

Key Decision	No
Listed on Forward Plan	No
Within Policy	Yes
Policy Document	

INTERNAL AUDIT 2009/10 AUDIT PLAN

Contact Officer : **Duncan Wilkinson, Head of Audit & Risk Management**

1. Purpose

1.1. To outline to the Committee the proposed Annual Audit Plan for the coming 2009/10 financial year.

2. Recommendations

2.1. That the Committee provides any comments and approves the Audit Plan 2009/10

2.2. That the Committee highlights any themes of significant concern it wishes to see included within the Audit Plan work if possible.

3. Issues and Choices

3.1. The CIPFA guidance on Audit Committee's provides that the Committee should "approve (but not direct)" Internal Audit's Plan.

3.2. The development of the Internal Audit Plan is driven by the statutory basis of the Internal Audit service. In essence the objective of Audit Plans is to ensure that all activities of the Council are audited over a reasonable period. Traditional Audit Plans project 3-4 year cycles of annual plans that demonstrate how all an organisations various services and functions will be audited over that 3-4 year period. That "strategic" plan is then broken down into individual annual plans. MKC Internal Audit has adopted a process that ensures Internal Audit resource can be directed to the appropriate areas, on a risk basis. This method was developed in the light of the evidence from the systems thinking review within Internal Audit to better reflect the Councils needs.

- 3.3. The Plan proposes that the Councils Corporate Objectives / Priorities will be audited every year. These appear within the Plan but also provide an overall “theme” that may include the specific services listed individually on Annex B. Thus Neighbourhood Regeneration could include audits from the Housing service, Safer Communities, Environmental Adoptions, Partnership with PCT, MK Growth etc.
- 3.4. The exact audit entities included within the corporate priority audits are determined when the audit is about to commence following discussions with key stakeholders. In this way the Plan flexibly reflects the Councils needs / risks as they evolve from year to year and during the year. Also the Audit need to review sufficient activities throughout the Council to give an opinion on the adequacy of corporate governance is achieved.
- 3.5. The statutory / best practice issues that drive audit plans are listed at Annex A. The cost and performance of the service is separately reported to the Committee.
- 3.6. Annex B to this report sets out the proposed Audit Plan for the coming financial year 2009/10.
- 3.7. Key issues include :
 - 3.7.1. The Plan is developed following meetings with key stakeholders and also seeks to reflect the past learning across the Council.
 - 3.7.2. Focus on Capital and Project Management in the light of previous Audit findings
 - 3.7.3. FMSIS work continues throughout the year at various schools in line with government requirements and to meet the S151 Officers responsibilities within this area.
 - 3.7.4. Service specific needs within parts of the Council are reflected in the plan, eg within the Housing service the audits have been designed to reflect the Systems Thinking work and structures ie rather than functional areas being audited the “customer flows” identified by the service will be audited.
 - 3.7.5. The Plan also includes “Fundamental Audits” that the service must audit specifically to meet the Managed Audit requirements of the Audit Commission. These include the key financial systems of the Council, eg Payroll, Creditors etc that allows the Audit Commission to place reliance on this work to support their responsibilities as the Councils External Auditor. It also reduces their fees.
- 3.8. The Head of Audit is required to highlight where he considers resources are not sufficient to meet the Internal Auditing requirements of the Council and to meet the S151 Officers responsibilities in this area. The review of the service needs and resources has identified that resources are sufficient to meet these needs.
- 3.9. The Committee is invited to comment on the approach and to provide any areas or issues they wish to direct Audit attention to during 2009-10.

4. Implications

4.1. Policy

The plan is seeking to implement the Audit Strategy and Charter approved by the Committee.

4.2. Resources & Risk

4.2.1. With the growth of Milton Keynes and the Council the new approach audit planning prevents additional resources being required to Internal Audit. As growth and service redesign continues there will be a need to keep resources under review.

4.2.2. The systems thinking intervention within the service is providing further efficiencies that may negate the need for such resource growth. Efficiency pressures throughout the Council may influence this.

4.2.3. The whole focus of the new plan is to better reflect the risk profile experienced by the Council.

<table border="1"><tr><td>N</td></tr><tr><td>N</td></tr></table>	N	N	Capital	<table border="1"><tr><td>N</td></tr><tr><td>Y</td></tr></table>	N	Y	Revenue	<table border="1"><tr><td>N</td></tr><tr><td>N</td></tr></table>	N	N	Accommodation
N											
N											
N											
Y											
N											
N											
	IT		Medium Term Plan		Asset Management						

4.3. Legal

4.3.1. The proposed plan meets the statutory requirements of the service.

4.4. Other Implications

4.4.1. The new approach is not easily transparent in showing exactly what audit work will be taking place throughout the year. The reconciliation between the traditional audit universe and the new plan has been fully discussed with external audit who have confirmed this meets their requirements.

<table border="1"><tr><td>N</td></tr><tr><td>N</td></tr></table>	N	N	Equalities / Diversity	<table border="1"><tr><td>N</td></tr><tr><td>N</td></tr></table>	N	N	Sustainability	<table border="1"><tr><td>N</td></tr><tr><td>N</td></tr></table>	N	N	Human Rights
N											
N											
N											
N											
N											
N											
	E-Government		Stakeholders		Crime & Disorder						

Background Papers :

Statutory Guidance – Audit Plan

The Institute of Internal Auditors definition is : Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a **systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.**

The CIPFA definition is : Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the degree to which the internal control environment supports and promotes the achievement of the organisations objectives. **It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.**

The Accounts and Audit Regulations 2006 specific that :

Para 6

- (1) A relevant body shall maintain an **adequate and effective system of internal audit of its accounting records and of its system of internal control** in accordance with the proper practices in relation to internal control, for that purpose.
- (2) Any officer or member of a relevant body shall, if the body requires—
 - (a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and
 - (b) supply the body with such information and explanation as that body considers necessary for that purpose.

The 2006 CIPFA revised Code of Practice for Internal Audit states :

1.2 The scope of Internal Audits remit includes the organisations entire control environment. In determining where effort should be concentrated the Head of Audit should take account of the organisations assurance and monitoring mechanisms, including risk management arrangements for achieving the organisations objectives.

7.2.2 In order to compile the plan there must be a clear understanding of the organisations functions and the scale and breadth of potential audit areas

7.2.3 The Audit Plan should be fixed for a period of no longer than one year. The Plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation.