



Haringey Council

Agenda item:

[No.]

**Audit Committee**

**On 25 March 2010**

Report Title: **Internal Audit Annual Plan and Strategy 2010/11**

Report authorised by: **Chief Financial Officer**

Report of and Contact Officer: Anne Woods, Head of Audit and Risk Management

**Tel:** 020 8489 5973

**Email:** [anne.woods@haringey.gov.uk](mailto:anne.woods@haringey.gov.uk)

Wards(s) affected: **All**

Report for: **Non-key decision**

### **1. Purpose of the report**

1.1 The purpose of this report is to inform members of the proposed Annual Internal Audit Plan for 2010/11.

1.2 The report also advises Members of the internal audit strategy.

### **2. State link(s) with Council Plan Priorities and actions and/or other Strategies:**

2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by reviewing key services and making recommendations for improvement where appropriate. Follow up work is undertaken to ensure that managers implement agreed recommendations and improvements.

2.2 Internal audit forms a key element within the revised Use of Resources assessment and the CAA. The reports to both managers and the Audit Committee on progress against the agreed audit plan and the implementation of audit recommendations ensure that the requirements of the CAA assessment are fulfilled.

### **3. Recommendations**

3.1 That the Audit Committee notes and approves the internal audit strategy.

3.2 That the Audit Committee approves the Annual Internal Audit Plan for 2010/11.

**4. Reason for recommendation(s)**

4.1 The Audit Committee is responsible for reviewing and approving the annual internal audit plan as part of its Terms of Reference. In order to facilitate this, a draft audit plan is provided for review and approval by the Audit Committee.

**5. Other options considered**

5.1 Not applicable

**6. Summary**

6.1 The internal audit service makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the authority. This report sets out the planned programme of work for 2010/11.

6.2 The information has been compiled from information held within Audit & Risk Management and from records held by business units across the Council.

**7. Head of Legal Services Comments**

7.1 The Head of Legal Services has been consulted in the preparation of this report, and comments that there are no specific legal issues arising out of the report or its recommendations.

7.2 The Head of Legal Services also notes that the Draft Internal Audit Plan and Strategy follows published and accredited guidance, and as such no legal issues arise out of that document.

**8. Chief Financial Officer Comments**

8.1 The Chief Financial Officer notes that the proposed audit plan for 2010/11 has been developed according to current best practice requirements for internal audit which stress the need for them to be fully risk based following consideration of all available information on future business issues and risk registers as well as an analysis of materiality and risk of key services and systems.

8.2 The draft plan also outlines the responsibilities of Deloitte & Touche in terms of reporting which provide further assurance that a timely and effective internal audit function is provided for the Council.

**9. Head of Procurement Comments**

9.1 Not applicable

## **10. Equalities and Community Cohesion Comments**

10.1 This report deals with how risks to service delivery are managed across all areas of the council, which have an impact on various parts of the community. Improvements in managing risks and controls will therefore improve services the Council provides to all sections of the community.

## **11. Consultation**

11.1 No external consultation was required or undertaken in the production of this report. Consultation has been undertaken with respective service managers, Assistant Directors, Directors and Assistant Chief Executives in the production of the draft internal audit plan.

## **12. Service Financial Comments**

12.1 There are no direct financial implications arising from this report. The work completed by Deloitte and Touche to undertake the annual audit plan is part of the five year contract which was awarded following a competitive tendering exercise in compliance with EU regulations from 1 April 2007. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

## **13. Use of appendices**

13.1 Appendix A – Draft internal audit plan and strategy 2010/11

## **14. Local Government (Access to Information) Act 1985**

14.1 For access to the background papers or any further information please contact Anne Woods on 0208 489 5973.

## **15. Background**

15.1 Local authorities are required by law to maintain an internal audit function. In addition, The Accounts and Audit (Amendment) (England) Regulations 2006 reinforce the statutory requirement and re-state the need for the Council to maintain an adequate and effective system of internal audit.

15.2 Within Haringey, the Internal Audit function is comprised of Deloitte and Touche, who undertake the majority of the internal audit work in accordance with the contract in place, including IT and procurement audit. The in-house team is currently responsible for investigations into allegations of financial irregularity, provision of advice on risk and controls and grant certification work.

