



Audit Committee
22 February 2012

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

For Information
* delete as necessary

Wards Affected:
ALL

**Report Title: Draft Internal Audit Plan & Audit Needs
Assessment for 2012/13**

1. Summary

- 1.1. This report sets out the Draft Internal Audit Plan ("the Plan) for 2012/13 and an update on the Audit Needs Assessment ('ANA') the output of which has been used to formulate the Plan.
- 1.2. 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 CIPFA Code of Practice on Internal Audit in Local Government requires the proper planning of audit work.
- 1.3. The final audit plan will be presented for formal approval at the next scheduled meeting of the Audit Committee.

2. Recommendations

- 2.1. The Audit Committee note the approach being taken to formulate the plan for the 2012/13 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 2012/13 financial year, from 1 April 2012 with the final plan to be approved at the next scheduled meeting.

3. Detail

- 3.1. 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 total plan days for 2012/13 are 1,200 days of which 905 are allocated to Deloitte and 295 to the in-house team.
- 3.2. The report sets out the following:
 - How the total plan days has been determined;
 - The proposed breakdown of individual audits split across departments;;
 - An update on the Audit Needs Assessment;
- 3.3. 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.
- 3.4. 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 knowledge of the Council's operations and risk profile and awareness and experience of risks being faced within other Local Authorities, as well as across the wider public sector;
 - 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.
- 3.5. 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 Needs Analysis for 2012/13 is focused on 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:

- Legislative change
- Economic;
- Regulatory; and
- Fraud Risk.

- 3.6. Changes in the external environment are likely to have an impact on the internal risk factors. This holistic approach is therefore considered to be robust. However, it cannot be guaranteed that this exercise will necessarily anticipate and identify all future emerging risks. This has always been the case and the plan has to be flexible and reviewed throughout the course of the year, with amendments made to the areas of coverage, as appropriate.
- 3.7. For the 2012/13 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 to seek further input from Directors and Assistant Directors.
- 3.8. The revised ANA is documented in nine tables, one at a corporate level and one for each of the departments. The tables are attached at Appendix B. The Plan itself has been formulated on the basis of the ANA, with the relevant links highlighted as appropriate.
- 3.9. Two final points to note are as follows:
- As in previous years, Internal Audit has also been liaising with the Audit Commission regarding the content of the Plan. This provides further input of knowledge with regards to key risk areas, as well as helping to ensure that the work is co-ordinated, thereby helping to avoid both gaps and duplication in coverage; and
 - Given the need to focus on risk, as well as the outlined elements of the ANA process, the Plan is also linked to the Council's risk management framework. Developments in this area are currently also being taken forward by the Head of Audit & Investigations.

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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