AUDIT SERVICE STRATEGY
2009/10

Introduction

1.	The Code of Practice for Internal Audit in Local Government (2006) requires the Chief Internal Auditor to produce an Audit Strategy, which is a high level statement of how the internal audit service will be delivered and developed in accordance with its terms of reference and how it links to the organisational objectives and priorities.

Objectives and Outcomes

2.	The terms of reference for Audit Service are very comprehensive and are set out in the Audit Charter previously approved by the Audit Committee on 4th April 2008.

3.	Audit Service outcomes are linked to the Council's objectives, as evidenced within the Audit Services' Service Plan for 2009-2012. The Plan also highlights the service performance indicators which will be monitored as part of the Council's Performance Management Framework.

Resilience of the Audit Opinion

4.	The audit opinion on the Council's systems of internal control will be based on a review of the following:

	(a)	Financial standards, which will cover the Council's fundamental systems.

	(b)	Non-fundamental systems.

	(c)	Corporate governance arrangements to include anti-fraud activity.

	(d)	Other key systems.

	(e)	ICT protocols and controls (Council-wide).

	(f)	Establishment visits.

	(g)	Verification and probity audits.

	(h)	Corporate issues as they arise.

	(i)	Level of recommendations agreed for action by management.

	(j)	Results of recommendations follow-up.

	(k)	Performance management.

5.	An audit opinion will be given to each audit review, which will inform the Chief Internal Auditor's overall opinion on the Council's system of internal control (paragraph 17 refers).

6.	Regular Interim Assurance reports will be presented to the Audit and Corporate Governance Committee, with the Annual Assurance report presented in the June following the financial year to which it relates.

Identification of Significant Issues and Risks

7.   The Chief Internal Auditor will use the Council's risk management framework to identify key audit risks. This will be supplemented by a review of Cabinet agenda, the Corporate Plan the Herefordshire Public Service Assurance framework, corporate and directorate risk registers.

8.   The Chief Internal Auditor will carry out an annual assessment of the need to review all key financial systems.

9.   The Chief Internal Auditor will review all high-risk financial systems each year and other systems on a cyclical basis.

Provision of the Services

10.   The service is provided by an in-house team and supplemented by an external computer auditor.

11.   Computer audit training and development will continue to be a key training area for all audit staff and with other training will ensure that Audit Service staff provide a comprehensive audit service to the Council.

12.   Joint working arrangements with the Herefordshire Primary Care Trust will continue to be developed and progress reported to the Audit and Corporate Governance Committee.

13.   The service now has a full complement of staff, with a broad range of skills and audit experience.

14.   The Audit Commission carries out limited assurance work, relying mainly on the work of the Audit Service.

Resources and Skills

15.   Following the completion of the risk based audit plan, any differences between the plan and resources available will be identified and reported to members as appropriate. The Audit and Corporate Governance Committee will also be informed of audits removed from the plan to align the risk based plan to audit resources available.

16.   Each audit assignment will be given a complexity rating and the auditor chosen to complete the assignment will have the required skills as set out in the CIPFA Good Practice Guide to Skills and Competencies. In addition, full managerial support will be given during all audit assignments.

17.   **Internal Control Audit Opinion Matrix**

		Overall Opinion	Maximum % Weighting
(a)	Financial standards, which will cover the Council's fundamental systems.		25
(b)	Non-fundamental systems.		5
(c)	Corporate governance arrangements to include anti-fraud activity.		15
(d)	Other key systems.		15
(e)	ICT protocols and controls (Council –wide)		12
(f)	Establishment visits.		2
(g)	Verification and probity audits.		2
(h)	Other corporate issues as they arise to include external inspections.		3
(i)	Level of recommendations agreed for action by management.		1
(j)	Results of recommendations follow up.		10
(k)	Performance Management.		10
			100

Key		
	Good	**85 to 100**
	Satisfactory	**65 to 84**
	Marginal	**51 to 64**
	Unsatisfactory	**31 to 50**
	Unsound	**1 to 30**