15.3 Appendix A contains the proposed annual audit plan for 2010/11, which is fully risk based and has been derived following consideration of the risk and materiality (financial and other), of services and systems of the Council, the risk registers in place and the 2010/11 pre-business plan reviews and draft business plans. This approach reflects current best practice requirements for internal audit and ensures that, over the life of the contract, the Council's key and higher risk systems and services will be appropriately reviewed according to risk. This approach also ensures that the council operates a fully integrated internal audit and risk management process.

15.4 Appendix A also includes the audit strategy which will be used to deliver the council's internal audit plan. As part of the contract with Deloitte and Touche, it is considered appropriate to keep members advised of the strategy and the way in which the service will be delivered and request their approval of it. The strategy has been drafted in line with the 2006 CIPFA Code of Practice and best practice guidance for public sector audit services.

## **16. The Annual Audit Plan 2010/11**

16.1 The proposed annual internal audit plan for 2010/11 is attached as Appendix A to this report. It gives details of the planned audit work on the key financial and other systems of the Council. Appendix A summarises the work which will be undertaken at a corporate level, e.g. pro-active anti-fraud and project management and also provides details of the work proposed for individual directorates.

16.2 We have included brief details of the planned scope for each project, although the detailed scope will be agreed with the client for the work at the planning stage of the audit. Timings for the projects have also been agreed with the nominated clients to take account of any cyclical or other work pressures, although these may be subject to change during the course of the year.

16.3 The proposed projects have been discussed with directors and their management teams and will be subject to further discussions with the nominated client for each audit as part of the detailed planning process. All completed projects are subject to a formal follow up review process and the results of the follow up reviews will continue to be reported for information to the Audit Committee, on a quarterly basis.

16.4 We will continue to work with the Council's external auditors, Grant Thornton, to ensure that audit coverage is maximised and duplication is avoided wherever possible in order to make the best use of our combined resources. A planned programme of meetings will take place during 2010/11 to ensure that use of audit resources is effective.

16.5 Table 1 below summarises the numbers of audit projects planned for 2010/11, by directorate:

**Table 1**

<b>Directorate</b>	<b>Number of Projects</b>
Chief Executive – People and Organisational Development	<b>5</b>
Chief Executive – Policy, Performance, Partnerships, and Communication	<b>3</b>
Children and Young People's Service (excluding schools)	<b>6</b>
Urban Environment	<b>8</b>
Adults, Culture and Community Services	<b>4</b>
Corporate Resources (including key financial systems)	<b>17</b>
IT audit	<b>6</b>
Procurement and contract audit	<b>4</b>
Project management assurance	<b>5</b>
<b>Total</b>	<b>58</b>

16.6 Included in the above table (within Corporate Resources) are audits of key financial systems. We consider key systems to be those which are essential to the successful management of the Council, and where failure of the system would have a material effect on the organisation. These key systems, including payroll, accounts payable, accounts receivable, council tax, housing benefits etc. are therefore subject to regular review. This programme of work has been agreed with both the managers responsible and the council's external auditors.

16.7 The number of projects listed in the table above excludes the follow up reviews and visits to individual establishments as part of the schools and social services programmes. The 2010/11 audit plan included at Appendix A has taken account of the key risks and issues which have been identified via a review of: business unit, departmental and corporate risk registers; new projects and procurement activities reported to the Cabinet and the Cabinet Procurement Committee; the Annual Audit and Inspection Letter; fraud investigation work completed in 2009/10; and the 2010/11 business plan proposals submitted by business units. As a result, the 2010/11 audit plan has included projects to address the key risks and issues facing the Council including: data quality; safeguarding adults; personalisation contracts for service provision; employment verification procedures; disposal/sales of properties; and cash handling procedures.

16.8 We will continue to provide support to key projects, including advice to project boards at key stages of the scheme where appropriate, as well as undertaking reviews of individual projects to ensure that the project is complying with the required framework, and financial, reporting and other functions are being managed appropriately.