based on risk assessment has been in accordance with recommended best practice as laid down by the CIPFA Code of Practice for Internal Audit.
- 3.14 This is further enhanced by an agreed working protocol with the Islington's external auditor, whereby both internal and external audit plans and progress are regularly reviewed and monitored to ensure

that audit services are delivered in a properly planned and co-ordinated manner to achieve maximum efficiency and effectiveness.

- 3.15 The Strategic Audit Plan 2009-2012, including the 2009/10 Operational Plan, is attached to this report at Appendix A. This shows the planned audit reviews by service area, over the three year period, with the number of days dedicated to individual projects each year. The "Comments" column gives a brief description of the parameters for each project to be audited. The Homes for Islington Section contains the proposed audit programme, this will be submitted for formal approval to the next HFI Audit Committee. The projected input is 1850 days per year. Also included are follow up reviews, aimed at providing assurance that adequate action has been taken by Management to implement previously agreed audit recommendations.
- 3.16 Appendix B contains the summary of the Risk Assessment.
- 3.17 The 2009-10 Internal Audit Service Plan is included as Appendix C.

4. Implications

4.1 Financial Implications

- 4.1.1 The programme of audit work is met from within the existing Internal Audit revenue budget.

4.2 Legal Implications

- 4.2.1 The Council has a duty to maintain an adequate and effective system of internal audit in accordance with proper internal audit practices (regulation 6 Accounts and Audit Regulations 2003). Due regard must be had by the Council to the CIPFA code of practice for internal audit. Any officer or member must supply necessary documents and other records and provide any necessary information and explanation required in the course of an internal audit.

4.3 Equalities Impact Assessment

- 4.3.1 There are no direct equality implications arising from the recommendation in this report.

5. Conclusion and reasons for recommendations

- 5.1 The Audit Committee can have confidence that internal audit work has been properly planned to reflect the risks and issues facing Islington and is being properly co-ordinated with the council's external auditor.
- 5.2 Progress reports on the achievement of the audit plan will further serve to give assurance on key control issues.

Background papers:

Risk Registers, Internal Audit Reports

Final Report Clearance

Signed by

Director of Finance

Date

Received by

Head of Democratic Services

Date

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