

Report to	Audit Committee
Date	18 January 2011
By	Chief Finance Officer
Title of Report	Internal Audit Update and Governance Framework Review
Purpose of Report	To inform the Audit Committee of the work of Internal Audit and the review of the Governance Framework

Recommendation: The Audit Committee is recommended to note progress made against the Internal Audit Plan and note the findings of the review of the Authority's Governance Framework

1. Introduction

- 1.1 The Internal Audit Plan for 2010/11 was agreed by the Audit Committee on 19th October 2010.

2. Background

- 2.1 The Accounts and Audit Regulations 2003 (as amended) require the Authority to 'maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper practice'. The proper practice being the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government 2006. Under the Code, the Authority is required to prepare an Internal Audit Strategy and Audit Plan for each financial year. The aim is to provide independent and objective assurance on the control environment consisting of internal control, risk management and corporate governance.
- 2.2 The Internal Audit Strategy and Annual Plan provides the framework through which the Authority can ensure the most appropriate use of internal audit resources to provide assurance on the council's control environment and management of risks. The Annual Audit Plan is a work plan of audit reviews which is based on a risk assessment of those systems and functions to be covered, together with the audit of core financial systems to meet the expectations of the external auditors and best professional practice.
- 2.3 As part of the 2010/11 Internal Audit Plan a review of the Authority's Governance framework has been finalised and this is attached at **Appendix 1**. This report provides a "Reasonable Assurance" level. This opinion means that although controls are in place to ensure that governance arrangements are effective there are a number of areas where additional policies and procedures should be put in place (or further developed) to strengthen these processes. All recommendations have been accepted by management and the report includes the agreed actions, timescales and accountabilities for implementation. The Audit Committee will need to take into account the findings of this review when it considers the Annual Governance Statement which will be produced alongside the Authority's financial statements and must be published by 30 June 2011 for the 2010/11 financial year.

- 2.4 The Internal Audit work programme is currently on schedule. The review of procurement is close to being finalised. There is close liaison with external audit on the fundamental systems reviews to ensure that reliance can be placed by the Audit Commission on the work of internal audit for the purposes of their work on the financial statements and this work is planned for quarter 4. There are ongoing discussions with Hampshire County Council about how to deliver the planned review of ICT arrangements and an oral update will be provided at the meeting of progress in this area.

3 RESOURCES

- 3.1 The cost of Internal Audit Services for the 2010/11 financial year has been estimated at between £10,700 and £13,000. The cost of any computer audit work chargeable by Hampshire County Council has not been included in this figure but is not likely to be a significant cost in this financial year.

4 RISK MANAGEMENT

- 4.1 These services provide a key component of the Authority's arrangements for ensuring that effective risk management arrangements are established and operated. Internal audits focus on areas of high risk, with the planning of individual reviews focused around the key risks to the system or service.

5 HUMAN RIGHTS, EQUALITIES, HEALTH & SAFETY

- 5.1 There are no specific implications arising out of this report.

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Appendices	Appendix 1 – Review of Governance Framework Internal Audit Report
SDNPA Consultees	Director of Corporate Services