

**REPORT FOR: GOVERNANCE, AUDIT &
RISK MANAGEMENT
COMMITTEE
(NON-EXECUTIVE)**

Date of Meeting: 4th April 2013

Subject: Draft Internal Audit Plan 2013/14

Responsible Officer: Tom Whiting – Corporate Director of Resources

Exempt: No

Enclosures: Appendix1: Draft Internal Audit Plan 2013/14

Section 1 – Summary and Recommendations

This report sets out the draft Internal Audit plan for 2013/14

Recommendations:

The Committee is requested to:

- (a) Note the process employed to develop the plan.
- (b) Consider and comment on the draft plan, in particular to provide the Committee's view on risk to assist with prioritising and developing the final plan.

Section 2 – Report

Background

- 1.1 The CIPFA Code of Practice for Internal Audit requires the Audit Committee (GARM) to approve (but not direct) the Internal Audit Plan.

Plan Development

- 1.2 This report sets out the draft Internal Audit annual plan of work for 2013/14 (Appendix 1). A top-down approach was adopted to the development of the audit plan in –line with the recommended CIPFA practice.
- 1.3 The initial draft plan was developed after consideration of the risk maturity of the organisation; a review of the Council’s Corporate Plan 2013/14; a review of the current Corporate and Directorate Risk Registers; a review of previous Internal Audit work covering the Council’s internal controls; a review of previous Internal Audit coverage of key areas, and consideration of key pieces of new legislation impacting on the Authority.
- 1.4 Consultation then took place with the Finance Business Partners on key areas of financial risk; specific middle managers, as appropriate; Corporate Directors, including the (outgoing) S151 Officer, and the Chief Executive to seek views on which areas are considered high risk and to help develop the audit approach to individual reviews.
- 1.5 Further consultation will be undertaken with the Directorate Management Teams (senior managers); the External Auditors; the Corporate Strategy Board (CSB) on 27th March, this Committee on 29th March and with the incoming S151 Officer before the plan is finalised.
- 1.6 Once the consultation process is complete an audit risk assessment will be undertaken to rank the projects on the plan, based on materiality and risk, as high, medium or low along with an estimate of the internal audit resources required to undertake each proposed audit review, based on the suggested scope of each review. This information will be used to produce the final Internal Audit plan which will focus on high risk ranked areas.

Plan Structure

- 1.7 The projects set out in the plan are grouped under the following headings:
 - Reliance/Assurance Reviews
 - New/Developing Risk Areas
 - Fraud Risk – reviews of controls in place to prevent fraud
 - IT Reviews

- Corporate Risk Based Reviews
 - Directorate Risk Based Reviews
 - Schools Reviews
 - Support, Advice and Follow-up
- 1.8 Included under the Reliance/Assurance Reviews is the work undertaken on the Council's core financial systems which the council's external auditors, Deloitte LLP, rely on to inform their risk assessment that guides the external audit approach. This grouping also covers audit work that contributes to assurance required for the organisation's annual review of governance.
- 1.9 Projects grouped under the heading New/Developing Risk Areas cover professional audit advice on risk and control in new and developing areas.
- 1.10 IT Reviews cover reviews of IT applications and operating systems and specialist IT Auditors will be engaged for some of this work.
- 1.11 Reviews under the heading Fraud Risk are areas that have been identified by the Audit Commission as high risk across all Local Authorities and before inclusion in the final plan will be specifically risk assessed to Harrow. These reviews will specifically concentrate on controls in place to mitigate the risk of fraud.
- 1.12 Corporate Risk Based Reviews are reviews that will have impact across the Council and involve sample testing across the council with the aim of increasing transparency, consistency and compliance.
- 1.13 The group headed Directorate Risk Based Reviews covers suggested reviews specific to directorates, a number of which are linked to the Corporate Risk Register and corporate priorities.
- 1.14 And finally under the grouping Support, Advice and Follow-up a small allowance has been made for providing ad-hoc professional audit advice throughout the year, for investigating suspected irregularities and for following up the implementation of agreed audit recommendations.
- 1.15 Next to each risk based review on the draft plan is an indication of the main driver of the review identified in the planning process i.e. the Corporate Risk Register; the Corporate Priorities/Plan; Internal Audit (based on cumulative audit knowledge); management; Corporate Finance or a combination of these.

Financial Implications

- 1.13 The functions of the Internal Audit service are delivered within the budget available.

Risk Management Implications

- 1.14 The work of Internal Audit supports the management of risks across the council and the Internal Audit Annual Plan is developed from the review

of the Corporate Risk Register and the Corporate Plan and risks identified by management.

Equalities implications

1.15 None.

Corporate Priorities

1.16 The work of Internal Audit supports the corporate priorities as described above.

Section 3 - Statutory Officer Clearance

Name: Steve Tingle	<input checked="" type="checkbox"/>	On behalf of Chief Financial Officer
Date: 19/03/13		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	On behalf of Monitoring Officer
Date: 20/03/13		

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson – Service Manager Internal Audit ext. 2420

Background Papers:

If appropriate, does the report include the following considerations?

1.	Consultation	YES / NO
2.	Corporate Priorities	YES / NO