
INTERNAL AUDIT CHARTER AND 2011/12 AUDIT PLAN

To: **Governance and Audit Committee: 15th March 2011**

By: **Chief Executive Designate**

Subject: **REPORT OF THE HEAD OF THE AUDIT PARTNERSHIP INTERNAL
AUDIT STRATEGY AND AUDIT PLAN FOR 2011/12**

Classification: **Unrestricted**

Summary: **This report gives Members a summary of the way in which internal audit function provided by the East Kent Audit Partnership intends to deliver its service for the period 1 April 2011 to 31 March 2012 and details of the coverage it intends to provide controls assurance on.**

1.0 Introduction and Background

- 1.1 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.2 To assist the Committee meet its terms of reference with regard to the internal control environment reports are regularly produced on the work and remit of Internal Audit. The purpose of this report is to consider for adoption the East Kent Audit Partnership Audit Charter, Strategy and Internal Audit Plan of work for the forthcoming year.

2.0 Audit Charter

- 2.1 The Audit Charter establishes the purpose, authority, objectives and responsibility of the East Kent Audit Partnership, in providing an Internal Audit function to the partner councils. The Audit Charter is attached as Annexe 1 to this report.
- 2.2 The Audit Charter sets out the Terms of Reference, Organisational Relationships and Independence, Competence and Standards of Auditors, the Audit Process and details the process for making amendments in the future.
- 2.3 The Audit Charter is an important document setting out the expectations of how the Internal Audit function will be delivered. Not only does having a charter and keeping it up to date assist the Council in complying with best practice, but by considering the Audit Charter, the Governance and Audit Committee is also demonstrating its effectiveness by ensuring that these mechanisms are in place and are working effectively

3.0 Audit Strategy

- 3.1 The Internal Audit Strategy, attached as Annexe 2, details how the East Kent Audit Partnership will provide the Internal Audit function for the year to 31st March 2012. The strategy sets out the resources required across the four partnership sites and details how the resource requirements will be met.

- 3.2 The Audit Plan for the year 2011 to 2012 is attached as Annexe 3 and has been produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc.
- 3.3 The plan has then been modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, the Council's Risk Registers.
- 3.4 Additionally, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a three-year cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a three-year strategic plan has been included in Annexe 3. This strategic plan also lists a small number of areas of the organisation's activities that will not be covered within the three-year cycle based upon the current level of audit resources.
- 3.5 To comply with the CiPFA Code of Practice for Internal Audit 2006, the agreed audit plan should cover a fixed period of no more than 1 year. Members are being asked to approve the 2011-12 plan at the present time and the 2012-13 plan (modified as necessary) will be presented for consideration in March 2012 and similarly the 2013-14 plan will be presented for consideration in March 2013. The purpose of showing an indicative 2012-13 and 2013-14 plan at this time is to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.
- 3.6 The plan has been prepared in consultation with the Heads of Service and the Council's Statutory S151 Officer. The plan is also designed to meet the requirements expected by the Audit Commission for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2011/12 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require.

4.0 Head of Internal Audit's Opinion of the 2011-12 Internal Audit Plan.

- 4.1 This report is presented to Members by the Council's Chief Executive Designate whose s.151 responsibility it is to maintain an effective internal audit plan. In the interests of openness and transparency and in order to enable Members to make an informed decision on the internal audit plan presented for their approval consideration should also be given to the opinion of the Head of Internal Audit on the effectiveness of the plan.
- 4.2 In the professional opinion of the Head of the East Kent Audit Partnership the draft 2011-12 internal plan presented for Members consideration represents an effective internal audit plan which ensures reasonable coverage of the vast majority of the Council's operations within a three year period. The Head of the East Kent Audit Partnership recommends to Members the approval of the 2011-12 internal audit plan.

5.0 Corporate Implications

5.1 Financial Implications

- 5.1.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2010/11 budget and are detailed in the attached report.

5.1.2 The costs of an additional 30 days of internal audit work, which increases the size of the plan from 400 to 430 days, the additional resources need to be funded in 2011-12 and 2012-13 in recognition of the 90 days of planned 2009-10 internal audit work which were required to be diverted to a special investigation.

5.2 Legal Implications

5.2.1 The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

5.3 Corporate Implications

5.3.1 Under the Local Code of Corporate Governance accepted by Cabinet on 31st December 2008, the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

6.0 Recommendation

6.1 That Members approve to adopt the Internal Audit Charter.

6.2 That Members approve to adopt the Internal Audit Strategy for delivery of the internal audit service.

6.3 That Members approve the Council's Internal Audit Plan for 2011/12

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Annexe List:

Annexe 1	East Kent Audit Partnership Charter
Annexe 2	East Kent Audit Partnership Strategy
Annexe 3	Thanet District Council draft 2010-11 Internal Audit Plan and 3 year strategic plan

Background Papers:

Title	Details of where to access copy
Internal Audit Annual Plan 2010/11	Previously presented to and approved at the March 2010 Governance and Audit Committee meeting.
Internal Audit working papers	Held by the East Kent Audit Partnership.
Previous Audit Strategies	Previously presented to and approved at Governance and Audit Committee meetings.