

AUDIT & RISK COMMITTEE

Date 14th February 2012

ANNUAL AUDIT PLAN 2012/13

Report of the Head of Welland Internal Audit Consortium

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| CORPORATE AIM | Delivering & Supporting Existing Services |
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1. PURPOSE OF THE REPORT

- 1.1 To comply with the CIPFA Code of Practice for Internal Audit by providing the Audit and Risk Committee with the opportunity to approve the Annual Audit Plan produced by the Council's Chief Internal Auditor.

2. RECOMMENDATIONS

- 2.1 That the Committee approve the Annual Audit Plan at Appendix A

3. COMPLIANCE WITH CIPFA STANDARDS

- 3.1 The Consortium is required to operate – as far as is practicable - in line with the standards and guidance issued by CIPFA and endorsed by the Audit Commission: to do otherwise carries the risk that external audit will reduce the reliance placed on the Consortium's assurance work. CIPFA guidance requires internal auditors to adopt a risk-based audit planning process because such an approach provides assurance about the client's most significant areas of risk.
- 3.2 A risk-based planning approach requires audit management to identify all aspects of the Council's operations and controls for which assurance is required; to develop an appropriate range of audit entities around which the delivery of assurance might be managed; and to establish an objective framework to measure the relative risks associated with each of the identified audit entities.

- 3.3** In a pure risk-based audit plan, the entities selected for audit would be those with the highest assessed risk scores. However, to reflect the specific requirement to provide the External Auditor with assurance about the Council's Fundamental Financial Systems and wider governance arrangements it is necessary to stratify the Annual Audit Plan to provide the necessary range of assurance. It is also judged desirable to extend this approach to ensure that some level of assurance could be provided for all categories of audit entity.

4. DEVELOPMENT OF THE PLAN FOR 2012/13

- 4.1** The Council has commissioned a total of 370 audit days for to be delivered by the Consortium. An allowance of has been made to satisfy predictable client liaison requirements and to deliver unavoidable project work – as summarized in Appendix B. This leaves 332 days for planned audit work which has been allocated between the different classes of audit as indicated in Table 1 below. The key issues relating to those allocations are set out below.

| Table 1 | |
|---|------------|
| Allocation of Planned Audit Days | |
| Fundamental Financial Systems | 102 |
| Other Financial Systems | 30 |
| ICT | 30 |
| Counter-Fraud Arrangements | 30 |
| Governance & Performance | 80 |
| Customer Facing Services | 60 |
| Total | 332 |

- 4.2** Members should be aware that, following a decision to cease relying on outsourced specialist support, assurance on the Council's ICT control arrangements will derive primarily from the work of the Consortium's auditors. In 2012/13 planned audits reflect the Consortium's current level of specialist skills. Some additional assurance should be available from periodic reviews of the Council's GovConnect arrangements that are commissioned directly by IT. The Head of Consortium is investigation ways of accessing specialist skills to allow for the delivery of robust assurance in future years.
- 4.3** The inclusion of specific audits of Counter-Fraud reflects recent data on the impact of fraud in the public sector. It is intended to develop detailed Terms of Reference to reflect the issues raised in the Audit Commission's recent publication "Protecting the Public Purse 2011"

RISK MANAGEMENT

| RISK | IMPACT | COMMENTS |
|-------------------------------|---------------|--|
| Time | Low | The report does not prompt or require any time-bound response |
| Viability | Low | There are no resourcing issues arising |
| Finance | Low | There are no financial issues arising |
| Profile | Medium | The report should improve the effectiveness of the Committee |
| Equality and Diversity | Low | EIA screening indicates no issues arising therefore full Impact Assessment has not been carried out. |

Background Papers

None

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A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.