

2014/15 INTERNAL AUDIT PLAN

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1. Purpose

- 1.1 To outline to the Committee the proposed Annual Audit Plan for the 2014/15 financial year. **(Annex A)**

2. Recommendations

- 2.1 That the Committee provides comments and highlights any themes of significant concern it wishes to see which are not currently included within the Audit Plan if possible.
- 2.2 That the Committee approves the 2014/15 Audit Plan.

3. Issues and Choices

- 3.1 The CIPFA Guidance on Audit Committees and the Public Sector Internal Audit Standards (PSIAS) state that the Board/Audit Committee should “approve the risk based Internal Audit Plan.”
- 3.2 The development of the Internal Audit Plan is driven by the statutory basis that all activities of the Council are audited over a reasonable period. The approach used is primarily based on a risk assessment to identify areas to include in the plan.
- 3.3 The first step is to understand the strategic and operational priorities of the Council together with the risk. We do this by:
- Understanding Council structure and service areas including forthcoming planned changes
 - Quantifying risks associated with achieving corporate and service level objectives
 - Obtaining information from the Corporate Risk register
 - Identifying corporate level objectives and risks
 - Utilising local and national knowledge
 - Consulting with Directors, Assistant Directors and other key stakeholders

- 3.4 The audit universe is defined by identifying all the auditable entities (functions, systems, establishments, locations, applications) within the Council.
- 3.5 The risk of each auditable entity is assessed/calculated. The strength of the control system in place is taken into consideration when assessing the risk. The main elements informing the risk assessment are:
- Volume of transactions
 - Income / expenditure/ budget
 - Sensitivity of the area e.g. stability of environment/staffing , public perception, reputational risks, political importance
 - How significantly the area contributes to Council priorities/objectives
 - The robustness of risk management
 - When the area was last audited
 - Previous audit opinion
 - Management concerns
- 3.6 The audit areas which are essential regardless of risk score e.g. managed audits (those which are essential to meet the requirements of the external auditors), grant claim certifications, are identified. These, along with the highest scoring entities form the basis of the first draft plan which is then moderated to accord with the available audit resource.
- 3.7 The above process provides the basis of the draft audit plan which is provided to CLT, relevant managers, external audit and the Audit Committee for consultation and usually results in further modifications.
- 3.8 The Annual Audit Plan is indicative and it is inevitable that changes will be made during the year as the risk profile of the Council changes. This will be achieved through ongoing review and amendment, in consultation with the relevant lead clients and service managers to reflect the changing needs of the council and to add maximum value.
- 3.9 The Audit Committee will be kept informed of progress against the Annual Audit Plan and agree any significant changes during the year.
- 3.10 The PSIAS states that if the Chief Audit Executive (HIA) believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board (Audit Committee).
- 3.11 A resource analysis has been undertaken which estimates that 1400 days will be available for audit work on the 2014/15 on the assumption that the 2 vacant posts will be filled by the end of June 2014. This does not take into account unavoidable absences that we know will arise through planned operations. It is estimated that the draft Internal Audit Plan will require 1382 days of audit resource. An allowance has been factored into the calculation of available audit days to complete

outstanding audits, follow up audits and undertake some special investigation and consultancy work. However the Plan does not allow for any further contingency.

4 Implications

4.1 Policy

The plan implements the Audit Strategy and Charter which is also being brought to the Committee for approval.

4.2 Resources and Risk

The completion of the Audit Plan is considered a risk for 2014/15 given the expected ongoing financial pressures the Council will face in the coming years which will place additional pressures on the audit service. The 2014/15 plan will continue to be flexible to meet the changing priorities of the Council. Although all fundamental and high priority audit work should be completed the LIKELIHOOD is HIGH that not all of the low priority audits will be completed by the year end.

x	Capital	X	Revenue	x	Accommodation
x	IT	Y	Medium Term Plan	x	Asset Management

4.3 Legal

The proposed Plan meets the statutory requirements of the service.

4.4 Other Implications

4.5 The audit approach has been discussed with external audit who have confirmed that it meets their requirements. The plan also provides for the unplanned pressure of special investigations including fraud

x	Equalities Diversity	/ x	Sustainability	x	Human Rights
x	E-Government	y	Stakeholders	y	Crime and Disorder

Background Papers:

Annex A - Proposed Audit Plan for 2014/15