

## AUDIT SERVICE STRATEGY 2010/11

### Introduction

1. The Accounts and Audit Regulations 2003 as amended requires the Council to 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.
2. Under the Council's Financial Procedure Rules the Director of Resources has delegated responsibility for maintaining an adequate and effective audit service.
3. 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

4. The terms of reference for Audit Service are very comprehensive and are set out in the Audit Charter.
5. The main organisational outcomes for the service are to:-
  - i. Present to the Audit and Governance Committee a risk based Audit Plan designed to implement the Audit Strategy.
  - ii. Provide Interim assurance reports to the Audit and Governance Committee which updates members on the work status and bring to their attention any key internal control issues.
  - iii. Provide an Annual Assurance Report which gives an audit opinion on the Council's overall system of Internal Control.
6. Audit Service outcomes are linked to the Council's objectives, as evidenced within the Audit Services' Service Plan for 2010. 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

7. 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 and results of recommendations follow up
  - (j) Performance management.
8. 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).
9. Regular Interim Assurance reports will be presented to the Audit and 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**

10. 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.
11. The Chief Internal Auditor will carry out an annual assessment of the need to review all key financial systems.
12. The Chief Internal Auditor will review all high-risk financial systems each year and other systems on a cyclical basis.

### **Provision of the Services**

13. The service is currently provided by an in-house team.
14. 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.
15. Joint working arrangements with the Herefordshire Primary Care Trust will continue to be developed and progress reported to the Audit and Governance Committee.
16. The service now has a full complement of staff, with a wide range of skills and audit experience.
17. The Audit Commission carries out limited assurance work, relying mainly on the work of the Audit Service.

### **Shared Services**

18. Develop and implement in partnership with the Hereford Hospital Trust and The Herefordshire Primary Care Trust a joint externalised framework for delivery of Audit Services and Counter Fraud Services across the partnership, which would be available to other public services within Herefordshire.

### **Resources and Skills**

19. 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 Governance Committee will also be informed of audits removed from the plan to align the risk based plan to audit resources available.

20. 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.

21. **Internal Control Audit Opinion Matrix**

		<b>Overall Opinion</b>	<b>Maximum % Weighting</b>
(a)	Financial standards, which will cover the Council's fundamental systems.		<b>25</b>
(b)	Non-fundamental systems.		<b>5</b>
(c)	Corporate governance arrangements to include anti-fraud activity.		<b>15</b>
(d)	Other key systems.		<b>15</b>
(e)	ICT protocols and controls ( Council –wide)		<b>12</b>
(f)	Establishment visits.		<b>2</b>
(g)	Verification and probity audits.		<b>2</b>
(h)	Other corporate issues as they arise to include external inspections.		<b>3</b>
(i)	Level of recommendations agreed for action by management and results of recommendation follow ups		<b>11</b>
(i)	Performance Management.		<b>10</b>
			<b>100</b>

<b>Key</b>		
	<b>Good</b>	<b>85 to 100</b>
	<b>Satisfactory</b>	<b>65 to 84</b>
	<b>Marginal</b>	<b>51 to 64</b>
	<b>Unsatisfactory</b>	<b>31 to 50</b>
	<b>Unsound</b>	<b>1 to 30</b>

**January 2011**