

## AUDIT COMMITTEE

24 MARCH 2011

### REPORT OF HEAD OF INTERNAL AUDIT

#### A.3 INTERNAL AUDIT PLAN 2011/12

(Report prepared by Steve Blake)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To seek the approval of the Audit Committee for the Internal Audit Plan for 2011/12, and arrangements for delegated authority for plan amendments that become necessary during the course of the year.

##### EXECUTIVE SUMMARY

The Internal Audit Plan for 2011/12 has been produced in accordance with the requirements of the CIPFA Code of Practice for Internal Audit 2006.

The plan is considered to provide adequate audit coverage of all key systems of the Council, and sufficient coverage elsewhere to enable the Head of Internal Audit to be in a position to provide an opinion to the Audit Committee on the control environment of the Council.

The plan will be kept under review throughout the year, and will be amended as necessary to reflect changing circumstances.

##### RECOMMENDATION(S)

- (a) That the Internal Audit Plan for 2011/12 be approved.**
- (b) That the Head of Internal Audit continue to be given delegated authority to adjust the plan during the year to reflect changing Authority activity and operational needs, with any significant amendments considered material to be reported periodically to this committee using the regular Internal Audit reporting arrangements.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.

##### FINANCE, OTHER RESOURCES AND RISK

###### Finance and other resources

The 2011/12 Internal Audit Plan can be resourced from the 2011/12 budget.

**Risk**

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

**LEGAL**

The Council has a statutory responsibility to maintain adequate and effective internal audit.

**OTHER IMPLICATIONS**

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.**

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

**PART 3 – SUPPORTING INFORMATION****BACKGROUND**

The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) (the code) requires that: -

- a) The Head of Internal Audit prepares a risk based Internal Audit Plan (the plan) designed to implement the Internal Audit Strategy.
- b) The Head of Internal Audit consults with stakeholders on the draft plan, and to revise the plan if appropriate.
- c) The plan be fixed for a period no longer than one year.
- d) The plan outline the assignments to be carried out, their respective priorities and the estimated resources needed.
- e) The plan differentiates between assurance and other work.
- f) The plan be flexible to be able to reflect the changing risks and priorities of the organisation.
- g) The Audit Committee be informed of any imbalance between the planned work and resource availability, and of proposed solutions.

The code requires the Audit Committee to approve, but not direct the Internal Audit Plan.

**CURRENT POSITION**

The plan has been produced taking into account the Terms of Reference for Internal Audit

and the Internal Audit Strategy approved by the committee at its meeting on 16<sup>th</sup> December 2010.

The plan provides an outline of the work currently proposed to be undertaken during the 2011/12 financial year. During its currency, the management structure of the Council is planned to be restructured and fundamental service reviews of Council functions are then to follow. The plan produced has been based upon the existing management structure of the Council, and current functions, as the restructuring has not yet been approved, and the exact timing and impact of each fundamental service review is unknown. The plan however does reflect changes to Council functions approved prior to March 2011.

Throughout the year the plan will be kept under review, and updated to reflect the impact of restructuring and fundamental service reviews, together with any other changes that arise. The current practice is for the Head of Internal Audit to consider and approve any routine changes necessary, this arrangement having been previously approved by the Audit Committee. Material changes will be brought to the attention of the Audit Committee as part of the regular Internal Audit reporting arrangements.

#### **a) Planned Work**

The following factors have been taken into account in assessing planned work: -

1. The systems audit element of the plan takes account of the full identified audit universe for the authority. These audits have been subject to formal risk assessment to identify priorities, except for key systems audits which are considered compulsory. The audits listed in Appendix B are those that are due and can be resourced at the current time.

The approach adopted to determining the time allocation required for each audit is based upon high risk aspects being included in each occurrence of the audit, but lower risk aspects being audited on a cyclical basis.

Any 2010/11 planned audits incomplete at 31<sup>st</sup> March 2011 will be rolled forward into 2011/12 and a provision of time has been included in the plan to reflect this.

The volume of systems audit planned is reduced for 2011/12 due to the increase in anti fraud and corruption work planned and the impact of Maternity Leave on resources available. This type of work will be affected by fundamental service reviews so is not considered a material reduction for one year only. An Audit Needs Assessment will need to be undertaken following the restructuring / fundamental service reviews which will determine the future level of this form of audit required.

2. Computer Audit is currently outsourced and the allocation included in the plan reflects the number of days it is intended to purchase from the current supplier.
3. The allocation of time for anti-fraud and corruption audits has been increased.
4. Additional time has been allowed within the Consultancy heading as it is expected that Internal Audit will have a role to play in supporting the council re-organisations and Fundamental Service Reviews to ensure that a lean, but adequate control environment emerges from the process.

#### **b) Resource Availability**

The Internal Audit Plan has been drawn up taking into account the current staffing establishment of 4.9 staff, and takes account of Maternity Leave for one member of

staff that will be ongoing until September 2011. The allowance for Contingency within the plan is insufficient to cater for any posts being vacant for any length of time.

In addition it is planned to purchase 30 days for Computer Audit from the current supplier.

**c) Imbalance Between Planned Work and Resource Availability**

There is an imbalance between Planned Work and Resource Availability.

The proposed Audit Plan has been reduced in scale to fit resources notionally available, and contingency items included at the minimum level practical. The plan has been balanced by excluding lower risk audits. The plan is considered sufficient to meet the Head of Internal Audit's obligations. If resources become available as a result of plan changes during the year then audits currently excluded will be added back to the plan. If issues are brought to the attention of the Head of Internal Audit regarding such audits that justify an audit during 2011/12, then arrangements will be made to adjust the plan accordingly.

Appendix A provides a summary of the 2011/12 Internal Audit Plan.

Appendix B provides details of the systems audits to be undertaken in 2011/12. Areas of activity of the Council not listed will be subject to audit in subsequent years.

## **BACKGROUND PAPERS FOR THE DECISION**

Internal Audit Plan 2011 / 12 Working Papers

## **APPENDICES**

A.3 Appendix A – Summary Internal Audit Plan 2011/12

A.3 Appendix B - Detailed Internal Audit Plan 2011/12