



Committee and Date

Audit Committee

10 November 2011

10 am

Item

**6**

Public

## INTERNAL AUDIT STRATEGY

**Responsible Officer** Ceri Pilawski

e-mail: [Ceri.pilawski@shropshire.gov.uk](mailto:Ceri.pilawski@shropshire.gov.uk)

Tel:

01743 252027

### 1. Summary

This report proposes some minor changes to the Internal Audit Strategy 2009/10 to 2012/13 to reflect the Accounts and Audit Regulations 2011 and some structural changes.

### 2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment, the contents of this report.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 An Audit Committee has a key function in ensuring and maintaining effective corporate governance arrangements are in place in the Council. The Internal Audit Strategy provides evidence of such arrangements in respect of the provision of the Internal Audit function and has been updated to reflect legislative changes in the Accounts and Audit Regulations 2011.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

#### **4. Financial Implications**

- 4.1 Internal Audit budgeted net costs for 2011/12 are £755,000
- 4.2 External Audit costs for 2010/11 are £347,000.
- 4.3 In 2011/12 2,610 planned chargeable days are available for audit reviews.

#### **5. Background**

- 5.1 Best practice dictates that there should be an audit strategy as set out in the Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006 (CIPFA). This document is used as the basis to review the effectiveness of the internal audit service by external auditors. The strategy was introduced in 2009/10 and it is felt appropriate to review it at the same time as the Internal Audit Terms of Reference.
- 5.2 An audit strategy is a high level statement of how the Internal Audit Service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and aims. The strategy expands upon the Terms of Reference and both documents should be read as a whole, they are further supported by the Internal Audit Manual.
- 5.3 In addition the Accounts and Audit Regulations 2011 have amended part 2 section 6 in relation to internal audit to say:

'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'

This is a change to previous regulations which said the body should 'maintain an adequate and effective internal audit'.

This has been reflected in the Audit Strategy.
- 5.4 The strategy will communicate the contribution that Internal Audit makes to the Council and includes:
  - a. Internal Audit's vision, purpose and values;
  - b. How internal audit will approach work;
  - c. How the Audit Service Manager (Head of Audit) has formed and evidenced their opinion on the control environment to support the annual statement on internal control;
  - d. How internal audit's work will identify and address significant local and national issues and risks;
  - e. How the service will be provided, i.e. internally, external, or a mix of the two;

f. The resources and skills required to deliver the strategy.

5.5 The Strategy has been refreshed to reflect minor changes to the Council's priorities and structure. Members are asked to consider and approve the proposed amendments to the Internal Audit Strategy. A copy of the Strategy with changes identified in bold and underlined is attached as Appendix A.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Shropshire Transitional Corporate Plan 2010/13

Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006 (CIPFA)

Accounts and Audit Regulations 2011

**Cabinet Member (Portfolio Holder)** Keith Barrow (Leader of the Council) and Brian Williams (Chairman of Audit Committee)

**Local Member** All

**Appendices** Internal Audit Strategy 2009/10 to 2012/13 (Revised November 2011)