

# AUDIT & RISK COMMITTEE

16 April 2013

## INTERNAL AUDIT PLAN 2013/14

Report of the Head of Welland Internal Audit Consortium

STRATEGIC AIM	All
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### 1. PURPOSE OF THE REPORT

- 1.1 To allow Members to approve the Annual Audit Plan for 2013/14; to explain the basis of the planning process and the various elements making up the plan; and to indicate how the planning and delivery process meet the mandatory requirements implicit in the Public Sector Internal Audit Standards.

### 2. RECOMMENDATIONS

- 2.1 That Members approve the 2013/14 Internal Audit Plan

### 3. KEY ISSUES

- 3.1 The Public Sector Internal Audit Standards come into force on 1<sup>st</sup> April 2013. The Standards have modified the approach to Internal Audit planning in two ways:
- Firstly, the audit plan should be developed using a 'zero based' approach reflecting the key risks that have been identified by clients; and
  - Secondly, the audit plan should then be endorsed by an Audit Committee that can confirm that the plan addresses the Committee's assurance requirements.
- In addition, changes in the External Audit regime and the External Auditor's expectations of internal audit have also impacted on the annual planning approach by reducing the requirement to undertake audits of low-risk fundamental financial systems.
- 3.2 The Council has commissioned 370 audit days from the Consortium to resource the 2013/14 Audit Plan. An allowance – of 15 days - has been made to allow for: Committee preparation and

attendance; training and development of the Audit Committee; client liaison meetings; meetings and liaison with External Audit; and following-up Audit Recommendations. The provision for Committee training is provisional and is subject to change in light of the Committee's response to a separate report on that issue.

- 3.3** Because the Standards were not published until December 2012, it was not possible to develop and carry out a corporate risk assessment process that would demonstrate full conformity – that process will be applied to develop the Audit Plan for 2014/15 and future years. Instead, a review of the Council's Risk Registers, supplemented by meetings with individual Heads of Service, was used to develop – as far as possible - a schedule of the key risks for 2013/14. An exercise to review that schedule and produce a prioritised plan was undertaken by Strategic Management Team.
- 3.4** The draft Audit Plan developed – and shown as Appendix A to this report – has been stratified to ensure that the range of audit work commissioned covers all aspects of the Council's risk exposure, particularly ICT and fraud risks. ICT risks were identified in an exercise, facilitated by the Consortium's specialist ICT audit contractor, involving the Council's IT Managers. Fraud risks were identified by reference to the Local Government Fraud Strategy – a Central Government initiative which sets out new expectation of local authorities in terms of detection of fraud.
- 3.5** It was not possible, in the time available, to produce a defined schedule of audits to address Service Delivery Risks. Work will be carried out with Departmental Management Teams to identify the most critical of those risks but it is considered likely that some of those risks would, in any case, only emerge during the year as major initiatives such as Welfare Reform begin to have a real impact. Provision has been made in the Plan to accommodate audits of those risks as they are identified and defined.
- 3.6** To allow for flexibility in delivery of assurance, specific budgets have not been set for individual audit assignments at this stage: instead, indicative budgets have been set for the different categories of assurance work to be undertaken. As Terms of Reference are developed for individual audit assignments, a budget – sufficient to give the range and level of assurance required – will be agreed. The Plan identifies risks for which the Council's Strategic Management Team considers that assurance would be desirable – and deliverable - by internal audit. Those risks are shown in descending orders of priority and the intention is that higher priority assignments will be commissioned until the budget is exhausted.

**3.7** The new Standards prescribe a new responsibility for the Audit Committee - that of 'Gate Keeper', required to consider any proposals for 'significant' in-year changes to the Audit Plan and to be satisfied that changes proposed would not affect the overall level of assurance. This role would be exercised in the event that: a client requests that an assignment be removed from the Plan or replaced by a different assignment; or the process of commissioning requires a reallocation of resources between the identified assurance categories. The Committee would also be expected to consider any requests to commission additional internal audit work – whether this involves additional audits or consultancy exercises. In terms of the Plan for 2013/14 the Gate Keeper role will extend to the approval, or otherwise, of the Service Delivery audits as they are identified.

#### **4. RISK MANAGEMENT**

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

**Background Papers**

None

**Report Author**

Richard Gaughran  
Head of Welland Internal Audit Consortium

Tel No: (01572) 722577  
e-mail: enquiries@rutland.gov.uk

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