

1 PURPOSE

- 1.1 To seek the approval of Members of the Audit Committee to the Internal Audit Plan and Strategy for 2012/13 and for them to note the contents of the Information Governance Work programme 2012/13

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee:

- a) approve the Internal Audit Plan and Strategy for 2012/13 attached as Appendices A and B;
and
b) note the Information Governance work programme attached as Appendix C.

3 SUMMARY

- 3.1 The terms of reference of the Audit Committee include:
“The approval (but not direction) of and monitoring of progress against, the Internal Audit Strategy and Plan This report presents the Internal Audit Plan and Strategy for 2012/13 for approval.
- 3.2 The Chief Financial Officer (CFO) has responsibilities under s 151 of the Local Government Act 1972 and the Accounts and Audit (England) Regulations 2011 as follows:

Internal audit

6. 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.

- 3.3 Under the same regulations Internal Audit provide part of the assurance on the Council’s internal controls reported within the Annual Governance Statement which accompanies the accounts. The CFO is therefore responsible for ensuring that the internal audit plans coverage is appropriate and sufficient to meet all these obligations.
- 3.4 The Internal Audit Strategy informs the Internal Audit Service Plan and outlines how the Internal Audit Service will be provided in order to meet legal requirements and the Council’s priorities.
- 3.5 The terms of reference of the Audit Committee also include Governance responsibilities including:
Consider the effectiveness of the control environment including reviewing the Council’s Code of Corporate Governance and other corporate governance arrangements to ensure compliance with best practice.
- 3.6 Information Governance is part of the Council’s corporate governance arrangements. To assist the Committee in ensuring that Information Governance arrangements are meeting best practice they have to date received an annual report for 2010/11 and an update of 2011/12 progress. This report includes the Information Governance 2012/13 work programme for noting by the

Committee. Progress against this programme will be reported to the Committee as agreed at the last meeting (September – after 5 months and at the end of the year – remaining 7 months). This will contribute to the assurance received by the Committee on the information governance arrangements in place.

4 PREVIOUS MINUTES

Audit Committee 22nd March 2011 (2011/12 plan and Strategy)

Audit Committee 20th September 2011 (Information Governance Annual Report 2011/12)

Audit Committee 29th January 2012 (Information Governance update report April – December 2011)

5 INFORMATION

- 5.1 Internal Audit has a statutory obligation under legislation outlined in paragraph 3.2 above and also strives to provide a quality and up to date service for the Council. To do this it follows the CIPFA¹ Code of Practice on Internal Audit in Local Government (2006).
- 5.2 Internal Audit work, in addition to obtaining assurance on controls for the Council, aims to challenge where controls are not required or make suggestions for adjustments to existing controls to make processes more efficient so that managers and their teams can achieve their objectives and contribute to the achievement of the Council's priorities. This is part of the Council's corporate governance framework and the effective management of risks.
- 5.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance² to managers, Members and the Council as a whole on the internal control arrangements, an annual programme of work (annual Audit Plan) is developed.
- 5.4 In accordance with good practice, Internal Audit planning should be directly linked to the Council's objectives and priorities and the risk's associated with achieving these. Internal Audit uses these as the starting point for the audit planning process and to identify the key areas for audit attention. This base is then informed and influenced by previous Internal Audit work, external networking intelligence, discussions with the CFO and consultations with the Council's service area management teams and the Senior Management Team.
- 5.5 The draft plan attached as Appendix A has been drawn up based on the internal audit resources available for 2012/13, the factors in paragraph 5.4 above and detailed discussions with the CFO.
- 5.6 The planned resources for 2011/12 were 1129 days plus 64 days external specialist ICT audit work. For 2012/13 the planned resources are 1032 days plus 58 days external specialist ICT audit work. This is an 8.5% reduction in resources from 2011/12 and is due to some work being transferred into the Information Governance work programme and a reduced contribution from the Information Governance team into the Internal Plan (due to their increased responsibilities in respect to the full administration of information rights legislation requests).
- 5.7 A draft plan was developed based on the process set out in paragraph 5.4 and has been subjected to review by the CFO. The resultant plan provides reduced but reasonable assurance on the areas outlined. It also includes all the work identified by the external auditor that can be undertaken by Internal Audit to meet their requirements. If this was not included then the external audit fee would increase significantly (by over £150,000).
- 5.8 Due to the nature of the plan and its link to risks, during delivery there will be regular dialogue with the CFO, SMT and managers to ensure that the appropriate risks and controls are being reviewed, maximising the use of resources.

