

**REPORT FOR: GOVERNANCE, AUDIT &  
RISK MANAGEMENT  
COMMITTEE**

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<b>Date of Meeting:</b>	29 March 2012
<b>Subject:</b>	Draft Internal Audit Plan 2012/13
<b>Responsible Officer:</b>	Tom Whiting, Assistant Chief Executive Julie Alderson, Interim Corporate Director Resources
<b>Exempt:</b>	No
<b>Enclosures:</b>	Appendix1: Draft Internal Audit Plan 2012/13

**Section 1 – Summary and Recommendations**

This report sets out the draft Internal Audit plan for 2012/13

**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 2012/13 (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 first draft of the plan was developed after consideration of the risk maturity of the organisation; a review of the Council's Corporate Plan 2012/13; a review of the current Corporate Risk Register; a review of previous Internal Audit work covering the Council's internal controls; a review of previous Internal Audit coverage of key areas, the External Audit plan and after seeking the opinion of the Finance Business Partners on key areas of financial risk.
- 1.4 Consultation then took place with the Chief Executive; Corporate Directors, including the S151 Officer, Directorate Management Teams (senior managers) and specific middle managers, as appropriate, to seek views on which areas are considered high risk and to develop the audit approach.
- 1.5 Consultation will be undertaken with the External Auditors on 16<sup>th</sup> March, the Corporate Strategy Board (CSB) on 28<sup>th</sup> March, this Committee on 29<sup>th</sup> March and further consultation with the S151 Officer before the plan is finalised.
- 1.6 Once the consultation process is complete a 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
  - Corporate Risk Based Reviews
  - Directorate Risk Based 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 and supports the Council's priorities of modernising the Council and protecting frontline services.
  - 1.10 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.
  - 1.11 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.
  - 1.12 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.
  - 1.13 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: Julie Alderson



Chief Financial Officer

Date: 19 March 2012

Name: Hugh Peart



Monitoring Officer

Date: 19 March 2012

## Section 4 - Contact Details and Background Papers

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

**Background Papers:** Corporate Risk Register (presented elsewhere on the agenda)