

AUDIT PANEL			
Report Title	INTERNAL AUDIT STRATEGY 2007/08		
Key Decision	NO		Item No. 3
Ward	ALL		
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES		
Class	Part 1	Date: 24 JULY 2007	

## 1 Purpose of the Report

- 1.1 The purpose of this report is to present the draft Internal Audit strategy to the Audit Panel for their consideration and acceptance.

## 2 Executive Summary

- 2.1 The 2006 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (CIPFA Code) recommends that internal audit sections produce an audit strategy. This is the high-level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference (agreed by the Public Accounts Select Committee July 2006), and how it links to the organisational objectives and priorities.
- 2.2 The Internal Audit Strategy sets the context within which more detailed plans can be developed and underpins the internal audit planning process. The 2007/08 Internal Audit Strategy complies with the requirements of the 2006 CIPFA Code.
- 2.3 The CIPFA Code also recommends that the Internal Audit Strategy should be kept up to date to reflect the organisation and its changing priorities. To achieve this requirement the Strategy will be reviewed on an annual basis .
- 2.4 The Internal Audit Strategy for 2007/08 is attached as an appendix to this report

## 3 Recommendations

It is recommended that the Panel accepts the Internal Audit Strategy for 2007/08.

### Background Papers

The CIPFA Code Of Practice For Internal Audit In Local Government In The United Kingdom, 2006

The Terms of Reference for Internal Audit

## **Internal Audit Strategy 2007/08**

### **Objective**

The objective of Internal Audit is to provide reasonable assurance to the Council and its' Section 151 Officer of the adequacy of the control framework in operation to manage the Council's key risk exposures.

In addition, Internal Audit will provide an internal audit service for Lewisham Homes from 1 April 2007 in accordance with the terms of the service level agreement.

### **Outcome**

Each year the Head of Audit and Risk will present a report to the Audit Panel on the work carried out by Internal Audit during the financial year. This report will include the Head of Audit and Risk's opinion on the level of assurance that can be placed on the Council's overall control environment. This report is based on the results of audit work undertaken throughout the year, taking account of progress achieved against control and risk issues identified. The report supports the Statement of Internal Control by providing an independent assessment against which the Audit Panel members can consider the statement provided by the Council's management.

### **Delivery**

The Head of Audit and Risk is responsible for ensuring the delivery of the Council's internal audit service (in accordance with its terms of reference as approved by Public Accounts Select Committee in July 2006). This will be achieved by:

- Determining and preparing a plan of the audit coverage to be achieved in the forthcoming year, based primarily on an assessment of the Council's risk profile. The council's key managers should be consulted in the preparation of this plan (to ensure the plan is properly cognisant of relevant local and national issues). The plan will be presented for approval by the Audit Panel. The plan should clearly demonstrate an appropriate consideration of the Council's key risk exposures and should be focused towards the provision of reasonable (as opposed to absolute) assurance.

Whilst the plan is primarily focused on risk-based assurance coverage, it should also provide for the coverage of the Council's core financial infrastructure, the provision of audit support to key change projects and contain a degree of flexibility to allow for changes during the year.

- Identifying and providing the resources required to achieve that audit plan.

## **Resourcing**

The internal audit service will continue to be provided through a mix of internal and external resource. The level of external to internal resource will be regularly reviewed to ensure that it continues to provide an efficient and cost-effective resource base. The advantages of this resource approach are that it gives:

- Access to specialist skills and knowledge (particularly IT audit) which it would not be cost-effective to recruit on a permanent basis.
- Opportunities for skill transfer between the external provider and the in-house team.
- Flexibility to accommodate staff turnover and variations in task load.

Internal Audit will aim to cooperate effectively at all times with both the Audit Commission (as the Council's external auditors), the internal audit functions of the Council's partner organisations and, internally, with the other functions comprising the Council's governance framework.

## **Quality Management**

It is essential that the Council's internal audit arrangements and the work undertaken by Internal Audit complies with professional standards.

Following the Audit Commission reviews of Internal Audit in 2004/5, 2005/6 and 2006/07, substantial improvements have been made to ensure that the internal audit arrangements and methodology meet best professional practice. These changes include the design and implementation of a robust quality assurance framework to ensure that audits will be completed to high standards. This should ensure that, from 2007/8, the Audit Commission will again be able to gain appropriate assurance from the work of Internal Audit.