

AUDIT COMMITTEE

21 MARCH 2013

REPORT OF HEAD OF INTERNAL AUDIT

A.2 INTERNAL AUDIT PLAN 2013/14

(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 2013/14.

EXECUTIVE SUMMARY

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 has been produced taking into account the level of coverage included in the successful in house bid for the provision of internal audit services to the Council in 2011/12.

The plan will be kept under review throughout the year, and will be amended as necessary to reflect changing circumstances, and to provide a flexible approach to service delivery.

RECOMMENDATION(S)

- (a) That the Internal Audit Plan for 2013/14 be approved**
- (b) That the existing arrangements for updating the plan during the year, where necessary to reflect changing Authority activity and operational needs and to provide flexibility of service delivery, be continued, with significant amendments reported to this committee as part of the periodic 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 2013/14 Internal Audit Plan can be resourced from the 2013/14 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 Public Sector Internal Audit Standards apply from 1st April 2013, and are therefore applicable to the 2013/14 Internal Audit Plan. Whilst guidance is still awaited from CIPFA regarding interpretation of the standards it is necessary to take account of those standards in producing and seeking approval of the plan. If, once the guidance is received, any issues of non compliance exist regarding the plan approved, then these will be drawn to the attention of the Committee at the earliest opportunity.

The standards include requirements for: -

1. The plan of engagements to be based on a documented risk assessment, undertaken at least annually. The input of senior management, the board (Audit Committee) and other stakeholders to be considered in this process.
2. The identification and consideration of the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.
3. The communication of the plan and resource requirements to senior management and the board for review and approval, including the impact of any resource limitations.

The standards also make provision for the Internal Audit function to undertake work of a consultancy nature, and for accepted engagements to be included in the plan.

Whilst the terminology used in the standards is different from the previous Code of Practice, the requirements follow similar principles, and therefore the process to prepare and seek approval of the plan is little changed from that used in previous years.

CURRENT POSITION

Internal Audit Plan 2013/14

The plan has been produced taking into account the Terms of Reference for Internal Audit and the Internal Audit Strategy approved by this Committee on 22nd March 2012, and are considered to still be fit for purpose operationally. The replacement for these documents to reflect the introduction of the Internal Audit Standards will be produced once the CIPFA guidance has been received, but is not currently expected to impact on the content of the plan. The plan will be linked to the replacement documents, once produced.

The plan provides an outline of the work currently proposed to be undertaken during the 2013/14 financial year. In order to provide a proactive and flexible approach the plan should be considered indicative of the work currently intended. The Council continues to go through a period of substantial change and the Internal Audit Plan needs to be far more flexible than in the past to ensure that internal audit resources are directed where they are

most needed, and add as much value as possible to the organisation.

All assurance audits in the Internal Audit Universe have been subject to a recent risk assessment, the details of which are held within the Internal Audit PAWS computer system, with the exception of computer audit and major projects. At the current time the Council's Risk Management processes are being reviewed, and once updated the Council's Risk Registers will be mapped to the plan, and any revisions to the plan necessary as a result of the mapping will be drawn to the attention of the Committee for consideration and approval.

The plan has been produced taking account of the need to provide an annual internal audit opinion on the Council's assurance framework. Consultation on the plan has taken place with the Council's Management Team, and with Corporate Director's and Head of Department individually.

The plan will be kept under review throughout the year, in consultation with the Council's senior management. In addition the scope and size of each audit will need to be subject to review during the consultation period prior to each audit to ensure that the work is appropriate, adds value, and provides the level of assurance required.

The currently agreed process for plan amendments is for approval to be sought from the Chairman of the Committee, with the Audit Committee being made aware of material changes made as part of the regular Internal Audit reporting arrangements. It is proposed that these arrangements continue to allow sufficient flexibility to enable amendments to be made as and when required and without delay.

The plan has been structured and sized taking into account the successful tender bid for internal audit services by the in house team in 2011/12. This is considered to provide an adequate level of Internal Audit coverage, and the total number of days can be achieved from within the existing staffing establishment together with the budget provided for the use of external specialist skills. There is a sufficient skills mix available within the resources available to provide the audit coverage proposed.

Whilst the plan fully utilises the resources available, the risk assessment undertaken has identified a number of lower risk audits that based upon the notional frequency applied to the risk assessment scores would be due in 2013/14. The tendered coverage in 2011/12 took into account an acceptable risk based needs gap. None of these lower risk audits is considered critical at this time, and it is considered that the needs gap is within acceptable limits. However if the risk associated with any of these audits change or resource becomes available during the year then action will be taken to seek approval to amend the plan accordingly.

	2012/13 Plan (Days)	2013/14 Plan (Days)	Comments
Assurance Work			
Key Systems	135	160	See 1 below and Appendix A
Other Systems	280	225	See 2 below and Appendix B
Computer Audit	30	30	See 3 below
Major Council Projects	0	40	See 4 below
Carry Forward of Work in Progress at 31 st March 2013	20	20	For completion of 2012/13 audits

Total Assurance Work	465	475	
Other Work			
Proactive Anti Fraud Audits and Initiatives	45	40	See 5 below
Ad Hoc	120	115	Consultancy and Advice, Requested and Unplanned Audits, Investigations, Corporate
Total Other Work	165	155	
Total Days	630	630	

1. Key Systems

The total number of days in this section of the plan has been increased to allow for more extensive audit coverage of Benefits and Revenues systems in 2013/14 due to the changes in these areas.

2. Other Systems

Part of the reduction in the number of days here is to reflect the separation out from this section of time relating to major projects that would otherwise have been included here.

Changes in activities, methods of service delivery, emerging risks may result in the schedule of audits included and the resource allocated evolving during the year.

3. Computer Audit

Computer Audit has been included at this time as a total only pending a decision on the future supply of this specialist area, the existing contract expiring on 31st March 2013. The computer audit universe will be risk assessed, either internally, or by a new supplier, as appropriate before any future computer audit work is undertaken. The plan will however include provision for a Code of Connection audit as this is now an external requirement for continued connection.

4. Major Council Projects

This has also been included as a total only, as the work required in any one year is dependant upon the timing of progress on such projects. These projects by their very nature and size expose the Council to a high level of risk, but have not been at this time included in the Internal Audit Universe risk assessment process. However if they had, individual projects would score highly. The allocation and use of this time within the plan will be determined during the year to ensure that resources are effectively targeted to where they are needed.

5. Proactive Anti Fraud Audits and Initiatives

Specific proactive anti fraud and corruption audits have not been identified at this time. This provides the opportunity to take into account emerging fraud risks and target resources to these areas as appropriate. The provision here will allow for emerging risks identified in the Audit Commission publication "Protecting the Public Purse 2012" that are applicable, but have not been included in 2012/13, to be subject to an audit review.

BACKGROUND PAPERS FOR THE DECISION

Audit Plan Working Papers

APPENDICES

A.2 Appendix A - Internal Audit Plan – Key Financial Systems
A.2 Appendix B - Internal Audit Plan – Other Systems