



**Audit Committee**  
20 March 2013

**Report from the Director of Finance  
and Corporate Services**

For Information  
\* delete as necessary

Wards Affected:  
ALL

**Draft Internal Audit Plan for 2013/14**

**1. Summary**

- 1.1. This report sets out the Draft Internal Audit Plan (the Plan) for 2013/14 and the basis on which the plan has been formulated.

**2. Recommendations**

- 2.1. The Audit Committee note the approach taken to formulate the draft plan for the 2013/14 financial year and the content of the draft plan. This is in line with the Committee's role, as defined in the Constitution: *To consider the strategic and annual audit plans, and consider the level of assurance these can give over the Council's corporate governance and risk management arrangements.*
- 2.2. The Audit Committee approve the commencement of work against the Annual Internal Audit Plan for the 2013/14 financial year, from 1 April 2012 with the final plan to be approved at the next scheduled meeting.

**3. Detail**

- 3.1. All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2003 (as amended). The Public Sector Internal Audit Standard (which replace the CIPFA Code of Practice on Internal Audit in Local Government from April 2013) requires "chief audit executive to establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".
- 3.2. The final audit plan will be presented for approval at the next scheduled meeting of the Audit Committee.

- 3.3. The Internal Audit Service is delivered through a partnership between the Council's in-house Audit & Investigations Team ('the in-house team') and Deloitte & Touche Public Sector Internal Audit Limited ('Deloitte'). The contract with Deloitte through the Croydon Framework has been extended for a further two years effective from 1<sup>st</sup> April 2013. The total plan days for 2013/14 are 1,200 days of which 905 are allocated to Deloitte and 295 to the in-house team.
- 3.4. The report sets out the following:
- How the total plan days has been determined;
  - The proposed breakdown of individual audits split across departments;;
  - The link between the audit plan and the Council's Risk Management Framework
- 3.5. All areas of the Council's operations are potentially subject to internal audit coverage. However, given resource constraints, not all areas can be audited on an annual basis. This means that the selection of audit areas is thus determined on the basis of risk.
- 3.6. The Public Sector Internal Audit Standard requires the risk based plan to take into account the requirement of an annual internal audit opinion and the assurance framework and requires the plan to indicate the link to the organisational objectives and priorities.
- 3.7. 'Risk' is broadly defined as being something which threatens the achievement of an objective. When considering risks in relation to the achievement of objectives across the Council, it is therefore important to recognise that the range of potential risks is significant and diverse. Risks don't relate solely to financial systems, and hence the work of Internal Audit is not focused solely on these areas.
- 3.8. In recent years, the Plan has been formulated on the basis of the following:
- Internal Audit's own knowledge and understanding of key risk areas across the organisation. This is informed through general understanding of the concept of risk; knowledge of the Council's operations, as built up over many years; and awareness and experience of risks being faced within other Local Authorities, as well as across the wider public sector;
  - Internal Audit's own knowledge and understanding of key developments taking place across the Council, and hence emerging risk areas; and
  - Discussions with Directors and Assistant Directors across the Council, so as to clarify and add to the above.
- 3.9. The transfer of responsibility for risk management to the Audit & Investigations Unit has gone some way in the development of a more integrated risk management framework thus enabling there to be a clearer link between internal audit activity and the Council's key strategic and operational risks. The development of a corporate and departmental risk registers over the last 12

months will continue to assist in the development of internal audit plans.

- 3.10. In order to help ensure that all key risk areas are identified, including new and emerging risks, as in the previous financial year, the audit team is in the process of updating the Audit Needs Analysis (ANA) for 2013/14 . This will be included in the final version of then plan once all meetings with DMT's have occurred. As before the ANA will be focused around the following set of internal and external risk factors:

Internal:

- Achievement of Objectives;
- Compliance with Legislation;
- Income/Expenditure;
- Changes to the Organisation; and
- Key Organisational Projects.

External:

- Economic;
- Regulatory; and
- Fraud Risk.

- 3.11. For the 2013/14 financial year, the Internal Audit Team will be attending DMT meetings between now and the end of the current financial year to seek further input from Directors and Assistant Directors.

- 3.12. Internal Audit will liaise with the Council's external auditors (KPMG) has regarding the content of the Plan. This allows for a further input of knowledge with regards to key risk areas, as well as helping to ensure that the work of each is co-ordinated, thereby helping to avoid both gaps and duplication in coverage; and

#### **4. Financial Implications**

- 4.1. None

#### **5. Legal Implications**

- 5.1. None

#### **6. Diversity Implications**

- 6.1. None

**7. Background Papers**

7.1. None

**8. Contact Officer Details**

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