



EHDC Audit Committee

Internal Audit Plan 2013-14 Report

13 March 2013

Recommendation

Members are recommended to approve the proposed EHDC Internal Audit Plan 2013-14

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1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed EHDC Internal Audit Plan 2013-14.

Background

- 1.2 The EHDC Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It is designed to inform the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.
- 1.3 The SIAS Audit Strategy which the Committee approved in its meeting in March 2012, and which sets out the overall approach adopted to provision of internal audit, was drafted in order to fully comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. The Strategy sets out the future direction for the provision of modern and effective Internal Audit Services for the SIAS partner authorities, providing the appropriate level of support and challenge to assist them in meeting their aims and objectives.
- 1.4 The new United Kingdom Public Sector Internal Audit Standards (PSIAS) will apply across the whole of the public sector from 1 April 2013. The PSIAS SIAS Terms of Reference and Audit Strategy will be updated to reflect the new PSIAS and will be subsumed in an Audit Charter which will be presented to this Committee in July 2013.
- 1.5 The PSIAS require that the audit plan 'must incorporate or be linked to a strategic or high-level statement of how the IA service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities'. Section 2 of this report is provided in order to fulfil this requirement.

2. Audit Planning Process

Planning Principles

2.1 The SIAS Audit Strategy contains eight planning principles which underpin our approach to overall audit planning:

- Focus assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage, therefore, at both the strategic and key operational aspects of the business;
- Maintain up-to-date awareness of the impact of the external and internal environment on the organisation's control arrangements;
- Use a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;
- Take account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising, in a resource constrained environment, that there will be situations when not all needs can be met;
- Identify responsibilities for auditing any services which are delivered in partnership;
- Ensure flexibility so that the plan evolves through the year in response to emerging risks and issues;
- Provide for the delivery of key commitments, such as work done in support of the External Auditor and to deliver governance and counter fraud responsibilities;
- Include provision for responding to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

2.2 The approach to audit planning at EHDC for 2013-14 has been characterised by:

- A Chief Financial Officers (CFO) workshop to identify and assess emerging risks and any assurance requirements for these risks. The workshop also identified potential joint reviews that could be conducted across SIAS partners;
- Preparatory work e.g. horizon scanning, risk assessing from Corporate and Divisional Risk Registers, to develop an initial list of potential auditable areas for 2013-14;
- A workshop with Directors to identify strategic auditable areas;
- Workshops with Heads of Service and one-to-one meetings if required, to identify operational auditable areas ;
- Discussions with the Chair and Vice-Chair of the Audit Committee to confirm and complement the above results;

These workshops and meetings included obtaining management's view of assessed risk. The methodology used is attached as Appendix A.

- Cross-comparative work across the 2013-14 plans developed for all partners of the SIAS;
- Preparation of a draft plan and discussion of it with the Council's Audit Champion.

2.3 The aim of this approach is to ensure that our work gives assurance on what is important and poses greatest risk, and by doing so, assists the Council in achieving its priorities and objectives.

The Planning Context

2.4 The following considerations have informed the planning process this year:

- a) The challenging context for local government and the general governance, risk management, and internal control environment:
- Further funding reductions taking effect;
 - Efficiency and transformation programmes altering the nature and structure of Councils;
 - Greater transparency and scrutiny of public expenditure.
- b) The challenge of giving value in this context, which means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives;
 - Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;
 - Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate;
 - Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2013-14

- 2.5 The draft plan for 2013-14 is included at Appendix B and contains a high level proposed outline scope for each audit and a suggested quarter for delivery.

2.6 The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

Purchased audit days	435
Key Financial Systems	102
Operational Audits	172
Governance	12
Procurement	27
Counter Fraud*	0
IT Audits	37
Strategic Support**	50
Follow up of High Priority Recommendations	8
SIAS Development	5
Joint Reviews	7
12-13 Projects Requiring Completion	15
Total allocated days	435

* Fraud risk assessment is an integral part of the core programme of audit work. In 2013/14, the annual Payroll audit will include targeted testing of expense claims.

** This covers servicing the Audit Committee, attending Audit Champion meetings, plan monitoring and audit planning for 2014-15.

2.7 A number of further audits were initially identified as possible audits for 2013-14. When risk assessed, these were not considered of sufficient priority to make the proposed plan. These will be held in reserve (see Appendix C) and considered for inclusion in the event that audits on the proposed plan are no longer relevant due to changed circumstance. Any amendments will be brought before the Audit Committee for consideration and approval.

Internal Audit Plan 2014-15

2.8 During audit planning discussions a number of potential audits were identified for 2014-15. These are included at Appendix D. These audits will be formally risk assessed for inclusion in the 2014-15 audit plan during the planning process.

3. Performance Management

Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2013-14 and any proposed changes will be reported to this Committee four times in the 2013-14 civic year.
- 3.2 The implementation of agreed high priority recommendations will be monitored by Internal Audit and progress will be reported as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2011. Details of the targets set for 2013-14 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. Planned Days percentage of actual billable days against planned chargeable days completed	95%
2. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects	95%

Performance Indicator	Performance Target
3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%
4. Number of High Priority Audit Recommendations agreed	95%
5. External Auditor Satisfaction	Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work
6. Annual Plan	Presented to the March Audit Committee, or if no March meeting then presented to the first meeting in the new financial year
7. Head of Assurance's Annual Report	Presented to the first meeting of the Audit Committee in the new financial year