¹ Chartered Institute of Public Finance and Accountancy

² Internal audit can only provide reasonable and not absolute assurance due to undertaking the work at a moment in time and with limited resources.

- 5.9 Based on good practice the plan includes just under a 10% contingency to meet any unexpected work requirements, any changes identified from paragraph 5.8 or changes to resources during the year. Any significant changes will be agreed with the CFO and SMT and reported to this Committee.
- 5.10 The external auditor undertakes their own planning process and presents their plan to the Audit Committee. Internal Audit and Senior Management liaise with them to ensure that duplication is avoided, that the key risks are reviewed and that the external audit fee is minimised.
- 5.11 Members should note that specialist ICT audit work at the Council is provided by an external contractor. The Council retendered this service in November 2009 and Deloitte & Touche Public Sector Internal Audit Limited commenced work on 1st April 2010 for 3 years. Due to the saving requirements the original 70 day contract has been renegotiated to 64 days 2011/12 and 58 days 2012/13.
- 5.12 Due to the current uncertain climate³ the Internal Audit Strategy 2012/13 covers 1 year only. This is similar to the approach taken in 2011/12. The strategy has been reviewed and updated with minimal changes made. The revised strategy is attached as Appendix B.
- 5.13 Information Governance became part of the Audit & Assurance Service area in 2010 and the arrangements for reporting to the Committee have been developing since then. A 2010/11 Annual Report was presented in September 2011 and a progress report in January 2012. The 2011/12 Annual Report will be presented to the June 2012 Audit Committee. To ensure members of the Committee are aware of the work of the Information Governance team (that assists them in the governance assurances they receive from across the Council) the work programme for 2012/13 is presented for noting. Progress against this programme will be reported to the September 2012 meeting.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equalities	During audit work any equality issues identified are reported to the appropriate level of management. The strategy recognises the Council's obligations under Equalities legislation and internal policies and how Internal Audit will meet them.
Environmental or Sustainability Impact	During audit work any environmental or sustainability issues identified are reported to the appropriate level of management.
Legal Implications	The legal implications are contained within the main body of this report. Also included in the main body of the report is reference to the CIPFA Code of Practice for Internal Audit in Local Government ; the Code's requirements are mandatory for all principal local authorities. The Internal Audit service will, where appropriate, review compliance with legislation as part of their work. In respect to the Information Governance team they are responsible for ensuring that the Council's Information Governance framework enables the Council to comply with relevant legislation including Data Protection Act 1998.
Links with Council Priorities	Internal Audit work through the plan and strategy supports all services in the delivery of the Council's priorities. A sound Information Governance framework is also important in supporting the Council to deliver its priorities.
Financial Implications	The Internal Audit Service and Information Governance teams operate and deliver their plans, strategy and work programme from within existing budgets.
Opportunities and	The preparation of the strategy and annual audit plan has taken into account

³ The pressures on local government finance, internal reorganisations/service reviews and the potential changes to the external audit regime.

Risks	<p>the outcomes of the Council's risk management, performance management and other assurances processes. In addition the role of internal audit includes a review of the controls in place to manage the risks within service areas. The reports produced assist the Council in improving systems and controls (reducing risks) and therefore the delivery of services and achievement of objectives. The Audit Plan will be flexible in order to reflect the changing risks and priorities of the Council and will have an ongoing dialogue with stakeholders.</p> <p>The Information Governance work programme assists the Council to identify the information risks and opportunities and makes recommendations to ensure risks are being appropriately managed by service areas.</p>
Ward Implications	Internal audit and Information Governance work covers all wards within the Borough.

7 BACKGROUND PAPERS

Internal Audit Plan 2011/12

Internal Audit Strategy 2011/12

CIPFA Code of Practice on Internal Audit in Local Government in UK (2006)

CIPFA Audit Manual (December 2004).

Networking and benchmarking information.

Information Commissioner's Office guidance

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